

**Bassetlaw District Council  
Affordable Housing Viability Assessment  
Final Report**

**Three Dragons**



**August 2009**

# 1 INTRODUCTION

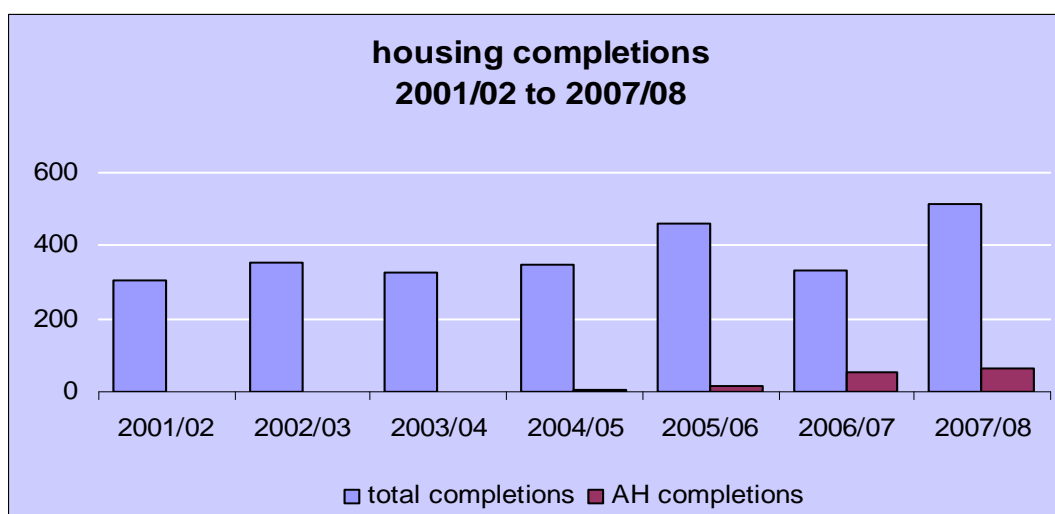
## Background to the Study

- 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 Bassetlaw District Council. The report analyses the impact of affordable housing and other planning obligations on scheme viability.

## Total Housing Supply and Delivery of Affordable Housing

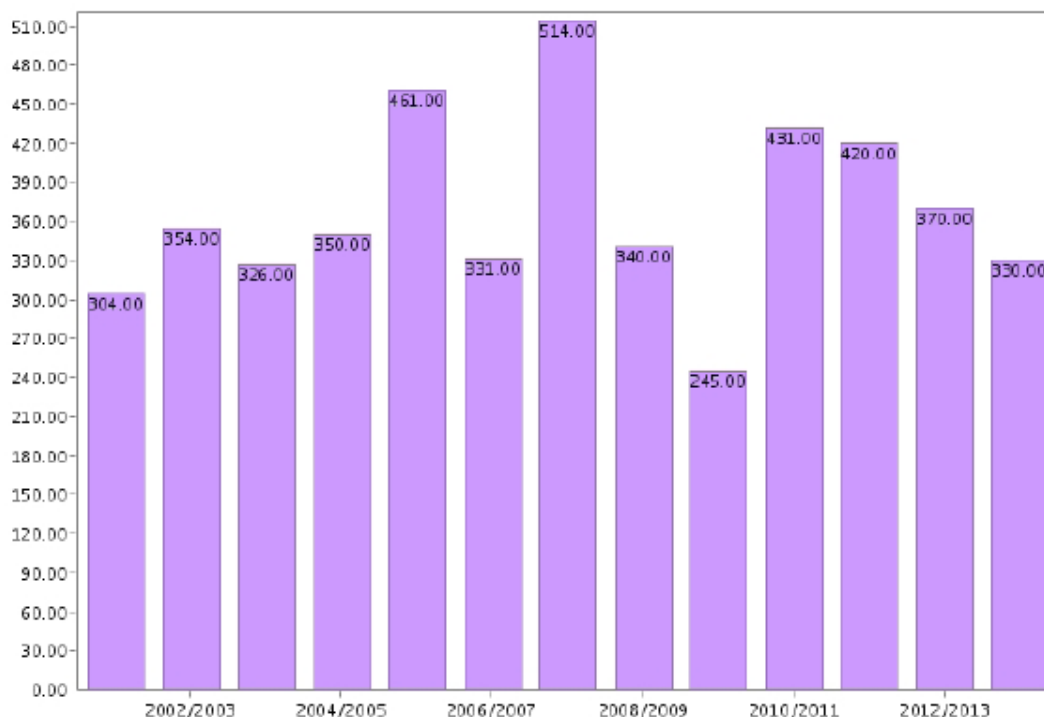
- 1.4 Housing completions in Bassetlaw over the seven years from 2001/02 to 2007/08 have averaged 377 per annum. In 2007/08 total completions were 514 of which 62 (12%) were affordable. Figure 1 below shows total housing completions since 2001/02 and affordable housing completions since 2005/06.

**Figure 1: Housing completions from 2001/02**



- 1.5 As is shown by the figure below (taken from the 2008 annual monitoring report) housing completions are expected to fall in 2008/09 and 2009/10 before rising again in 2010/2011 to 2013/14.

**Figure 2 Anticipated housing completions**



### **Need for Affordable Housing**

- 1.6 In September 2007 Fordham Research Limited completed a Housing Market Assessment (HMA) 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.
- 1.7 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) recommends a 30% affordable housing target for Bassetlaw (table ES3) further caveated as follows:

*'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

- 1.8 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)

- 1.9 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

- 1.10 Policy 13 of the East Midlands Regional Plan March 2009 has identified 7,000 dwellings to be provided in Bassetlaw, 2006 to 2026 (350 per annum).
- 1.11 Policy 14 of the Regional Plan deals with housing affordability. It requires provision to be made for 10,000 affordable units (500 pa) in the Northern HMA (33% of the total).

## Policy context – Bassetlaw

- 1.12 The Bassetlaw Local Plan (approved October 2001) includes two policies for affordable housing.

Policy 5/6 states that the council will seek to negotiate a target of 25% affordable housing on sites which exceed either 25 units or 1 hectare .

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

Policy 5/5 permits planning permission will be granted for affordable housing on land that would otherwise not be given planning permission for housing in.

- 1.13 On 8 January 2008 Cabinet agreed a report by the Acting Head of Community Services concerning the findings of a recent Strategic Housing Market Assessment which contained a recommendation to revise the Council's affordable housing target to refer to the need to provide a minimum of 30% social rented properties on sites over 15 dwellings.

