Erewash Borough Council Core Strategy Review Viability Assessment 2023

Final Report

September 2023

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Chapters **Page**

1 INTRODUCTION

Overview and objectives

1.1 Andrew Golland Associates have been appointed to carry out an update of the Council's previous viability analyses.

1.2 Previous analyses have addressed the following key questions:

- Whether a split (Affordable Housing) target was appropriate?
- Whether the current threshold or 'trigger point' is appropriate?
- And if not whether this should be lower (higher)?
- And/or whether the overall target should be varied by size of site?

1.3 This study covers the following main activities:

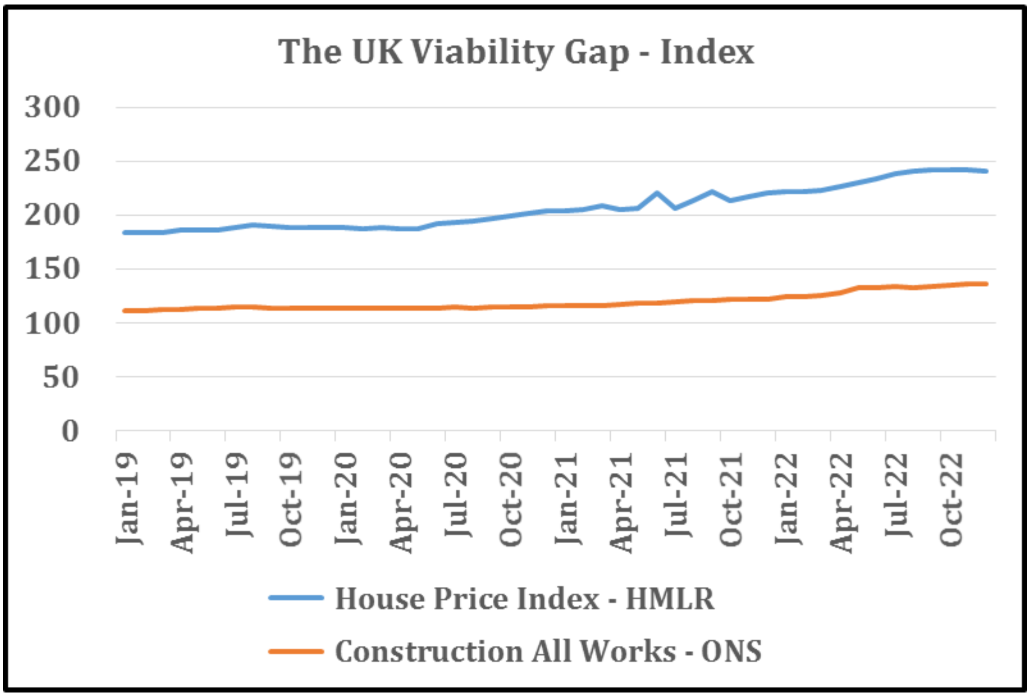
1) Updating the High Level Testing;
2) Testing a number of key sites that will cover a significant amount of supply over the Plan period;

1.4 The Council have recently (30th November 2022) submitted the Erewash Core Strategy Review to the Planning Inspectorate. The appointed Planning Inspector is now considering the document and the Council is responding to the issues raised. Viability is critical to the delivery of the Plan.

Background for this study

1.5 The Council has previously carried out viability assessments both as an authority and as part of the Nottingham Core Housing Market Area. As a result, the local planning authority expects in particular, Affordable Housing to be delivered, but recognizes that local market circumstances may mean that this will vary from place to place.

1.6 However, in terms of numbers, the viability 'gap' (between values and costs) has widened over the past four years. This is shown below:



1.7 This means that for most areas viability in principle is improving, although this may be because supply is short, and increasingly so, given the government's retraction on housing targets.

1.8 The Council will need to see that housing delivery is maintained, through viable schemes and sites, and in particular, that its strategic sites are built out whilst delivering the maximum potential community benefit in terms of Affordable Housing and other infrastructure.

1.9 This study takes place against a backdrop of significant political and economic change. Three impacts appear to have been significant – Brexit, Covid and the Ukraine war. We are now largely beyond the physical effects effects of Covid, although it has made a significant dent in the public finances as a consequence of the furlough scheme and the cost of mitigating health impacts. Brexit has proved an even greater negative impact, particularly on the primary industries – farming, fishing and manufacturing, but as well as on export trade and has had further disastrous impacts on the knowledge, research and cultural industries. Brexit has had further negative impacts via cost push inflation, in large measure created by sterling devaluation. Ukraine has proved a useful scapegoat for government inaction on all the major public policy fields – and for housing and planning in particular.

1.10 Against this backdrop it might be expected that the housing market would be in a state of collapse. This is not the case for a number or reasons. Perhaps the most important has been a lack of supply, particularly of new build housing. Supply across England for example is now expected to fall to its lowest for decades (https://www.theguardian.com/society/2023/feb/26/england-new-housing-housebuilding-planning-policy)

1.11 However, it should be acknowledged that for the development industry, the price of raw materials, often imported from the EU, has risen and this is then bound to squeeze margins, assuming that inflation costs cannot be passed on to land owners. Rising costs against fixed or falling gross development values mean tighter residual values.

1.12 As ever, it is important to make a distinction between land prices and residual values. The purpose of policy development is to temper the transition from residual value into land value; in other words to ensure that a portion of any increase in land value translates into community benefits. This is entirely fair and reasonable as it is the community that creates that land value in the first instance.

Policy background

National planning

1.13 There are a variety of issues surrounding viability questions at the current time. Initially, at the national level, the National Planning Policy Framework stated (Paragraphs 173 and 174) that:

> ‘Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account

of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence'.

1.14 However, the Revised NPPF (2021) appears to do away with a formal definition of viability; i.e. the previous paras (173 and 174) which dealt with the willing developer and land owner and competitive returns have been removed.

1.15 The most relevant paragraphs of the Framework now appears to be Numbers 47, 48 and 58 which deal with the relationship between Local Plans and planning applications:

'Determining applications

47. Planning law requires that applications for planning permission be determined in accordance with the development plan, unless material considerations indicate otherwise. Decisions on applications should be made as quickly as possible, and within statutory timescales unless a longer period has been agreed by the applicant in writing.

48. Local planning authorities may give weight to relevant policies in emerging plans according to: a) the stage of preparation of the emerging plan (the more advanced its preparation, the greater the weight that may be given); b) the extent to which there are unresolved objections to relevant policies (the less significant the unresolved objections, the greater the weight that may be given); and c) the

degree of consistency of the relevant policies in the emerging plan to this Framework (the closer the policies in the emerging plan to the policies in the Framework, the greater the weight that may be given).'

And:

'58. 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.'

1.16 Erewash Core Strategy (March 2014) states in relation to Affordable Housing:

Approach to Affordable Housing

4. On sites capable of supporting 15 or more residential units, up to 30% of those units will be sought by negotiation to be delivered as affordable housing, subject to consideration of viability. Viability is likely to constrain this target in the following areas:

a) In the Ilkeston Urban Area excluding the Stanton Regeneration Site to around 10%

b) At the Stanton Regeneration Site to around 10 to 20%

c) In the Long Eaton Urban Area to around 20%.

Approach to Rural Affordable Housing

5. Where there is robust evidence of local need rural exception sites or sites allocated purely for affordable housing may be permitted within or adjacent to rural settlements, where supported by the local community.

6. In allocating rural affordable housing, priority will be given to people that have a connection to that settlement, who are unable to afford market housing.

Research undertaken for this study

1.17 There were five main strands to the research undertaken to complete this study:

- Discussions with a project group of officers from the Council to help inform the structure of the research approach;
- Analysis of information held by the authority, including the most up to date estimates of infrastructure costs;
- Use of the Development Appraisal Toolkit to carry out High Level Testing and large scheme specific viability assessment;
- Consultation with local developers and site promoters on the major scheme assessments
- Reporting on the viability of the Plan and its various policy impacts.

1.18 Particular thanks are given to the following with respect to their assistance with the project:

David Winterbotham, Lambert Limited;

Liberty Stones, Fisher German;

John Cox, Property agent;

Peter Leaver, Nurton Developments;

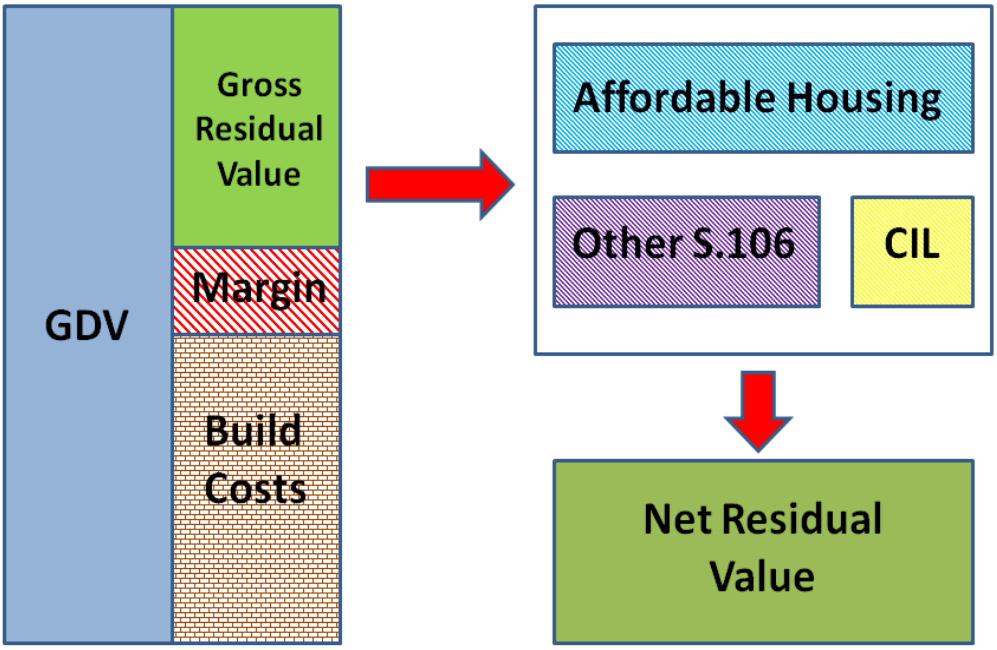
Richard Piggott, Planning and Design.

2 APPROACH TO VIABILITY DEFINITION

2.1 Development Appraisal Model (DAT) is used 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 (scheme revenue) and what it costs to develop (build costs and developer margin). The model can take into account the impact on scheme residual value of affordable housing and other Section 106 contributions or CIL where this is being tested.

2.2 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.

