Local Plan Viability Assessment

WORKING DRAFT

May 2021

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1. Introduction

Scope

1.1 Stroud District Council (SDC / the Council) is undertaking a Local Plan Review that will set out the future spatial strategy for the District and will include sites for allocation. This Viability Assessment has been commissioned to inform the further development of the emerging Local Plan. HDH Planning & Development Ltd has been appointed to advise the Council in connection with several matters:

a. Whole plan viability to consider all standards and policy requirements, including Affordable Housing and developer contributions.

b. To consider the scope to review Community Infrastructure Levy (CIL).

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

1.3 The initial iteration of this *Local Plan Viability Assessment* was completed in April 2021 on the basis of the contents of the Draft Plan for Consultation (November 2019). Following the approval the *Stroud Local Plan Pre-submission Draft Plan* this iteration of the report was updated in early May 2021 to reflect the changes to some of the strategic sites.

1.4 A technical consultation to inform this report was undertaken during June and July 2020. Representatives of the main developers, development site landowners, 'call for site' landowners, their agents, planning agents and consultants working in the area and housing providers were invited to comment on an early draft of this report. There is a further opportunity to comment at the Regulation 19 consultation stage.

1.5 In the several years before this report, various Government announcements were made about changes to the planning processes. The Ministry of Housing Communities and Local Government (MHCLG) updated the National Planning Policy Framework, (2018 NPPF), and published new Planning Practice Guidance (PPG) in July 2018. In February 2019, the NPPF was further updated (2019 NPPF), although these changes did not impact on viability. In May 2019, the viability sections of the PPG were updated again. In addition to these changes, the CIL Regulations and accompanying guidance (within the PPG) were also updated from 1st September 2019. The methodology used in this report is consistent with the 2019 NPPF, the CIL Regulations (as amended) and the updated PPG. The Government published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The implications in relation to viability are set out in Chapter 2 below.

1.6 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened by the cumulative impact of the policies.

COVID-19

1.7 This project is being completed during the coronavirus pandemic. The coronavirus (COVID-19) was reported in China, in December 2019 and was declared a pandemic in March 2020. It is too early to predict what the impact on the economy, and therefore house prices, may be. There are real material uncertainties around the values of property and the costs of construction that are a direct result of the pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be.

1.8 Through the Summer 2020 consultation it was noted[1] that the uncertainty due to COVID-19 may mean the evidence needs to be revisited. This is agreed.

1.9 This assessment is conducted at August 2020 costs and values.

Report Structure

1.10 This report follows the following format:

Chapter 2	The reasons for, and approach to viability testing, including a review of the requirements of the 2019 NPPF, the CIL Regulations, and updated PPG.
Chapter 3	The methodology used.
Chapter 4	An assessment of the housing market, including market and Affordable Housing, with the purpose of establishing the worth of different types of housing in different areas.
Chapter 5	An assessment of the non-residential market.
Chapter 6	An assessment of the costs of land to be used when assessing viability.
Chapter 7	The cost and general development assumptions to be used in the development appraisals.
Chapter 8	A summary of the various policy requirements and constraints that influence the type of development that come forward.
Chapter 9	A summary of the range of modelled sites used for the financial development appraisals.
Chapter 10	The results of the appraisals and consideration of residential development.
Chapter 11	The results of the appraisals and consideration of non-residential development.
Chapter 12	Summary and conclusions.

[1] [redacted], Hawkins Watton for various (un-named) clients.

HDH Planning & Development Ltd (HDH)

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

a. District wide and site-specific viability analysis.

b. Community Infrastructure Levy.

c. Housing Market Assessments.

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

Caveat and Material Uncertainty

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

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

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

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

Compliance

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

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

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

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

c. The tender specification under which this project is undertaken is included as **Appendix 1** of this report. The project, as specified, could not be undertaken in the proposed timetable (due to the Coronavirus pandemic) so the timetable was subsequently altered.

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

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

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

g. HDH confirms that adequate time has been taken to allow engagement with stakeholders through this project. The time for engagement with the industry was initially to be for the period from the 9th June to the 26th June. This was extended to the 10th July, at the request of consultees, due to the restrictions introduced as a result of the Coronavirus pandemic. Three parties[2] [3] [4] did express a concern that the time allowed (over 4 weeks) was inadequate.

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

i. The Guidance includes a requirement that, '*all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply*

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[2] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

[3] HBF.

[4] [redacted], Pioneer for Robert Hitchins.

with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm'. Much of the information that informed this Viability Assessment was provided by SDC or its consultants. This information was not provided in a subcontractor role and, in accordance with HDH's instructions, this information has not been challenged nor independently verified.

1.19 As this report was being completed, the RICS published a new Guidance Note, *Assessing Viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition* (RICS, March 2021). This is effective from the 1st July 2021 so does not apply to this report. This new Guidance Note cancels *Financial Viability in planning (1st edition), RICS guidance note 2012*. We confirm that this report is generally in accordance with this further guidance (in as far as it relates to plan-wide viability assessments).

Metric or Imperial

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

1m	=	3.28ft (3' and 3.37")	1ft	=	0.30m
1m^2	=	10.76 sqft	1sqft	=	0.0929m^2
1ha	=	2.471acres	1acre	=	0.405ha

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

2. Viability Testing

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

National Planning Policy Framework

2.2 Paragraph 34 of the 2019 NPPF says that Plans should set out what development is expected to provide, and that the requirement should not be so high as to undermine the delivery of the Plan.

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

2.3 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The 2019 NPPF does not include detail on the viability process, rather stresses the importance of viability. The main change is a shift of viability testing from the development management stage to the plan-making stage.

> *Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.*
>
> *2019 NPPF Paragraph 57*

2.4 Consideration has been made to the updated PPG (see below). This Viability Assessment will become the reference point for viability assessments submitted through the development management process in the future.

2.5 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2019 NPPF which includes an updated definition:

> ***Deliverable**: To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*
>
> *a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).*

> *b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.*
>
> *2019 NPPF Glossary*

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

> *Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:*
>
> *a) specific, deliverable sites for years one to five of the plan period[32]; and*
>
> *b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.*
>
> *2019 NPPF Paragraph 67*

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

> *Local planning authorities, and other plan-making bodies, should take a proactive role in identifying and helping to bring forward land that may be suitable for meeting development needs, including suitable sites on brownfield registers or held in public ownership, using the full range of powers available to them. This should include identifying opportunities to facilitate land assembly, supported where necessary by compulsory purchase powers, where this can help to bring more land forward for meeting development needs and/or secure better development outcomes.*
>
> *2019 NPPF Paragraph 119*

2.8 The 2019 NPPF does not include technical guidance on undertaking viability work. This is included within the Planning Practice Guidance (PPG), the viability sections of which were updated in July 2018 and again in May 2019. The CIL sections of the PPG were updated in September 2019.

Planning Practice Guidance

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

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

2.10 The test was whether or not the policy requirements were so high that development was threatened. Paragraphs 10-009-20190509 and 10-010-20180724 change this:

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

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

2.12 The core requirement to consider viability links to paragraph 56 of the 2019 NPPF:

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

2.13 This Viability Assessment takes a proportionate approach to considering the cumulative impact of policies and planning obligations.

2.14 The updated PPG includes 4 main sections:

Section 1 - Viability and plan making

2.15 The overall requirement is that:

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

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

> *Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan. ... Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.*
>
> *PPG 10-002-20190509*

2.17 The policies in the emerging Plan are tested individually and cumulatively, to ensure that they are set at a realistic level.

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

2.18 Consultation has formed part of this study.

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

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

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

2.20 The site selection process is underway, and several potential Strategic Sites have been identified, the details of which were updated in May 2021 (see Chapter 9 below). These will be tested individually, and in due course, SDC will specifically engage with the promoters of the potential Strategic Sites.

2.21 The modelling in this assessment is based on the long list of sites that are being considered for allocation. This is subject to further change so, in due course, it may be necessary to revisit this when the actual preferred allocations have been selected. Through the consultation it was suggested that the assessment would evolve through the plan period[5]. This is not the case. The purpose of this Viability Assessment is to ensure the deliverability of the overall Plan from the outset. Once it is completed and the new Plan adopted, this Viability Assessment will then become the reference point for the consideration of viability at the development management stage.

> *Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In*

[5] [redacted], Hawkins Watton for various (un-named) clients.

some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.

PPG 10-003-20180724

2.22 This study is based on typologies[6] that have been developed by having regard to the potential development sites that are most likely to be identified through the emerging Plan.

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

PPG 10-004-20190509

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

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

PPG 10-005-20180724

2.24 The potential Strategic Sites are considered individually.

Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

PPG 10-006-20190509

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

A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.

In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.

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

Section 2 - Viability and decision taking

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

Section 3 - Standardised inputs to viability assessment

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

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

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

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

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

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

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

2.31 All these costs are taken into account.

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

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

2.33 The PPG goes on to set out:

> *Benchmark land value should:*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*
>
> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*

> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*
>
> *PPG 10-014-20190509*

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

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

2.35 As set out in Chapter 6 below, this report has applied this methodology to establish the EUV.

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

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

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

2.38 Through the summer 2020 consultation it was observed[7] that '*calculations for Section 106, CIL and Affordable should be based upon the uplift from the EUV .... rather than being based*

[7] [redacted], Hawkins Watton for various (un-named) clients.

upon the GDV and percentage thereof'. Whilst it is agreed, under the extant guidance, that s106, CIL and affordable should not be a simple proportion of the Gross Development Value (GDV), the requirement is that the Residual Value is sufficiently above the EUV to generate an adequate developer's return. It is relevant to note that one for the proposals under consideration under the Government's August 2020 consultation is a new national infrastructure levy that is based on a proportion of GDV.

Section 4 - Accountability

2.39 This section in the PPG sets out requirements on reporting. These are covered, by the Council, outside this report.

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

Community Infrastructure Levy Regulations and Guidance

2.41 The Council has adopted CIL, and this study considers the current rates of CIL (relative to the other policies in the emerging Plan). The CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking any plan-wide viability assessment and considering the deliverability of development.

2.42 The CIL Regulations have been subject to several subsequent amendments[8]. CIL Regulation 14 (as amended) sets out the core principle for setting CIL.

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

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

> (b) *the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.*
>
> (2) *In setting rates …*

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

> *A charging authority should be able to explain how their proposed levy rate or rates will contribute towards new infrastructure to support development across their area. Charging authorities will need to summarise their viability assessment. Viability assessments should be proportionate, simple, transparent and publicly available in accordance with the viability guidance. Viability assessments can be prepared jointly for the purposes of both plan making and preparing charging schedules. This evidence should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the viability of development across the authority's area. Where the levy is introduced after a plan has been made, it may be appropriate for a local authority to supplement plan viability evidence with assessments of recent economic and development trends, and through working with developers (e.g. through local developer forums), rather than by procuring new evidence.*
>
> *PPG 25-019-20190901*

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

2.45 From April 2015, councils were restricted in relation to pooling S106 contributions from more than five developments[9]. These 'pooling' restrictions were lifted from 1st September 2019. Payments requested under the s106 regime must be (as set out in CIL Regulation 122):

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

b. directly related to the development; and

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

2.46 A local authority which wishes to introduce CIL must set out in a Charging Schedule the types of development to be charged (and any exceptions) and the rates of charge to be applied. CIL, once introduced, is mandatory on all developments within the categories and areas where the levy applies. This is unlike s106 agreements (including Affordable Housing) which are negotiated with developers on a site-by-site basis (subject to the restrictions in CIL Regulation 122 and within paragraphs 10-007 and 10-008 of the PPG). This means that CIL must not prejudice the viability of most sites.

[9] CIL Regulations 123(3)

Wider Changes Impacting on Viability

2.47 There have been a number of changes at a national level since SDC's existing viability work. Paragraph 63 of the 2019 NPPF now sets out national thresholds for the provision of Affordable Housing:

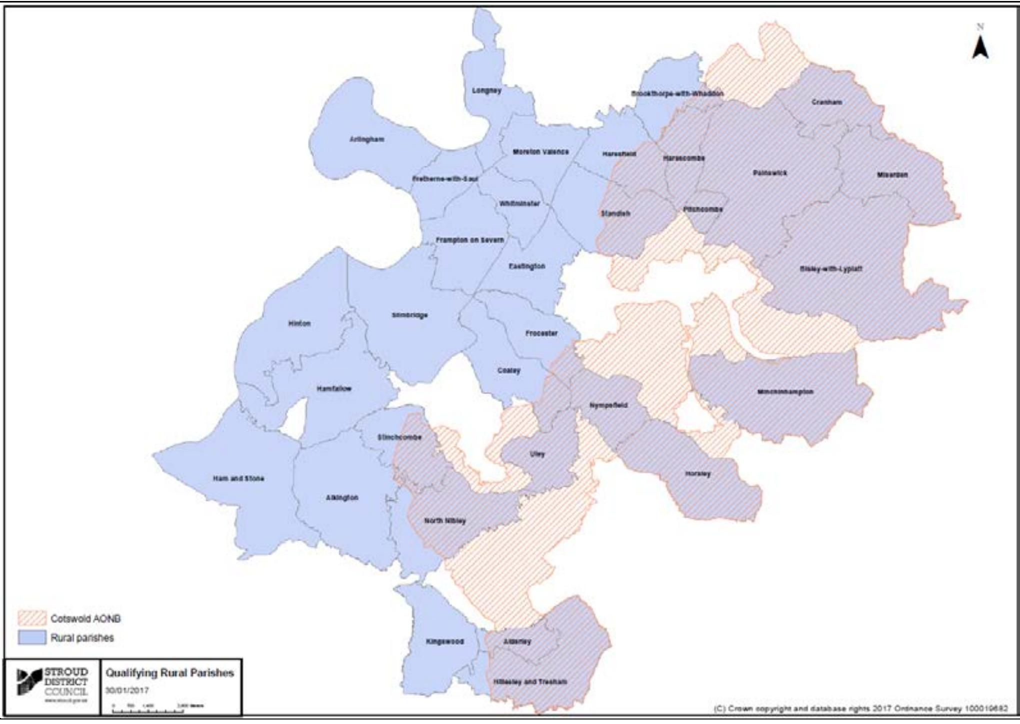
> *Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused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

2.48 In this context, major development is as set out in the Glossary to the 2019 NPPF:

> ***Major development:*** *For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m2 or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

2.49 SDC includes a number of parishes[10] that are defined as being within a Designated Rural Area.

Figure 2.1 Designated Rural Area (for Affordable Housing)



Source: SDC, HOUSING COMMITTEE (21 FEBRUARY 2017)

[10] Alderley, Alkington, Amberley, Arlingham, Bisley with Lypiatt, Brookthorpe with Whaddon, Coaley, Cranham, Eastington, Frampton on Severn, Fretherne with Saul, Frocester, Ham and Stone, Hamfallow, Harescombe, Haresfield, Hillesley and Tresham, Hinton, Horsley, Kingswood, Longney and Epney, Miserden, Moreton Valance, North Nibley, Nympsfield, Painswick, Pitchcombe, Slimbridge, Standish, Stinchcombe, Uley, Whitminster.

2.50 A threshold of 4 units is assumed to apply within the Designated Rural Area and a threshold of 10 units is assumed to apply elsewhere.

Low Cost Home Ownership

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

2.52 The 2019 NPPF (paragraph 64) sets out a policy for a minimum of 10% affordable home ownership units on larger sites.

> *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership[11], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*
>
> *a) provides solely for Build to Rent homes;*
>
> *b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
>
> *c) is proposed to be developed by people who wish to build or commission their own homes; or*
>
> *d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*
>
> *Paragraph 64, 2019 NPPF*

2.53 In this context, the Government launched a further consultation[12] in January 2021. Amongst other things, this clarified that the 10% relates to all the homes on a site.

2.54 This is tested.

First Homes Consultation

2.55 In February 2020, the Government launched a consultation on First Homes. The Government's *Changes to the current planning system – Consultation on changes to planning policy and regulations* (MHCLG, August 2020) has provided some clarity in this regard:

> *48. The Government intends to set out in policy that a minimum of 25 per cent of all affordable housing units secured through developer contributions should be First Homes. This will be a national threshold, set out in planning policy....*
>
> *59. The minimum discount for First Homes should be 30% from market price which will be set by an independent registered valuer. The valuation should assume the home is sold as an open market dwelling without restrictions. Local authorities will have discretion to increase the discount to 40% or 50%. This would need to be evidenced in the local plan making process.*

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

[12] 29th January 2021. [NPPF draft for consultation (publishing.service.gov.uk)]

> *61. In line with other affordable housing tenures, we intend to introduce an exemption from the Community Infrastructure Levy (CIL) for First Homes. We intend to introduce this national exemption through regulations.*

2.56 This requirement has been tested. The consultation suggests that First Homes would not be subject to CIL.

Environmental Standards

2.57 Early in October 2019, the Government launched a consultation on 'The Future Homes Standard'[13]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring the policy options in this regard. A housebuilder[14] suggested that the Future Homes Standard should be incorporated into the base appraisals as it has been subject to national consultation and that this may be a requirement. As this report was being concluded (January 2021), the outcome of the consultation was announced[15], This is considered in Chapter 8 below.

Biodiversity

2.58 In March 2019, the Government announced that new developments must deliver an overall increase in biodiversity. Following a consultation, the Chancellor confirmed in the 2019 Spring Statement that the Government will use the forthcoming Environment Bill to mandate 'biodiversity net gain'. Within the current iteration of the Bill, it is anticipated that all consented developments (with a few exceptions), will be mandated to deliver a biodiversity net gain of 10% as against the measured baseline position using the evolving Defra metric.

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

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

Affordable Housing

2.61 Prior to the Summer 2015 Budget, Affordable Rents were set at up to 80% of open market rent and generally went up, annually, by inflation (CPI) plus 1%, and Social Rents were set

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

[14] [redacted] for Persimmon.

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

through a formula, again with an annual inflation plus 1% increase. Under arrangements announced in 2013, these provisions were to prevail until 2023, and formed the basis of many housing associations' and other providers' business plans. Housing associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them attractive as each year the rent would always be a little more relative to inflation.

2.62 In the Budget, it was announced that Social Rents and Affordable Rents would be reduced by 1% per year for 4 years. This change reduced the value of Affordable Housing. In October 2017, the Government announced that Rents will rise by CPI +1% for five years from 2020. The values of Affordable Housing have been considered in Chapter 4 below.

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

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

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

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

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

2.65 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report (October 2020) a viability assessment is a requirement.

NPPF and National Model Design Code: consultation proposals

2.66 The Government announced a further consultation on 31st January 2021, under the title *National Planning Policy Framework and National Model Design Code: consultation* *proposals*[16]. This consultation does not alter the place of viability within the planning system or the approach to viability testing. It does however seek views on the introduction a new National Design Code.

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

Viability Guidance

2.68 There is no specific technical guidance on how to test viability in the 2019 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions[17] that support the methodology HDH has developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[18] (known as the **Harman Guidance**).