### **Research undertaken**

- 1.13 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**

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**

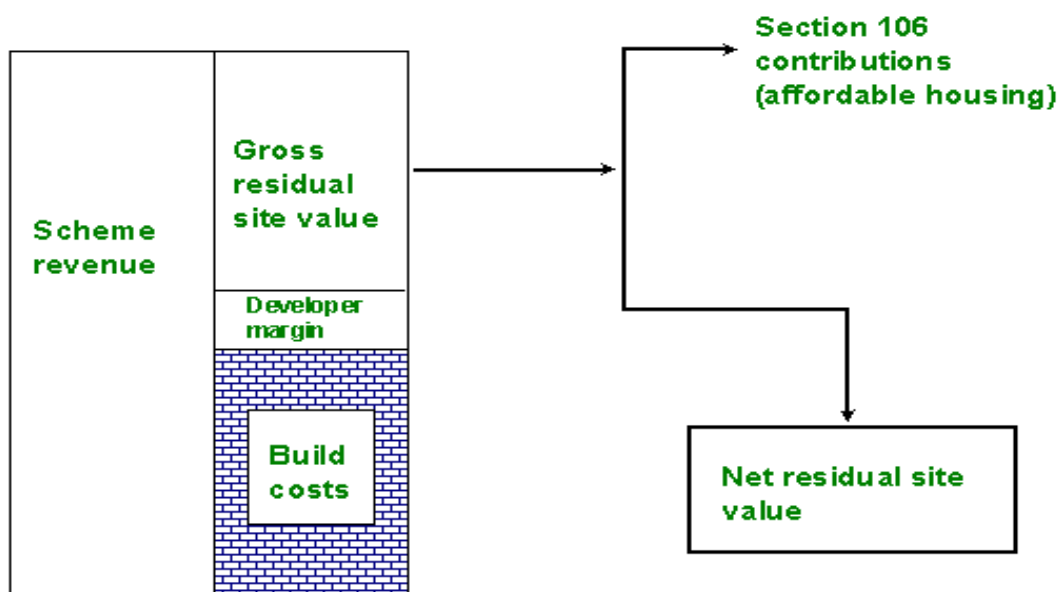
### **Introduction**

- 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**

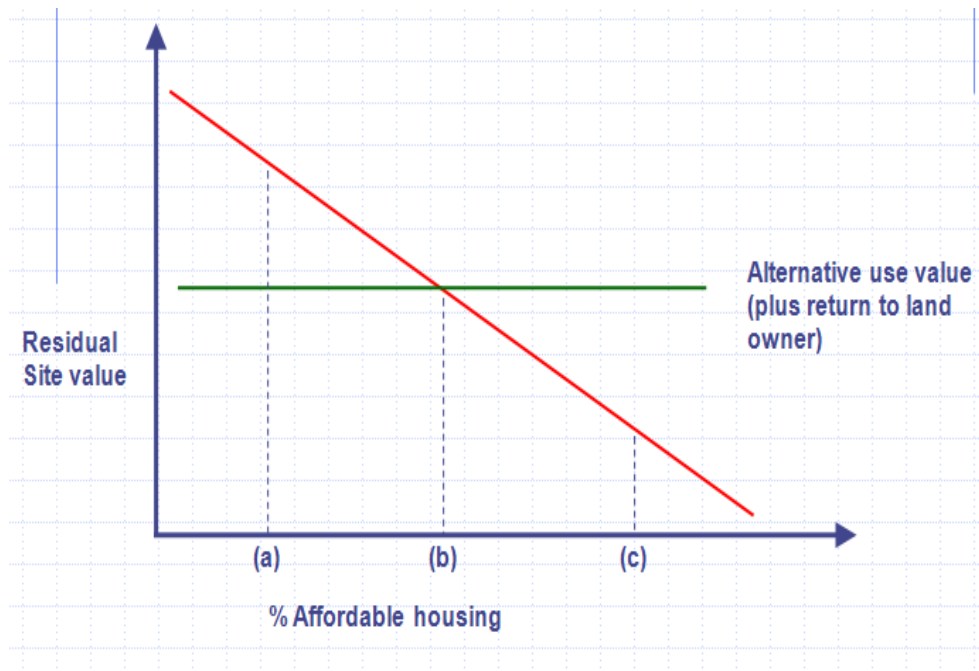
- 2.2 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates and what it costs to develop. The model 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 Bassetlaw 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 Bassetlaw developed for the study.

**Table 3.1 Viability sub markets in the Bassetlaw area**

<b>BASSETLAW</b>		
<b>Sub Market</b>	<b>PCs</b>	<b>Main settlements; areas</b>
<b>Northern Rural</b>	<b>DN10 4</b>	<b>Gringley-on-the-Hill; Misterton; Walkeringham; Beckingham</b>
	<b>DN10 5</b>	<b>Everton &amp; Mattersey</b>
	<b>DN10 6</b>	<b>Misson</b>
<b>Tuxford &amp; East Markham</b>	<b>NG22 0</b>	<b>Tuxford and East Markham; the Marnhams</b>
<b>Rural Belt</b>	<b>DN22 0</b>	<b>North Leverton with Habbleshthorpe; Woodbeck; Cottam</b>
	<b>DN22 8</b>	<b>Ranskill; Ranby; Elkesley</b>
	<b>DN22 9</b>	<b>North Wheatley; Claborough</b>
	<b>S81 8</b>	<b>Blyth - North West Rural</b>
<b>Retford</b>	<b>DN22 6 &amp; 7</b>	<b>Retford town</b>
<b>South West Rural Bassetlaw</b>	<b>NG20 9</b>	<b>Cuckney</b>
	<b>S80 3</b>	<b>Holbeck; Hardwick Village</b>
<b>Worksop &amp; Carlton*</b>	<b>S81 0</b>	<b>Town - South of railway</b>
	<b>S80 1</b>	<b>Town - North of railway</b>
	<b>S80 2</b>	<b>Town - South of railway</b>
	<b>S81 7</b>	<b>Town - North of railway</b>

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

\*Harworth (DN 11 8) is included within this sub market as prices are similar

### **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
  - 40 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.

### **Other s106 contributions**

- 3.7 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.

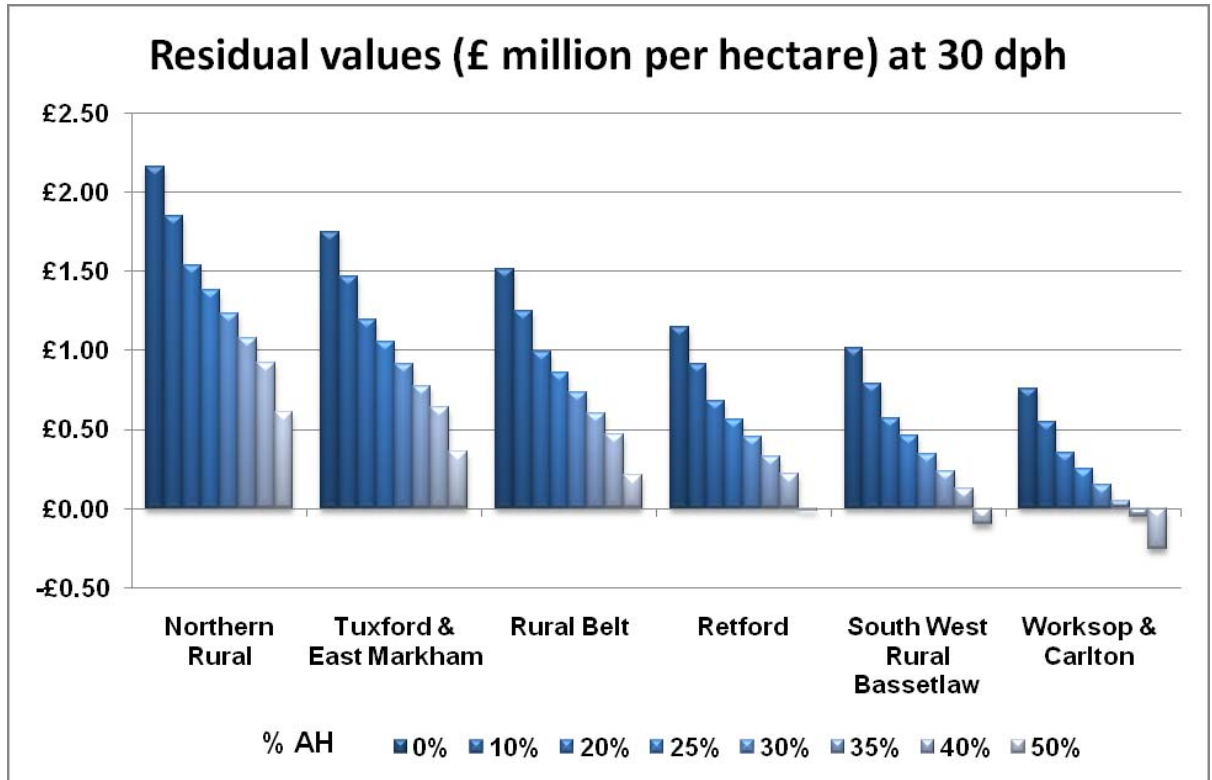
### **Results: residual values for a notional one hectare site**