Figure 2.1 Viability, CIL and Affordable Housing



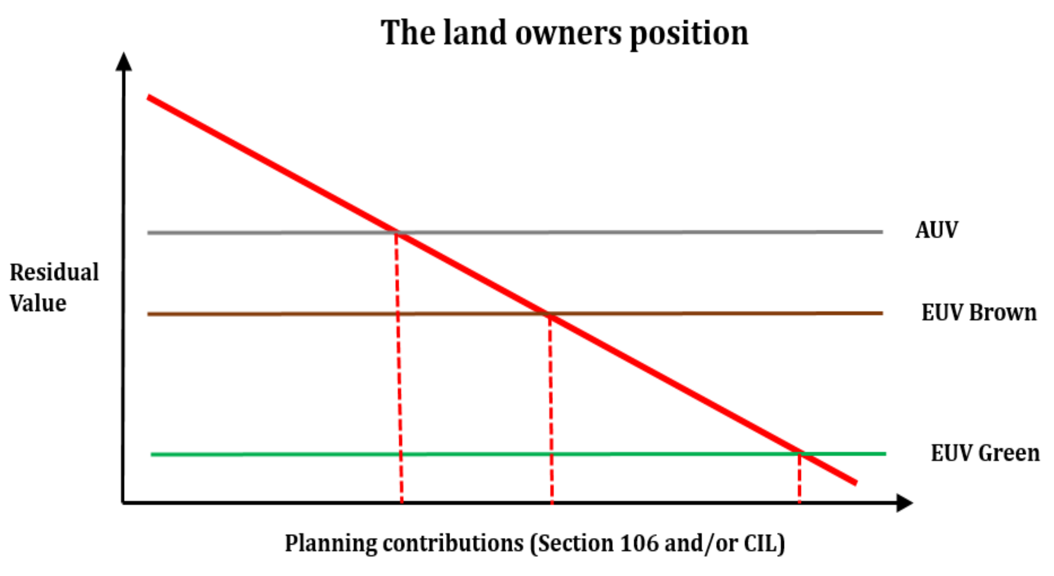
2.3 The gross residual value is the starting point for negotiations about the level and scope of Section 106 or CIL contribution. The contribution will normally be greatest in the form of affordable housing but other Section 106 items or CIL will also reduce the gross residual value of the site. Once the Section 106 contributions/CIL have been deducted, this leaves a net residual value.

2.4 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.

2.5 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 (EUV) of the site, or indeed a realistic alternative use value for a site 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 or any other use.

2.6 Figure 2.2 shows how this operates in theory. Residual value (RV) falls as planning contributions increase. The issue for the land owner will be the point at which RV is less than or equal to the land value benchmark.

Figure 2.2 Residual Value (RV) and the land owner's position



2.7 Above this point there will be a land owner return. The extent of this returns depends on the existing use value of the site (EUV). Some sites will be green field and some brown field. Normally brown field sites will have a higher EUV than green field but this does not always follow; for example where brown field land is heavily contaminated.

2.8 In some instances, an Alternative Use Value (AUV) will be appropriate to use. The conditions where this is the case are discussed in the Harman Review (2012) which looks at how local authorities may take viability on board when making plans.

Approach and best practice

2.9 This approach follows that set out in the GLA's Viability Toolkit Guidance (2001) which was the forerunner to the current National Planning Policy Guidance.

The approach set out above is robust for:

- Policy development;
- Scheme specific assessment;
- Updating viability (policy and schemes);
- Commuted sums;
- Disposal of public and private land (subject to Section 106).

2.10 This approach, which has led national planning policy guidance has been followed in good practice and in all appeals.

2.11 The approach has never been rejected.

3 VIABILITY ANALYSIS: HIGH LEVEL TESTING

Introduction

3.1 This chapter of the report considers viability for residential schemes including affordable housing. It provides an understanding of how residual value varies under different housing market circumstances, different policy impacts and different development densities and mixes.

3.2 The chapter is important in calculating residual values against which land value benchmarks are set.

Sub Market areas

3.3 The analysis is based on sub markets which are built on the geographical template of postcode sectors. Sub markets are important in helping to define the way policy is structured, and in particular in terms of the Affordable Housing targets which are seen to be viable. Within the structure of the sub markets, location is the key driver of house prices, and ultimately residual value. It is important in these respects to recognise that there will be 'hot' and 'cold' spots where the economics of development will not precisely emulate those of the wider sub market in which the site is located.

3.4 The house price data, along with other key data such as development costs and Affordable Housing revenue, has been updated. In the case of house prices, by analysing all transactions in the market (second hand) over a three year period. Prices have been cross checked against new build sales.

3.5 Table 3.1 below sets out the sub markets.

Testing assumptions

3.6 The analysis is based on a range of policy tests. Specifically, affordable housing targets of 0% through to 50%, including 10%, 20%, 30%, 40% and 50%.

3.7 Residual values have been generated for a notional one hectare site that reflect the Affordable Housing targets.

Table 3.1 Sub Markets: Erewash BC area

Sub Markets	Settlements		Detached			Semis		Terraced		Flats	
		PCS	5 Bed	4 Bed	3 Bed	3 Bed	2 Bed	3 Bed	2 Bed	2 Bed	1 Bed
Rural West and Central	Little Eaton	DE21 5	£610,000	£535,000	£425,000	£340,000	£290,000	£320,000	£280,000	£210,000	£150,000
	Ockbrook; Borrowwash; Draycott; Breaston	DE72 3									
	West Hallam; Breadsall; Morley; Stanley	DE7 6									
Derby Fringe	North of Spondon	DE21 7	£500,000	£435,000	£350,000	£275,000	£230,000	£270,000	£225,000	£175,000	£120,000
Long Eaton, Sandiacre & Sawley	Long Eaton	NG10 4	£480,000	£425,000	£335,000	£270,000	£225,000	£245,000	£210,000	£170,000	£115,000
	New Sawley	NG10 3									
	Long Eaton	NG10 2									
	Long Eaton	NG10 1									
	Sandiacre; Long Eaton North	NG10 5									
Kirk Hallam and Stanton	Kirk Hallam and Stanton-by-Dale	DE7 4	£450,000	£385,000	£310,000	£250,000	£215,000	£230,000	£200,000	£160,000	£110,000
Ilkeston, Little Hallam & Cotmanhay	Ilkeston & Little Hallam	DE7 5	£380,000	£330,000	£270,000	£215,000	£180,000	£210,000	£175,000	£140,000	£100,000
	Cotmanhay and North Ilkeston	DE7 9									
	Cotmanhay and North Ilkeston	DE7 8									

Source: HM Land Registry; cross check new developments in Erewash BC

3.8 A full range of schemes are tested here. Densities of 20 dwellings per hectare (dph), 30 dph, 40 dph and 50 dph have been tested for all (five) sub markets.

3.9 The results are shown in full (Residual Value in £ million) at Appendix B for all sub markets and each density is looked at in turn below. The results reflect the further following assumptions:

- Affordable Housing assuming Social Rent, Affordable Rent and Shared Ownership, split equally within the Affordable element;
- Equivalent 20% developer margin on Market element of schemes;
- 6% return on the Affordable element of schemes;
- 3% marketing fees.

Residual values at 30 dph

3.10 Table 3.2 shows residual values for all sub markets at a density of 30 dwellings per hectare. It shows residual values at a range of Affordable Housing targets from 0% through to 50%.

Table 3.2 Residual values (£ million per hectare) at 30 Dwellings per Hectare

30 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£3.82	£3.25	£2.68	£2.11	£1.54	£0.97
Derby Fringe	£2.21	£1.80	£1.39	£0.98	£0.57	£0.16
Long Eaton, Sandiacre & Sawley	£2.02	£1.63	£1.24	£0.85	£0.46	£0.07
Kirk Hallam and Stanton	£1.50	£1.16	£0.82	£0.49	£0.15	-£0.19
Ilkeston, Little Hallam & Cotmanhay	£0.62	£0.37	£0.19	-£0.13	-£0.38	-£0.63

3.11 The table shows residual values (£ million) on a per hectare basis. The results show, as with previous analyses a significant range of results for the difference between gross development value and development costs.

3.12 A point that stands out is that a 50% Affordable Housing target delivers residual value of almost £1 million per hectare in the Rural West and Central sub market, whereas in Ilkeston the residual value in in excess of £0.5 million negative.

3.13 Where there are significant differences between the localities, there is a case for varying the Affordable Housing target in policy. This being said, it is important to stress that within high value areas there will be 'cold' spots and within lower value areas there will be 'hot' spots. However, the sub markets will set the wider 'tone' for the policy and hence the practical functioning of the policy.

3.14 Residual values in Erewash are generally strong. At the top end of the market, they are approaching £3 million per hectare at 20% Affordable; in a mid market such as Long Eaton they are in excess of £1 million per hectare at 20% Affordable; and in Ilkeston, the lowest value sub market, they are approaching £0.2 million per hectare at the same percentage of Affordable Housing.

3.15 In most locations an Affordable Housing contribution of 20% should be viable, and particularly so where the existing use is agricultural.

3.16 The housing market across the Borough area is split broadly four ways between:

- Rural West and Central;
- Derby Fringe and Long Eaton;
- Kirk Hallam and Stanton;
- Ilkeston

Residual values at 40 dph

3.17 Figure 3.1 shows residual values at 40 dph. This illustrates in bar chart form the geographical differences.

3.18 At 40 dph, residual values are positive at 40% Affordable Housing in all but the lowest value sub market.

3.19 In terms of viability, RVs exceed green field existing use values by a very significant margin in most scenarios. As examples (10% Affordable Housing):

Rural West and Central x 179;

Derby Fringe x 93;

Long Eaton x 83;

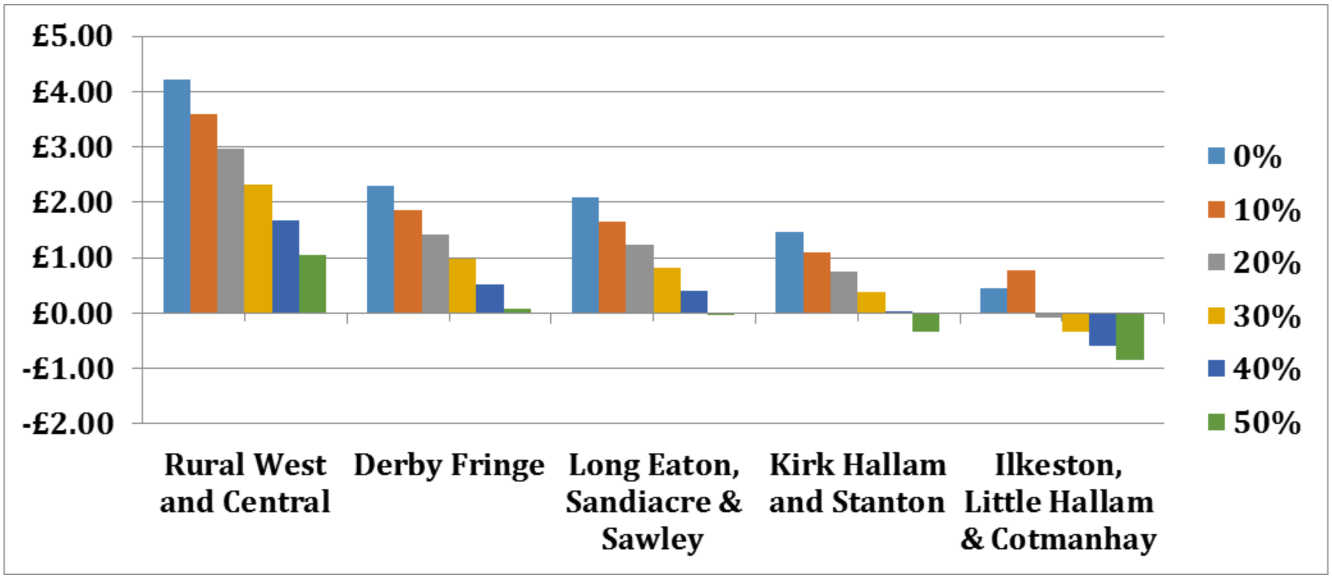
Kirk Hallam and Stanton x 55;

Ilkeston, Little Hallam and Cotmanhay x 39;

These multiples are based on agricultural value at circa £20,000 per hectare and 10% Affordable Housing contributions.

https://www.savills.co.uk/landing-pages/rural-land-values/rural-land-values.aspx

Figure 3.1 Residual value at 40 dph



3.20 These are very strong returns to land owners of these sites and it should be borne in mind that developers are also obtaining a return of 20% on gross development value.