2.69 The planning appeal decisions and the HCA good practice publication[19] suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell. This approach is now specified in the PPG.

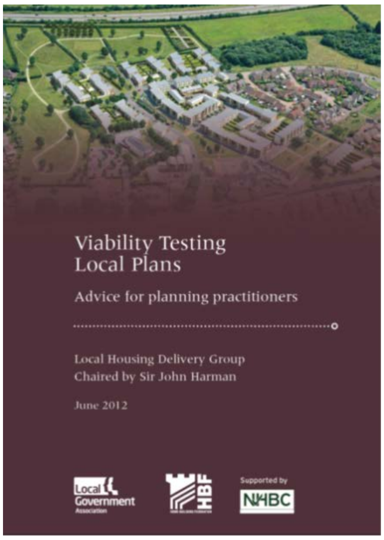
2.70 The Harman Guidance and *Financial viability in planning*, *RICS guidance note, 1st edition* (GN 94/2012) which was published during August 2012 (known as the **RICS Guidance**) set out the principles of viability testing. Additionally, the Planning Advisory Service (PAS) provides viability guidance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

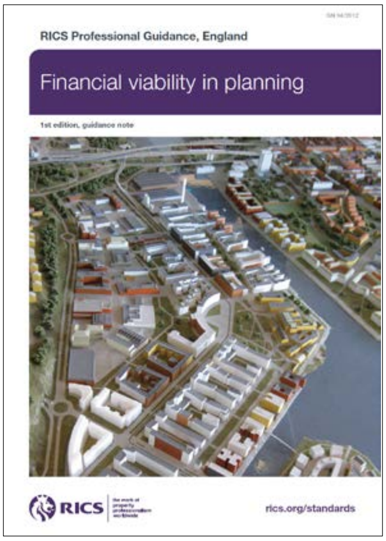
[16] National Planning Policy Framework and National Model Design Code: consultation proposals - GOV.UK (www.gov.uk)

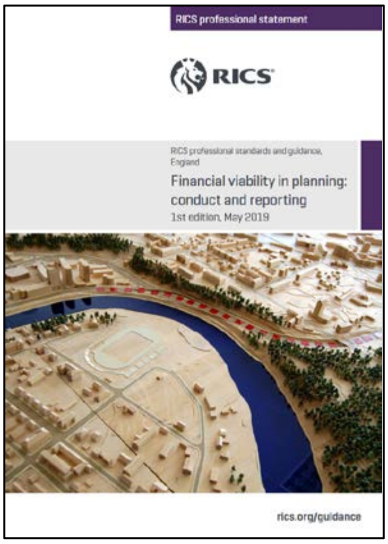
[17] Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve; APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338, Former Territorial Army Centre, Parkhurst Road, Islington APP/V5570/W/16/3151698, Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437.

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

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







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

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

2.73 In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the value of the land both with and without the benefit of planning consent. This approach is in line with that recommended in the Harman Guidance (as endorsed by LGA and PAS).

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

2.75 Both the HBF and a land promoter[20] referenced the HBF guidance through the summer 2020 consultation.

[20] [redacted], Savills – for L&Q Estates, re Whaddon.

3. Methodology

Viability Testing – Outline Methodology

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

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

LESS

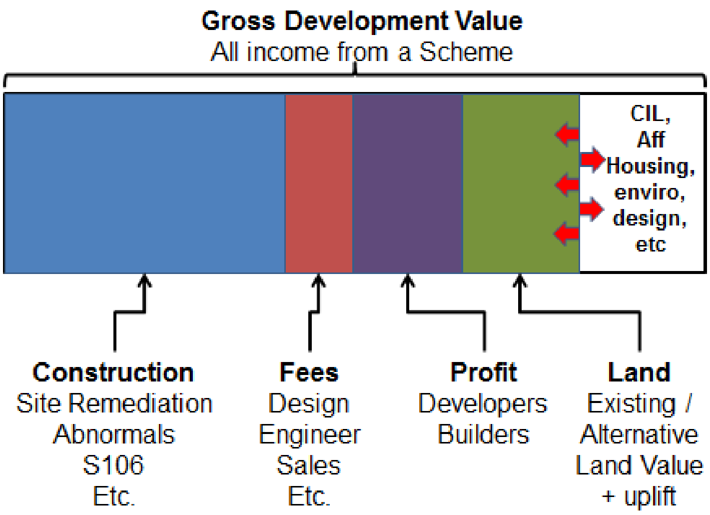
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)

=

RESIDUAL VALUE

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

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



3.4 The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions a planning authority asks for, the less the developer can afford to pay for the land. The purpose of this assessment is to quantify the costs of the Council's policies and to assess the effect of these, and then to make a judgement as to whether or not land prices are reduced to such an extent that the Plan is not deliverable. In line with comments made through the 2020 consultation[21], we take this opportunity to acknowledge that it is necessary to take a cautious approach and ensure that policies are not set at the limits of viability.

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

3.6 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the 2019 NPPF and CIL Regulations.

3.7 Through the summer 2020 consultation it was noted[22] that this approach is different from the approach taken by developers when making an assessment to inform commercial decision making, particularly on the largest sites to be delivered over many years. This is accepted, however, at this stage of the planning process it is necessary to work within the PPG and other relevant guidance. As set out in Chapter 2 above, it will be necessary for the promoters of the Strategic Sites to engage in more detail as the plan-making process continues. It was also noted that only a few of the proposed allocations were shown as viable in the pre-consultation draft, suggesting that the methodology must be flawed. This is not accepted. Firstly, the results presented in the pre-consultation draft iteration were highly caveated. Secondly, it is necessary to follow the process and guidance set out in the PPG.

3.8 It was also noted that it is unrealistic to model on the basis that the whole site is acquired in year one. Whilst it is accepted that different developers bring forward land under different models, it is necessary to model on a consistent basis. Some landowners may agree to deferred land payments, but others may not, likewise some developers may assemble sites in lots rather than as a whole.

3.9 Overall, there was a general consensus on the approach and methodology, with several consultees[23] [24] stressing the importance of demonstrating deliverability.

Limitations of viability testing in the context of the NPPF

3.10 High level viability testing does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind and they will proceed even if a 'loss' is shown in an appraisal undertaken in line with the PPG. By way of example, an

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[21] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[22] [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

[23] HBF.

[24] [redacted] for Persimmon.

individual may want to fulfil a dream of building a house and may spend more than the finished home is actually worth, a community may extend a village hall even though the value of the facility in financial terms is not significantly enhanced, or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

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

The meaning of Landowner Premium

3.12 The phrase *landowner premium* is new in the updated PPG. Under the 2012 NPPF, and the superseded PPG, the phrase *competitive return* was used. The 2012 RICS Guidance included the following definition:

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

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

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

planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

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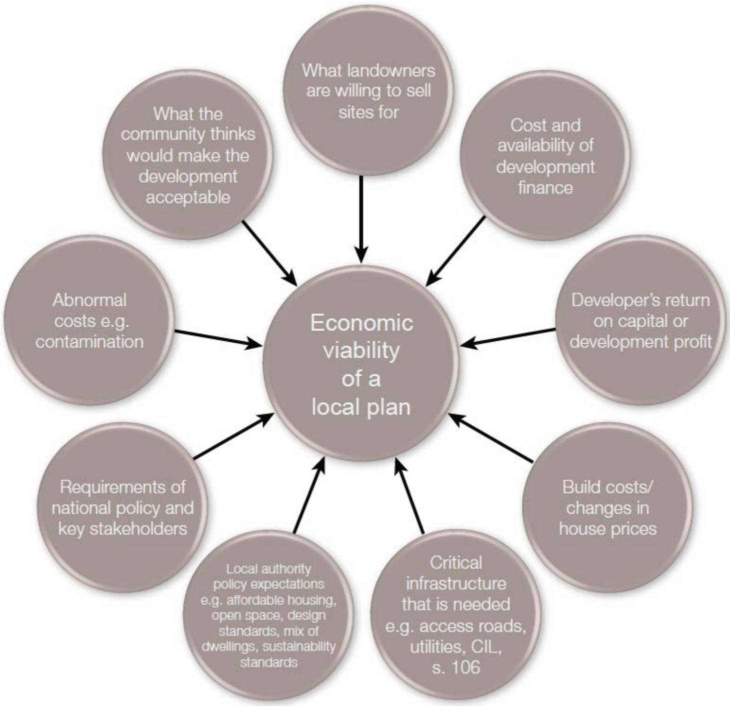
3.14 The term *landowner's premium* has not been defined through the appeal, Local Plan examination or legal processes. *Competitive return* was considered at the Shinfield Appeal (January 2013)[25] and the case is sometimes held up as a firm precedent, however, as confirmed in the Oxenholme Road Appeal (October 2013)[26], the methodology set out in Shinfield is site specific and should only be given limited weight. More recently, further clarification has been provided in the Territorial Army Centre, Parkhurst Road, Islington Appeal (June 2017)[27], which has subsequently been confirmed by the High Court[28]. This also notes the importance of comparable data but stresses the importance of the quality of the comparable evidence. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.

3.15 This study is about the economics of development however, viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.



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

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

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

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

Existing Available Evidence

3.16 The 2019 NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from the Council has been reviewed. This falls into three broad types:

3.17 Firstly, is that which has been prepared earlier in the plan-making process and to inform the setting of CIL. These studies were subject to consultation and include:

a. Local Plan Viability Study (August 2013)

b. CIL Viability Study (January 2014)

c. CIL Viability Update (March 2016)

3.18 All of these assessments were subject to independent examination. The Local Plan inspector (Stephen Pratt – 2nd November 2015) concluded:

> *152. The Viability Studies [CD/F19; PS/B6] tested affordable housing scenarios for a range of housing sites, and confirm that an overall figure of 30% is generally viable, reasonable and deliverable, although it may not be achievable on a few brownfield sites with abnormal costs. This work remains robust, given that both building costs and development/land values have risen since the studies were undertaken, but will be soon updated as part of the CIL process. SDC has reviewed the situation following the 2015 Government budget, which may affect affordable housing rental values and tenure mix, but this does not affect the overall need for affordable housing. The viability studies remain broadly representative of the viability of development in Stroud and Policy CP9 confirms that provision will be subject to viability and site-specific circumstances, on a case-by-case basis, with flexibility in tenure mix, in line with the NPPF (173). I realise that the proposed thresholds may have implications for the viability and delivery of smaller housing sites, but developers will be able to negotiate lower levels of affordable housing provision or contributions on the grounds of viability.*

3.19 The CIL examiner (Geoff Salter – 29th July 2016) said:

> *12. The Draft Charging Schedule is supported by detailed evidence of community infrastructure needs. The updated viability assessment, the VU, provides a detailed range of development scenarios which have been used to support the approach taken. On this basis, the evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate.*

3.20 On this basis, it is clear that the existing viability evidence is sound and is the appropriate starting point for this update.

3.21 Further, HDH recently updated much of the viability background evidence through the *Assessment of Strategic Development Opportunities in parts of Gloucestershire – Viability Appendix* (December 2019). The Joint Core Strategy (JCS) Councils[29] and Stroud District Council commissioned a Site Assessment Study to evaluate the suitability of sites for potential allocation across the Councils' areas in early 2019. Forest of Dean District Council joined the process in the summer of 2019. The Site Assessment Study considered broad areas for

[29] Cheltenham Borough Council, Gloucester City Council, Tewkesbury Borough Council

development that will inform the selection of Strategic Sites (sites over 450 units) in the future. HDH advised in relation to viability.

3.22 Secondly, is that which the Council holds, in the form of development appraisals[30] that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of Affordable Housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it so that it can then be used as a sound base for setting the Affordable Housing target and the levels of CIL. It is important to note that these figures are the figures submitted by developers for discussion at the start of the viability process, and are not necessarily the figures agreed between the parties.

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

Table 3.1 Review of Development Management Viability Appraisals.

	Stroud	Wotton U E	Stonehouse	Chalford	Quedgeley
Date	Sep-15	Mar-17	Mar-18	Apr-18	Aug-19
Ha	0.45	1.57	0.2	0.82	8.09
Res m2	2072	2229	523	2266	15528
Other m2	111				
Greenfield/ PDL	Cleared	Green		Green	ex MOD
Units	37	21	7	28	160
s106	£230,420	Nil	Nil	Nil	925608
s106/unit	£6,228				£5,785
£/m2 - Sales					
Res	£2,982	£2,808 - £3,618	£2,519 v £2,791	£2,852 - £3,070 v £3,013 - £3,230	3013
Aff Rent	55%	30% v 55%	45%	v 50%	50% v 55%
	£1,640			£1,292	£1,657
Shared Ownership	65%		70%	v 60%	50% v 65%
	£1,938				1657.15
Studio/retail	£161				
Construction	BCIS flats Gloucestershire +5% for enhanced spec.	BCIS UQ market & LQ Aff v median	£1,660 all in v BCIS median	BCIS median	LQ BCIS for SW
Externals	10%	20%		10%	Costed at 25%
Abnormals	Costed at 7.3%		+/- 10%	7.5% + £1,500/unit	Costed at 7.7%
Contingency	5%	3%	3%	3%	5%
Fees	8%	7%		7%	8%
Sales	1.5% + £600	2% + 1% + £650 v 1.5% + £600	1.5% + 1%, +£600	1.5% + 1% + 0.5%	1.5% + £500
Interest	5.50%	6.50%		6.50%	6%
Developers profit	20% / 6%	20% v 17.5% / 6%	15% / 6%	17.5% / 6%	20% / 6%
EUV £/ha	£1,483,000	Rural Exception Site	Rural Exception Site	Rural Exception Site	£680,000
Landowner's Premium					Shinfield = plus £558,000

Source: Review of appraisals submitted through Development Management.

3.23 The above data was not available at the time of the summer 2020 consultation. It was suggested[31] that the report should be subject to consultation once the data was available. This is not accepted as it is simply a matter of fact and to reconsult on this element would not be proportionate.

[31] [redacted], Hawkins Watton for various (un-named) clients.

3.24 Thirdly, SDC also holds evidence of what is being collected from developers under the s106 regime. This is being collected by the Council outside this study[32].

Stakeholder Engagement

3.25 The PPG and the CIL Guidance require stakeholder engagement. The preparation of this viability assessment includes specific consultation and engagement with the industry. A consultation process was conducted during June and July 2020 when an early draft of this report and a questionnaire were circulated. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited to comment. **Appendix 2** includes the questionnaire circulated with the draft report.

3.26 The comments of the consultees are reflected through this report and the assumptions adjusted where appropriate. 15 written responses were received. The main points from the consultation were:

a) That not all the results of all the analysis was available. This is the case, but the purpose of the consultation was to ensure that the viability assessment was based on a set of assumptions over which there was a broad consensus. Presenting a near final report and numerous results tables tends to lead to comments on the draft results rather than the methodology and the input.

b) The Benchmark Land Value should be revisited – with comments that it is both too high and too low.

c) There is considerable uncertainty as a result of the coronavirus pandemic. This needs consideration.

3.27 The consultation process has been carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance. It was suggested[33] [34] that the report should be subject to re-consultation once complete. The report will be published with the Regulation 19 publication draft, when there will be further opportunity to comment.

3.28 It was also suggested[35] that the report should be subject to consultation with the wider community. In this regard the viability chapter of the PPG is clear that the consultation should be with '*with landowners, site promoters and developers*' and by inference their advisors. As

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

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

[33] [redacted], Hawkins Watton for various (un-named) clients.

[34] [redacted], Pioneer for Robert Hitchins.

[35] [redacted], Pioneer for Robert Hitchins.

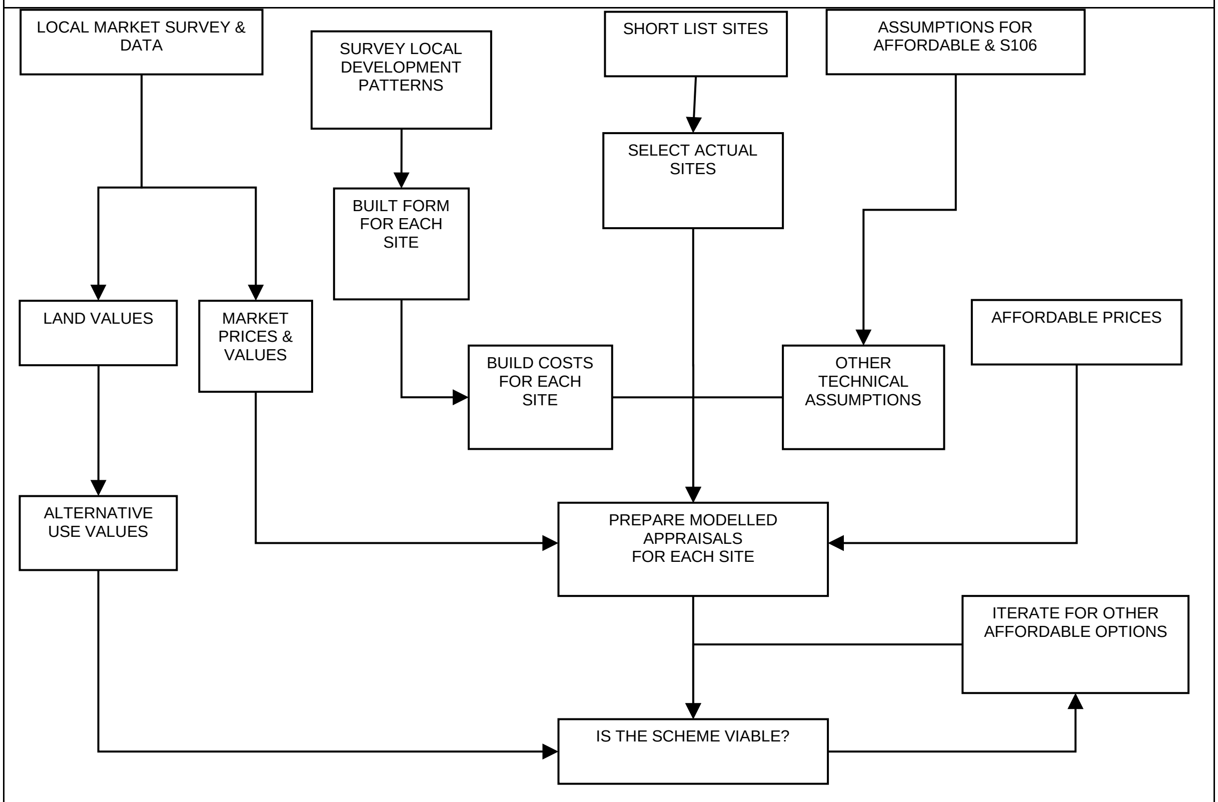
set out above, the report will be published with the next iteration of the Plan, when there will be an opportunity for all parties to comment.

Viability Process

3.29 The assessment of viability as required under the 2019 NPPF and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) '*...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106*'.