- 3.8 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)**

3.9 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**

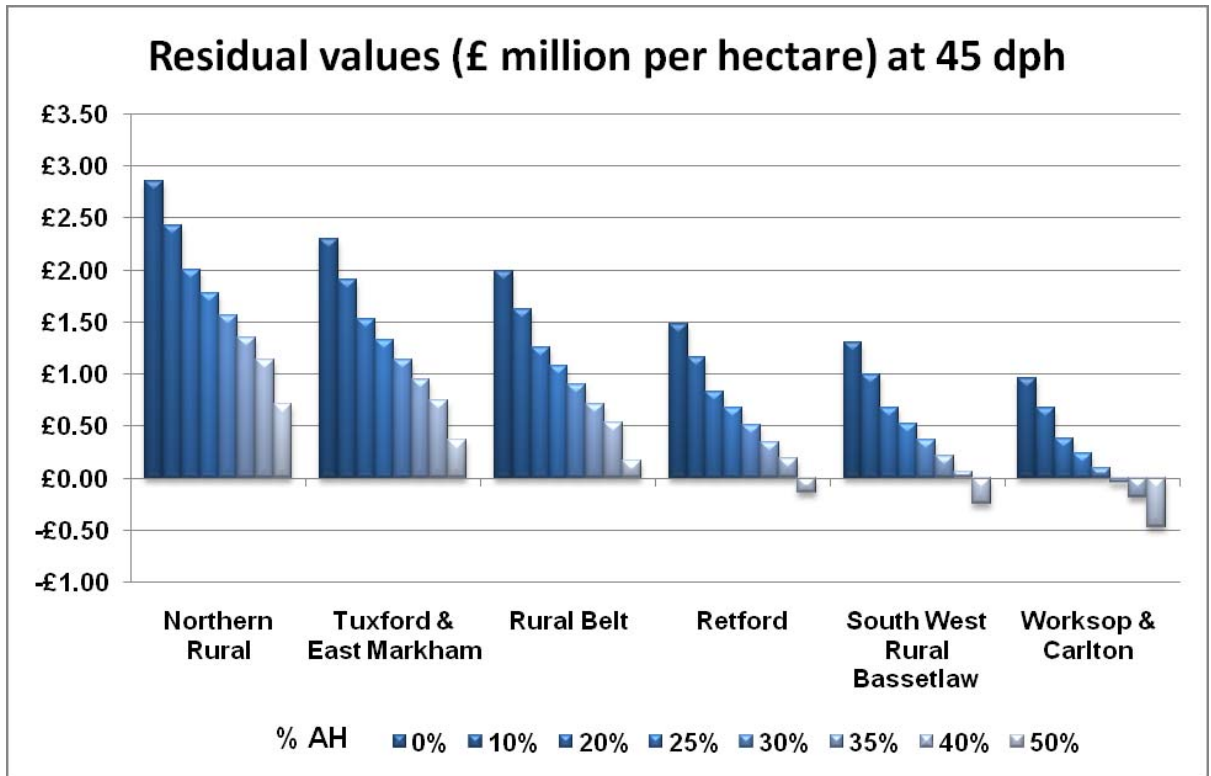


- Figure 3.1 shows a range of mainly positive residual values, depending on the sub market and amount of affordable housing. Residual values at 30% affordable housing range from £1.23 million per hectare in the Northern Rural area to £150,000 per hectare in Worksop and Carlton. In this sub market, residual values become negative at 40% affordable housing and higher.
- The chart does not show any clear ‘Urban-Rural’ division in prices, although the highest prices are achieved in a rural area (Northern Rural) and the lowest prices in Worksop and Carlton – urban areas.
- The range in values has potentially important implications for policy making. With the scenarios tested, a higher value (£0.92 m versus £0.75m) is generated in the Northern Rural sub market at 40% affordable housing than for Worksop and Carlton at 100% market housing.

**Lower density housing (45 dph)**

3.10 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**

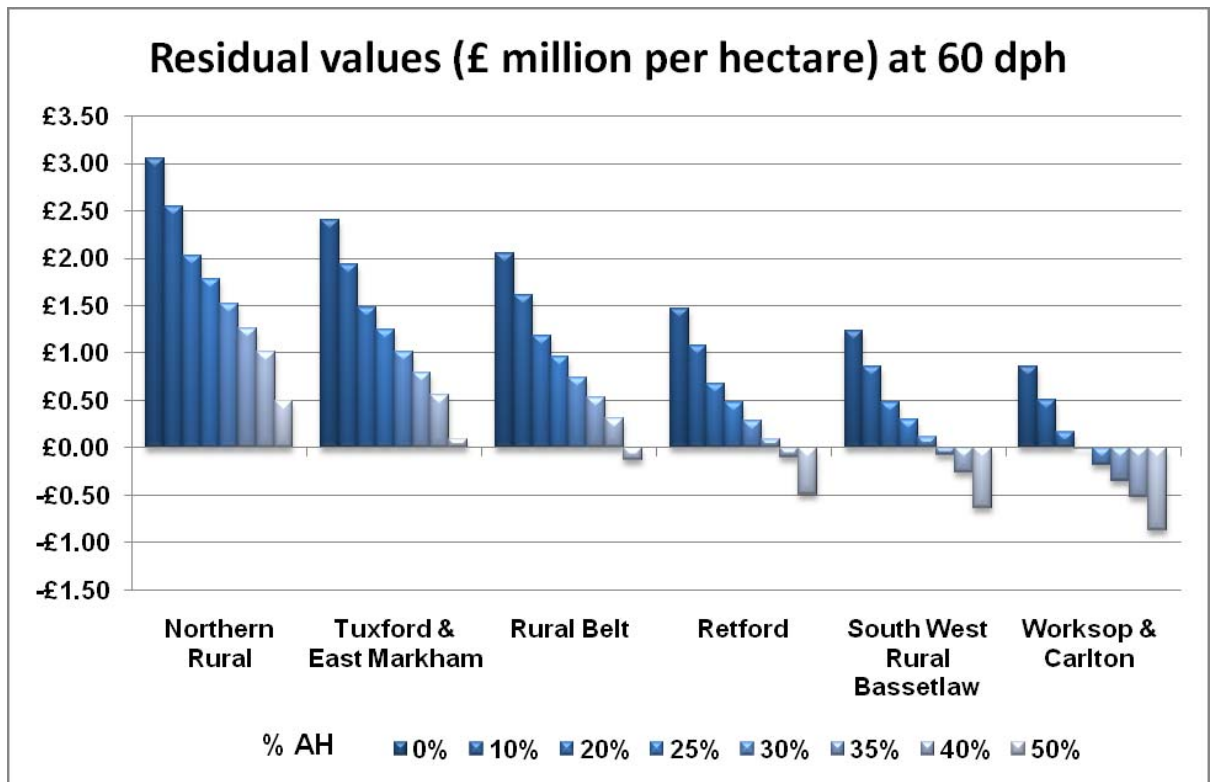


- As for the 30 dph scenario, a range of both positive and negative land values is shown, although with negative scheme values now beginning to be seen in Retford as well as South West Rural Bassetlaw and Worksop.
- The impact of increased density varies between market areas and at different levels of affordable housing. Increases in residual value occur with increased density (30 dph to 45 dph) in all sub markets with the exception of South West Rural Bassetlaw and Worksop and Carlton – up to 35% affordable housing.
- In the lower three sub markets, a 30 dph scenario, is, according to our analysis, likely to generate a higher residual value than a 40 dph at 40% affordable housing and higher.
- 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