Residual values at 50 dph

3.21 A further test of viability has been carried out – at 50 dwellings per hectare. An important variable at different densities is development mix. Here the proportion of smaller dwellings is greater than for example at 40 and 30 dph.

3.22 Increasing density to 50 dph has a generally beneficial impact on residual values. In most sub markets these increase. For example the Rural West and Central residual value at 30% Affordable Housing increases from £2.31 million to £2.67 million; in the Long Eaton sub market residual values (30% Affordable Housing) increase from £0.82 million to £0.88 million.

3.23 However in the Kirk Hallam and Stanton sub market the residual value remains the same at 40 dph and 50 dph.

3.24 The trend reverses in the weaker sub market of Ilkeston. In other words residual value decreases as density increases from 40 to 50 dph. This is quite dramatic; at 10% Affordable Housing, residual value at 40 dph is £1.1 million yet at 50 dph it is £0.1 million. This means that in the lower value areas of the Borough a lower density may work better in terms of delivering housing than higher density.

Table 3.3 Residual values (£ million per hectare) at 40 dph

50 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£4.86	£4.13	£3.40	£2.67	£1.94	£1.21
Derby Fringe	£2.58	£2.07	£1.59	£1.07	£0.57	£0.06
Long Eaton, Sandiacre & Sawley	£2.31	£1.84	£1.36	£0.88	£0.41	-£0.07
Kirk Hallam and Stanton	£1.59	£1.19	£0.78	£0.38	-£0.03	-£0.43
Ilkeston, Little Hallam & Cotmanhay	£0.38	£0.10	-£0.18	-£0.47	-£0.75	-£1.03

3.25 In terms of increases in residual value (50 dph compared with 40 dph), the following percentages apply (10% Affordable Housing in the scheme):

Rural West and Central x 206;

Derby Fringe x 104;

Long Eaton x 92;

Kirk Hallam and Stanton x 60;

Ilkeston, Little Hallam and Cotmanhay x 5;

3.26 As previously, these are very significant increases for both land owner and developer.

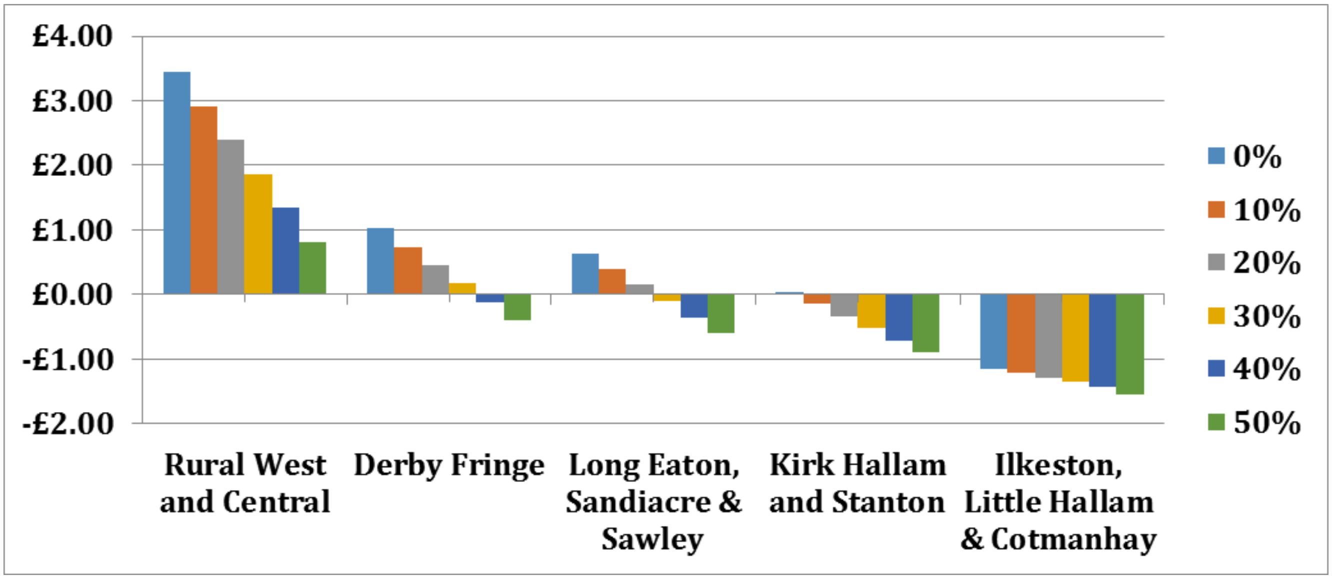
Residual values at 80 dph

3.27 Figure 3.2 shows residual values per hectare for all sub markets at 80 dph. The pattern or spread of values is broadly maintained as for other density analyses.

3.28 Increasing density from lower densities to 80 dph obviously includes more smaller housing; in practice flats (which are not included at lower density).

3.29 Residual values are positive only up until the mid market of Long Eaton (Sandiacre and Sawley). Figure 3.2 sets out the overall picture.

Figure 3.2 Residual values per hectare at 80 dph



3.30 The chart shows clearly that development at this higher density is not viable in the weaker sub markets. And it is important to highlight that even in the strongest (Rural) sub market residual values are lower at 80 dph than at 50 dph.

Conclusions

3.31 The analysis in this chapter shows that:

- The key factor driving residual value is location. Location is the key to understanding why Affordable Housing targets (all other things equal) should be varied across different settlements and rural areas;
- Marginal changes in house prices have disproportionate impacts on residual value. This means that policy should reflect these differences in particular with respect to Affordable Housing;
- However, it is important to remember that any targets set will cover areas where there are hot as well as cold spots, so flexibility is needed in the interpretation of policy.

3.32 The housing market across the Borough area is split broadly four ways between:

- Rural West and Central;
- Derby Fringe and Long Eaton;

- Kirk Hallam and Stanton;
- Ilkeston

3.33 In terms of viability, RVs exceed green field existing use values by a very significant margin in most scenarios. As examples (10% Affordable Housing and 30 dph):

Rural West and Central x 179;

Derby Fringe x 93;

Long Eaton x 83;

Kirk Hallam and Stanton x 55;

Ilkeston, Little Hallam and Cotmanhay x 39;

These multiples are based on agricultural value at circa £20,000 per hectare and 10% Affordable Housing contributions.

3.34 These are strong residual values which are well above existing use value for green field land and allow the Borough to set Affordable Housing targets fairly robustly and ambitiously.

3.35 When moving from policy targets to scheme specific negotiations it will be important for Planning and Housing officers to maintain a flexible approach. Not all sites are green field and will have higher existing use values that in some instances may make the headline target not deliverable.

3.36 Additionally it should also be remembered that development mix is key a different mix on a scheme by scheme basis could generate improved viability.

3.37 The full results of the High Level Testing are set out in Appendix A.

4 LARGE SITE ANALYSIS

4.1 The Council has several key sites which will bring forward additional housing. These sites include:

- A site south west of Kirk Hallam for 1,300 dwellings;
- A site north of Spondon for 237 dwellings;
- A site at land north of Cotmanhay for 200 dwellings;
- A site at Acorn Way, east of Derby for 600 dwellings;
- A site at South Stanton for 1,000 dwellings.

4.2 The Council have been in contact with the promoters and the relevant policy makers and there is a full list of infrastructure requirements for all the sites which I have built into the appraisals.

4.3 In addition the Borough have certain Borough wide project objectives, which I have also factored in as shown in Table 4.1.

Table 4.1 Borough wide obligations

Borough wide Obligations				
Site	Dwellings			
South Stanton	1000			
Acorn Way	600			
North of Spondon	200			
SW of Kirk Hallam	1300			
North of Cotmanhay	250			
Total	3350			
Trent Valley Way	Improvement to multi-user standard for full length	4	Transport	£1,800,000
Great Northern Greenway	Completion and improvement to multi-user standard for full length	4	Transport	£2,200,000
Derbyshire				£103,947
Derby City				£29,321
Total				£4,133,268
Obligation per Dwelling				**£1,233.81**

4.4 The rate per unit to fund these Borough wide objectives is £1,234 per dwelling across all large sites. This is a very small impact.