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

Figure 3.1 Viability Methodology



Source: HDH 2020

3.31 Through the summer 2020 consultation it was suggested[36] that sales rates were important. This is accepted and picked up towards the end of Chapter 7 below. In addition to modelling a range of representative sites, the following Strategic Sites are considered individually. The land at Whitminster is a new site that did not form part of the *Stroud District Local Plan Review, Draft Plan for Consultation – November 2019*. It has been promoted by site promoters as an alternative Strategic Site, although no decision to include it or not has been made at the time of this report.

3.32 The site details were updated in May 2021, immediately prior to the Regulation 19 consultation, as shown in red:

Table 3.2 Potential Strategic Allocations – UPDATED May 2021

Location	Employment	Housing
Cam North West (PS24 West of Draycott)		~~700~~ **900**
Cam North East Extension (PS25 East of River Cam)		180
South of Hardwicke (G1 South of Hardwicke)		~~1,200~~ **1,350**
Hunts Grove Extension (PS30 Hunts Grove Extension)		750
Javelin Park (PS43 Javelin Park)	~~9 ha~~ **27ha**	
Quedgeley East Extension (PS32 South of M5/J12)	5 ha	
Renishaw New Mills (PS47 Land west of Renishaw New Mills)	10 ha	
Sharpness Docks (PS34 Sharpness Docks)	7 ha	300
Sharpness (PS36 New settlement at Sharpness)	10 ha	2,400 (5,000 by 2050)
Stonehouse North West (PS19a Northwest of Stonehouse)	5 ha	~~650~~ **700**
Stonehouse – Eco Park M5 J13 (PS20 M5 Junction 13)	10 ha	
Wisloe (PS37 New settlement at Wisloe)	5 ha	1,500
Land at Whaddon (G2 Land at Whaddon)		~~2,500~~ **3,000**
~~Whitminster~~ ~~(## Grove End Farm)~~	~~13 ha~~	~~2,250~~

Source: Page 48, SDC Local Plan Review, Draft Plan for Consultation – November 2019 / SDC (May 20, May 21)

36 [redacted], Hawkins Watton for various (un-named) clients.

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

3.34 Through the summer 2020 consultation a housebuilder's agent[37] sought to clarify if the viability test is in two stages. The first being whether the Residual Value is over the EUV, and then, if the Residual Value is above the EUV, whether the Residual Value is above the EUV plus the Landowner's Premium. This is agreed.

3.35 The appraisals are based on existing and emerging policy options as summarised in Chapter 8 below. The preparation of draft policies within the ongoing Local Plan Review is still at the draft stage, so the policy topics used in this assessment may be subject to change. For appropriate sensitivity testing, a range of options including different levels of Affordable Housing provision and different levels of developer contribution are tested. If the Council allocates different types of site, or develops significantly different policies to those tested in this study, it may be necessary to revisit viability and consider the impact of any further or different requirements.

3.36 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the 2019 NPPF and CIL Regulations[38]. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality, and to provide high level advice to assist SDC in assessing the deliverability of the Local Plan and to assist the Council in considering CIL.

[37] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[38] This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS and has been widely used by Councils across England. The model includes a cashflow so that sales rates can be reflected.

4. Residential Market

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

The Residential Market

4.2 The housing market across the Stroud District Council area reflects national trends, but there are local factors that underpin the market including:

a. Good transport links to the M5.

b. Good and regular train connections to the mainline network, with excellent links to Bristol, Gloucester and direct trains to London.

c. The north of the District abuts Gloucester and its southern and eastern suburbs of Quedgeley, Tuffley, Abbeymead and Brockworth.

d. Attractive and expensive rural areas of the Cotswolds, particularly to the east and south.

e. Many attractive settlements in a range of sizes containing buildings of character and heritage.

f. Densely developed, deep 'Stroud Valleys' of historic industrial development.

4.3 Overall, the market is perceived to be vibrant, with a strong market for the right scheme in the right place. Having said this, some areas remain challenging, the relatively low house prices in some areas do make the delivery of new housing less easy. In this context, an agent[39] highlighted the 'hotspots' of Nailsworth and Stroud, particularly within 15 minutes' walk of the station, which were close to 'cheap' locations such as Brimscombe and Burleigh. Alternatively, an agent[40] for a housebuilder noted that 'character locations' can be highly sought after.

National Trends and the relationship with the wider area

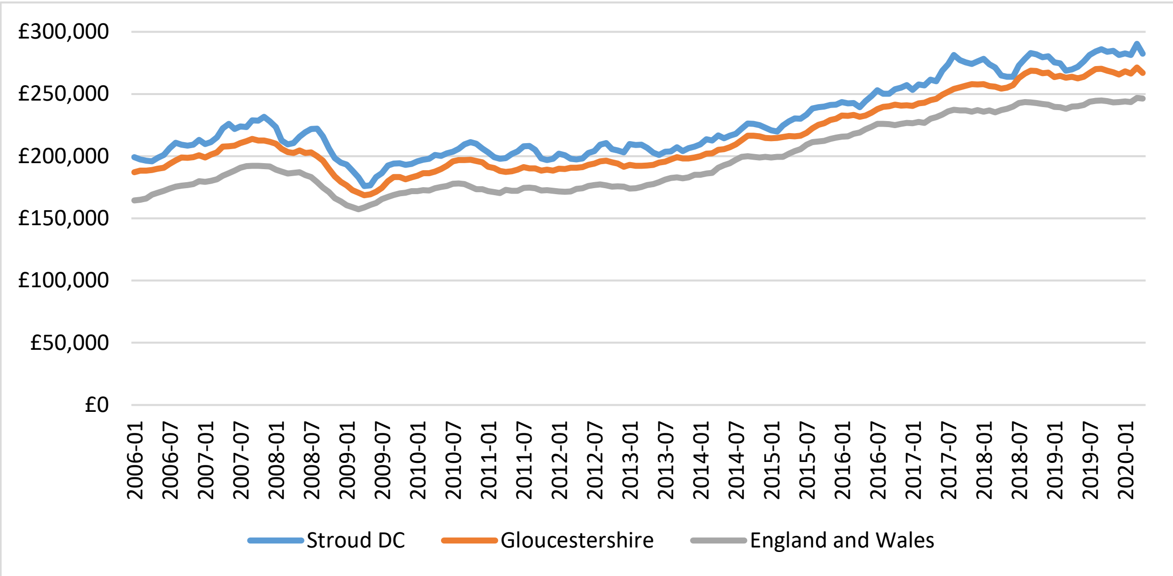
4.4 The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'. Average house prices in Stroud had not recovered to their pre-recession peak by the time that the 2013 Viability Assessment was undertaken, but are now about 22% above the 2007 peak and are 35% higher than when the 2013 Viability Assessment was carried out. Whilst these increases

[39] [redacted], Hawkins Watton for various (un-named) clients.

[40] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

are substantial, the rates of increase are a little less than seen across Gloucestershire (26% increase since 2007 / 38% increase since 2013) or England and Wales (28% increase since 2007 / 42% increase since 2013).

Figure 4.1 Average House Prices (£)



Source: Land Registry (August 2020)

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

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

4.7 It is important to note that, at the time of this report, the housing market is actively supported by the Government through products and initiatives such as Help-to-Buy and the Stamp Duty 'holiday'. In addition, the historically low Bank of England's base rates, since the 2008 recession, have contributed to the wider economic recovery, including a rise in house prices.

4.8 There is a degree of uncertainty in the housing market as reported by the RICS. The July 2020 RICS UK Residential Market Survey[41] said:

> *The July 2020 RICS UK Residential Survey results signal the ongoing recovery in sales market activity gained further momentum over the month. Anecdotal evidence suggests the Stamp Duty holiday, introduced from the 8th July, is playing a significant role in lifting demand. That said, despite the recent pick-up, respondents are circumspect on the prospect of this impetus being maintained once wider government support measures are phased out across the economy later in the year.*
>
> *With regards to new buyer enquiries, a headline net balance of +75% of survey participants noted an increase over the month. This marks the second consecutive report in which demand has rebounded firmly following the lockdown induced slump seen from March to May. Similarly, new instructions being listed onto the sales market rose sharply, evidenced by a net balance of +59% of respondents reporting a rise (up from a reading of +41% in June).*
>
> *Alongside this, a net balance of +57% of respondents nationally saw a rise in agreed sales over the month. This is up from a reading of +43% last time and is again indicative of a strong pickup in transaction levels after the hefty declines reported a few months ago. Furthermore, a positive reading was returned for the agreed sales indicator across all parts of the UK.*

4.9 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for SDC is 131st (out of 339) at £313,255[42]. To set this in context, the Council at the middle of the rank (170 – Cornwall), has an average price of £269,260. The Stroud median price is lower than the average at £270,000[43].

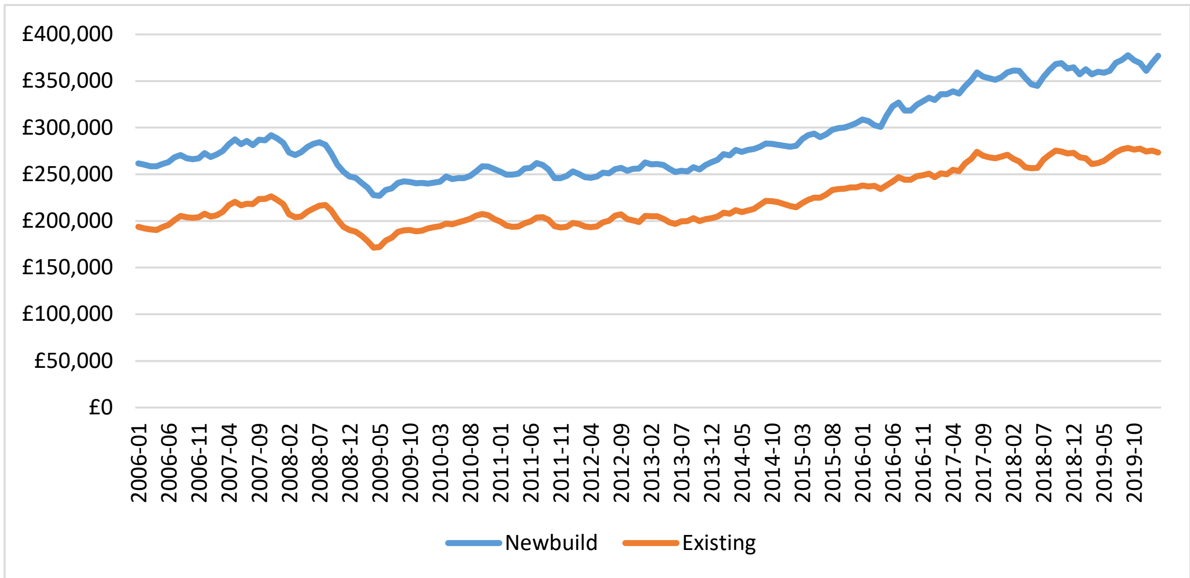
4.10 The figure above shows that prices in the Stroud District area have seen a significant recovery since the bottom of the market in mid-2009. A characteristic of the data is that the values of newbuild homes have increased faster than that for existing homes. The Land Registry shows that the average price paid for newbuild homes in Stroud (£377,192) is £103,650 (or 38%) higher than the average price paid for existing homes (£273,542).

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

[42] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 22nd July 2020).

[43] Median house prices for administrative geographies: HPSSA dataset 9 (Release 22nd July 2020)

Figure 4.2 Change in House Prices. Existing v Newbuild – Stroud



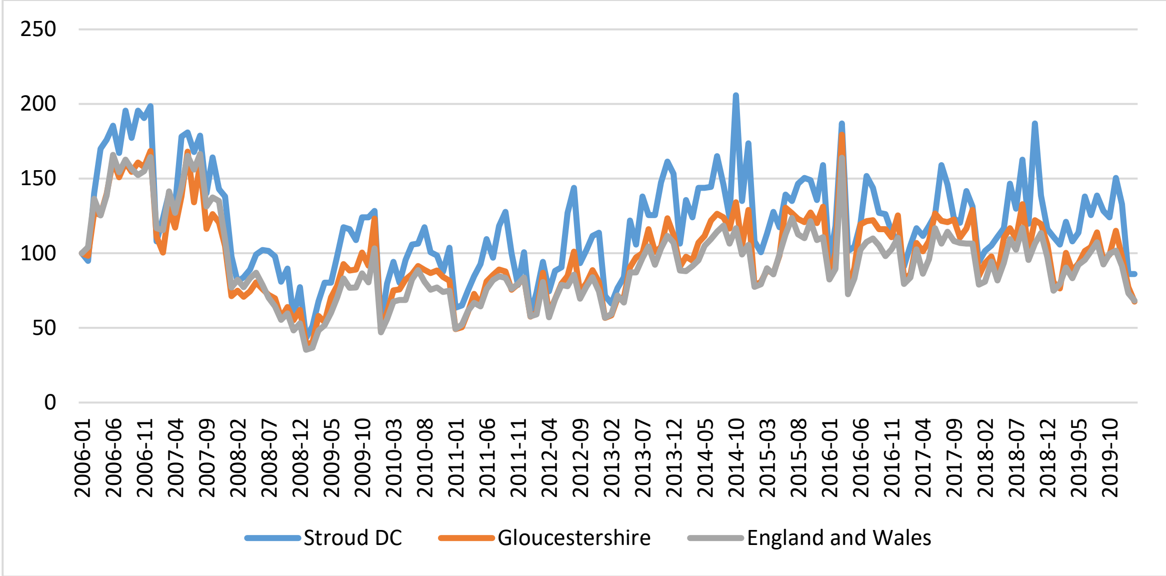
Source: Land Registry (August 2020)

4.11 In this regard, an agent[44] for a housebuilder noted that existing homes had increased by 0.186% and newbuild house sales had decreased by 0.134% between October 2019 and January 2020. The above graph shows that month by month there are increases and falls, but the overall trend has been upwards. In our view it would not be appropriate to put weight on a change in values over such a short period.

4.12 The rate of sales (i.e. sales per month) in the District is a little greater than the wider country, underlining the fact that the local market is an active market. At the time of this report (August 2020), the most recent data published by the Land Registry is that for February 2020. It is recognised that that the next data release, covering the period of the start of the coronavirus lockdown, will show a very significant fall in the number of sales, although it is also expected to show a significant rebound immediately afterwards. It will be necessary for the Council to monitor the longer-term trends in this regard.

44 [redacted], Pioneer for Robert Hitchins.

Figure 4.3 Sales per Quarter – Indexed to January 2006



Source: Land Registry (August 2020)

4.13 This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty. Negotiations around the details of the future relationship with the EU are underway but not concluded, so the future of trade with the EU and wider world are not yet known.

4.14 A further uncertainty is around the ongoing coronavirus pandemic. There are real material uncertainties around the values of property that are a direct result of the COVID-19 pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be. There is mixed feedback about the property market. There is anecdotal evidence of an increased demand for larger units (with space for working from home) and with private outdoor space. Conversely, employees in some sectors that have been particularly affected by the coronavirus and the Government's restrictions, have found their ability to secure a loan restricted.

4.15 At the time of this update there is no statistical evidence of a fall in house prices. The economy is in a period of uncertainly and it is not the purpose of this assessment to forecast of how house prices and values may change in the future, it is necessary to set the report in the wider context and provide sensitivity testing.

4.16 A range of views as to the impact on house prices have been expressed that cover nearly the whole spectrum of possibilities. This report is carried out at current costs and values. Sensitivity testing has been carried out.

4.17 The economy is in a period of uncertainly and, whilst it is not the purpose of this assessment, it is timely to provide a forecast of how house prices and values may change in the future. HM Treasury brings together some of the forecasts in its monthly *Forecasts for the UK economy: a comparison of independent forecasts* report.

Table 4.1 Consolidated House Price Forecasts

House price inflation (annual average, %) 2020	2021	2022	2023	2024						Output gap (% of GDP) 2020	2021	2022	2023	2024
							City forecasters							
-	-	-	-	-	May	*	Barclays Capital	*	May	-	-	-	-	-
-	-	-	-	-	May	*	Bloomberg Economics	*	May	-	-	-	-	-
-3.0	3.0	2.0	-	-	May	*	Capital Economics	*	May	-	-	-	-	-
-	-	-	-	-	May	*	CEBR	*	May	-	-	-	-	-
-	-	-	-	-	May	*	Citigroup	*	May	-	-	-	-	-
-8.4	-2.7	3.7	4.0	4.4	May	*	Commerzbank	*	May	-3.8	-1.8	-1.6	0.3	0.1
-2.0	2.0	3.3	3.5	3.5	May	*	EY ITEM Club	*	May	-	-	-	-	-
-	-	-	-	-	May	*	JP Morgan	*	May	-	-	-	-	-
-	-	-	-	-	May	*	Natwest Markets	*	May	-	-	-	-	-
-	-	-	-	-	Feb		UBS		Feb	-	-	-	-	-
							Non-City forecasters							
1.2	6.4	9.4	6.6	2.8	May	*	Beacon Economic Forecasting	*	May	-	-	-	-	-
-5.0	0.5	1.5	2.0	2.0	May	*	EIU	*	May	-4.4	-3.0	-2.4	-1.8	-1.5
-	-	-	-	-	Feb		European Commission		Feb	-	-	-	-	-
2.2	0.4	-	-	-	May	*	Heteronomics	*	May	-0.9	-0.5	-	-	-
-	-	-	-	-	May	*	Kern Consulting	*	May	-	-	-	-	-
-	-	-	-	-	May	*	Liverpool Macro Research	*	May	-	-	-	-	-
-	-	-	-	-	May	*	NIESR	*	May	-	-	-	-	-
-0.6	-3.2	2.4	3.5	3.8	May	*	Oxford Economics	*	May	-5.6	-2.8	-1.0	-0.7	-0.3
-2.2	0.9	3.7	3.9	3.3			Independent average			-3.7	-2.0	-1.7	-0.7	-0.6
-2.2	0.9	3.7	3.9	3.3			New forecasts			-3.7	-2.0	-1.7	-0.7	-0.6
2.2	6.4	9.4	6.6	4.4			Highest			-0.9	-0.5	-1.0	0.3	0.1
-8.4	-3.2	1.5	2.0	2.0			Lowest			-5.6	-3.0	-2.4	-1.8	-1.5
							OBR - coronavirus reference scenario							

Source: *Forecasts for the UK economy: a comparison of independent forecasts No 394* (HM Treasury, May 2020. Table M9: Medium-term forecasts for house price inflation and the output gap

4.18 There is clearly uncertainty in the market, although, generally, the expectation is that house prices return to growth relatively quickly.

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

Table 4.2 Savills Autumn 2019 Property Price Forecasts

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

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

4.20 These have now been updated as follows:

Table 4.3 Savills June 2020 Property Price Forecasts

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

Source: UK Residential – August 2020 UK Housing Market Update[45]

4.21 Through the summer 2020 consultation it was suggested[46] that '*house sales dropping in real terms by 5% already*'. Whilst it is important not to understate the impact of coronavirus, at the time of this report there is not robust data to support such a statement, and generally the expectation, as shown in the table above, is for a fall by 2.2% this year (2020), and an increase of 0.9% next year (2021) and then over 3% per year.