3.11 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**

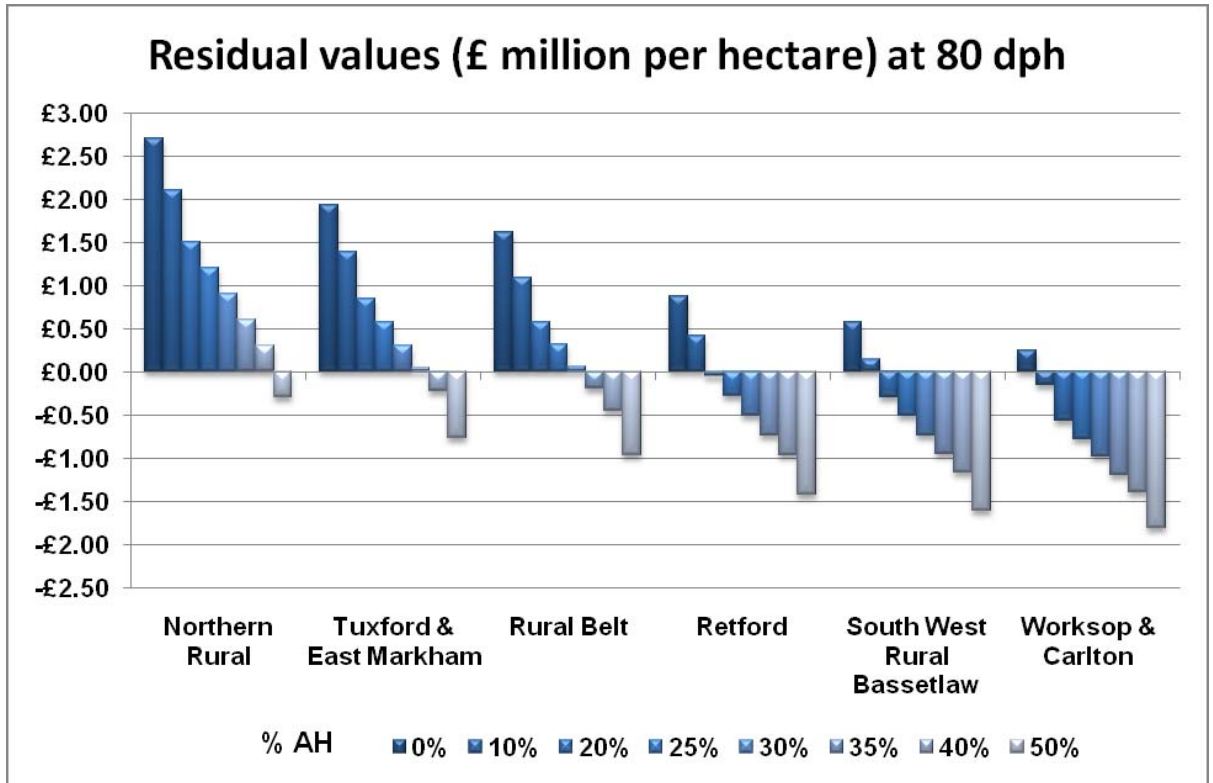


- The results for the 60 dph scenario underline the conclusion that increasing density does not necessarily increase residual value.
- Most scenarios are less viable at 60 dph in this particular district, than at 45 dph.
- The exceptions are the top two highest value market areas at lower percentages of affordable housing (10% to 20%).
- The 60 dph scenario tends to produce higher residual values than the 30 dph scenario in the higher value (generally top three) sub markets. However, in the lower value sub markets, a 30 dph scenario is likely to generate a higher residual value than value than at 60 dph.
- Several scenarios show negative residual values, although in the highest three sub markets residual values are close to and in excess of £1 million per hectare at 25% affordable housing.

**80 dph scheme**

3.12 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**



3.13 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.

3.14 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

- 3.15 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).
- 3.16 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 Bassetlaw DC as being a reasonable figure to use for viability testing purposes.
- 3.17 For our testing, we have tested the impact of grant on residual values for a 1 Ha site at 45 dph for all locations with the exception of the Northern Rural sub market where grant is likely to be less critical. 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	Tuxford & East Markham		Rural Belt		Retford		SW Rural Bassetlaw		Worksop & Carlton	
	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant
0% AH	£2.30	N/A	£1.98	N/A	£1.49	N/A	£1.30	N/A	£0.95	N/A
10% AH	£1.91	£2.09	£1.62	£1.80	£1.16	£1.34	£0.99	£1.17	£0.67	£0.85
20% AH	£1.53	£1.89	£1.26	£1.62	£0.84	£1.20	£0.68	£1.04	£0.39	£0.75
25% AH	£1.33	£1.77	£1.08	£1.52	£0.67	£1.11	£0.53	£0.97	£0.24	£0.68
30% AH	£1.14	£1.68	£0.90	£1.44	£0.51	£1.05	£0.37	£0.91	£0.10	£0.64
35% AH	£0.95	£1.57	£0.71	£1.33	£0.35	£0.97	£0.22	£0.84	- £0.04	£0.58
40% AH	£0.75	£1.47	£0.53	£1.25	£0.19	£0.91	£0.06	£0.78	- £0.18	£0.54
50% AH	£0.36	£1.26	£0.17	£1.07	-£0.14	£0.76	-£0.25	£0.65	- £0.47	£0.43

- 3.18 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.

- 3.19 As a general rule, the introduction of grant has a greater proportionate impact in the weaker sub markets. For example, in Worksop and Carlton, there is almost a threefold increase in residual value at 25% affordable housing due to the impact of grant; whereas in Tuxford and Markham, for the same scenario, grant adds only 33% to residual value.
- 3.20 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**

- 3.21 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	Tuxford & East Markham		Rural Belt		Retford		SW Rural Bassetlaw		Worksop & Carlton	
	No grant 50%:50%	Grant	No grant 50%:50%	Grant	No grant 50%:50%	Grant	No grant 50%:50%	Grant	No grant 50%:50%	Grant
0% AH	£2.30	N/A	£1.98	N/A	£1.49	N/A	£1.30	N/A	£0.95	N/A
10% AH	£1.98	£2.09	£1.69	£1.80	£1.22	£1.34	£1.05	£1.17	£0.72	£0.85
20% AH	£1.67	£1.89	£1.39	£1.62	£0.95	£1.20	£0.79	£1.04	£0.49	£0.75
25% AH	£1.51	£1.77	£1.24	£1.52	£0.82	£1.11	£0.67	£0.97	£0.37	£0.68
30% AH	£1.35	£1.68	£1.10	£1.44	£0.69	£1.05	£0.54	£0.91	£0.25	£0.64
35% AH	£1.20	£1.57	£0.95	£1.33	£0.56	£0.97	£0.41	£0.84	£0.14	£0.58
40% AH	£1.04	£1.47	£0.80	£1.25	£0.42	£0.91	£0.29	£0.78	-£0.02	£0.54
50% AH	£0.72	£1.26	£0.50	£1.07	£0.16	£0.76	£0.03	£0.65	-£0.21	£0.43

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



- 3.23 The main reason for these outcomes is that the revenue from Shared Ownership sales is based on relatively -low house prices. In very high house price areas, switching tenure would have 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.
- 3.24 Nevertheless increasing the proportion of intermediate housing (here Shared Ownership) to 50%:50% will increase residual value versus the baseline (70%:30% split). In Tuxford and East Markham for example, at 30% affordable housing, residual values will increase by 18%. In the weakest sub market, the increase (again 30%) will be in the order of 2.5 fold. This is very substantial.
- 3.25 Where the Council chooses the increase the proportion of intermediate housing at the expense of Social Rented homes, it will need to consider not only viability issues, but also local housing needs and the aim of mixed communities.