4.5 The viability of each of these sites is looked at in turn.

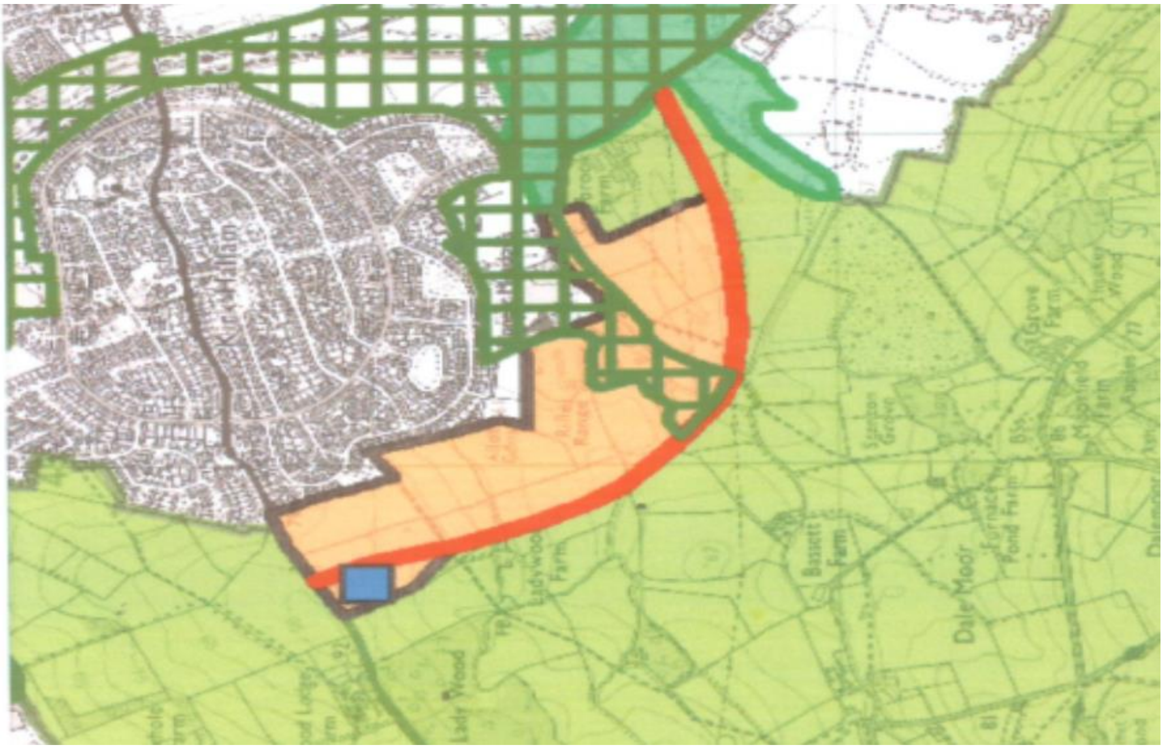
South West of Kirk Hallam

4.6 This site is for 1,300 dwellings. The main infrastructure requirement is a relief road (a cost of some £10 million), and there are additional items in the form of education contributions.

Table 4.1 Infrastructure requirements

Item	Item details	Policy	Site/ policy	Estimated total cost
Kirk Hallam Relief Road	Including appropriate crossings	1.5	South West of Kirk Hallam	£10,295,000 (total) Phase 1 - £3,860,000 Phase 2 - £3,910,000 Phase 3 - £1,316,000 Phase 4 - £1,209,000
Primary school (on site)	To serve new population	1.5	South West of Kirk Hallam	£5,500,000 (1.5 form entry)
School Place contributions			South West of Kirk Hallam	£945,917

4.7 The site is shown below. The development will be close to the existing settlement of Kirk Hallam. This is a lower value settlement. However the new development is very large and hence it is expected that it will create its own market and respective development values. I have taken account of the information provided by the site promoters in the adopted GDV.



4.8 It is understood that an application is to be submitted imminentl. At a density of 30 dwellings per hectare site (and 1,300 dwellings) the developable area is around 43 hectares. The gross area is believed to be around 51 hectares. It is assumed that this will be family housing, including two, three and four bed dwellings.

4.9 The anticipated development mix is shown in Table 4.2:

Table 4.2 Anticipated development mix for Kirk Hallam development

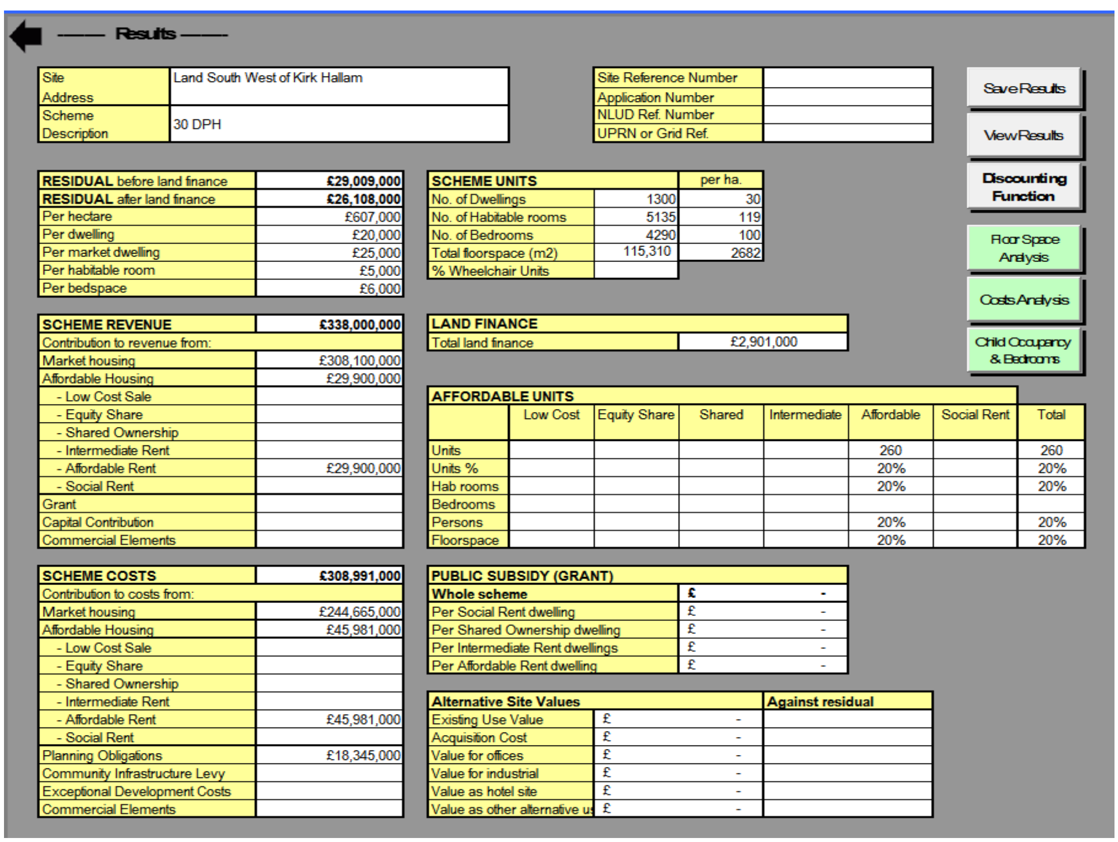
Dwelling Type	**30 DpH**	**Total**	**Homes**	**Prices**	**GDV**
2 Bed Terraces	15	1300	195	£200,000	£39,000,000
3 Bed Semis	50	1300	650	£250,000	£162,500,000
4 Bed Detached	25	1300	325	£385,000	£125,125,000
5 Bed detached	10	1300	130	£450,000	£58,500,000
	100		1300		£385,125,000

4.10 The results of the assessment are shown in Table 4.3 below:

Table 4.3 Viability assessment for land South West of Kirk Hallam: Results

% Affordable Housing	Residual Value
0	£54,854,000
10	£40,481,000
20	£26,108,000
30	£11,735,000
40	-£2,638,000

4.11 The screenshot below shows the results for the scheme at 20% Affordable Housing:



Results

Site Address	Land South West of Kirk Hallam
Scheme Description	30 DPH

Site Reference Number	
Application Number	
NLUD Ref. Number	
UPRN or Grid Ref.	

Save Results | View Results | Discounting Function | Floor Space Analysis | Costs Analysis | Child Occupancy & Bedrooms

RESIDUAL before land finance	**£29,009,000**
RESIDUAL after land finance	**£26,108,000**
Per hectare	£607,000
Per dwelling	£20,000
Per market dwelling	£25,000
Per habitable room	£5,000
Per bedspace	£6,000

SCHEME UNITS		per ha.
No. of Dwellings	1300	30
No. of Habitable rooms	5135	119
No. of Bedrooms	4290	100
Total floorspace (m2)	115,310	2682
% Wheelchair Units		

SCHEME REVENUE	**£338,000,000**
Contribution to revenue from:	
Market housing	£308,100,000
Affordable Housing	£29,900,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£29,900,000
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	

LAND FINANCE	
Total land finance	£2,901,000

AFFORDABLE UNITS	Low Cost	Equity Share	Shared	Intermediate	Affordable	Social Rent	Total
Units					260		260
Units %					20%		20%
Hab rooms					20%		20%
Bedrooms							
Persons					20%		20%
Floorspace					20%		20%

SCHEME COSTS	**£308,991,000**
Contribution to costs from:	
Market housing	£244,665,000
Affordable Housing	£45,981,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£45,981,000
- Social Rent	
Planning Obligations	£18,345,000
Community Infrastructure Levy	
Exceptional Development Costs	
Commercial Elements	

PUBLIC SUBSIDY (GRANT)	
Whole scheme	**£ -**
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

Alternative Site Values		**Against residual**
Existing Use Value	£ -	
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative us	£ -	

North of Spondon

4.12 This site is for 200 dwellings. The main infrastructure requirement is an education contribution of £1,172,840. In addition there is a cost of £100,000 towards a crossing; and £125,000 towards pavement improvements. This is a relatively high value area, being well located for Derby. The scheme should be large enough to generate its own values.

Table 4.4 Infrastructure requirements

Item	Item details	Policy	Site/ policy	Estimated total cost
Improved multi user crossings	On Acorn Way using Morley byway 29 and Morley foot	1.3	North of Spondon	£100,000
Financial contribution to off site education provision	Toward provision of additional pupil capacity at schools in Spondon	1.4	North of Spondon	Assumed no capacity scenario -£1,172,840
Pavement	Along west side of A6096 Dale Road to Spondon	1.4	North of Spondon	£125,000 - Based on £360 per m and 250m length

4.13 The site is shown below:

4.14 It is understood that an application is in the process of being submitted. At a density of 30 dwellings per hectare site (and 200 dwellings) the developable area is around 7 hectares. It is assumed that this will be family housing, including two, three and four bed dwellings.

4.15 The tested development mix is shown in Table 4.5, along with the anticpated selling prices for new build dwellings.

Table 4.5 Anticipated development mix for the North of Spondon development

Dwelling Type	**30 DpH**	**Prices**	**GDV**
2 Bed Terraces	18	£225,000	£4,050,000
3 Bed Semis	134	£275,000	£36,850,000
4 Bed Detached	85	£435,000	£36,975,000
	237		£77,875,000

4.16 The results of the assessment are shown in Table 4.6 below:

Table 4.6 Viability assessment for land North of Spondon: Results

% Affordable Housing	Residual Value
0	£16,749,000
10	£13,598,000
20	£10,445,000
30	£7,294,000
40	£4,142,000

4.17 The screenshot below shows the results for the scheme at 20% Affordable Housing:

Results

Site Address	Land North of Spondon
Scheme Description	Family Housing on Green Field Site

Site Reference Number	
Application Number	
NLUD Ref. Number	
UPRN or Grid Ref.	