4.22 Several comments were made[47] [48] for housebuilders, that this report should be predicting the impact of the pandemic on the market. This is not accepted, as demonstrated above, the housing market is subject to numerous views on prices and how they may change, few of which are likely to be correct. Sensitivity testing has been carried out.

The Local Market

4.23 A survey of asking prices across the District, based on the Council's settlement hierarchy, was carried out in April 2020. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

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

[46] [redacted], Stantec for Colethorpe Farm Ltd.

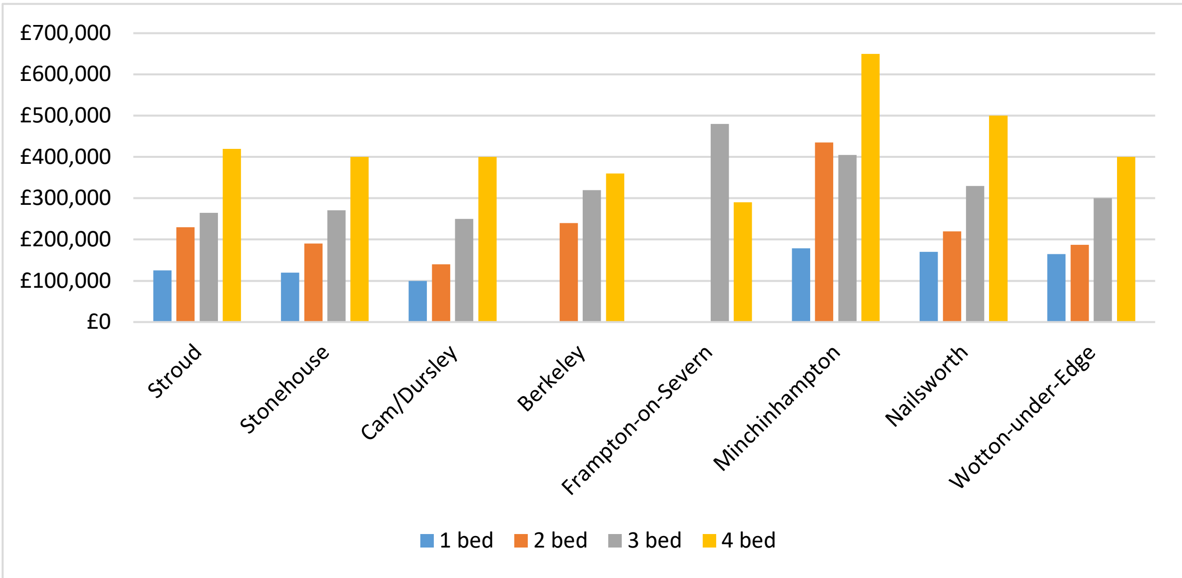
[47] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[48] [redacted], Pioneer for Robert Hitchins.

Table 4.4 SDC Settlement Hierarchy	
Tier	Settlement
1	Cam & Dursley, Stonehouse, Stroud
2	Berkeley, Frampton on Severn, Hunts Grove (anticipated), Minchinhampton, Nailsworth, Wotton under Edge
3	Amberley, Bisley, Brimscombe, Chalford, Coaley, Eastington, Hardwicke, Horsley, Kings Stanley, Kingswood, Leonard Stanley, Manor Village, Newtown & Sharpness, North Nibley, North Woodchester, Oakridge Lynch, Painswick, Slimbridge, Uley, Upton St. Leonards, Whiteshill & Ruscombe, Whitminster.
4	Box, Brookthorpe, Bussage, Cambridge, Eastcombe, France Lynch, Middleyard, Newport, Nympsfield, Randwick, Selsley, South Woodchester, Stinchcombe, Stone, Thrupp
5	Arlingham, Cranham, Haresfield, Hillesley, Longney, Saul, Sheepscombe

Source: Stroud District Settlement Role and Function Study Update 2018, May 2019

Figure 4.4 Median Asking Prices (£)



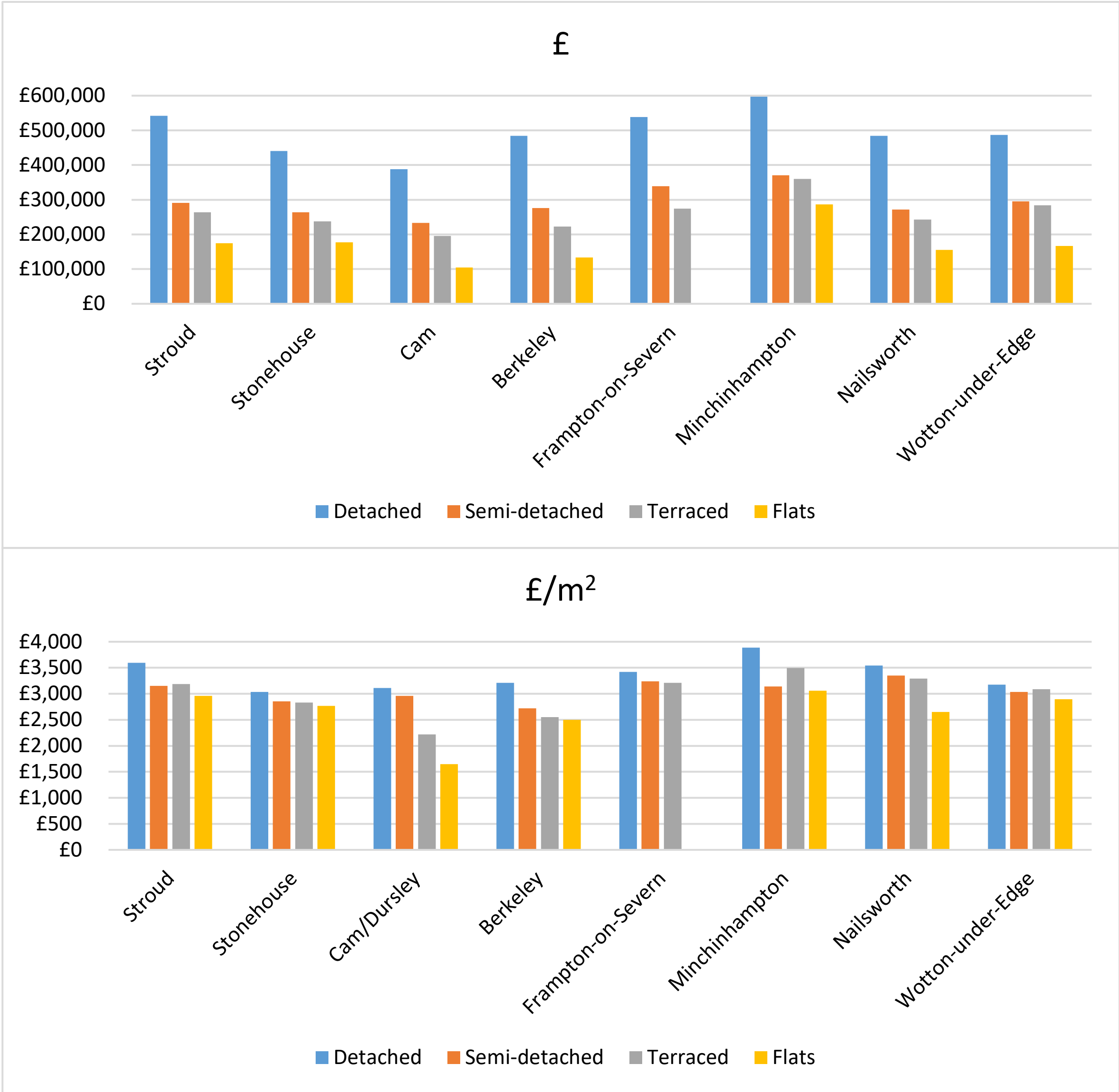
Source: Rightmove.co.uk (April 2020)

4.24 An agent[49] for a housebuilder questioned whether or not it was appropriate to base the research on the Settlement Hierarchy. This is a suitable starting point for the research as much of the planned development is directed towards the higher tier settlements. This research will inform the price areas that are used in the appraisals (which may or may not follow the Settlement Hierarchy).

4.25 The above figures are asking prices which reflect the seller's aspiration of value, rather than the actual value, they are however a useful indication of how prices vary across areas.

[49] [redacted], Pioneer for Robert Hitchins.

Figure 4.5 Values (£/m²)



Source: Zoopla.co.uk (April 2020)

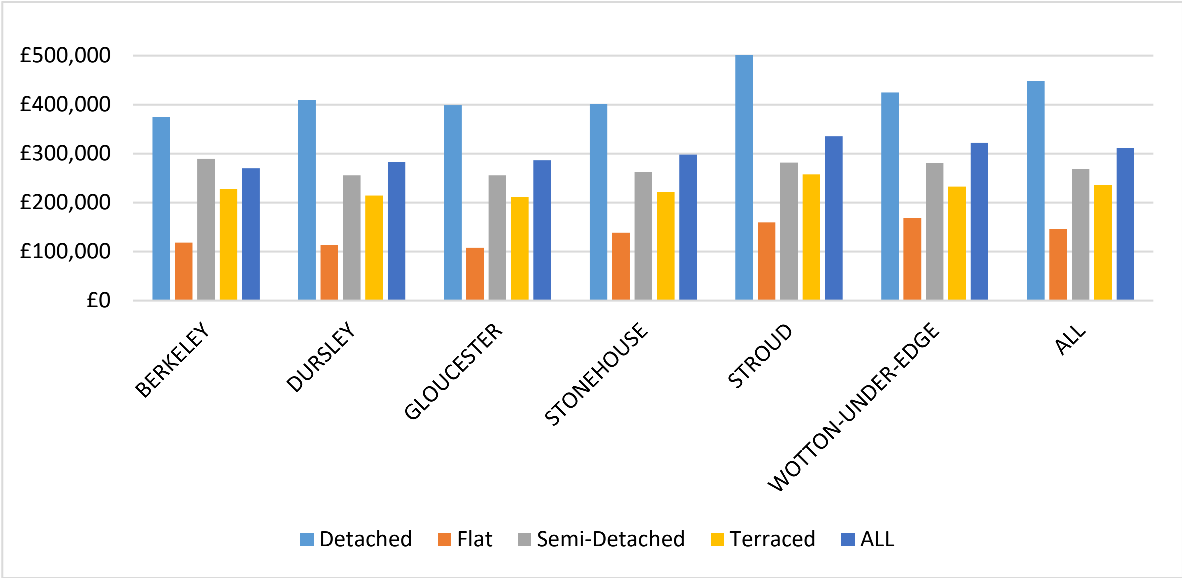
4.26 The Land Registry publishes raw data of all homes sold. Across the Stroud District Council area, 2,504 home sales are recorded since the start of 2019[50]. These transactions (as recorded by the Land Registry) are summarised as follows – these are sorted by 'post town' as per the Land Registry dataset. Whilst some of these post towns are outside the District, the sales analysed are within the District.

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

Table 4.5 Average Price Paid by Post Town					
	Detached	Flat	Semi-Detached	Terraced	ALL
BERKELEY					
Count	23	5	19	48	95
Average £	£374,738	£118,200	£289,552	£227,830	£269,972
DURSLEY					
Count	116	38	152	62	368
Average £	£409,576	£113,922	£255,712	£214,284	£282,592
GLOUCESTER					
Count	145	27	111	109	392
Average £	£398,866	£107,907	£255,738	£211,746	£286,266
STONEHOUSE					
Count	140	19	154	78	391
Average £	£401,272	£138,605	£261,898	£221,563	£297,764
STROUD					
Count	396	172	278	267	1,113
Average £	£501,326	£159,622	£281,745	£257,600	£335,206
WOTTON-UNDER-EDGE					
Count	58	5	46	36	145
Average £	£424,485	£168,600	£280,970	£232,380	£322,437
ALL					
Count	878	266	760	600	2,504
Average £	£447,937	£145,733	£268,867	£236,214	£310,751

Source: Land Registry (August 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0

Figure 4.6 Land Registry Price Paid Data



Source: Land Registry (April 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0

4.27 Through the consultation[51], it was observed that this data does not include Nailsworth. The above data is based on Land Registry's Price Paid Data which is sorted by post town. Whilst this can be presented at a finer gain the sample sizes become very small which can become misleading. This data is presented in **Appendix 4**.

4.28 An agent[52] for a housebuilder questioned why the full data set of all the above transactions was not appended for consideration. The sample size is over 2,500 transactions so would add over 50 pages to the report. This is not considered useful or proportionate. The data is freely available from the Land Registry's website (at https://www.gov.uk/check-house-price-trends).

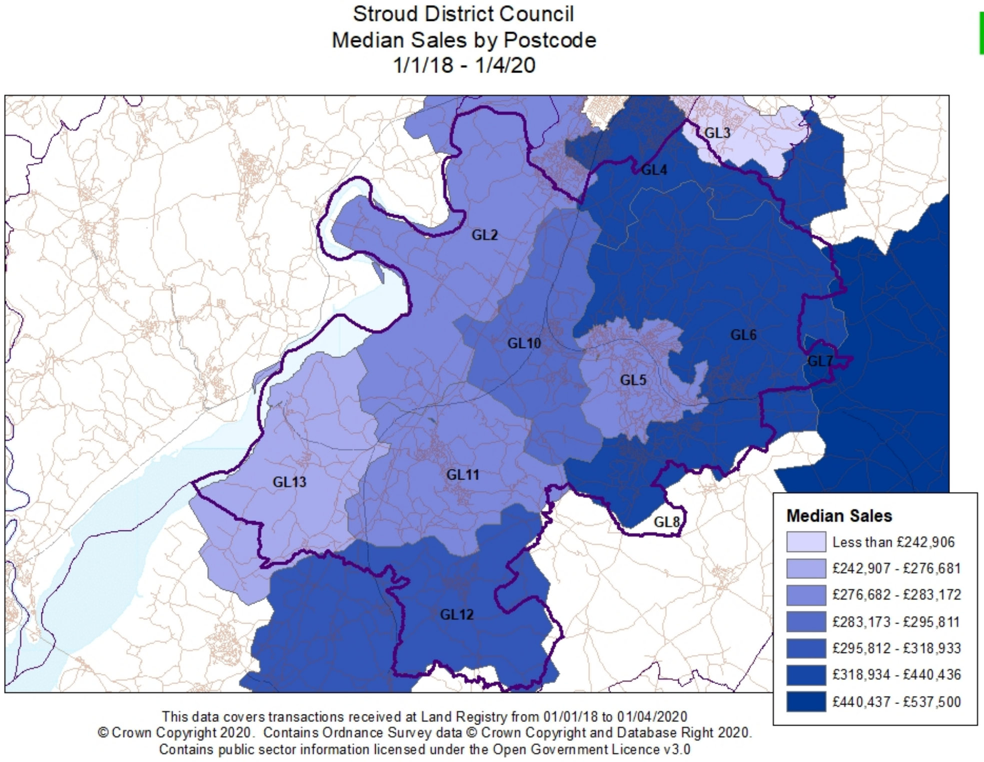
4.29 Further it was questioned[53] why the prices of 'other' in the Land Registry Dataset were not presented here. Since the 1st January 2018 there are 312 such transactions. These are not necessarily dwellings. They include, for example, units on trading estates and other non-residential property as well as parcels of land. Prices vary from over £230,000,000 (for Standish Hospital), down to £500 (for plot 114 at Gladwish Farm). The average price paid is £1,627,500. This category has been excluded as it would be misleading to present this category as residential property.

[51] [redacted], Hawkins Watton for various (un-named) clients.

[52] [redacted], Pioneer for Robert Hitchins.

[53] [redacted], Pioneer for Robert Hitchins.

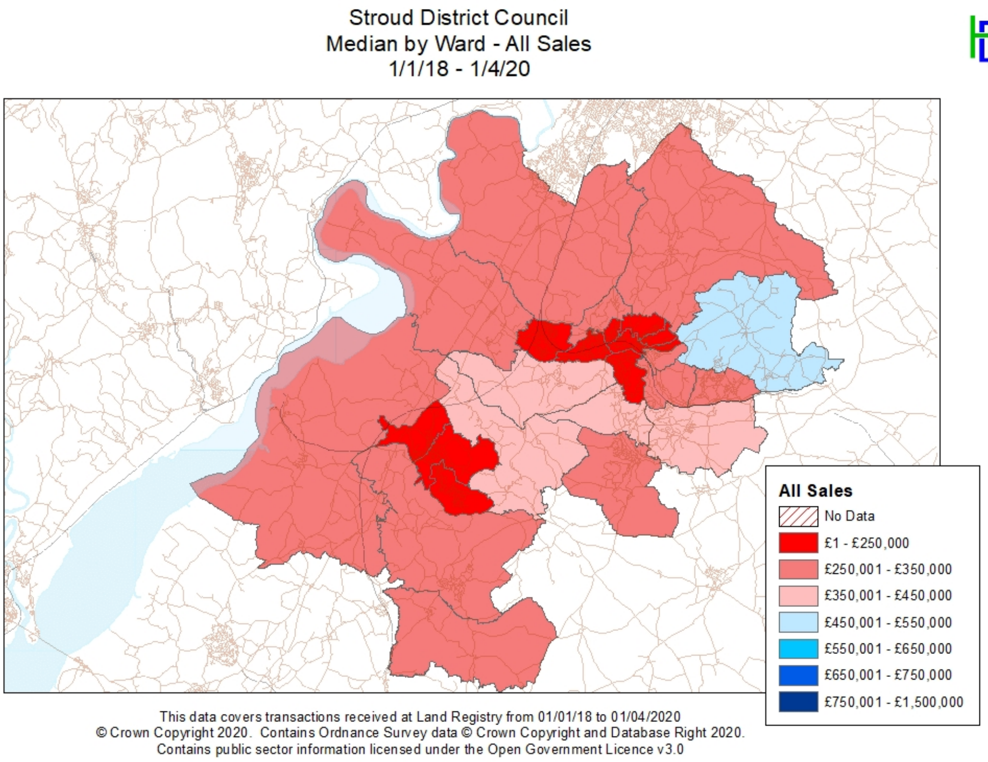
Figure 4.7 Land Registry Price Paid Data by Postcode



Source: Land Registry (April 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0

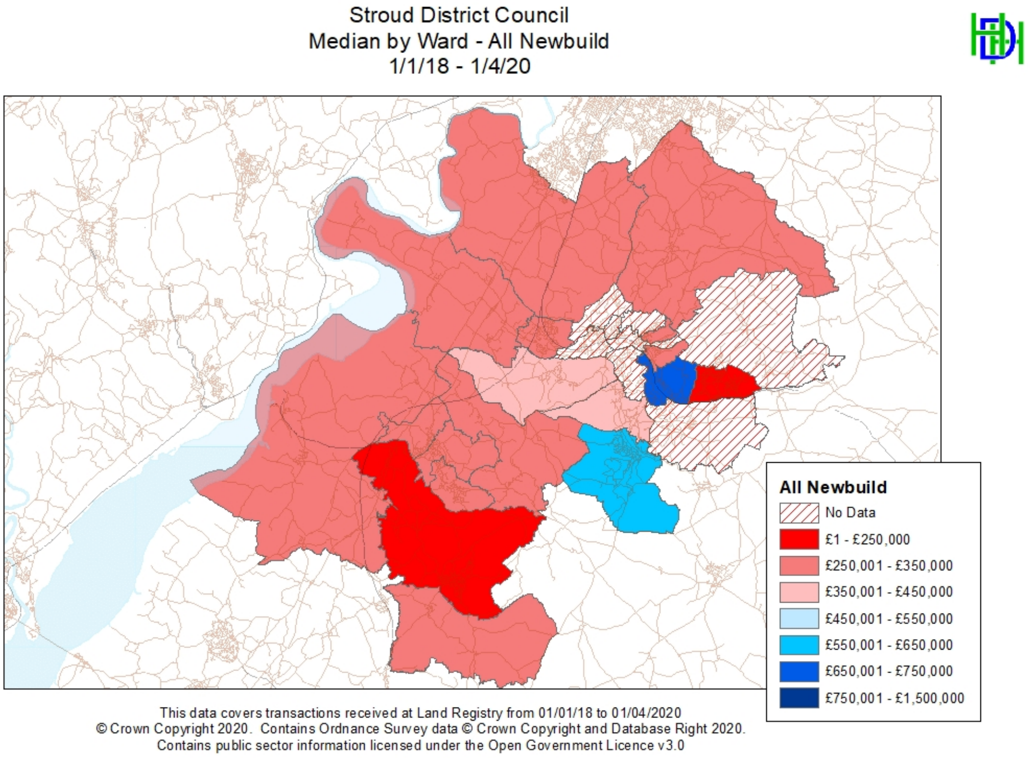
4.30 The geographical differences in prices are illustrated in the following maps, the first being for all properties and the second just for newbuild.