#### **Market sensitivity testing**

- 3.26 We are aware of current concerns about the volatility of the current housing market, and as such, we have looked at a situation where house prices are 10% higher and 10% lower than the levels assumed in our main testing based at March 2009.
- 3.27 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**

<b>Prices up10%</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>
Northern Rural	£3.55	£3.06	£2.58	£2.10	£1.62
Rural Belt	£2.59	£2.18	£1.77	£1.40	£0.95
Retford	£2.04	£1.68	£1.31	£0.94	£0.57
Worksop & Carlton	£1.46	£1.13	£0.81	£0.49	£0.17
<b>Baseline position</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>
Northern Rural	£2.86	£2.43	£2.00	£1.57	£1.14
Rural Belt	£1.98	£1.62	£1.26	£0.90	£0.53
Retford	£1.49	£1.16	£0.84	£0.51	£0.19
Worksop & Carlton	£0.95	£0.67	£0.39	£0.10	-£0.18

Prices down10%	0%	10%	20%	30%	40%
Northern Rural	£2.18	£1.80	£1.42	£1.05	£0.67
Rural Belt	£1.40	£1.08	£0.76	£0.44	£0.12
Retford	£0.95	£0.67	£0.38	£0.10	-£0.18
Worksop & Carlton	£0.47	£0.23	-£0.02	-£0.27	-£0.52

- 3.28 Table 3.4 shows significant variation in residual values depending on the assumption about future price changes. For example in the Northern Rural sub market, a 10% increase in house prices will increase residual land value by 34% 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 Retford, a 10% increase in house price (at 30% affordable housing) will increase residual by almost fourfold.
- 3.29 Falling house prices will have a significant impact on residual values. At 30% affordable housing, a 10% fall in house prices in for example the Rural Belt, would more than halve residual values.
- 3.30 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.
- 3.31 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**

- 3.32 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.
- 3.33 In practice, where very large sites are released (several hundred houses), these sites will have the potential to create their own market, which in many instances will exceed the prices being charged for new housing on smaller sites.
- 3.34 The testing of such strategic sites is 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**

- 3.35 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.

- 3.36 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**

<b>EAST MIDLAND</b>			
<b>REGION</b>	<b>Small Sites (sites for less than five houses)</b>	<b>Bulk Land (sites in excess of two hectares)</b>	<b>Sites for flats or maisonettes</b>
	<b>£s per hectare</b>	<b>£s per hectare</b>	<b>£s per hectare</b>
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

- 3.37 The table indicates residential land values ranged from £0.75 million (Mansfield) to £1.47 million (Nottingham suburbs). Our estimate for Bassetlaw is around £1 million based on these broad benchmarks.
- 3.38 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**

<b>EAST MIDLANDS</b>			
	<b>From £s per ha</b>	<b>To £s per ha</b>	<b>Typical £s per ha</b>
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

- 3.39 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. The current threshold operating in Bassetlaw is 15 dwellings, as set out in the report to Cabinet of 8th January 2008. This threshold is in line with national policy as set out in PPS3 (see section 4.3 below).
- 4.2 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**

- 4.3 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)*
- 4.4 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.
- 4.5 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**

- 4.6 We have analysed data on extant planning consents and on 5 year land supply 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  
(extant consents April 2007)**

Outstanding planning consents (HLAPS 2007/08)		
Size of site in dwellings	Total Dwellings	Percentage of Dwellings
1 to 4	527	19%
5 to 9	295	11%
10 to 14	182	7%
15 to 24	203	7%
25 to 49	341	13%
50 to 99	457	17%
100 and over	702	26%
	<b>2707</b>	<b>100.0%</b>

Source: Col X4 HLAPS 2007/08 no of new dwellings

- 4.7 Historic data on extant consents shows that in April 2007 37% of dwellings with planning consent were on sites of less than 15 units. 30% were on sites of less than 10 units and 19% on sites of less than 10 units. Looking at data on 5 year land supply a similar picture emerges. 34% of dwellings are on sites of under 15 units. This would suggest that sites for around one third of all new homes are not currently required to provide affordable housing.

**Table 4.2: 5 year land supply by size of site 2008**

5 Year land supply	all sites		under 15 units	
Existing planning permission on allocated housing sites	137	5%	32	
Existing planning permission on large development sites	1264	47%	188	
Deliverable housing allocations	262	10%		
Brownfield sites that are likely to come forward	334	12%		
Other existing planning permissions	693	26%	693	
	<b>2690</b>	<b>100%</b>	<b>913</b>	<b>34%</b>

Source (“Assessment of Five Year Deliverable Housing Supply 2008”)

- 4.8 Five year land supply data also demonstrates that *“there is currently no net need for additional dwellings to meet the requirements set out in the Joint Structure Plan”* and there is sufficient land to meet 7.3 years supply judged against the Regional Plan target (“Assessment of Five Year Deliverable Housing Supply 2008”).

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

- 4.7 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.
- 4.8 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**

- 4.9 As a general principle, we recognise that seeking on-site provision of affordable housing will be the first priority 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.*

- 4.10 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*

- 4.11 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.
- 4.12 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.
- 4.13 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.
- 4.14 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**

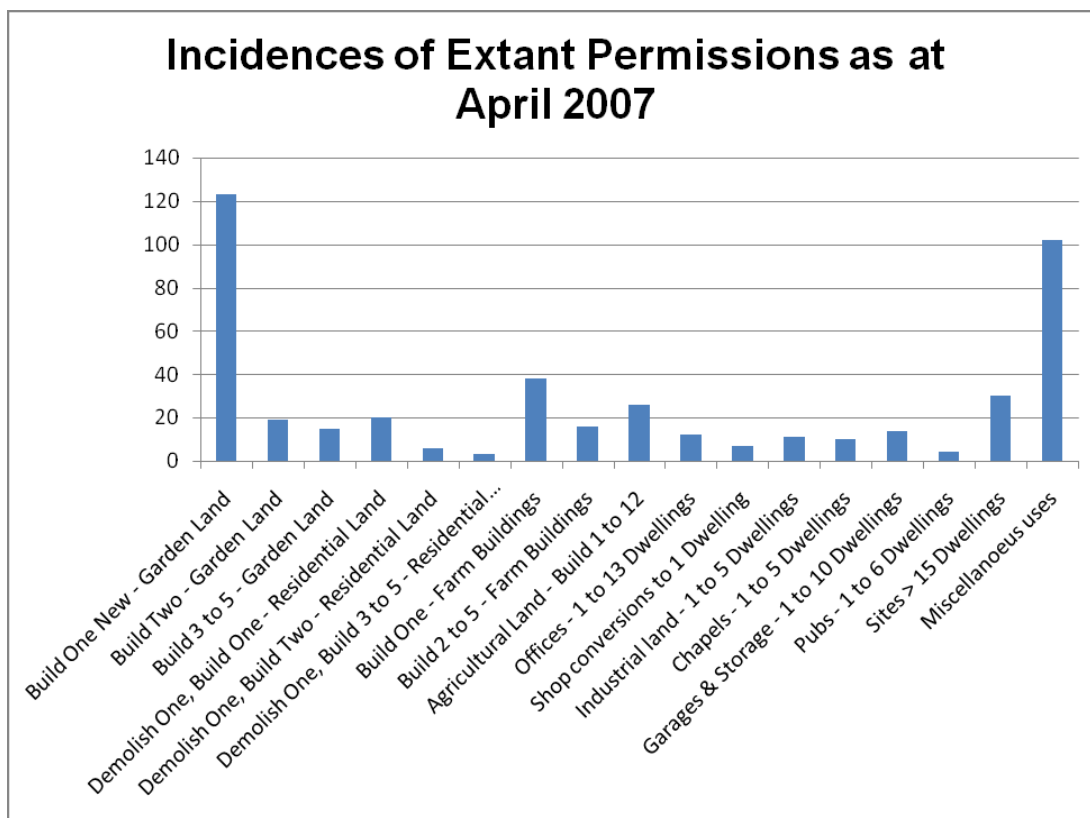
- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the borough. The residual values can be compared with existing use values to establish whether land owners are likely to make a return over and above existing use value, taking into account a developer margin.
- 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 as 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 extant planning permissions as at 2007, with the nature of the existing land use. Here we are measuring the number of schemes of different sizes.