Save Results | View Results | Discounting Function | Floor Space Analysis | Costs Analysis | Child Occupancy & Bedrooms

RESIDUAL before land finance	**£11,606,000**
RESIDUAL after land finance	**£10,445,000**
Per hectare	£1,492,000
Per dwelling	£44,000
Per market dwelling	£55,000
Per habitable room	£9,000
Per bedspace	£13,000

SCHEME UNITS		per ha.
No. of Dwellings	237	34
No. of Habitable rooms	1100	157
No. of Bedrooms	778	111
Total floorspace (m2)	21,052	3007
% Wheelchair Units		

SCHEME REVENUE	**£67,751,000**
Contribution to revenue from:	
Market housing	£62,300,000
Affordable Housing	£5,451,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£5,451,000
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	

LAND FINANCE	
Total land finance	£1,161,000

AFFORDABLE UNITS

	Low Cost	Equity Share	Shared	Intermediate	Affordable	Social Rent	Total
Units					47.4		47.4
Units %					20%		20%
Hab rooms					20%		20%
Bedrooms							
Persons					20%		20%
Floorspace					20%		20%

SCHEME COSTS	**£56,145,000**
Contribution to costs from:	
Market housing	£46,060,000
Affordable Housing	£8,395,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£8,395,000
- Social Rent	
Planning Obligations	£1,690,000
Community Infrastructure Levy	
Exceptional Development Costs	
Commercial Elements	

PUBLIC SUBSIDY (GRANT)	
Whole scheme	**£ -**
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

Alternative Site Values		**Against residual**
Existing Use Value	£ -	
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative us	£ -	

Land North of Cotmanhay

4.18 This site is for 200 dwellings. The main infrastructure requirement is an education contribution of £1,890,805 and there is a smaller contribution of £125,000 towards woodland provision. This site is located in a weaker sub market area (Ilkeston) of Erewash and values tends to diminish going further north. However development at this site is likely to generate a significant premium as new build against a low value existing housing product.

Table 4.7 Infrastructure requirements

Item	Item details	Policy	Site/ policy	Estimated total cost
Cotmanhay Wood	Develop into a community woodland through active	1.6	North of Cotmanhay	£125,000 - based on cost of TVV quality paths x2 through two routes through the
Financial contribution to off site education provision	Toward provision of additional pupil capacity at schools in Kirk Hallam	1.6	North of Cotmanhay	Assumed no capacity scenario - £1,890,805 based on 68 nett places

4.19 The site is shown below with proposed development in two phases:

4.20 At a density of 30 dwellings per hectare site (and 200 dwellings) the developable area is around 7 hectares. It is assumed that this will be family housing, including two, three and four bed dwellings.

4.21 The anticipated development mix is shown in Table 4.8, along with the anticipated selling prices for new build dwellings.

Table 4.8 Anticipated development mix for the North of Cotmanhay development

Dwelling Type	30 DpH	Total	Homes	Prices	GDV
2 Bed Terraces	15	200	30	£175,000	£5,250,000
3 Bed Semis	50	200	100	£215,000	£21,500,000
4 Bed Detached	25	200	50	£330,000	£16,500,000
5 Bed detached	10	200	20	£380,000	£7,600,000

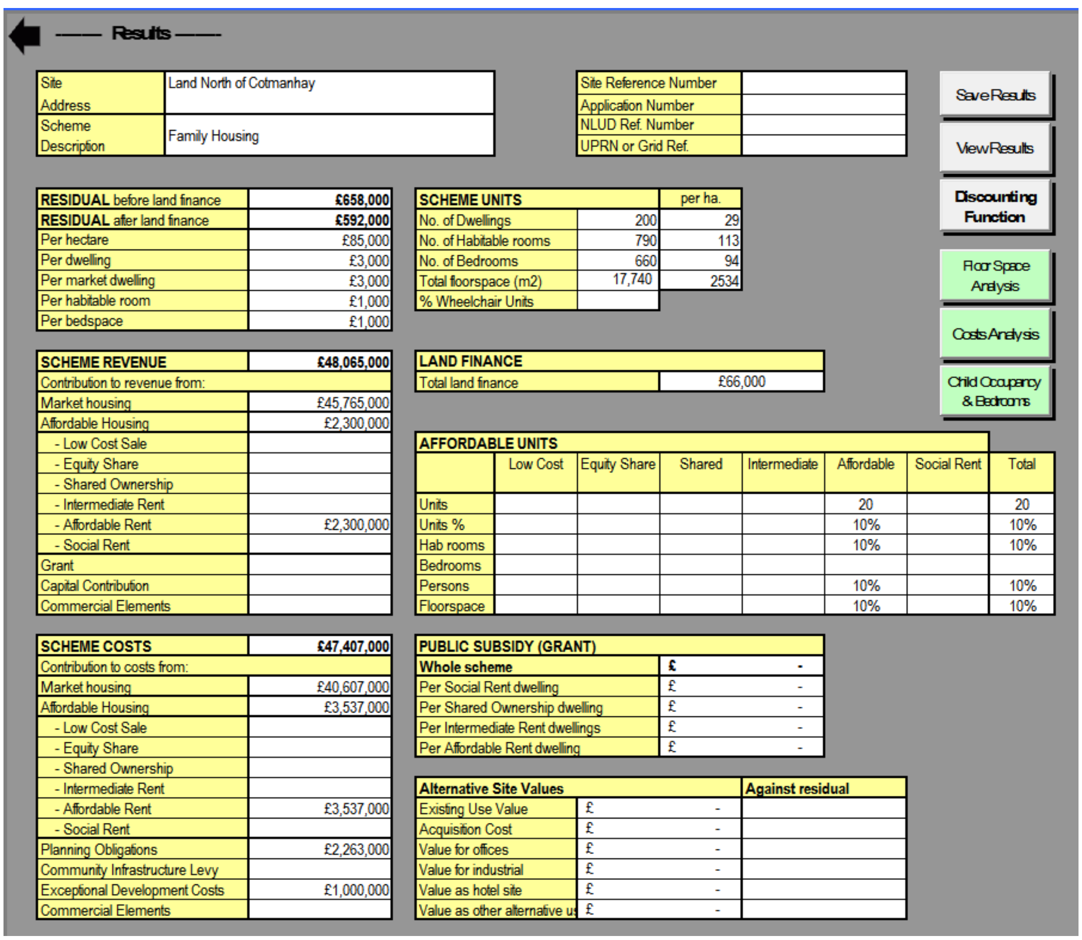
	100		200		£50,850,000

4.22 The results of the assessment are shown in Table 4.9 below:

Table 4.9 Viability assessment for land North of Cotmanhay: Results

% Affordable Housing	Residual Value
0	£1,564,000
10	£592,000
15	-£221,000

4.23 The screenshot below shows the results for the scheme at 10% Affordable Housing:



—— Results ——

Site Address	Land North of Cotmanhay
Scheme Description	Family Housing

Site Reference Number	
Application Number	
NLUD Ref. Number	
UPRN or Grid Ref.	

Save Results

View Results

Discounting Function

Floor Space Analysis

Costs Analysis

Child Occupancy & Bedrooms

RESIDUAL before land finance	**£658,000**
RESIDUAL after land finance	**£592,000**
Per hectare	£85,000
Per dwelling	£3,000
Per market dwelling	£3,000
Per habitable room	£1,000
Per bedspace	£1,000

SCHEME UNITS		per ha.
No. of Dwellings	200	29
No. of Habitable rooms	790	113
No. of Bedrooms	660	94
Total floorspace (m2)	17,740	2534
% Wheelchair Units		

SCHEME REVENUE	£48,065,000
Contribution to revenue from:	
Market housing	£45,765,000
Affordable Housing	£2,300,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£2,300,000
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	

LAND FINANCE	
Total land finance	£66,000

AFFORDABLE UNITS	Low Cost	Equity Share	Shared	Intermediate	Affordable	Social Rent	Total
Units					20		20
Units %					10%		10%
Hab rooms					10%		10%
Bedrooms							
Persons					10%		10%
Floorspace					10%		10%

SCHEME COSTS	£47,407,000
Contribution to costs from:	
Market housing	£40,607,000
Affordable Housing	£3,537,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£3,537,000
- Social Rent	
Planning Obligations	£2,263,000
Community Infrastructure Levy	
Exceptional Development Costs	£1,000,000
Commercial Elements	

PUBLIC SUBSIDY (GRANT)	
Whole scheme	**£ -**
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

Alternative Site Values		Against residual
Existing Use Value	£ -	
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative us	£ -	

4.24 The developer has assessed abnormal costs at around £1 million.

Land at Acorn Way

4.25 This site is for 600 dwellings. The infrastructure requirement is an education contribution of £3,454,860. There is a requirement for bus services, as yet not agreed. Provision of £100,000 has been made for this.

Table 4.10 Infrastructure requirements

Item	Item details	Policy	Site/ policy	Estimated total cost
Financial contribution toward bus services	To increase frequency of services along Morley Road	1.3	Acorn Way	Awaiting response from developer
Financial contribution to off site education provision	Toward provision of additional pupil capacity at schools in Oakwood and Chaddesden	1.3	Acorn Way	Assumed no capacity scenario - £3,454,860

4.26 The site is shown below:

4.27 At a density of 30 dwellings per hectare site (and 600 dwellings) the developable area is around 20 hectares. It is assumed that this will be family housing, including two, three and four bed dwellings.

4.28 The tested development mix is shown in Table 4.11, along with the anticpated selling prices for new build dwellings.

Table 4.11 Anticipated development mix for the Acorn Way development

Dwelling Type	**30 DpH**	**Total**	**Homes**	**Prices**	**GDV**
2 Bed Terraces	15	600	90	£225,000	£20,250,000
3 Bed Semis	50	600	300	£275,000	£82,500,000
4 Bed Detached	25	600	150	£435,000	£65,250,000
5 Bed detached	10	600	60	£500,000	£30,000,000
	100		600		£198,000,000

4.29 The results of the assessment are shown in Table 4.12 below:

Table 4.12 Viability assessment for land at Acorn Way: Results

% Affordable Housing	Residual Value
0	£43,105,000
10	£35,068,000
20	£27,031,000
30	£18,994,000
40	£2,920,000

4.30 The screenshot below shows the results for the scheme at 20% Affordable Housing:

Results

Site Address	Land at Acorn Way
Scheme Description	30 DPH

Site Reference Number	
Application Number	
NLUD Ref. Number	
UPRN or Grid Ref.	