Figure 4.8 Median Prices – All Properties



Source: Land Registry (April 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0

Figure 4.9 Median Prices – Newbuild Properties



Source: Land Registry (April 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0

4.31 Further maps are included within **Appendix 3** that show the median prices, by house type (detached, semi-detached, terraced, flats).

Newbuild Sales Prices

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

4.33 As set out above, the Land Registry publishes data of homes sold. Across the SDC area 661 newbuild home sales are recorded since the start of 2018 (of which 646 have an EPC). These transactions are summarised in the following table and detailed in **Appendix 5**. Each dwelling sold requires an Energy Performance Certificate (EPC)[54]. The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of other information about the construction and energy performance of the building. This information is also included in **Appendix 5**.

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

4.34 The price paid data from the Land Registry has been married with the floor area from the EPC Register. The HBF Guidance raises concerns about the use of EPC data highlighting a discrepancy between unit sizes on the EPC Register saying:

> *Internal areas obtained from Energy Performance Certificates are used in revenue / coverage calculations. However, these generally do not represent actual Gross Internal Area as the calculation methodology is different.*

4.35 We understand that this relates, at least in part, to internal garages for the purpose of this study (which is mainly concerned with houses rather than flats). Internal garages are not included within the EPC area but can be included in the developers' own records. Whilst some new homes do have internal garages this is a minority (8 out of the 46 (17%) or so being advertised for sale at the time of this report). Bearing in mind the need to establish the values on a £/m^2 basis, this data can still be given weight.

4.36 Further, the HBF Guidance suggests that the EPC information may not be reliable and understated the size of the buildings in question – with the consequence of overstating the value when considered on a £/m^2 basis. Through the summer 2020 consultation similar comments were made[55] [56] [57] [58]. Whilst we note these concerns, we have checked the guidance for undertaking EPCs which states[59]:

> *When undertaking internal dimensions measure between the inner surfaces of the external or party walls. Any internal elements (partitions, internal floors, walls, roofs) are disregarded.*
>
> *In general, rooms and other spaces, such as built in cupboards, should be included in the calculation of the floor area where these directly accessible from the occupied dwelling. However, unheated spaces clearly divided from the dwelling should not be included.*

4.37 Additionally, the DCLG guidance describes the floor area as follows[60]:

> *The total useful floor area is the total area of all enclosed spaces measured to the internal face of the external walls, that is to say it is the gross floor area as measured in accordance with guidance issued to surveyors:*
>
> *a. the area of sloping surfaces such as staircases, galleries, raked auditoria, and tiered terraces should be taken as their area on the plan; and*
>
> *b. areas that are not enclosed, such as open floors, covered ways and balconies, are excluded.*

4.38 As set out in Chapters 2 and 3 above, the work in this study is based on existing available evidence and is proportionate. It is our firm view that the use of EPC data is appropriate in a study of this type. As with any dataset there are bound to be discrepancies and occasions

---

[55] [redacted], Stantec for Colethorpe Farm Ltd.

[56] [redacted] for Persimmon.

[57] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[58] [redacted], Pioneer for Robert Hitchins.

[59] Page 6, Energy Performance Certificates for Existing Dwellings. RdSAP Manual. Version 8.0

[60] Improving the energy efficiency of our buildings. A guide to energy performance certificates for the marketing, sale and let of dwellings. April 2014, Department for Communities and Local Government.

where there is an element of human error, however the substantial sample size and use of averages should minimise this. In spite of the comments made in this regard, no further data or alternative information was submitted that could be used as an alternative.

4.39 The HBF Guidance suggests that the Land Registry was not a good source for newbuild homes saying that it does not show the incentives that were included (such as Stamp Duty contributions, flooring, white goods, turfing, costs/losses associated with part exchange transactions, mortgage subsidy schemes run by some developers, etc). The prices recorded by the Land Registry is the Price Paid. It is accepted that some developers offer incentives that are not reflected in the price recorded on the Land Registry. As set out below, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers.

4.40 The Land Registry data can be broken down by house type and is summarised as follows.

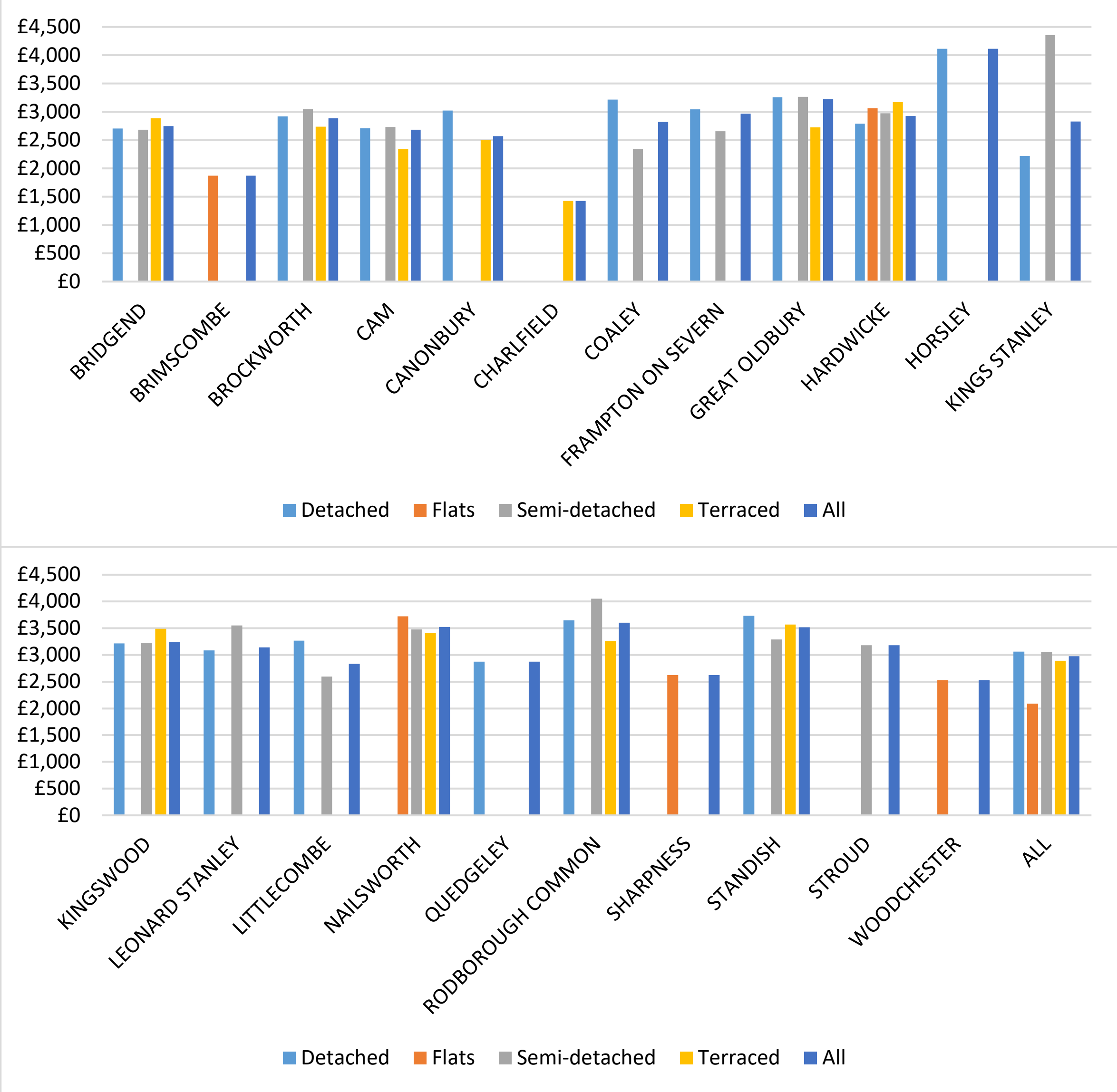
Table 4.6 Prices Paid – Newbuild Homes from January 2018					
	Detached	Flats	Semi-detached	Terraced	All
BRIDGEND					
Count (EPC)	2	0	7	4	13
Average £	£288,750		£250,643	£220,000	£247,077
Average £/m^2	£2,707		£2,685	£2,887	£2,751
BRIMSCOMBE					
Count (EPC)	0	29	0	0	29
Average £		£121,633			£121,633
Average £/m^2		£1,873			£1,873
BROCKWORTH					
Count (EPC)	20	0	27	33	80
Average £	£333,139		£246,998	£256,565	£271,858
Average £/m^2	£2,918		£3,050	£2,735	£2,887
CAM					
Count (EPC)	18	0	4	2	24
Average £	£355,378		£283,507	£232,500	£333,159
Average £/m^2	£2,709		£2,734	£2,342	£2,683
CANONBURY					
Count (EPC)	2	0	0	12	14
Average £	£323,330		£255,500	£259,740	£270,463
Average £/m^2	£3,021			£2,498	£2,573
CHARFIELD					
Count (EPC)	0	0	0	1	1
Average £				£117,000	£117,000
Average £/m^2				£1,427	£1,427
COALEY					
Count (EPC)	5	0	4	0	9
Average £	£415,000		£194,063		£316,806
Average £/m^2	£3,216		£2,338		£2,826
FRAMPTON ON SEVERN					
Count (EPC)	4	0	1	0	5
Average £	£479,000		£443,750		£471,950
Average £/m^2	£3,045		£2,657		£2,968

GREAT OLDBURY					
Count (EPC)	34	0	36	5	75
Average £	£360,158		£281,038	£275,597	£316,543
Average £/m²	£3,260		£3,262	£2,725	£3,225
HARDWICKE					
Count (EPC)	60	1	57	23	141
Average £	£360,224	£285,000	£268,069	£222,268	£299,933
Average £/m²	£2,789	£3,065	£2,972	£3,175	£2,927
HORSLEY					
Count (EPC)	11	0	0	0	11
Average £	£808,769				£808,769
Average £/m²	£4,116				£4,116
KINGS STANLEY					
Count (EPC)	5	0	2	0	7
Average £	£216,637		£270,000		£231,884
Average £/m²	£2,219		£4,355		£2,829
KINGSWOOD					
Count (EPC)	13	0	20	2	35
Average £	£370,692		£286,850	£258,250	£316,357
Average £/m²	£3,218		£3,229	£3,490	£3,240
LEONARD STANLEY					
Count (EPC)	82	0	11	0	93
Average £	£420,521		£265,460		£402,181
Average £/m²	£3,087		£3,548		£3,141
LITTLECOMBE					
Count (EPC)	17	0	31	0	48
Average £	£370,349		£297,440		£323,262
Average £/m²	£3,264		£2,597		£2,834
NAILSWORTH					
Count (EPC)	0	1	2	1	4
Average £		£268,000	£285,000	£280,000	£279,500
Average £/m²		£3,722	£3,476	£3,415	£3,522
QUEDGELEY					
Count (EPC)	10	0	0	0	10
Average £	£336,896				£336,896
Average £/m²	£2,876				£2,876

RODBOROUGH COMMON					
Count (EPC)	8	0	3	5	16
Average £	£785,125		£621,000	£814,000	£763,375
Average £/m²	£3,648		£4,052	£3,260	£3,602
SHARPNESS					
Count (EPC)	0	1	0	0	1
Average £		£84,000			£84,000
Average £/m²		£2,625			£2,625
STANDISH					
Count (EPC)	2	0	3	5	10
Average £	£612,500		£430,000	£392,000	£447,500
Average £/m²	£3,731		£3,290	£3,568	£3,517
STROUD					
Count (EPC)	0	0	13	0	13
Average £			£315,656	£291,333	£309,023
Average £/m²			£3,181		£3,181
WOODCHESTER					
Count (EPC)	0	7	0	0	7
Average £		£149,650			£149,650
Average £/m²		£2,525			£2,525
ALL					
Count (EPC)	**293**	**39**	**221**	**93**	**646**
Average £	**£404,453**	**£134,039**	**£282,329**	**£283,941**	**£327,915**
Average £/m²	**£3,062**	**£2,087**	**£3,050**	**£2,893**	**£2,975**

Source: Land Registry and EPC Register (April 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0.

Figure 4.10 Average Price Paid



Source: Land Registry and EPC Register (April 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0.

4.41 The average price paid is £2,975/m^2, ranging from less than £1,000/m^2 to over £7,000/m^2. Care should be taken when considering the disaggregated data as many of the sample sizes are small. Across the area, flats are approximately 40% less expensive than houses. Through the summer 2020 consultation it was observed[61] that flats can generally be expected to achieve a higher price (by square metre) than houses. Based on our wider work, we would expect flats to be more expensive when considered on a £/m^2 basis. In this case this difference is skewed by a scheme at Brimscombe of small flats in a converted, post war, industrial building. If the Brimscombe flats are disregarded, the average for flats is £2,709/m^2.

61 [redacted], Hawkins Watton for various (un-named) clients.

4.42 A housebuilder[62] provided the following additional data and comment:

> *The draft assessment is proposing revenues of 3,100/sqm (288.10/sqft) for market units at Hardwicke.*
>
> *Based on completions over the past 18 months period (October 18 – March 20) the following average revenues have been achieved on nearby schemes;*
>
> - *Sellars Bridge, Hardwicke – 280/sqft (based on 5 sales) [£3,014/m²]*
> - *Foxwhelp Way, Hardwicke – 253/sqft (based on 8 sales) [£2,723/m²]*
> - *RAF Quedgeley – 242/sqft (based on 42 sales) [£2,640/m²]*
>
> *As a minimum 280/sqft [£3,013/m²] should be applied as the base.*
>
> *In regards to NW Stonehouse £3,300/sqm is assumed (£306/sqft), Redrow has achieved an average of £290/sqft [£3,121/m²] (including incentives) on its Heritage Outlet at Great Oldbury. The Harwood Outlet has achieved between 250 - 265/sqft [£2,690 - £2,852/m²] over the past 9 months.*

4.43 A house builder suggested that the 'ONS data available at ward level for median house prices' should be used. This is presented below, although this also includes numerous gaps:

62 [redacted] for Redrow with regard to Hardwick.

Table 4.7 Median Price Paid (Newly Built Dwellings) by Ward Year Ending December 2019 (£)					
	All	Detached	Semi-Detached	Terraced	Flats
Amberley and Woodchester	155,500				150,000
Berkeley Vale	260,000			260,000	:
Bisley					
Cainscross					
Cam East					
Cam West					
Chalford	108,000				108,000
Coaley and Uley	310,000	420,000			
Dursley	309,495	309,995	300,000		
Hardwicke	279,495	340,000	264,500	209,995	
Kingswood	355,000	363,000	307,000		
Minchinhampton					
Nailsworth					
Painswick and Upton	251,000		236,998	260,000	
Randwick, Whiteshill and Ruscombe					
Rodborough					
Severn	309,995	359,995	290,000	:	
Stonehouse	256,250		256,750	:	
Stroud Central					
Stroud Farmhill and Paganhill					
Stroud Slade					
Stroud Trinity					
Stroud Uplands					
Stroud Valley	295,000			290,000	
The Stanleys	388,995	411,995			
Thrupp	257,500				257,500
Wotton-under-Edge					

Source: HPSSA Dataset 37 (Data Release 22 July 2020)

4.44 The data presented above is drawn from a range of data sources. It is not consistent, and there are frequent gaps. This is unavoidable, so it is necessary to being these differing sources together to build a set of residential value assumptions.

4.45 The above data shows variance across the area, however it necessary to consider the reason for that variance. An important driver of the differences is the situation rather than the location of a site. Based on the existing data, the value will be more influenced by the specific site characteristics, the immediate neighbours and the environment, rather than in which particular ward or postcode sector the scheme is located.

4.46 Through the summer 2020 consultation[63] was observed that the depth of evidence is questionable, reference being made to the small sample size (1) in Sharpness. The above data is all the data available from the Land Registry so should be a comprehensive record of all newbuild sales. Only limited further evidence was submitted in this regard. The size of the sample will be a factor in the weight given to the evidence for the smaller areas.

4.47 An agent[64] for a housebuilder suggested a finer gained approach be taken. They also suggested that it was inappropriate to consider data on a settlement by settlement basis. Whilst it is agreed that it would be preferable to be able to present a fine-grained analysis, as can be seen from the data above, some of the sample sizes are already small and to disaggregate them further would not be a sound approach. Additionally, they raised some concerns about outliers in the data set. The PPG is clear that plan making should be based on existing available evidence and whilst any single source of data may not be perfect, it does not follow that it should be disregarded. On balance it is considered more appropriate to present the full data source, rather than to edit it and then be open to reasonable concerns about transparency.

4.48 At the time of this research there were 46 new homes for sale in the District. The analysis of these shows that asking prices for newbuild homes vary very considerably, starting at £185,000 and going up to £745,000. The average is £345,000. These are summarised in the following table and set out in detail in **Appendix 6**.

[63] [redacted], Hawkins Watton for various (un-named) clients.

[64] [redacted], Pioneer for Robert Hitchins.