**Figure 5.1 Incidence of extant planning permissions (no of schemes) as at April 2007**



- 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 garden land (27% of all incidences of extant planning permission). Schemes of development on garden land involving the construction of two to five dwellings are also significant. Agricultural land and farm buildings (mostly new build) provide a significant number of smaller developments in Bassetlaw; together they make up 17% of all incidences of extant 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 6% of all incidences of extant 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 one, two, three four or five units. These schemes make up 6% of all incidences of extant planning permissions.
- 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		0.075	13
<b>B</b>	<b>2</b>	1 x 4 bed detached house; 1 x 5 bed detached house		0.125	16
<b>C</b>	<b>4</b>	2 x 3 bed detached; 2 x 4 bed detached		0.35	11
<b>D</b>	<b>10</b>	6 x 3 bed semis 4 x 4 bed detached		0.5	20

5.10 For each case study we have undertaken an analysis of residual values for a selection of three sub markets (high, medium and lower value) 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.

5.11 We have then benchmarked the residual values derived against various potential alternative/existing use values. One comparator is the value of a second hand dwelling which is a relevant comparison where the development includes the demolition of an existing dwelling. We have used the market value of a second hand 4 bed detached dwelling as the comparator for these cases. Our estimate of the 'average' market value of one 4 bed detached property for each of the three market value areas we have analysed is as follows:

Tuxford and East Markham - £250,000

Retford - £220,000;

Worksop and Carlton - £200,000.

### Case study A – Develop one detached house on a 0.075 ha site

- 5.12 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>Tuxford and East Markham</b>	<b>£113,000</b>	<b>£97,000</b>	<b>£80,000</b>	<b>£64,000</b>	<b>£47,000</b>
	<b>£1.51</b>	<b>£1.29</b>	<b>£1.07</b>	<b>£0.85</b>	<b>£0.63</b>
<b>Retford</b>	<b>£76,000</b>	<b>£62,000</b>	<b>£48,000</b>	<b>£36,000</b>	<b>£22,000</b>
	<b>£1.01</b>	<b>£0.83</b>	<b>£0.64</b>	<b>£0.48</b>	<b>£0.29</b>
<b>Worksop &amp; Carlton</b>	<b>£55,000</b>	<b>£44,000</b>	<b>£31,000</b>	<b>£20,000</b>	<b>£8,000</b>
	<b>£0.73</b>	<b>£0.58</b>	<b>£0.41</b>	<b>£0.27</b>	<b>£0.11</b>

Table shows residual values in a selection of market value 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 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.
- 5.14 Where one dwelling of this type is built on garden 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.
- 5.15 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 mid market location such as Retford will be close to £50,000. This will allow, on average, for a 20% devaluation in the value of the existing house.
- 5.16 A significant number of sites come forward from farm land and buildings. Looking at the data, it appears that buildings are mainly replaced via demolition. 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 seven fold. 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.
- 5.17 A small proportion of sites are developed by demolishing an existing dwelling. The small number of instances are explained by the figures themselves, where it can be seen that current values (Paragraph 5.11) are well below residual values (Table 5.2 above).

- 5.18 However, because there are indeed some of these residential to residential redevelopment schemes carried out, we assume that there are extraordinary circumstances in some instances. These would be very high selling prices, or a very favourable plot ratio for example.

**Case study B – Develop two detached houses (one 4 bed and one five) on a 0.125 ha site.**

- 5.19 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**

<b>Case B</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>
<b>Tuxford and East Markham</b>	<b>£203,000</b>	<b>£174,000</b>	<b>£144,000</b>	<b>£115,000</b>	<b>£84,000</b>
	<b>£1.62</b>	<b>£1.39</b>	<b>£1.15</b>	<b>£0.92</b>	<b>£0.67</b>
<b>Retford</b>	<b>£138,000</b>	<b>114,000</b>	<b>£88,000</b>	<b>£64,000</b>	<b>£39,000</b>
	<b>£1.10</b>	<b>£0.91</b>	<b>£0.71</b>	<b>£0.51</b>	<b>£0.31</b>
<b>Worksop &amp; Carlton</b>	<b>£97,000</b>	<b>£76,000</b>	<b>£54,000</b>	<b>£32,000</b>	<b>£14,000</b>
	<b>£0.77</b>	<b>£0.61</b>	<b>£0.43</b>	<b>£0.26</b>	<b>£0.12</b>

Table shows residual values in a selection of market value 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 1 and 2. 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 The analysis of extant permissions (Figure 5.1) indicates that the development of a site for 2 dwellings including the demolition of an existing dwelling is relatively low (6 instances of an extant permission). We believe that even replacing one dwelling with two new ones will normally present viability problems, although (see Para 5.18 above), there will instances where 'normal' or usual situations do not apply and a relatively low value dwelling can be developed for two new dwellings, providing an affordable housing contribution. These circumstances will need to be looked at by the Council on a site by site basis.

**Case study C – Develop four dwellings on a 0.35 ha site**

5.12 A number of schemes in the District involve the development of four dwellings.

**Table 5.3 Develop two three bed, and two four bed detached**

Case C	0%	10%	20%	30%	40%
<b>Tuxford and East Markham</b>	<b>£346,000</b>	<b>£298,000</b>	<b>£246,000</b>	<b>£198,000</b>	<b>£150,000</b>
	<b>£2.76</b>	<b>£2.38</b>	<b>£1.96</b>	<b>£1.58</b>	<b>£1.20</b>
<b>Retford</b>	<b>£232,000</b>	<b>£190,000</b>	<b>£152,000</b>	<b>£110,000</b>	<b>£68,000</b>
	<b>£1.86</b>	<b>£1.52</b>	<b>£1.22</b>	<b>£0.88</b>	<b>£0.54</b>
<b>Worksop &amp; Carlton</b>	<b>£158,000</b>	<b>£124,000</b>	<b>£88,000</b>	<b>£52,000</b>	<b>£18,000</b>
	<b>£1.26</b>	<b>£0.98</b>	<b>£0.70</b>	<b>£0.42</b>	<b>£0.14</b>

Table shows residual values in a selection of market value 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. Four 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 four’ are significantly more favourable than with a lesser number of new build homes. As previously, the Council may wish to retain the right to negotiate these sites as they come forward.

**Case study D – Development of 10 dwellings on a 0.5 ha site**

5.15 We look here at an example of a 10 dwelling development which illustrates the kind of development economics which can be found with larger ‘small’ schemes.