Save Results | View Results | Discounting Function | Floor Space Analysis | Costs Analysis | Child Occupancy & Bedrooms

RESIDUAL before land finance	**£30,034,000**
RESIDUAL after land finance	**£27,031,000**
Per hectare	£1,352,000
Per dwelling	£45,000
Per market dwelling	£56,000
Per habitable room	£11,000
Per bedspace	£14,000

SCHEME UNITS		per ha.
No. of Dwellings	600	30
No. of Habitable rooms	2370	119
No. of Bedrooms	1980	99
Total floorspace (m2)	53,220	2661
% Wheelchair Units		

SCHEME REVENUE	£172,200,000
Contribution to revenue from:	
Market housing	£158,400,000
Affordable Housing	£13,800,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£13,800,000
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	

LAND FINANCE	
Total land finance	£3,003,000

AFFORDABLE UNITS

	Low Cost	Equity	Shared	Intermediate	Affordable	Social Rent	Total
Units					120		120
Units %					20%		20%
Hab rooms					20%		20%
Bedrooms							
Persons					20%		20%
Floorspace					20%		20%

SCHEME COSTS	£142,166,000
Contribution to costs from:	
Market housing	£116,648,000
Affordable Housing	£21,222,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£21,222,000
- Social Rent	
Planning Obligations	£4,295,000
Community Infrastructure Levy	
Exceptional Development Costs	
Commercial Elements	

PUBLIC SUBSIDY (GRANT)	
Whole scheme	£ -
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

Alternative Site Values		Against residual
Existing Use Value	£ -	
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative	£ -	

Land at South Stanton

4.31 This site is for 1,000 dwellings. There are two main infrastructure requirements; first, for a roundabout – cost estimated at £3,000,000; and second, for a primary school – costs estimated at £4,540,126. There is also a pavement cost at Littlewell Lane – at £456,000. This site is in a higher value area although the site presents a particular challenge in the level of clean-up costs, as it is a former steel works. Previous analyses have shown the site to be viable to deliver the Council's infrastructure requirements.

Table 4.13 Infrastructure requirements

Item	Item details	Policy	Site/ policy	Estimated total cost
Financial contribution toward new roundabout	To replace Lows Lane/ Sowbrook Lane/ Ilkeston Road junction	1.2	South Stanton	£3,000,000
Pavement	Along east side of Littlewell Lane	1.2	South Stanton	£456,000 - Based on £500 per m including kerbing and 912m of length, which is the entire length of non-pathed east side Littlewell Lane between junction with Sowbrook Lane and Stanton by Dale. There is a section of Littlewell Lane with adequate pavement on the west side - potential for less requirement therefore if it were considered acceptable to split sides.
Primary school (on site)	To serve new population	1.2	South Stanton	£4,540,126 (1.5 form entry); based on 139 nett new places required

4.32 The site is shown below:

4.33 At a density of 30 dwellings per hectare site (and 1,000 dwellings) the developable area is around 33 hectares. It is assumed that this will be family housing, including two, three and four bed dwellings.

4.34 The tested development mix is shown in Table 4.14, along with the anticpated selling prices for new build dwellings.

Table 4.14 Anticipated development mix for the South Stanton development

Dwelling Type	**30 DpH**	**Total**	**Homes**	**Prices**	**GDV**
2 Bed Terraces	15	1000	150	£200,000	£30,000,000
3 Bed Semis	50	1000	500	£250,000	£125,000,000
4 Bed Detached	25	1000	250	£385,000	£96,250,000
5 Bed detached	10	1000	100	£450,000	£45,000,000
	100		1000		£296,250,000

4.35 The results of the assessment are shown in Table 4.15 below:

Table 4.15 Viability assessment for land at South Stanton: Results

% Affordable Housing	**Residual Value**
0	£33,029,000
10	£21,973,000
20	£10,917,000
30	-£139,000

4.36 The screenshot below shows the results for the scheme at 20% Affordable Housing:

-------- Results --------

Site Address	Land at South Stanton
Scheme Description	Family Housing; Brown Field site

Site Reference Number	
Application Number	
NLUD Ref. Number	
UPRN or Grid Ref.	

Save Results

View Results

Discounting Function

Floor Space Analysis

Costs Analysis

Child Occupancy & Bedrooms

RESIDUAL before land finance	**£12,130,000**
RESIDUAL after land finance	**£10,917,000**
Per hectare	£331,000
Per dwelling	£11,000
Per market dwelling	£14,000
Per habitable room	£3,000
Per bedspace	£3,000

SCHEME UNITS		per ha.
No. of Dwellings	1000	30
No. of Habitable rooms	3950	120
No. of Bedrooms	3300	100
Total floorspace (m2)	88,700	2688
% Wheelchair Units		

SCHEME REVENUE	£260,000,000
Contribution to revenue from:	
Market housing	£237,000,000
Affordable Housing	£23,000,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£23,000,000
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	

LAND FINANCE	
Total land finance	£1,213,000

AFFORDABLE UNITS

	Low Cost	Equity	Shared	Intermediate	Affordable	Social Rent	Total
Units					200		200
Units %					20%		20%
Hab rooms					20%		20%
Bedrooms							
Persons					20%		20%
Floorspace					20%		20%

SCHEME COSTS	£247,870,000
Contribution to costs from:	
Market housing	£188,204,000
Affordable Housing	£35,370,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£35,370,000
- Social Rent	
Planning Obligations	£7,796,000
Community Infrastructure Levy	
Exceptional Development Costs	£16,500,000
Commercial Elements	

PUBLIC SUBSIDY (GRANT)	
Whole scheme	£ -
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

Alternative Site Values		Against residual
Existing Use Value	£ -	
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative	£ -	

4.37 I have assumed a cost of £16.5 million (£500,000 per developable hectare) for land remediation; in line with:

HCA_Remediation_Cost_Guidance_2015.pdf

Conclusions on the viability of the key sites

4.38 The analysis of larger sites is significant for several reasons. First, if these sites are viable to deliver then a significant proportion of new development in the Plan period will be viable. Second, this set of testing should bolster the findings of the High Level Testing and finally the results set a template for any further new sites that might come forward.

4.39 The analysis shows a generally bouyant picture of viability across the large sites. The figures show that all infrastructure requirements are viable and deliverable.

4.40 That being stated, residual value varies and in some instances the delivery of Affordable Housing will be challenging. This is most evident in the case of the site North of Cotmanhay (mainly a location issue) and in the case of South Stanton (an issue of site clearance costs).

4.41 Clearly, the best way to maximise the delivery of Affordable Housing and other community benefits is by allocating development in the areas which have the strongest viability; the market will tend to deliver where that is the case. So it is not necessarily the case that sustainability criteria should lead, where community benefits are at a premium. In other words, the viability evidence can, in some instance, lead on the allocation of sites within an emerging local plan.

4.42 It should be recognised that any site specific appraisal reflects information available at the time, and during site specific negotiations further data will be likley to emerge which may change the circumstances of viability. It is also recommended that when these sites are negotiated, a cash-flow appraisal is undertaken, using projections of best estimate revenues and costs.

5 SMALL SITES AND THE AFFORDABLE HOUSING THRESHOLD

5.1 To analyse small sites was not a remit of this work. It is understood that the Council do not at this stage wish to reduce the trigger or threshold for Affordable Housing. However small sites do provide a strong opportunity to deliver community benefits either through local Affordable Housing and/or through commuted sums and it is hence important to comment generally.

5.2 In this respect, the case for a very low threshold can easily be made on viability grounds. This is because the viability of development has very little to do with scale of scheme and everything to do with location. Nationally schemes of one unit deliver Section 106 contributions in London and the South East, whilst in the Midlands and the North very large schemes are not delivered because they do not stack up.

5.3 Decanting this point to Erewash, it is certain that smaller sites in rural areas would prove viable as the gap between GDV and development costs is high; furthermore, because existing use values are often very low. This is in contrast to large urban sites where high levels of Section 106 are sought, and, which prove a challenge anyway as they are in lower value areas.

5.4 Shifting the burden of delivery, albeit in a relatively modest way, might help to significantly alleviate the task of delivering Affordable Housing and other Section 106 items across the Borough. Indeed, where the current large sites do not deliver, then a different approach to site allocation, focused more on the higher value areas, might overcome the challenges facing the Borough. Despite the fact that the large sites should be delivered, this report is a desk top exercise, and cannot take the place of decision making in the minds of the site promoters.

5.5 Small sites however do present specific viability issues. This is particularly evident with schemes involving demolition and schemes involving conversion. In some instances these schemes are exempted from a Section 106 policy on small sites. To decide how and where this happens is a matter for detailed analysis and it is recommended that the Council undertake this work if Section 106 delivery if to be maximized.

CHAPTER 6 – BENCHMARKING AND VIABILITY

Background

6.1 There is no detailed guidance for England and Wales setting out how affordable targets should be assessed, based on an analysis of viability. The (now quite historic) Harman guidance provides a helpful framework for developing policy, but this is not 'step-by-step' and does not provide specific information in relation to land owner return.

6.2 The (Harman) guidance does support the approach set out in Chapter 2 of this report; i.e. an EUV 'Plus' approach and sets out reservations about the 'market value' approach adopted at one time in the RICS Planning and Viability paper. The Harman guidance is helpful in identifying situations where alternative use values (AUVs) might be adopted in lieu of EUVs. It places emphasis on setting land value benchmarks in the local context.

6.3 All guidance available is clear that residual value for a scheme must be higher than the LVB (Land Value Benchmark). Where the LVB is higher than the residual value (RV), then schemes are in principle, unviable.

National Planning Policy Guidance

6.4 The Revised NPPG sets out the framework for defining land value benchmark. The guidance asks:

'What factors should be considered to establish benchmark land value?

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

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

6.5 It asks further:

'What is meant by existing use value in viability assessment?

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

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

How should the premium to the landowner be defined for viability assessment?

The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'

Wider Benchmarks

6.6 There are a number of land value benchmarks which can be drawn on, to help set the figure for any given local authority area. In this wider context, the DCLG's study on The Cumulative Impact of Policy Requirements (2011), although older now, suggested that a figure of £100,000 to £150,000 per gross acre (£247,000 to £370,500 per gross hectare) was a reasonable benchmark for green field land.

6.7 Further benchmarks were set out in the government's 'Land value estimates for policy appraisal 2019'

Source: https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019

Table 6.1 sets out the values for the East Midlands and Erewash BC in particular:

Table 6.1 Land Value Benchmarks

Residential Land		
April 2019		
Region	**Local Authority**	**£/ha**
East Midlands	Amber Valley	£550,000
East Midlands	Ashfield	£400,000
East Midlands	Bassetlaw	£680,000
East Midlands	Blaby	£2,150,000
East Midlands	Bolsover	£370,000
East Midlands	Boston	£500,000
East Midlands	Broxtowe	£1,200,000
East Midlands	Charnwood	£1,370,000
East Midlands	Chesterfield	£970,000
East Midlands	Corby	£620,000
East Midlands	Daventry	£1,880,000
East Midlands	Derby	£1,000,000
East Midlands	Derbyshire Dales	£2,100,000
East Midlands	East Northamptonshire	£1,100,000
East Midlands	**Erewash**	**£370,000**
East Midlands	Gedling	£550,000
East Midlands	Harborough	£2,650,000
East Midlands	High Peak	£1,100,000
East Midlands	Hinckley and Bosworth	£1,530,000
East Midlands	Kettering	£1,350,000
East Midlands	Leicester	£1,460,000
East Midlands	Lincoln	£1,200,000
East Midlands	Mansfield	£1,100,000
East Midlands	Melton	£950,000

East Midlands	Newark and Sherwood	£1,130,000
East Midlands	North East Derbyshire	£670,000
East Midlands	North West Leicestershire	£1,230,000
East Midlands	Northampton	£2,040,000
East Midlands	Nottingham	£1,200,000
East Midlands	Oadby and Wigston	£1,710,000
East Midlands	Rushcliffe	£1,700,000
East Midlands	Rutland	£2,000,000
East Midlands	South Derbyshire	£1,000,000
East Midlands	South Holland	£450,000
East Midlands	South Kesteven	£920,000
East Midlands	South Northamptonshire	£2,850,000

6.8 It is important to state that the values in the table are not discounted for Affordable Housing. At around 30% Affordable Housing in a local authority area like Erewash, this could (see the High Level Testing) reduce residual values by half. A reasonable benchmark would then seem to be around £200,000 per hectare.