Table 4.8 Summary of Newbuild Asking Prices						
		Detached	Flats	Semi-detached	Terraced	All
Ben Grazebrooks Well	£			£306,667		£306,667
	£/m²					
Blackberry Grove	£			£295,000		£295,000
	£/m²					
Canonbury Rise	£	£321,995				£321,995
	£/m²	£2,749				£2,749
Great Oldbury	£	£367,210		£282,495	£244,667	£333,568
	£/m²	£3,257		£3,050	£3,827	£3,243
Kites Nest	£				£295,000	£295,000
	£/m²				£2,837	£2,837
Millfields	£	£421,998		£337,000		£407,832
	£/m²	£3,164		£3,547		£3,228
Stuart Court	£		£745,000		£695,000	£720,000
	£/m²				£4,964	£4,964
The Old Bakery	£				£325,000	£325,000
	£/m²				£3,125	£3,125
Other	£			£185,000	£254,999	£240,999
	£/m²			£3,048	£2,677	£2,751
All	**£**	**£371,257**	**£745,000**	**£287,453**	**£306,900**	**£344,775**
	£/m²	**£3,144**		**£3,133**	**£3,183**	**£3,150**

Source: Market Survey (April 2020)

4.49 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that significant discounts are not available. When pressed, it appeared that the discounts and incentives offered equate to about 2.5% of the asking prices. It would be prudent to assume that prices achieved, net of incentives offered to buyers, are 2.5% less than the above asking prices.

4.50 Through the summer 2020 consultation an agent[65] for a developer welcomed this approach, although observed that 2.5% was at the lower end of the range in their experience. Likewise, an agent[66] for a Strategic Site noted the difference between asking prices and prices achieved.

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[65] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[66] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

4.51 An agent[67] for a housebuilder questioned the 2.5% assumption, correctly pointing out that this would vary from case to case (no alternative suggestion was put forward). This is accepted, however it would not be appropriate in a study of this type to make different assumptions for different developers to reflect the different approaches taken.

4.52 An agent[68] for a housebuilder questioned why other sources of £/m^2 data had not been considered and expressed concern, but no alternative data sources were suggested or put forward (consultees were invited to submit supporting evidence with their responses). Such data is not available from public sources (beyond the very high level, modelled data from Zoopla presented above).

Price Assumptions for Financial Appraisals

4.53 As set out earlier, average house prices have increased markedly since the Council's 2013 viability work. It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied) the following approach is taken.

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

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

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

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

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

4.54 It is important to note that this is a broad brush, high level study to test SDC's emerging as required by the NPPF. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation and it is necessary

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67 [redacted], Pioneer for Robert Hitchins.

68 [redacted], Pioneer for Robert Hitchins.

is draw on the widest possible sources of data. In establishing the assumptions, the prices (paid and asking) of existing homes are given greater emphasis when establishing the pattern of price difference across the area and the data from newbuild homes (paid and asking) is given greater emphasis in the actual assumption. Regard is given to the average values as per the PPG:

> *For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.*
>
> *PPG 10-011-20180724*

4.55 Care is taken not to simply attribute the values of second hand / existing homes to new homes. As shown by the data above, new homes are, on average, 35% to 40% more expensive than existing homes.

4.56 Based on the asking prices from active developments, and informed by the general pattern of all house prices across the study area, and the wider data presented, the prices put to the consultation are as in the table below.

Table 4.9 Pre-Consultation Residential Typology. Price Assumptions (£/m²)

	Gloucester Fringe	Rural East & South	West	Stroud Valleys
Brownfield		3,400	2,650	2,750
Urban Flatted Schemes				2,700
Large Greenfield Sites	3,100		2,650	3,050
Medium Greenfield Sites		3,500	2,650	3,000
Small Greenfield Sites		3,500	2,750	3,000

Source: HDH (May 2020)

Table 4.10 Pre-Consultation Residential Strategic Sites. Price Assumptions (£/m²)

Site 1	PS24 West of Draycott	Cam NW	3,100
Site 2	PS25 East of River Cam	Cam NE Extension	3,100
Site 3	G1 South of Hardwicke	S of Hardwicke	3,100
Site 4	PS30 Hunts Grove Extension	Hunts Grove	3,100
Site 5	PS34 Sharpness Docks	Sharpness	2,650
Site 6	PS36 New settlement at Sharpness	Sharpness	2,900
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	3,300
Site 8	PS37 New settlement at Wisloe	Wisloe	3,100
Site 9	G2 Land at Whaddon	Whaddon	3,100
Site 10	## Grove End Farm	Whitminster	3,000

Source: HDH (May 2020)

4.57 Through the June 2020 consultation, the following points were made (in addition to the general points set out in the text above):

a. It is necessary to consider the impact of Help to Buy[69] on the newbuild housing market[70] [71]. The price paid reported in the Land Registry data set out above is the price paid to the developer, so this is the correct figure use. It is accepted that Help to Buy may be having a market wide impact of bolstering the prices paid for newbuild homes. Further it is accepted that should Help to Buy be withdrawn, then some buyers that are able to access the housing market with Help to Buy may no longer be able to do so, and the resulting fall in demand could result is a drop in sales rates and/or a drop in values of newbuild houses. As set out earlier in this chapter, newbuild values are, on average, about 40% higher than for existing homes.

   Based on the MHCLG data tables[72] there were 93 properties purchased under Help to Buy in the area in the year to Q1 2019 (being the most recent data that is available) and 440 on the period from Q3 2013 to Q1 2019, which averages at 18 per quarter. Having considered this, no specific adjustment can be made to reflect what may or may not happen if Help to Buy is withdrawn. Within Chapter 10, a range of price change variables have been tested.

b. It was commented[73] as follows:

   Table 4..9 illustrates near uniformity of the ten strategic sites. This cannot be. Indeed Whitminster is shown at a lower level than Wisloe and £100 psm better than Sharpness. Given the location next to junction 13 of the M5, and the established facilities this (simplistic) analysis has ignored the reality of the locations.

   No additional data or supporting evidence was provided in this regard and no alternative suggestions made.

c. The promoter[74] of the Sharpness Site said:

   The PCD utilises a figure of £2,900/m² for Sharpness. From discussion with the consultants, this figure is arrived at by viewing the site as being further away from key markets such as Gloucester in the north. Therefore, the PCD applies £2,900/m² at Sharpness and £3,000/m² at Grove Farm. However, this approach ignores the relationship between Sharpness and another key market, that of Bristol to the south. It is worth remembering that at intervening settlements such as Thornbury, two recent developments which between them amount to some 200 properties were sold at averages of £3,386/m² and £3,495/m². Even allowing some reduction for the greater distance from Bristol, Sharpness should be comfortably north of £3,100/m².

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

[70] [redacted], Hawkins Watton for various (un-named) clients.

[71] [redacted], Stantec for Colethorpe Farm Ltd.

[72] https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-statistics-april-2013-to-31-march-2019-england

[73] [redacted], Hawkins Watton for various (un-named) clients.

[74] [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

This assumption has been updated.

d. Whilst the use of the Land Registry PPD may be a useful starting point, a blanket assumption as to incentives may not be appropriate[75]. No supporting information was provided, nor alternative data sources or approach suggested.

In a high-level study of this type it is necessary to make some high level assumptions so individual, developer specific, discounts have not been applied.

e. That the typically higher values associated with Garden Village principles should be reflected in the Sharpness Garden Village and the Wisloe Strategic Sites.

f. In relation to sites on the Gloucester fringe, regard could be given to the assumptions used in the *Gloucester City Plan Viability Evidence Base* (Porter Economics & Three Dragons, September 2019)[76].

Whilst it is difficult to see what specific values are used, this would suggest values for houses being in the £2,600/m^2 to £2,950/m^2 range and flats being in the £2,550/m^2 to £3,100/m^2 range.

g. Care should be taken when attributing values to new communities (as opposed to urban extensions) due to the lack of infrastructure in the early years[77].

h. Care must be taken in relation to NDSS, as if values on a per m^2 basis from small units are applied to large units, a misleading picture may be developed[78]. No supporting information was provided in this context.

Unfortunately, the EPC data does not include the number of bedrooms (or bed spaces), however the newbuild asking price data presented in **Appendix 5** does (where it was available). On the whole the units are substantially larger than NDSS, so this is not believed to be an issue here.

i. That there should be a greater differential between the west (a lower value area £2,650/m^2 to £2,750/m^2) and the east and south (the higher value area £3,400/m^2 to £3,500/m^2)[79].

j. A housebuilder[80] suggested that the revenues '*are not realistic and vastly inflated generally*'.

A cautious approach should be taken. The assumptions have been derived by considering averages (means and medians).

[75] [redacted], Stantec for Colethorpe Farm Ltd.

[76] [redacted], Savills – for L&Q Estates, re Whaddon.

[77] [redacted], Savills – for L&Q Estates, re Whaddon.

[78] [redacted], Savills – for L&Q Estates, re Whaddon.

[79] HBF.

[80] [redacted] for Persimmon.

The value for Cam North West (PS24 West of Draycott) is too high at £3,100/m². No alternative evidence or suggestions were received.

k. An agent[81] for a housebuilder suggested that the Gloucester Fringe should be treated as a single price area, and a value of £2,700/m² be used.

The price for Gloucester fringe, and thus Land at Whaddon, should not be assessed at £3,100 per sqm. We would suggest an average price in the region of £2,700psqm (£250psf). This is derived from sales from sites to the south of Gloucester within the GL2 post code.

Using the developments at Hardwick and Kingsway, an "all average" value of just over £2,700/sqm (£250psf) is evident. We would suggest further work or discussion is had on this aspect and the justification provided for the £3,100psqm (£288psf).

l. An agent[82] for a housebuilder suggested a finer gained approach be taken. Whilst it is agreed that it would be preferable to be able to present a fine grained analysis, as can be seen from the data above, some of the sample sizes are already small, to disaggregate them further would not be a sound approach.

They went on to conclude that a very fine grain site by site approach of individual valuations was used to determine values that takes into account factors such as site setting and location should be considered as these will need to be appropriately factored into any figures relied upon.

In this assessment, a range of typologies are being tested that represent sites that are not yet in the planning system. No plans (beyond a site plan) are available. Values will clearly vary unit by unit across a site, and then site by site across the area. This is clearly anticipated in the PPG which specifies the use of averages.

4.58 The views expressed are not consistent, and to some extent contradict each other. Following the consultation, the residential value assumptions were updated as follows:

a. A higher value is attributed to the sites in the Rural East and South of the District within the Cotswold hills. Sites in the rural Cotswolds do attract a premium, particularly those with views over open countryside. A premium is therefore allowed for the greenfield sites.

b. In relation the Strategic Sites:

i. The Gloucester Fringe sites (G1 South of Hardwicke, PS30 Hunts Grove Extension, G2 Land at Whaddon) are taken to be a single price area for the purpose of this update. It is accepted that the prices will vary between the sites and within the sites, however in the absence of further detail and master planning (for example housing mixes) it would not be appropriate or robust to attribute different values to each site. A value of £3,000/m² is assumed. This is a marginally higher than that assumption used in the *Gloucester City Plan Viability Evidence*

[81] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[82] [redacted], Pioneer for Robert Hitchins.

Base (Porter Economics & Three Dragons, September 2019) and broadly in line with recent transactional evidence.

ii. The sites associated with Stonehouse and Cam (PS24 West of Draycott, PS25 East of River Cam, PS19a Northwest of Stonehouse, PS37 New settlement at Wisloe, and ## Grove End Farm, Whitminster) benefit from good access to the M5, and are less influenced by the Gloucester market. These sites are subject to similar factors influencing the prices so a case could be made that they should be taken to be a single price area for the purpose of this update.

For the Gloucester Fringe sites, the prices will vary between the sites and within the sites, however, in the absence of further detail and master planning (for example housing mixes) an assumption of £3,125/m^2 is used for the Stonehouse site and the Grove End Farm site and £2,800/m^2 is used for the Cam sites.

A premium is attributed to the new settlement at Wisloe to reflect the Garden Town principles. In line with comments made, it is accepted that in the early years of a new settlement the values may be a little lower, however this assumption needs to reflect typical values (at today's prices) over the life of the project.

iii. Similar to the new settlement at Wisloe, a premium is applied to the new settlement at Sharpness to reflect the Garden Town principles. In line with comments made, it is accepted that in the early years of a new settlement the values may be a little lower, however this assumption needs to reflect typical values (at today's prices) over the life of the project. In line with the promoter's comments, £3.200/m^2 is assumed. Bearing in mind the wider comments made through the consultation, this may be at the top of the expected range.

4.59 Following the consultation the value assumptions and the value areas have been updated.

a. <u>Gloucester Fringe and North West SDC</u>

The sites adjacent to the wider Gloucester built up area, including the areas to the northwest of the M5, north of Junction 12, adjacent to Upton St Leonards and Cooper's Edge, and the area to the west of the Gloucester and Sharpness Canal, to the north of the River Frome.

Almost all development in this area is likely to on the larger greenfield Gloucester urban-extension types sites, with very little development planned or anticipated in the wider rural area. There is a case for including the rural area in the Lower Value Villages, however the data is very limited, making this more difficult to justify.

b. <u>Cotswolds</u>

The area to the east of the M5, including the villages, but excluding Stroud, the Stroud Valleys, and the sites adjacent to Gloucester.

c. <u>Rural West - Lower Value Villages</u>

The rural areas to the west of the M5, south of the River Frome. This includes the attractive villages of Frampton and Berkeley. Values tend to be rather less than in the higher value Cotswold areas. Little development is planned within this area, development is likely to be on smaller greenfield sites.

Values are less in Sharpness, whilst little development is planned in Sharpness beyond the PS34 Sharpness Docks and PS36 New settlement at Sharpness, this area is included in the Stroud, Stroud Valleys area.

d. Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness

These are the distinct areas within the built-up area of Cam, Stonehouse and Stroud and extending to Thrupp to the east, Ebley in the west. The area is tightly constrained to the built-up area (in the case of Stroud by the steep valley sides) and development is likely to be on previously developed land.

This area does not include the higher value villages such as North Woodchester and Minchinhampton, which are within the Cotswolds.

4.60 The values associated with these adjusted areas have been further updated.

Table 4.11 Post-Consultation Residential. Price Assumptions (£/m^2)

	Gloucester Fringe and Northwest SDC	Rural East & South - Higher Value Villages	Rural West - Lower Value Villages	Cam, Stonehouse, Stroud, the Stroud Valleys and Sharpness
Brownfield		£3,500		£2,750
Urban Flatted Schemes				£2,700
Large Greenfield Sites	£3,000			£3,050
Medium Greenfield Sites	£3,000	£3,700	£3,225	£3,000
Small Greenfield Sites		£3,700	£3,350	£3,000

Source: HDH (September 2020)

Table 4.12 Post-Consultation Residential Strategic Sites. Price Assumptions (£/m^2)

Site 1	PS24 West of Draycott	Cam NW	£2,800
Site 2	PS25 East of River Cam	Cam NE Extension	£2,800
Site 3	G1 South of Hardwicke	S of Hardwicke	£3,000
Site 4	PS30 Hunts Grove Extension	Hunts Grove	£3,000
Site 5	PS34 Sharpness Docks	Sharpness	£2,700
Site 6	PS36 New settlement at Sharpness	Sharpness	£3,200
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	£3,100
Site 8	PS37 New settlement at Wisloe	Wisloe	£3,100
Site 9	G2 Land at Whaddon	Whaddon	£3,000
Site 10	## Grove End Farm	Whitminster	£3,125

Source: HDH (September 2020)

Ground Rents

4.61 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this study, no allowance is made for residential ground rents[83].

Build to Rent

4.62 The Council has not seen Build to Rent schemes coming forward however this is a growing development format. The Build to Rent sector is a different sector to mainstream housing.

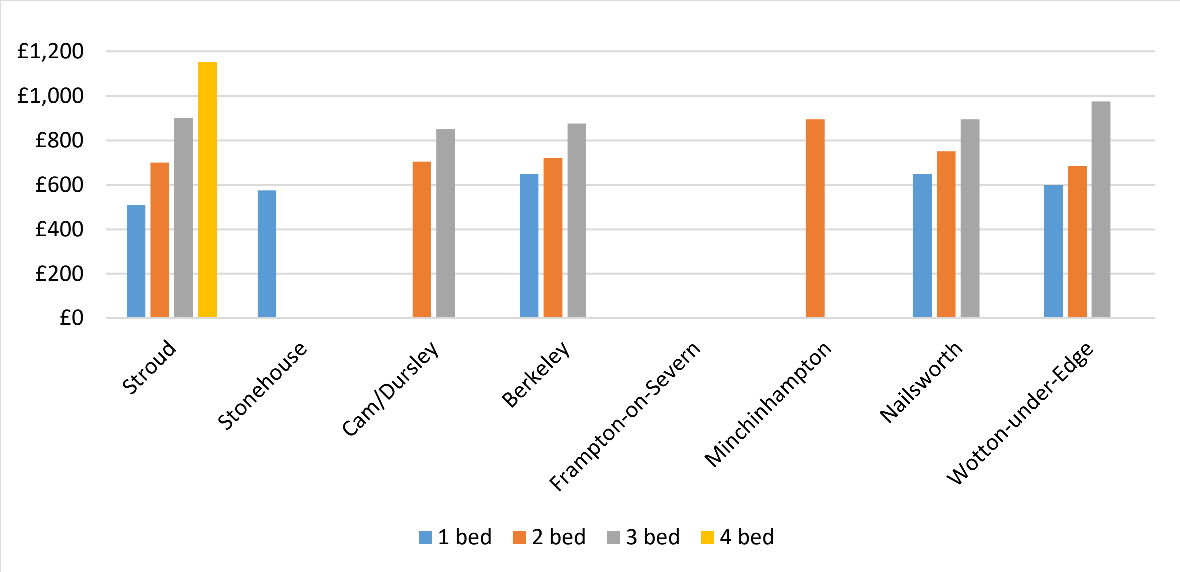
4.63 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. The value of the units in the PRS (where their use is restricted to PRS and they cannot be used in other tenures) is, in large part, the worth of the income that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

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

4.64 In estimating the likely level of rent, we have undertaken a survey of market rents across the Council area:

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

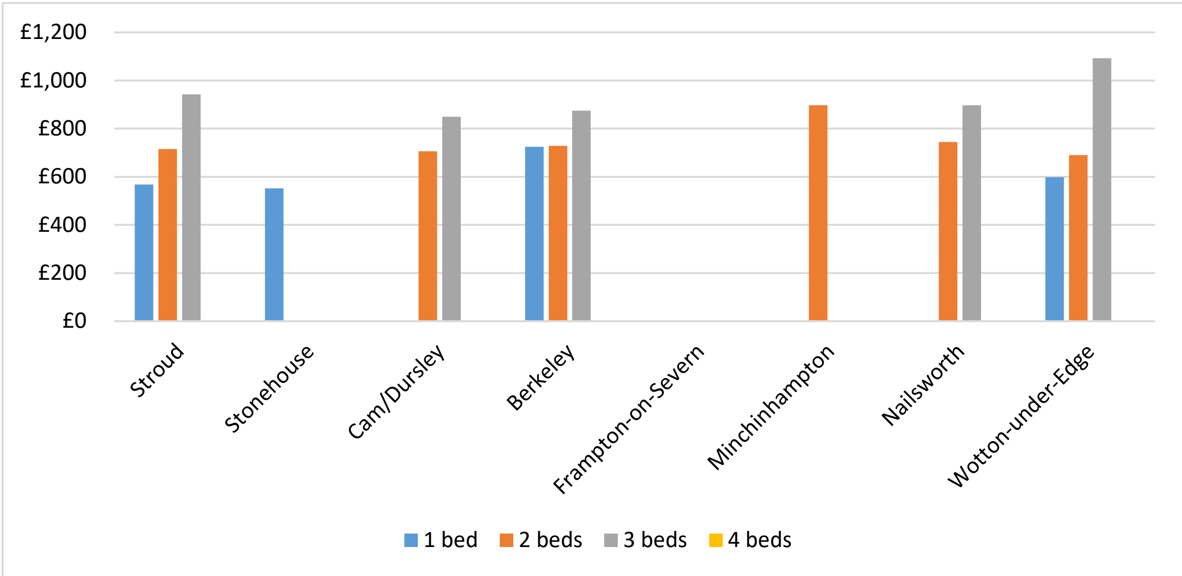
Table 4.13 Rents Reported by Rightmove (£/month)				
	1 bed	2 beds	3 beds	4 beds
Stroud	£510	£700	£900	£1,150
Stonehouse	£575			
Cam/Dursley		£705	£850	
Berkeley	£650	£720	£875	
Frampton-on-Severn				
Minchinhampton		£895		
Nailsworth	£650	£750	£895	
Wotton-under-Edge	£600	£685	£975	



Source: Rightmove.co.uk (April 2020)

Table 4.14 Median Asking Rents Reported by Zoopla (£/month)

	1 bed	2 beds	3 beds	4 beds
Stroud	£568	£715	£942	
Stonehouse	£552			
Cam/Dursley		£706	£850	
Berkeley	£725	£728	£875	
Frampton-on-Severn				
Minchinhampton		£897		
Nailsworth		£745	£897	
Wotton-under-Edge	£598	£690	£1,092	



Source: Zoopla.co.uk (April 2020)

4.65 An agent[84] for a Strategic Site suggested that the above rents were not an appropriate source of information to inform assumptions about rental levels in the Build to Rent market. No reason was given for this, nor any alternative sources of information suggested. Just because a unit had been built specifically for rent, does not mean that the rent would not be broadly in line with the wider market. Having said this, whilst new properties may well secure higher rents than the wider market, we have taken a cautious approach and simply used typical rental values.