5.16 We take as an example here the development of six, three bed semis and four, four bed detached houses

Case D	0%	10%	20%	30%	40%
<b>Tuxford and East Markham</b>	<b>£806,000</b>	<b>£529,000</b>	<b>£422,000</b>	<b>£318,000</b>	<b>£213,000</b>
	<b>£1.61</b>	<b>£1.06</b>	<b>£0.85</b>	<b>£0.64</b>	<b>£0.42</b>

<b>Retford</b>	<b>£420,000</b>	<b>£332,000</b>	<b>£242,000</b>	<b>£154,000</b>	<b>£66,000</b>
	<b>£0.84</b>	<b>£0.66</b>	<b>£0.48</b>	<b>£0.31</b>	<b>£0.13</b>
<b>Worksop &amp; Carlton</b>	<b>£264,000</b>	<b>£188,000</b>	<b>£110,000</b>	<b>£34,000</b>	<b>-£43,000</b>
	<b>£0.53</b>	<b>£0.37</b>	<b>£0.22</b>	<b>£0.68</b>	<b>-£0.86</b>

Table shows residual values in a selection of market value 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)

- 5.17 For schemes where garden or backland can be developed, or indeed agricultural land, this type of scheme presents considerable uplift (except at higher proportions of affordable housing in the weakest areas) and with it an opportunity for the Council to deliver affordable housing.

### **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 Bassetlaw, 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 to be a distinction 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 site along with analysis of a range of case study sites reflecting the particular development types found in Bassetlaw. 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 Bassetlaw which we identified were Northern Rural, Tuxford and East Markham, the Rural Belt, Retford, South West Rural Bassetlaw and Worksop and Carlton.
- 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, with Worksop having the lowest prices and residuals for Bassetlaw. Without grant, and using our standard assumptions about the mix of affordable housing and other Section 106 contributions, at 30% affordable housing, residual values per hectare are at their greatest in the Northern Rural sub market at £1.35m (at 45 dph) and at their lowest in Worksop and Carlton at -£1.19 m (at 80dph). In Worksop and Carlton, scheme values are negative at 35% affordable housing (45 dph). At 80 dph, residual values are negative at 20% affordable housing in the three lowest value sub markets.
- 6.5 In Retford (as a mid-market location), residual values per hectare of over £0.5m can be achieved for certain kinds of development densities (and hence mixes) at 30% affordable housing and in South West Rural Bassetlaw, residual values of over £0.5m per hectare can be achieved 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 40% affordable housing target in the Northern Rural sub market should generate a higher residual value than a nil affordable housing target (i.e. a scheme for 100% market housing) in the South West Rural Bassetlaw 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 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 Retford, at 30% affordable housing and with 70% of the affordable housing as social rented housing, the residual value at 45dph is £0.51 m per hectare but with 50% of the affordable housing as Newbuild HomeBuy, the residual value increases to £0.69m.
- 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 make a significant contribution to the supply of sites. Information about extant permissions shows that around 37% 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 around a third of the supply. Under the current policy threshold of 25 dwellings, almost 60% of dwellings with extant permissions would not be eligible to provide an affordable housing contribution.
- 6.11 Viability is highly sensitive to the relationship between existing (or, where relevant, alternative) use value. We have looked in some detail at the types of sites currently with extant permissions. A high proportion of these are garden or back land and a further high proportion have an existing use as agricultural land. We think this provides a significant opportunity for the Council to require affordable housing on these predominantly smaller sites.
- 6.12 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.
- 6.13 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.
- 6.14 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.



- 6.15 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.
- 6.16 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**

- 6.17 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 borough at the alternative levels of affordable housing tested and considered how these values compare with historic land values generally in the area.
- 6.18 The current policy operated in Bassetlaw is contained in the Local Plan which states that the Council will seek a target of 25% subject to negotiation. The Council has been achieving around 10% affordable housing in the recent past.
- 6.19 Comparing Q3 of 2001<sup>2</sup> with Q3 of 2008, we find that mean average house prices in Bassetlaw have increased by about 33%<sup>3</sup>. These figures are for all house prices and not specifically for new homes.
- 6.20 Our review has also taken into account that the Strategic Housing Market Assessment indicated that the need for affordable housing was estimated to be a minimum of 30% Social Rent on sites of over 15 dwellings.
- 6.21 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 2001 target of 25%, and set out in further guidance (e.g. an updated SPD) a pragmatic approach to housing delivery which reflects the fact that the Bassetlaw housing market has a significant spread of market values and that prices which held in 2001 were significantly lower than at the most recent equivalent period (Q3, 2008). Success of this option would rely on significant levels of subsidy for schemes in the weaker market areas to help in the delivery of affordable housing at the target percentage. This would apply particularly in Worksop and Carlton but subsidy is also likely to be required in South West Rural Bassetlaw and Retford.
  - Adopt differential targets for different parts of the District, to reflect the spread of market values. There are then two sub options to be considered:

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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. Q3 2001 = £110,969 Q3 2008 = £147,685

- A target of 20% for the lower three sub markets of Retford, South West Rural Bassetlaw and Worksop and Carlton (but recognising that subsidy will sometimes be required to achieve even this modest amount of affordable housing) and a target of 30% for the remainder of three higher value areas.
- A more refined set of targets at 35% for the Northern Rural and Tuxford sub markets, 25% for the Rural Belt and Retford and 15% for the lower two sub markets of South West Rural Bassetlaw and Worksop and Carlton.

6.22 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 SPD policy and will be short of the level of need identified in the SHMA. 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.

6.23 The analysis demonstrated the benefits in increasing the proportion of intermediate affordable housing at the expense of Social Rented housing. There is no particular formula as to the extent to which this needs to happen to maintain viability. As a general rule, increasing the proportion of intermediate housing will be a much less effective solution in weaker market locations than in high value ones. However, changing the tenure balance is not only a viability issue and hence the decision to re-balance a scheme should be taken in the light of additional considerations, for example the need for mixed communities.

### **Viability on individual sites**

6.24 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.

6.25 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**

6.26 There is a significant need for affordable housing in the District and it is appropriate for the Council to give consideration to a lower threshold than the

indicative national minimum (15 dwellings) set out in PPS3 and the threshold of 25 dwellings which is current Local Plan policy.

- 6.27 The supply of sites which has been coming through in recent years would indicate the need for a threshold below 15 dwellings generally in order to maximise delivery of affordable housing and to start to meet the high level of need identified in the SHMA. It would seem that the Council has two main options (if it wants to consider a threshold below 15 dwellings). The first option would be a threshold of 0 which would mean all 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 The second option would be to introduce a threshold of 5 dwellings and above. This would capture a large number of opportunities for delivering affordable housing (with about 20% of all housing in the District being on sites of 5-14 dwellings).
- 6.29 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**

- 6.30 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

- 6.31 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:

BASSETLAW												
Sub Market	Detached			Semi-detached			Terraced			Flats		
	5 Bed Det	4 Bed Det	3 Bed Det	4 Bed Semi	3 Bed Semi	2 Bed Semi	4 Bed Terr	3 Bed Terr	2 Bed Terr	3 Bed Flat	2 Bed Flat	1 Bed Flat
Northern Rural	£ 370,000	£ 325,000	£ 275,000	£ 210,000	£ 195,000	£ 175,000	£ 205,000	£ 190,000	£ 165,000	£185,000	£160,000	£110,000
Tuxford & East Markham	£ 340,000	£ 295,000	£ 250,000	£ 195,000	£ 180,000	£ 160,000	£ 190,000	£ 175,000	£ 150,000	£170,000	£145,000	£100,000
Rural Belt	£ 320,000	£ 280,000	£ 240,000	£ 185,000	£ 170,000	£ 150,000	£ 180,000	£ 165,000	£ 145,000	£160,000	£140,000	£95,000
Retford	£ 295,000	£ 255,000	£ 215,000	£ 170,000	£ 155,000	£ 140,000	£ 165,000	£ 150,000	£ 130,000	£145,000	£125,000	£90,000
South West Rural Bassetlaw	£ 280,000	£ 245,000	£ 205,000	£ 160,000	£ 150,000	£ 130,000	£ 155,000	£ 145,000	£ 125,000	£140,000	£120,000	£85,000
Worksop & Carlton	£ 265,000	£ 230,000	£ 195,000	£ 150,000	£ 140,000	£ 125,000	£ 145,000	£ 135,000	£ 120,000	£130,000	£115,000	£80,000

The development mixes were as follows:

3.40 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
- 40 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.