6.9 Further, the interviews suggested a figure of £300,000 per acre as a benchmark. This equates to circa £750,000 per hectare.

6.10 Given that this may reflect an element of hope value, it is assumed that, all considered, a LVB of circa £500,000 is appropriate for the Borough as a whole.

6.11 It is then helpful to adjust this figure by reference to differences in sub markets. This is done in the table below:

Table 6.2 Adjusted land value benchmarks

30 DPH			
Sub Markets	**20% AH**	**LVB Adjusted**	**Say**
Rural West and Central	**£2.68**		
	216	**£1,080,645**	**£1,000,000**
Derby Fringe	**£1.39**		
	112	**£560,484**	**£600,000**
Long Eaton, Sandiacre & Sawley	**£1.24**		
	100	**£500,000**	**£500,000**
Kirk Hallam and Stanton	**£0.82**		
	66	**£330,645**	**£350,000**
Ilkeston, Little Hallam & Cotmanhay	**£0.19**		
	15	**£76,613**	**£75,000**

Application of LVBs to results

High Level Testing

6.12 Shown below is the viable position with respect to the High Level Testing (Table 6.3):

Table 6.3 High Level Testing – What is viable and what is not

30 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£3.82	£3.25	£2.68	£2.11	£1.54	£0.97
Derby Fringe	£2.21	£1.80	£1.39	£0.98	£0.57	£0.16
Long Eaton, Sandiacre & Sawley	£2.02	£1.63	£1.24	£0.85	£0.46	£0.07
Kirk Hallam and Stanton	£1.50	£1.16	£0.82	£0.49	£0.15	-£0.19
Ilkeston, Little Hallam & Cotmanhay	£0.62	£0.37	£0.19	-£0.13	-£0.38	-£0.63
40 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£4.22	£3.58	£2.97	£2.31	£1.67	£1.04
Derby Fringe	£2.29	£1.86	£1.41	£0.97	£0.52	£0.08
Long Eaton, Sandiacre & Sawley	£2.08	£1.66	£1.24	£0.82	£0.39	-£0.03
Kirk Hallam and Stanton	£1.46	£1.10	£0.74	£0.38	£0.02	-£0.34
Ilkeston, Little Hallam & Cotmanhay	£0.44	£0.78	-£0.08	-£0.34	-£0.59	-£0.85
50 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£4.86	£4.13	£3.40	£2.67	£1.94	£1.21
Derby Fringe	£2.58	£2.07	£1.59	£1.07	£0.57	£0.06
Long Eaton, Sandiacre & Sawley	£2.31	£1.84	£1.36	£0.88	£0.41	-£0.07
Kirk Hallam and Stanton	£1.59	£1.19	£0.78	£0.38	-£0.03	-£0.43
Ilkeston, Little Hallam & Cotmanhay	£0.38	£0.10	-£0.18	-£0.47	-£0.75	-£1.03
80 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£3.45	£2.92	£2.39	£1.87	£1.34	£0.81
Derby Fringe	£1.03	£0.74	£0.46	£0.17	-£0.12	£0.40
Long Eaton, Sandiacre & Sawley	£0.64	£0.39	£0.15	-£0.10	-£0.35	-£0.59
Kirk Hallam and Stanton	£0.04	-£0.15	-£0.33	-£0.52	-£0.71	-£0.89
Ilkeston, Little Hallam & Cotmanhay	-£1.15	-£1.22	-£1.29	-£1.35	-£1.42	-£1.15

6.13 Table 6.3 shows that at lower densities – 30 and 40 dph most scenarios are viable. Apart from the weakest sub market, Affordable Housing should be delivered at between 30% and 40% Affordable Housing. This analysis makes provision for £5,000 per unit of other Section 106.

6.14 Erewash is not a location where higher density is likely to work very well. The market is largely sub urban and rural which means that flat development does not generate significant premiums. That being said, in higher value areas, higher density does work, and is viable, and will deliver Section 106 including Affordable Housing.

Large site analysis

6.15 Table 6.4 sets out the results of large site analysis.

Table 6.4 Large site analysis and results

Site	Dwellings	% Affordable Housing	Residual Value	Nett Area	Residual Value per Ha	LVB per Ha	Infrastructure Costs	IS Costs per Unit
South West Kirk Hallam	1300	0	£54,854,000	43	£1,275,674	£350,000	£16,760,917	£12,893
South West Kirk Hallam	1300	10	£40,481,000	43	£941,419	£350,000	£16,760,917	£12,893
South West Kirk Hallam	1300	20	£26,108,000	43	£607,163	£350,000	£16,760,917	£12,893
South West Kirk Hallam	1300	30	£11,735,000	43	£272,907	£350,000	£16,760,917	£12,893
South West Kirk Hallam	1300	40	-£2,638,000	43	-£61,349	£350,000	£16,760,917	£12,893
North of Spondon	237	0	£16,749,000	7	£2,392,714	£600,000	£1,397,840	£5,898
North of Spondon	237	10	£13,598,000	7	£1,942,571	£600,000	£1,397,840	£5,898
North of Spondon	237	20	£10,445,000	7	£1,492,143	£600,000	£1,397,840	£5,898
North of Spondon	237	30	£7,294,000	7	£1,042,000	£600,000	£1,397,840	£5,898
North of Spondon	237	40	£4,142,000	7	£591,714	£600,000	£1,397,840	£5,898
North of Cotmanhay	200	0	£1,564,000	7	£223,429	£75,000	£2,015,805	£10,079
North of Cotmanhay	200	10	£592,000	7	£84,571	£75,000	£2,015,805	£10,079
North of Cotmanhay	200	15	-£83,000	7	-£221,000	£75,000	£2,015,805	£10,079
Acorn Way	600	0	£43,105,000	20	£2,155,250	£600,000	£3,554,860	£5,925
Acorn Way	600	10	£35,068,000	20	£1,753,400	£600,000	£3,554,860	£5,925
Acorn Way	600	20	£27,031,000	20	£1,351,550	£600,000	£3,554,860	£5,925
Acorn Way	600	30	£18,994,000	20	£949,700	£600,000	£3,554,860	£5,925
Acorn Way	600	40	£2,920,000	20	£146,000	£600,000	£3,554,860	£5,925
South Stanton	1000	0	£33,029,000	33	£1,000,879	£350,000	£6,966,126	£6,966
South Stanton	1000	10	£21,973,000	33	£665,848	£350,000	£6,966,126	£6,966
South Stanton	1000	20	£10,917,000	33	£330,818	£350,000	£6,966,126	£6,966
South Stanton	1000	30	-£139,000	33	-£4,212	£350,000	£6,966,126	£6,966

6.16 The table shows a strong viability for all the sites without exception up to 10% Affordable Housing (Cotmanhay here finely balanced) and including the Council's required infrastructure.

6.17 In the case of the SW Kirk Hallam, North of Spondon and Acorn Way sites, Affordable Housing requirements up to 30% are not unreasonable.

7 MAIN FINDINGS AND CONCLUSIONS

Main objectives

7.1 The principal objectives of this study have been to test the most significant aspects of viability which will provide a basis for the Council's policies over the Plan period. The Council require an up-to-date evidence base that will provide a justification for those policies.

7.2 The analysis carried out here is comprehensive and covers high level testing for residential development as well as larger residential development schemes.

Analysis – residential High Level Testing

7.3 High Level Testing is very important to the study as it provides a starting point for understanding what might be viable from any site being brought forward through planning. It provides a wider context for understanding the results from the analysis of large sites as well as for smaller and windfall sites.

7.4 The key factor driving residual value is location. Location is the key to understanding why Affordable Housing targets (all other things equal) should be varied across different settlements and rural areas.

7.5 The housing market across the Borough area is split broadly four ways between:

- Rural West and Central;
- Derby Fringe and Long Eaton;
- Kirk Hallam and Stanton;
- Ilkeston

7.6 In terms of viability, RVs exceed green field existing use values by a very significant margin in most scenarios. As examples (10% Affordable Housing):

Rural West and Central x 179;

Derby Fringe x 93;

Long Eaton x 83;

Kirk Hallam and Stanton x 55;

Ilkeston, Little Hallam and Cotmanhay x 39;

These multiples are based on agricultural value at circa £20,000 per hectare and 10% Affordable Housing contributions.

Key sites

7.7 Five key sites were assessed for viability.

7.8 These sites have significant infrastructure loadings; and this is particularly the case for SW Kirk Hallam and N of Cotmanhay. Despite these loadings the sites should prove viable to deliver. In the cases of South Stanton and N of Cotmanhay there are significant exceptional costs, but it is anticipated that these will not hold back development.

7.9 There is flexibility built in through the Affordable Housing negotiation process. The analysis suggests the following Affordable Housing targets are viable:

SW Kirk Hallam	20%;
N of Spondon	30%
N of Cotmanhay	5%
Acorn Way	30%
South Stanton	10%

7.10 It should be recognised that any site specific appraisal reflects information available at the time, and during site specific negotiations further data will be likely to emerge which may change the circumstances of viability.

Small sites and the Affordable Housing threshold

7.11 Chapter 5 sets out the key issues around small sites, viability and Affordable Housing. Viability is not determined by scheme size, but by location, and if the Council are looking to maximize Section 106 contributions then it should consider further evidence in support of reducing Affordable Housing thresholds.