4.66 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed.

4.67 Savills in its *Investing in Private Rent* (Savills, 2018) reports a North-South divide:

[84] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

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

4.68 Knight Frank in its *Residential Yield Guide* (February 2018) reported a 4.0% to 4.24% yield in Prime Regional Cites and 5.0% to 5.25% in Secondary Regional Cities.

4.69 Having considered a range of sources, a gross yield of 5% has been assumed. It is also assumed that such development will be flatted and in or close to the town centres. In considering the rents to use in this assessment it is necessary to appreciate that much of the exiting rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.

Table 4.15 Capitalisation of Private Rents

	1 bed	2 bed	3 bed	4 bed
Gross Rent (£/month)	£603	£745	£915	£1,150
Gross Rent (£/annum)	£7,237	£8,936	£10,981	£13,800
Value	£144,747	£178,720	£219,624	£276,000
m^2	50	70	84	97
£/m^2	£2,895	£2,553	£2,615	£2,845

Source: HDH (April 2020)

4.70 This approach derives a value for private rent, of £2,730/m^2. Through the summer 2020 consultation it was suggested[85] that this approach was '*not accurate*'[86]. No alternative evidence was provided to support this statement. We have reviewed the survey of rents and believe it to be broadly representative.

4.71 It was also suggested that a 'more realistic' methodology would be to consider the value bases on net rents, so after management and fees. It is agreed that this alternative method can be used, however if it were to be used, it would be appropriate to use a lower yield.

Affordable Housing

4.72 A core output of this study is advice as to level of the Affordable Housing requirement. The Council does not currently specify a preferred tenure mix. The Council's most recent

85 [redacted], Hawkins Watton for various (un-named) clients.

86 [redacted], Hawkins Watton for various (un-named) clients.

evidence, in this regard, is the Gloucestershire Local Housing Needs Assessment 2019 - Report of Findings Draft (ORS, 11th March 2020).

Table 4.16 Housing Mix

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	All
Social Rent	422	684	403	148	1,657
Affordable Rent	75	243	163	70	551
AHO	254	477	308	45	1,084
Planned Affordable	**751**	**1,404**	**874**	**263**	**3,292**
	22.81%	42.65%	26.55%	7.99%	
Market Housing	**228**	**1,307**	**4,973**	**2,627**	**9,135**
	2.50%	14.31%	54.44%	28.76%	

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

4.73 In this assessment a range of mixes are tested. 30% Affordable Housing, with a 66% Affordable Rent / 33% Intermediate Housing is taken to be the starting point.

4.74 In this study it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP).

Affordable Housing Values

4.75 Prior to the Summer 2015 Budget, Affordable Rents were set at up to 80% of open market rent and generally went up, annually, by inflation (CPI) plus 1%, and Social Rents were set through a formula, again with an annual inflation plus 1% increase. Under arrangements announced in 2013, these provisions were to prevail until 2023, and formed the basis of many housing associations' and other providers' business plans. Housing associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them attractive as each year the rent would always be a little more relative to inflation.

4.76 In the 2015 Budget, it was announced that Social Rents and Affordable Rents would be reduced by 1% per year for 4 years. This change reduced the value of Affordable Housing. In October 2017, the Government announced that Rents will rise by CPI +1% for five years from 2020. The values of Affordable Housing have been re-considered.

Social Rent

4.77 The value of a social rented property is a factor of the rent – although the condition and demand for the units also have an impact. Social Rents are set through a national formula that smooths the differences between individual properties and ensures properties of a similar type pay a similar rent:

Table 4.17 General needs (Social Rent) - Stroud					
Average weekly net rent (£ per week) by unit size for Stroud - Large PRPs				£ per week	
Unit Size	**Net rent**	**Social rent rate**	**Service charge^**	**Gross rent^**	**Unit count**
Non-self-contained	£0.00	£0.00	£0.00	£0.00	0
Bedsit	£0.00	£0.00	£0.00	£0.00	0
1 Bedroom	£81.10	£79.30	£8.11	£88.42	143
2 Bedroom	£94.85	£92.33	£5.45	£99.42	548
3 Bedroom	£107.33	£104.50	£2.40	£109.03	275
4 Bedroom	£123.93	£122.18	£2.60	£126.13	52
5 Bedroom	£130.64	£129.73	£3.90	£131.94	3
6+ Bedroom	£0.00	£0.00	£0.00	£0.00	0
All self-contained	£97.87	£95.44	£4.99	£101.92	1,021
All stock sizes	**£97.87**	**£95.44**	**£4.99**	**£101.92**	**1,021**
Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an absolute exception for the WRWA 2016. Stock outside England is excluded.					

Source: Table 9, RSH SDR 2019 – Data Tool[87]

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

Table 4.18 Capitalisation of Social Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/week)	£81.10	£94.85	£107.33	£123.93
Gross Rent (£/annum)	£4,217	£4,932	£5,581	£6,444
Net Rent	£3,374	£3,946	£4,465	£5,155
Value	£74,972	£87,684	£99,221	£114,566
m^2	50	70	84	97
£/m^2	£1,499	£1,253	£1,181	£1,181

Source: HDH (April 2020)

4.79 On this basis, a value of £1,280/m^2 across the study area is assumed.

[87] https://www.gov.uk/government/statistics/statistical-data-return-2018-to-2019

Affordable Rent

4.80 The Government introduced Affordable Rent in 2010 as a 'new' type of Affordable Housing. Under Affordable Rent, a rent of no more than 80% of the market rent for that unit can be charged. In the development of Affordable Housing for rent, the value of the units is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor (or another RP) would pay for the completed unit.

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

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

Table 4.19 BRMA LHA Caps (£/week) - Gloucester

Shared Accommodation	£78.59
One Bedroom	£103.56
Two Bedrooms	£138.08
Three Bedrooms	£172.60
Four Bedrooms	£218.63

Source: VOA (April 2020)

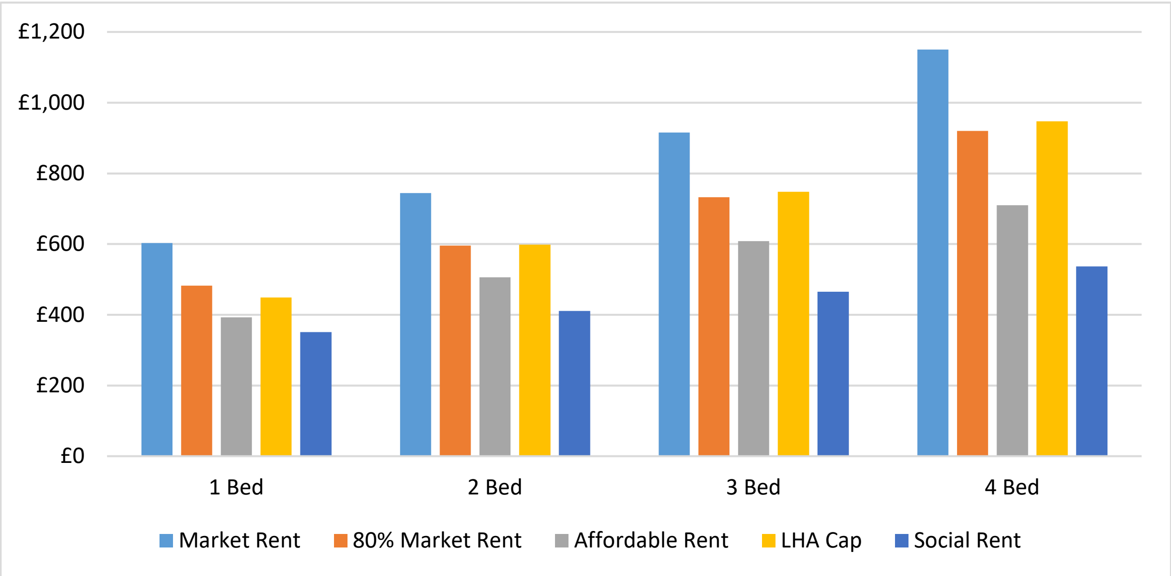
4.83 These caps are generally similar to the Affordable Rents being charged as reported in the most recent HCA data release (although this data covers both newbuild and existing homes).

Table 4.20 Affordable Rent General Needs - Stroud		
Average weekly gross rent (£ per week) and unit counts by unit size for Stroud	**£ per week**	
Unit Size	**Gross rent**	**Unit count**
Non-self-contained	£0.00	0
Bedsit	£0.00	0
1 Bedroom	£90.62	96
2 Bedroom	£116.75	163
3 Bedroom	£140.47	78
4 Bedroom	£163.85	25
5 Bedroom	£0.00	0
6+ Bedroom	£0.00	0
All self-contained	£118.19	362
All stock sizes	**£118.19**	**362**
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

Source: Table11, RSH SDR 2019 – Data Tool[88]

4.84 The rents can be summarised as follows.

Figure 4.11 Rents by Tenure – £/Month



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

4.85 In calculating the value of Affordable Rent, we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 4.5%. It is assumed that

[88] https://www.gov.uk/government/statistics/statistical-data-return-2018-to-2019

the Affordable Rent is no more than the LHA cap. On this basis affordable rented property has the following worth.

Table 4.21 Capitalisation of Affordable Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/month)	£448.76	£595.73	£732.08	£920.00
Gross Rent (£/annum)	£5,385	£7,149	£8,785	£11,040
Net Rent	£4,308	£5,719	£7,028	£8,832
Value	£95,735	£127,090	£156,177	£196,267
m^2	50	70	84	97
£/m^2	£1,915	£1,816	£1,859	£2,023

Source: HDH (April 2020)

4.86 Using this method to assess the value of Affordable Housing, under the Affordable Rent tenure, a value of £1,900/m^2 across all areas is derived. Through the summer 2020 consultation[89] it was noted that there will be difference in values for new and older units. This accepted and reflected in the yield and management assumptions.

4.87 One housebuilder[90] suggested that the values used are too high, but provided no further information in this regard. An agent[91] for a housebuilder was in agreement, suggesting a value of £1,215/m^2. Alternatively, they suggested a blended rate of £1,498/m^2 / 56% of market value, based on a market value of £2,700/m^2 on the Gloucester Fringe.

4.88 It was also suggested[92] [93] [94] [95] that greater reference be made to transactional evidence, although examples were not provided.

4.89 An agent[96] for a housebuilder suggested that the value of social rents was linked to the value of market rents. This is the case where there is a relatively narrow gap between market rents and affordable rents (for example in some of the very lower value parts of the Lancashire Valleys), but where Social Rents are significantly less than market rents, this tends not to be the case. Social Rents are derived through a national formula[97] in which rents have a relatively

[89] [redacted], Hawkins Watton for various (un-named) clients.

[90] [redacted] for Persimmon.

[91] Using the developments at Hardwick and Kingsway, an "all average" value of just over £2,700/sqm (£250psf) is evident. We would suggest further work or discussion is had on this aspect and the justification provided for the £3,100psqm (£288psf).

[92] [redacted], Savills – for L&Q Estates, re Whaddon.

[93] HBF.

[94] [redacted] for Persimmon.

[95] [redacted], Pioneer for Robert Hitchins.

[96] [redacted], Pioneer for Robert Hitchins.

[97] The formula is weekly formula rent is equal to: 70% of the national average rent. Multiplied by relative county earnings, Multiplied by the bedroom weight. Plus 30% of the national average rent Multiplied by relative property

small part (and where they do it is in relation to national rents). The value of a social rented unit is then a factor of the rent.

4.90 Several[98] [99] [100] housing associations also commented.

a. Generally, they are seeking Affordable Rent rather than Social Rent.

b. Bids are generally on a blended basis (across tenures) at about 65% of market value.

c. In exceptional circumstances bid may be up to 70% to 75% of market value.

d. '*Often it is 55% of OMV on the Rent and up to 65% on the Shared Ownership*'.

e. 'The value paid for Social Rent is less than the Value paid for Affordable Rent'. 'We tend to be fairly modest in our nil grant Section 106 values simply because we apply a 30year NPV and other RP's can look at these tenures over a longer period say 40years'.

f. Generally, they do not use a £/m^2 assumption as the rents (and therefore the values) are more closely linked to the number of bedrooms. In this regard the proportion of market value is different for 2 bed houses and 2 bed flats, but because the LHA/Market Rent cap is the same for both property types, it tends to link values to the number of bedrooms.

g. The values presented are '*probably ok*' and *'looks about right*'.

h. Last year *'... we offered around 80% of OMV for LCHO units (40% 2.75% rent) and between 63% - 75% for affordable rented products depending on the OMV. No data available that would be relevant for S Rent'.*

i. The following values were suggested:

Table 4.22 Suggested Affordable Housing Value Assumptions.

	£/ unit	Comments
1 Bed	£121,000	65.5%
2 Bed	£149,000	66.6%
3 Bed	£178,000	63.3%
4 Bed	£229,500	69.6%

Source: Summer 2020 consultation.

value. In this context Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels. Appendix A contains details of the earnings data to be used. *Relative property value* means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

[98] Gloucester City Homes.

[99] Sanctuary Homes.

[100] Green Square Group.

4.91 It is clear that a range of views are expressed, however the housing associations have confirmed the values proposed are broadly correct, so no change has been made. The assumptions used are generally a little under the 65% blended rate suggested.

Intermediate Products for Sale

4.92 Intermediate products for sale include shared ownership and shared equity products[101]. Nationally, the demand for these has lessened, perhaps due to the impact of Help to Buy. We have assumed a value of 70% of open market value for these units. These values were based on purchasers buying an initial 30% share of a property and a 2.75%[102] per annum rent payable on the equity retained. The rental income is capitalised at 4 % having made a 5% management allowance.

4.93 The following table shows 'typical' values for shared ownership housing at a range of proportions sold:

Table 4.23 Value of Shared Ownership Housing at 30% to 80% of Proportion Sold

Market Value			% Sold		Rent			Value		
m2	£/m2	£	%	£	%	£/year	£	£	£/m2	**% OMV**
95	3,150	299,250	30%	89,775	2.75%	5,761	144,014	233,789	2,461	**78.13%**
95	3,150	299,250	40%	119,700	2.75%	4,938	123,441	243,141	2,559	**81.25%**
95	3,150	299,250	50%	149,625	2.75%	4,115	102,867	252,492	2,658	**84.38%**
95	3,150	299,250	60%	179,550	2.75%	3,292	82,294	261,844	2,756	**87.50%**
95	3,150	299,250	70%	209,475	2.75%	2,469	61,720	271,195	2,855	**90.63%**
95	3,150	299,250	80%	239,400	2.75%	1,646	41,147	280,547	2,953	**93.75%**

Source: HDH 2020

4.94 Through the summer 2020 consultation there was a general consensus on this point, although an agent[103] for a housebuilder suggested that the assumption was '*over optimistically high'*. No further detail was provided, nor comment made.

4.95 A housebuilder[104] commented that the '*assessment assumes that affordable units receive 70% of OMV. This is not representative of offers that we are receiving in the market place, we tend to receive offers between 55 – 65% in a strong market*'. It is assumed that this comment applies across all tenures.

4.96 The 70% assumption is in line with feedback from housing associations.

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

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

[103] [redacted], Pioneer for Robert Hitchins.

[104] [redacted] for Redrow with regard to Hardwick.

Grant Funding

4.97 It is assumed that grant is not available.

Older People's Housing

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

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

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

4.100 A typical price of a 3 bed semi-detached home has been taken as a starting point. On this basis it is assumed Sheltered and Extracare Housing has the following worth:

Table 4.24 Worth of Sheltered and Extracare			
Dursley	Area (m^2)	£	£/m^2
3 bed semi-detached		£270,000	
1 bed Sheltered	50	£202,500	£4,050
2 bed Sheltered	75	£270,000	£3,600
1 bed Extracare	65	£253,125	£3,894
2 bed Extracare	80	£337,500	£4,219
Stonehouse	Area (m^2)	£	£/m^2
3 bed semi-detached		£274,000	
1 bed Sheltered	50	£205,500	£4,110
2 bed Sheltered	75	£274,000	£3,653
1 bed Extracare	65	£256,875	£3,952
2 bed Extracare	80	£342,500	£4,281
Stroud	Area (m^2)	£	£/m^2
3 bed semi-detached		£285,000	
1 bed Sheltered	50	£213,750	£4,275
2 bed Sheltered	75	£285,000	£3,800
1 bed Extracare	65	£267,188	£4,111
2 bed Extracare	80	£356,250	£4,453

Source: HDH (April 2020)

4.101 We have undertaken a review of older people's schemes within 10 miles of Stroud.

a. McCarthy & Stone has two schemes in Gloucester. The scheme at Llanthony Place, St Ann Way has 1 bedroom units from £184,950 to £199,950 and 2 bedroom units from £249,950 to £294,950. The scheme also has 1 bedroom flats for rent from £1,690 pcm and 2 bedroom flats for rent from £2,300 pcm. The scheme at Scudamore Place, St Ann Way is under construction, but prices have not been released.