### Affordable housing targets:

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

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



**Typical unit sizes adopted (m<sup>2</sup>):**

	<b>Market</b>	<b>Affordable</b>
<b>1 Bed Flat</b>	45	46
<b>2 Bed Flat</b>	60	67
<b>2 Bed Terrace</b>	65	76
<b>3 Bed Terrace</b>	80	84
<b>3 Bed Semi</b>	90	86
<b>3 Bed Detached</b>	110	90
<b>4 Bed Detached</b>	135	110
<b>5 Bed Detached</b>	150	125

**Other Affordable Housing Factors:**

**Social rents**

	<b>Weekly Rent</b>
<b>1 Bed Flat</b>	£63
<b>2 Bed Flat</b>	£71
<b>2 Bed Terrace</b>	£72
<b>3 Bed Terrace</b>	£73
<b>3 Bed Semi</b>	£74
<b>3 Bed Detached</b>	£75
<b>4 Bed Detached</b>	£76
<b>5 Bed Detached</b>	£78

**Gross to net factors (Affordable housing revenue)**

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

30 dph	0%	10%	20%	25%	30%	35%	40%	50%
Northern Rural	£2.16	£1.85	£1.54	£1.38	£1.23	£1.07	£0.92	£0.61
Tuxford & East Markham	£1.75	£1.47	£1.19	£1.05	£0.91	£0.77	£0.64	£0.36
Rural Belt	£1.51	£1.25	£0.99	£0.86	£0.73	£0.60	£0.47	£0.21
Retford	£1.15	£0.91	£0.68	£0.56	£0.45	£0.33	£0.22	-£0.02
South West Rural Bassetlaw	£1.01	£0.79	£0.57	£0.46	£0.35	£0.23	£0.12	-£0.10
Worksop & Carlton	£0.75	£0.55	£0.35	£0.25	£0.15	£0.04	-£0.06	-£0.26
45 dph	0%	10%	20%	25%	30%	35%	40%	50%
Northern Rural	£2.86	£2.43	£2.00	£1.78	£1.57	£1.35	£1.14	£0.71
Tuxford & East Markham	£2.30	£1.91	£1.53	£1.33	£1.14	£0.95	£0.75	£0.36
Rural Belt	£1.98	£1.62	£1.26	£1.08	£0.90	£0.71	£0.53	£0.17
Retford	£1.49	£1.16	£0.84	£0.67	£0.51	£0.35	£0.19	-£0.14
South West Rural Bassetlaw	£1.30	£0.99	£0.68	£0.53	£0.37	£0.22	£0.06	-£0.25
Worksop & Carlton	£0.95	£0.67	£0.39	£0.24	£0.10	-£0.04	-£0.18	-£0.47
60 dph	0%	10%	20%	25%	30%	35%	40%	50%

Northern Rural	£3.05	£2.54	£2.03	£1.77	£1.52	£1.26	£1.01	£0.49
Tuxford & East Markham	£2.40	£1.94	£1.48	£1.25	£1.01	£0.78	£0.55	£0.09
Rural Belt	£2.05	£1.61	£1.18	£0.96	£0.74	£0.52	£0.31	-£0.13
Retford	£1.46	£1.07	£0.68	£0.48	£0.29	£0.09	-£0.10	-£0.49
South West Rural Bassetlaw	£1.23	£0.86	£0.48	£0.30	£0.11	-£0.08	-£0.26	-£0.64
Worksop & Carlton	£0.85	£0.51	£0.16	-£0.01	-£0.18	-£0.35	-£0.52	-£0.87
<b>80 dph</b>	0%	10%	20%	25%	30%	35%	40%	50%
Northern Rural	£2.71	£2.10	£1.50	£1.20	£0.90	£0.60	£0.30	-£0.30
Tuxford & East Markham	£1.94	£1.40	£0.85	£0.58	£0.31	£0.04	-£0.23	-£0.77
Rural Belt	£1.61	£1.10	£0.58	£0.32	£0.06	-£0.20	-£0.46	-£0.97
Retford	£0.87	£0.41	-£0.05	-£0.28	-£0.51	-£0.74	-£0.97	-£1.43
South West Rural Bassetlaw	£0.58	£0.14	-£0.30	-£0.52	-£0.74	-£0.95	-£1.17	-£1.61
Worksop & Carlton	£0.25	-£0.16	-£0.57	-£0.78	-£0.99	-£1.19	-£1.40	-£1.81

## Illustrative scheme – 45 dph – Retford 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	45	<input type="checkbox"/> Tick if this a rural development
Resulting Density	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	£120,000	£120,000
2	2 Bed Terraces	2	£125,000	£125,000
3	3 Bed Terraces	3	£145,000	£145,000
4	3 Bed Semis	3	£150,000	£150,000
5	3 Bed Detached	3	£205,000	£205,000
6	4 Bed Detached	4	£245,000	£245,000
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 HOUSING COSTS AND CAPITALISATION FACTORS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

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

Enter known grant into the table below. Grant may be specified on a per unit basis or by tenure or as a total for the three affordable housing tenures on this page.

	Number of units	Grant by unit	Grant by tenure	Grant by scheme	Tenure Total Grant	Method by which grant is calculated	Total Grant
Social Rent	9.45			A lump sum that covers all affordable housing tenures	£ -	N/A	£ -
New Build HomeBuy	4.05				£ -	N/A	
Intermediate Rent					£ -	N/A	



## 20 - Scheme Results

Site Reference Details	
Site Reference Number	
Application Number	
Site Location	Harlow
Scheme Description	

Site Details	
Site	Example - Retford scheme at 45 dph - at 30% Affordable Housing
Address	
Site Details	

TOTAL NUMBER OF UNITS	
Dwellings	45
% Wheelchair Units	

DENSITY (per hectare)	
Dwellings	45.0

AFFORDABLE UNITS		
	Quantity	% of All Units
Total	13.5	30%
Social rent	9.5	21%
Intermediate	4.1	9%

REVENUE AND COSTS	
Total scheme revenue	£ 5,837,000
Total scheme costs	£ 5,268,000

RESIDUAL VALUE	
Whole scheme	£ 569,000
Per hectare	£ 569,000
Per dwelling	£ 13,000
Per market dwelling	£ 18,000

Contribution to revenue from:	
Market housing	£ 5,166,000
Affordable Housing	£ 671,000
- Social rent	£ 263,000
- New Build HomeBuy	£ 408,000
- Intermediate Rent	£ -
- Discount Market	£ -
- Local Sale	£ -
Capital Contribution	£ -
Commercial Elements	£ -

PUBLIC SUBSIDY (GRANT)	
Whole Scheme	£ -
Per Social Rental dwelling	£ -
Per New Build HomeBuy dwelling	£ -
Per Intermediate Rent dwelling	£ -

Contribution to costs from:	
Market housing	£ 3,852,000
Affordable Housing	£ 1,191,000
- Social rent	£ 834,000
- New Build HomeBuy	£ 357,000
- Intermediate Rent	£ -
- Discount Market	£ -
- Local Sale	£ -
Land Finance	£ -
Planning Obligations	£ 225,000
Total Exceptional Costs	£ -
Commercial Elements	£ -

Alternative Site Values	Against residual
Existing Use Value	£ - £ -
Acquisition Cost	£ - £ -
Alternative Use Value 1	£ - £ -
Alternative Use Value 2	£ - £ -
Alternative Use Value 3	£ - £ -

Save Results

View Results

Cost Components

View DCF Page

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