Appendix A Results – High Level Testing

30 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£3.82	£3.25	£2.68	£2.11	£1.54	£0.97
Derby Fringe	£2.21	£1.80	£1.39	£0.98	£0.57	£0.16
Long Eaton, Sandiacre & Sawley	£2.02	£1.63	£1.24	£0.85	£0.46	£0.07
Kirk Hallam and Stanton	£1.50	£1.16	£0.82	£0.49	£0.15	-£0.19
Ilkeston, Little Hallam & Cotmanhay	£0.62	£0.37	£0.19	-£0.13	-£0.38	-£0.63
40 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£4.22	£3.58	£2.97	£2.31	£1.67	£1.04
Derby Fringe	£2.29	£1.86	£1.41	£0.97	£0.52	£0.08
Long Eaton, Sandiacre & Sawley	£2.08	£1.66	£1.24	£0.82	£0.39	-£0.03
Kirk Hallam and Stanton	£1.46	£1.10	£0.74	£0.38	£0.02	-£0.34
Ilkeston, Little Hallam & Cotmanhay	£0.44	£0.78	-£0.08	-£0.34	-£0.59	-£0.85
50 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
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Long Eaton, Sandiacre & Sawley	£2.31	£1.84	£1.36	£0.88	£0.41	-£0.07
Kirk Hallam and Stanton	£1.59	£1.19	£0.78	£0.38	-£0.03	-£0.43
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80 DPH	Affordable Housing Percentages					
Sub Markets	0%	10%	20%	30%	40%	50%
Rural West and Central	£3.45	£2.92	£2.39	£1.87	£1.34	£0.81
Derby Fringe	£1.03	£0.74	£0.46	£0.17	-£0.12	£0.40
Long Eaton, Sandiacre & Sawley	£0.64	£0.39	£0.15	-£0.10	-£0.35	-£0.59
Kirk Hallam and Stanton	£0.04	-£0.15	-£0.33	-£0.52	-£0.71	-£0.89
Ilkeston, Little Hallam & Cotmanhay	-£1.15	-£1.22	-£1.29	-£1.35	-£1.42	-£1.15

Appendix B Development Appraisal Toolkit (DAT)

The Wales Development Appraisal Toolkit (DAT) 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 the total revenue 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.

Appendix C Indicative new build house prices

Sub Markets	Settlements		Detached			Semis		Terraced		Flats	
		PCS	5 Bed	4 Bed	3 Bed	3 Bed	2 Bed	3 Bed	2 Bed	2 Bed	1 Bed
Rural West and Central	Little Eaton	DE21 5	£610,000	£535,000	£425,000	£340,000	£290,000	£320,000	£280,000	£210,000	£150,000
	Ockbrook; Borrowwash; Draycott; Breaston	DE72 3									
	West Hallam; Breadsall; Morley; Stanley	DE7 6									
Derby Fringe	North of Spondon	DE21 7	£500,000	£435,000	£350,000	£275,000	£230,000	£270,000	£225,000	£175,000	£120,000
Long Eaton, Sandiacre & Sawley	Long Eaton	NG10 4	£480,000	£425,000	£335,000	£270,000	£225,000	£245,000	£210,000	£170,000	£115,000
	New Sawley	NG10 3									
	Long Eaton	NG10 2									
	Long Eaton	NG10 1									
	Sandiacre; Long Eaton North	NG10 5									
Kirk Hallam and Stanton	Kirk Hallam and Stanton-by-Dale	DE7 4	£450,000	£385,000	£310,000	£250,000	£215,000	£230,000	£200,000	£160,000	£110,000
Ilkeston, Little Hallam & Cotmanhay	Ilkeston & Little Hallam	DE7 5	£380,000	£330,000	£270,000	£215,000	£180,000	£210,000	£175,000	£140,000	£100,000
	Cotmanhay and North Ilkeston	DE7 9									
	Cotmanhay and North Ilkeston	DE7 8									

Appendix D Density and development mix (percentages)

Dwelling Type	**30 DpH**
	%
2 Bed Terraces	15
3 Bed Semis	50
4 Bed Detached	25
5 Bed detached	10
	100

Appendix E Construction and development costs

Results												
Add Rebase												
£/m2 study												
Description: Rate per m2 gross internal floor area for the building Cost including prelims.									Externals			Working Cost
Maximum age of results:												
Building function	**£/m^2 gross internal floor area**						**Sample**					
(Maximum age of projects)	**Mean**	**Lowest**	**Lower quartiles**	**Median**	**Upper quartiles**	**Highest**						
New build												
810.1 Estate housing												
Generally (15)	£1,475	£710	£1,258	£1,416	£1,614	£5,117	1,417					
Single storey (15)	£1,674	£989	£1,420	£1,622	£1,855	£5,117	235					
2-storey (15)	£1,420	£710	£1,229	£1,379	£1,552	£3,098	1,096		1.15		£1,586	£1,633
3-storey (15)	£1,545	£921	£1,294	£1,465	£1,755	£3,026	81					
4-storey or above (15)	£3,096	£1,509	£2,470	£2,758	£4,150	£4,595	5					
810.11 Estate housing detached (15)	£1,929	£1,075	£1,501	£1,664	£2,066	£5,117	21					
810.12 Estate housing semi detached												
Generally (15)	£1,483	£866	£1,268	£1,449	£1,616	£2,724	347					
Single storey (15)	£1,647	£1,064	£1,441	£1,630	£1,817	£2,724	79					
2-storey (15)	£1,434	£866	£1,259	£1,395	£1,569	£2,545	257					
3-storey (15)	£1,428	£1,084	£1,152	£1,415	£1,613	£2,087	11					
810.13 Estate housing terraced												
Generally (15)	£1,514	£893	£1,230	£1,416	£1,660	£4,595	242					
Single storey (15)	£1,734	£1,112	£1,439	£1,787	£1,999	£2,423	20					
2-storey (15)	£1,447	£893	£1,218	£1,383	£1,591	£3,098	183					
3-storey (15)	£1,570	£921	£1,269	£1,441	£1,788	£3,026	37					
816. Flats (apartments)												
Generally (15)	£1,732	£861	£1,438	£1,635	£1,950	£5,971	859					
1-2 storey (15)	£1,651	£1,024	£1,387	£1,560	£1,843	£3,399	185		1.15		£1,794	£1,848
3-5 storey (15)	£1,704	£861	£1,433	£1,628	£1,931	£3,640	575					
6 storey or above (15)	£2,056	£1,264	£1,683	£1,925	£2,203	£5,971	96					

Appendix F Unit sizes (Sq M)

Social Rent	£80,000

Affordable Rent	
https://lha-direct.voa.gov.uk/Secure/SearchResults.aspx?LocalAuthorityId=205&LHACategory=999&Month=9&Year=2023&SearchPageParameters=true	
Rent per Week	£125
Rent per Year	£6,500
M and M (at 15%)	£5,525
Yield	5
YP	20
Cap Value	£110,500

Shared Ownership	£154,000
(At 70% of 3 Bed Semi at Long Eaton)	

Average per Affordable Unit	£114,833
Say	£115,000

GLOSSARY OF TERMS

A

Abnormal Development Costs: Costs associated with difficult ground conditions e.g. contamination.

Affordable Housing: As defined in PPS3 as housing that includes Social Rented and Intermediate Affordable housing.

Affordable Rented Housing: Housing let at above Social Rented levels and up to 80% of Open Market Rent

Appraisal: development calculation taking into account scheme revenue and scheme cost and accounting for key variables such as house prices, development costs and developer profit.

B

Base Build Costs: including costs of construction: preliminaries, sub and superstructure; plus an allowance for external works.

C

Commuted Sum: a sum of money paid by the applicant in lieu of providing affordable housing on site.

Community Infrastructure Levy: A levy raised by local authorities from developers and land owners in order to cover the costs of providing infrastructure, where the form of provision can include physical, social and environmental infrastructure. The levy is charged on a per square metre basis across a range of development uses.

D

Developer's Profit or margin: a sum of money required by a developer to undertake the scheme in question. Profit or margin can be based on cost, development value; and be expressed in terms of net or gross level.

Developer Cost: all encompassing term including base build costs (see above) plus any additional costs incurred such as fees, finance and developer margin.

Development Economics: The assessment of key variables included within a development appraisal; principally items such as house prices, build costs and affordable housing revenue.

E

Existing Use Value (EUV): The value of a site in its current use; for example, farmland, industrial or commercial land.

F

Finance (developer): usually considered in two ways. Finance on the building process; and finance on the land. Relates to current market circumstances

G

Gross Development Value (GDV): the total revenue from the scheme. This may include housing as well as commercial revenue (in a mixed use scheme). It should include revenue from the sale of open market housing as well as the value of affordable units reflected in any payment by a housing association(s) to the developer.

I

Intermediate Affordable Housing: PPS3 Housing defines intermediate affordable housing as housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent.

L

Land Value: the actual amount paid for land taking into account the competition for sites. It should be distinguished from Residual Value (RV) which is the figure that indicates how much should be paid for a site.

Local Development Framework (LDF): a folder of planning documents encompassing DPDs (Development Plan Documents) and SPDs (Supplementary Planning Documents)

M

Market Housing: residential units sold into the open market at full market price to owner occupiers, and in some instances, property investors. Usually financed through a mortgage or through cash purchase in less frequent cases.

P

Planning Obligation: a contribution, either in kind or in financial terms which is necessary to mitigate the impacts of the proposed development. Affordable housing is a planning obligation as are, for example, education and open space contributions. (See Section 106)

Proportion or percentage of Affordable Housing: the proportion of the scheme given over to affordable housing. This can be expressed in terms of units, habitable rooms or floorspace

R

Residual Valuation: a key valuation approach to assessing how much should be paid for a site. The process relies on the deduction of development costs from development value. The difference is the resulting 'residue'

Residual Value (RV): the difference between Gross Development Value (GDV) and total scheme costs. Residual value provides an indication to the developer and/or land owner of what should be paid for a site. Should not be confused with land value (see above)

Registered Provider (RP): a housing association or a not for profit company registered with the Homes and Communities Agency and which provides affordable housing

S

Scheme: development proposed to be built. Can include a range of uses – housing, commercial or community, etc

Section 106 (of the Town and Country Planning Act 1990): This is a legally binding agreement between the parties to a development; typically the developer, housing association, local authority and/or land owner. The agreement runs with the land and bids subsequent purchasers. (See Planning Obligation)

Shared Ownership (SO): Also known as a product as 'New Build HomeBuy'. From a developer or land owner's perspective SO provides two revenue streams: to the housing association as a fixed purchase sum on part of the value of the unit; and on the rental stream. Rent charged on the rental element is normally lower than the prevailing interest rate, making this product more affordable than home ownership.

Social Rented Housing (SR): Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are SET through the national rent regime.

Sub Markets: Areas defined in the Viability Study by reference to house price differentials. Areas defined by reference to postcode sectors, or amalgams thereof.

Supplementary Planning Document (SPD): planning documents that provide specific policy guidance on e.g. affordable housing, open space, planning obligations generally. These documents expand policies typically set out in Local Plans and LDFs.

T

Target: Affordable housing target. Sets the requirement for the affordable housing contribution. If say 30% on a scheme of 100 units, 30 must be affordable (if viable).

Tenure Mix: development schemes usually comprise a range of housing tenures. These are described above including market and affordable housing.

Threshold: the trigger point which activates an affordable housing contribution. If a threshold is set at say 15 units, then no contribution is payable with a scheme of 14, but is payable with a scheme of 15. The appropriate affordable housing target is then applied at the 15 units, e.g. 20%, or 30%.

V

Viability: financial variable that determines whether a scheme progresses or not. For a scheme to be viable, there must be a reasonable developer and land owner return. Scale of land owner return depends on the planning process itself.