   Through the summer 2020 consultation it was suggested[105] that reference should be made to the McCarthy & Stone schemes at Stroudwater and Old Market, Nailsworth. The Stroudwater scheme was being marketed in July 2016 and the Old Market scheme was completed in 2008, so these are not new schemes. At the time of this report, 2 bedroom units are being marketed at the Stroudwater scheme from £335,000. 2 bedroom units are being marketed from £235,000 and 1 bedroom units from £135,000 at the Old Market scheme.

b. The Sanctuary Group are close to completing its scheme at New Court, Lansdown Road, Cheltenham. 1 bed flats are being marketed in the range of £268,000 to £290,000.

[105] [redacted], Hawkins Watton for various (un-named) clients.

c. Richmond Villages (which is owned by Bupa) has a scheme at Painswick. A range of units are being marketed with 2 bed units from £425,000 to £615,000 and 1 bed units from £247,500 to £299,995. Richmond also has a scheme in Cheltenham with a 1 bedroom suite for sale for £359,950 and a 2 bedroom suite for sale for £625,000. Both these schemes include various care packages.

d. Pegasus Life has a scheme at Steepleton, Tetbury, with prices starting from £295,000, although 2 bed units are being marketed from £395,000 to £490,000. It also has a scheme at One Bayshill Road, Cheltenham where 1 bed units start at £435,000.

e. Cognatum has a scheme at Minchinhampton. 2 bedroom units are for sale from £425,000 to £745,000. The project has a range of flats and cottages.

4.102 Based on the above, a value of £3,900/m^2 is assumed for Sheltered Housing and £4,200/m^2 is assumed for Extracare.

4.103 In addition to the above, no allowance is made for ground rents. The typical value of the annual ground rents on these types of units would be about £3,850/unit.

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

4.105 Through the summer 2020 consultation it was suggested[106] that this *'section should be enlarged to embrace the inevitable evolution of the housing demand with particular regard to the need to have a broad demographic catchment for 'garden towns"*. The purpose of this assessment is to consider the deliverability of the emerging Local Plan so has not been extended beyond that.

4.106 An agent[107] for a Strategic Site suggested that the *'value premium relative to market residential appears to be excessive*'. No alternate evidence was submitted. The values used are based on figures derived though the RHG guidance and market evidence.

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[106] [redacted], Hawkins Watton for various (un-named) clients.

[107] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

5. Non-Residential Market

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

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

National Overview

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

> *As would be expected given the ongoing Covid-19 outbreak, the Q1 2020 RICS UK Commercial Property Survey results point to a sharp deterioration in market sentiment. Following what appeared to be a promising start to the year through January and February according to anecdotal evidence, social distancing measures and forced business closures have severely restricted activity and will unfortunately continue to weigh heavily on the outlook over the coming months.*
>
> *In terms of trends in occupier demand over the past quarter, a headline net balance of -24% of respondents saw a decline, down from a reading of -12% in Q4. That said, it is important to point out that social distancing measures were ramped up significantly in the middle of the survey collection window. As such, while indicators capturing changes in tenant demand in Q1 as a whole returned net balances of -67% for retail, -16% for offices and +6% for industrials, these readings fall to -82%, -44% and -7% respectively when only taking into account submissions received from 1st of April onwards (on an unweighted basis).*
>
> *Alongside this, availability and inducements both continued to trend upwards at the headline level, with the retail sector seeing the sharpest rise in both variables in net balance terms. With regards to near term rental expectations, a net balance of -69% of survey participants envisage retail rents falling, while the figure stands at -24% for offices. Rents across the industrial sector meanwhile are expected to prove more resilient, with a much flatter near term assessment returned by contributors. RICS – Q1 2020: UK Commercial Property Market Survey*

5.4 In this context a non-residential land promoter[108] set out the following through the summer 2020 consultation:

> *It is also important to note that different sectors of the market have, so far, been affected in different ways by the COVID 19 pandemic. For example, while the number of new homes expected to be sold this year are down due to restrictions on house sales that were introduced as part of the lockdown measures' CBRE have recently reported that the UK logistics market recorded the highest quarterly take up figures on record for Q2 2020, achieving total take-up of 12.78 million sq. ft compared to 7.83 million sq. ft in Q2 2019. Furthermore, short term 'COVID'*

[108] [redacted], RPS – for Tritax Symetry with regard to Symmetry Park.

related deals for 12 month or less lease terms only accounted for 15.5% of floorspace taken up in the quarter. This suggests that the high take up figures represent longer term ongoing structural changes to the economy rather than being specifically driven by the COVID 19 pandemic (https://news.cbre.co.uk/highest-quarterly-take-up-figures-on-record-for-the-uk-logistics-sector-for-q2-2020/). This example illustrates that the effects of the pandemic have not affected all sectors of the market equally. Savills have also just published data to show that take-up for H1 2020 has reached 22.4m sq. ft - the best H1 performance ever recorded and is 38% above 2019 and 66% above the long-term average (https://www.savills.co.uk/research_articles/229130/301986-0/big-shed-briefing---july-2020).

Non-Residential Market

5.5 The *Stroud District Employment Land Study* (BE Group, February 2013) included a detailed assessment of the local employment markets so that will not be repeated here.

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

5.7 Various sources of market information have been analysed, the principal sources being the local agents, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove.co.uk). In addition, information from CoStar (a property industry intelligence subscription service) has been used. Much of this commercial space is 'second hand' and not of the configuration, type and condition of new space that may come forward in the future, so is likely to command a lower rent than new property in a convenient well accessed location with car parking and that is well suited to the modern business environment. **Appendix 7** includes market data from CoStar.

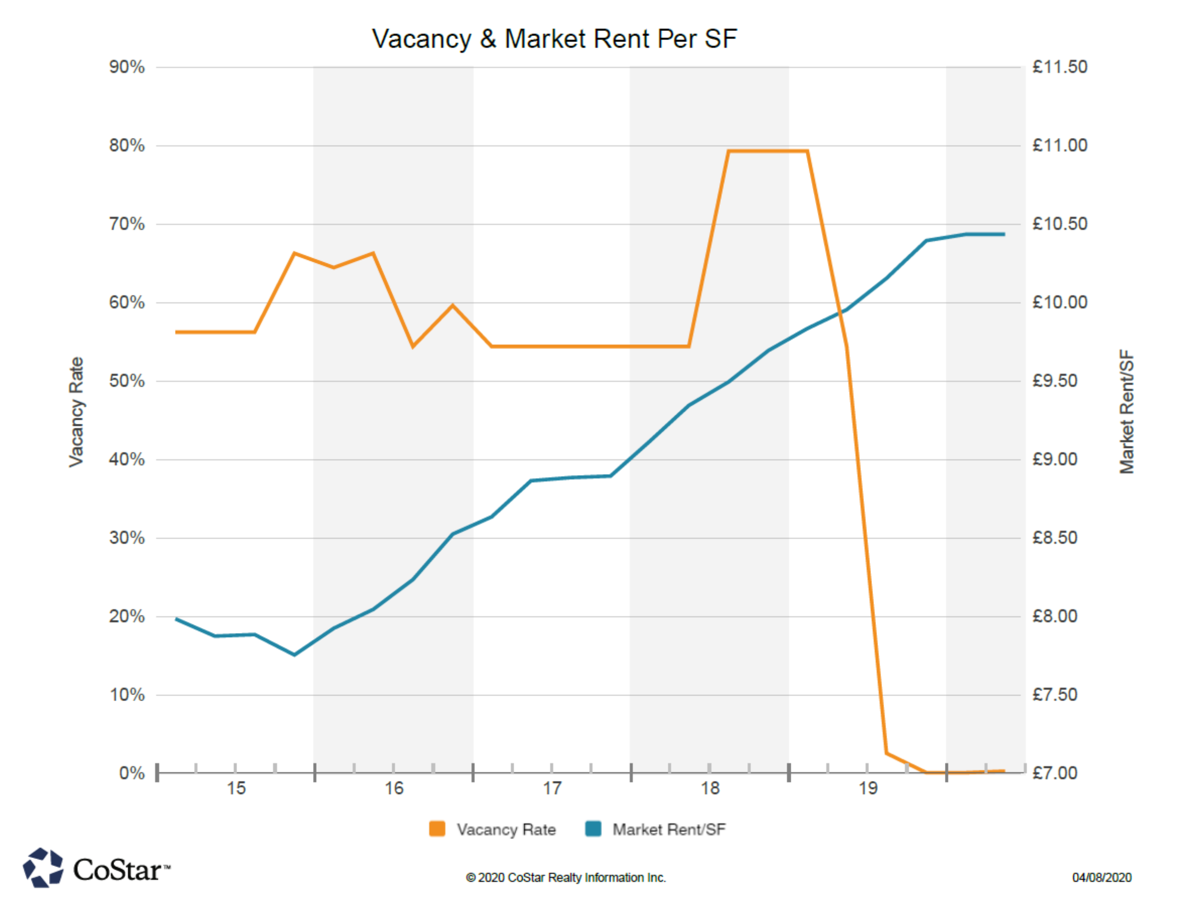
Offices

5.8 The Stroud market is a local market. To a large extent it does not compete with the more established, substantial markets of Gloucester, Cheltenham and North Bristol. Historically, office demand is predominately local and for premises of less than 500m^2, and generally it is acknowledged there is a paucity of good quality office space. On the whole, office uses are concentrated in the town centres. More recently, purpose-built space has come forward at Stonehouse Park, as well in various conversions of historic buildings (mills). Through the summer 2020 consultation it was suggested[109] that this description was 'inaccurate', although no further comment was made and no alternative information was provided. This is not accepted, the description is taken from the Council's Employment Land Study and remains a representative, high level summary.

5.9 CoStar data shows an increase in rents and a decrease in vacancies in the office sector over the last five years.

[109] [redacted], Hawkins Watton for various (un-named) clients.

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



Source: CoStar (April 2020)

5.10 CoStar is currently reporting rents (for all types of office) of about £108/m^2/year (£10sqft/year). On the whole, these buildings are not modern offices that are best suited to current work practices. Newer offices, with adequate parking and with a flexible layout, are around £175/m^2/year (£16sqft/year), although these are not the norm.

5.11 CoStar does not report a yield. We would expect larger units (or groups of units) to achieve a yield of less than 7% or so, with smaller units (being a little less attractive to investors) achieving a yield of 8% or so.

5.12 On this basis new office development would have a value of £2,450/m^2 (£228/sqft) in larger schemes, and about £2,025/m^2 (£190/sqft) in smaller schemes (having allowed for a rent free / void period of 12 months). CoStar reports average sales prices being somewhat less than these, however the sample is dominated by older units, with less good facilities.

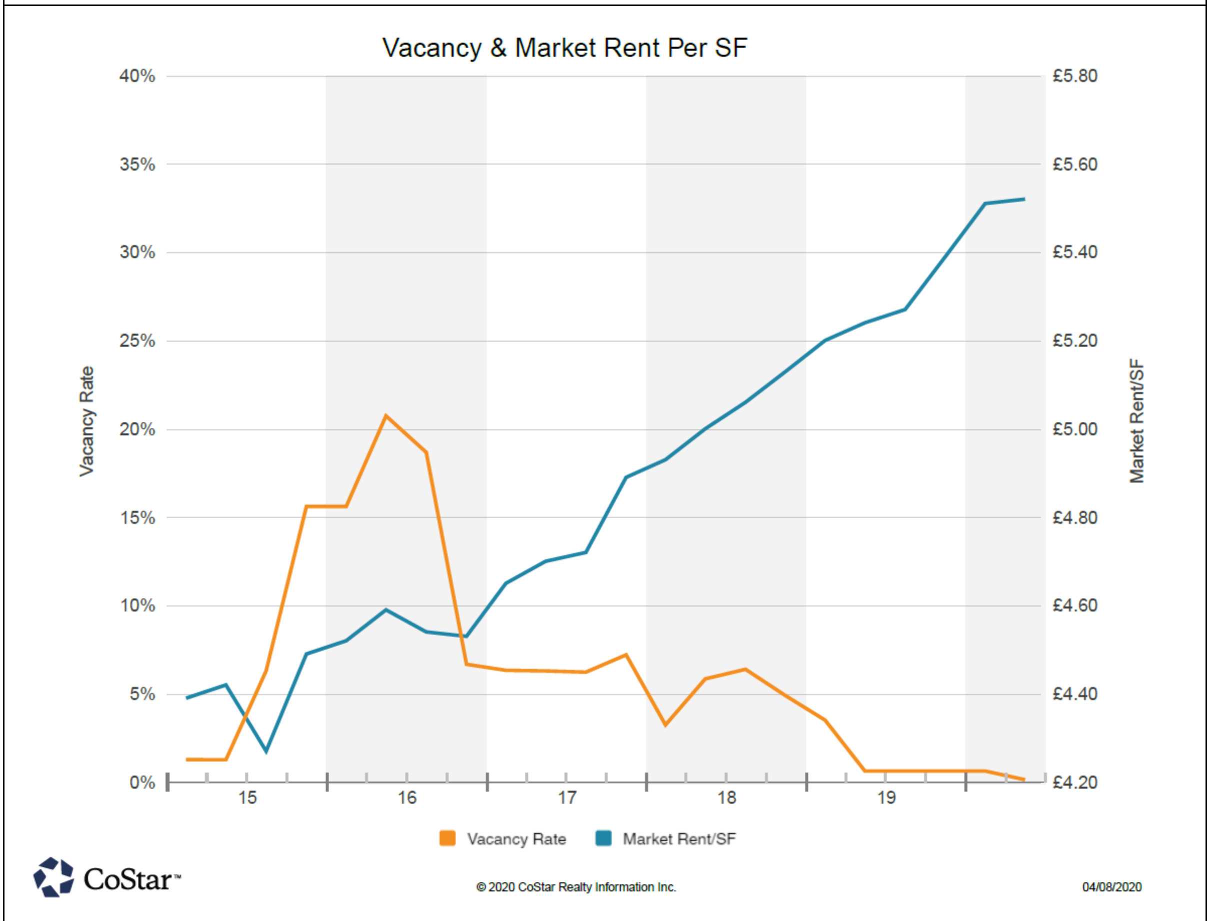
5.13 Bearing in mind the nature of the new development that this study is concerned with, office development is assumed to have a value of £2,450/m^2 for larger units and £2,025/m^2 for smaller units.

Industrial and Distribution

5.14 Industrial space is distributed throughout the District, both in the traditional valley bottom mill sites and the newer schemes (such as Quadrant Business Park and the Quedgeley East Business Park on the edge of Gloucester, the Severn Distribution Park at Sharpness, and the Bath Road Business Park on the Bath Road to the south of Stroud). As was observed[110] through the summer 2020 consultation, this list is not comprehensive. This is accepted, however this study is concerned with the planned development, under the emerging Plan, so it is not necessary or proportionate to undertake a very detailed assessment of the market.

5.15 CoStar data also shows a steady increase in rents over the last five years in the industrial sector, and very low vacancies:

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



Source: CoStar (April 2020)

5.16 CoStar is currently reporting average rents (for all types of industrial space) of about £61/m^2/year (£5.70/sqft/year). More modern buildings that are well located and with adequate parking are securing rents that are a little higher at about £70/m^2/year (£6.50/sqft/year). There

110 [redacted], Hawkins Watton for various (un-named) clients.

is little differentiation of rents relative to the size of the units. The promoter[111] of Symmetry Park provided some further detail suggesting a significant differential between smaller and larger units and putting forward £69.97/m^2 (£6.50/sqft) for larger units and £80.72/m^2 (£7.50/sqft) for smaller units. They went on to observe that due to the lack of local comparables, national data should be drawn on. We have reviewed several sources.

a. Savills, in *Big Shed Briefing* (Savills, July 2020), reports prime investment yields, on a national basis, of about 4.25% for multi let units and 4.5% for distribution units.

b. CBRE reports, in *UK Logistics Market Summary H1 2020,* the following for prime 'Big Box' rent in the Bristol submarket of £78.04/m^{2}pa (£7.25 per sq. ft pa) (4.75% NIY) and in the West Midlands, Birmingham submarket of £73.66/m^{2}pa (£6.75 per sq. ft pa) (4.50% NIY).

c. CBRE reports, in *Marketview Bristol Industrial, H2 2018*, prime rents of and yields of £78.04/m^{2}pa (£7.25/sqft) / 4.75% for distribution and £91.49/m^{2}pa (£8.50/sqft) / 4.75% for Estates.

d. Knight Frank reports, in *Midlands Industrial Market Research, Q2 2020,* prime rents of £91.40/m^{2}pa (£8.50/sqft) and yields of 4.5%.

e. Knight Frank reports, in *South West Industrial Market Research, Q1 2020,* prime rents of £78.04/m^{2}pa (£7.25/sqft) and yields of 5%.

f. Nationally, CoStar reports average rents of £71.69/m^{2}pa (£6.66/sqft) for logistics, £71.47/m^{2}pa (£6.64/sqft) for industrial, and £99.46/m^{2}pa (£9.24/sqft) for light industrial uses.

5.17 As with office development, CoStar does not report a local yield. Informed by the above, we would expect larger units (or groups of units) to achieve a yield of less than 5% or so, with smaller units a yield of 8% or so.

5.18 On this basis, new industrial development would have a value of £1,430/m^2 (£133/sqft) on larger schemes, and £868/m^2 (80/sqft) on smaller schemes (having allowed for a rent free / void period of 12 months).

5.19 Bearing in mind the nature of the new development that this study is concerned with, large scale industrial development is assumed to have a value of £1,400/m^2 and smaller scale development £900/m^2.

5.20 Through the summer 2020 consultation it was observed[112] that this assumption does not reflect the diverse nature of the District, nor the different locations or the variety of valuation criteria (no supporting data or evidence was provided). Whilst it is accepted that each and

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111 [redacted] of RPS for Tritax Symmetry.

112 [redacted], Hawkins Watton for various (un-named) clients.

every scheme, on each and every site, will be different, this Assessment is considering the development planned under the emerging Local Plan. The approach taken is proportionate.

Retail

5.21 Stroud is a local, rather than a regional shopping destination, taking the role of a traditional market town. The smaller market towns also have a distinct place in the retail hierarchy of the District, however the shopping offer is overshadowed by Bristol, Cheltenham and Gloucester. The market towns are busy with a broad range of local shops and services.

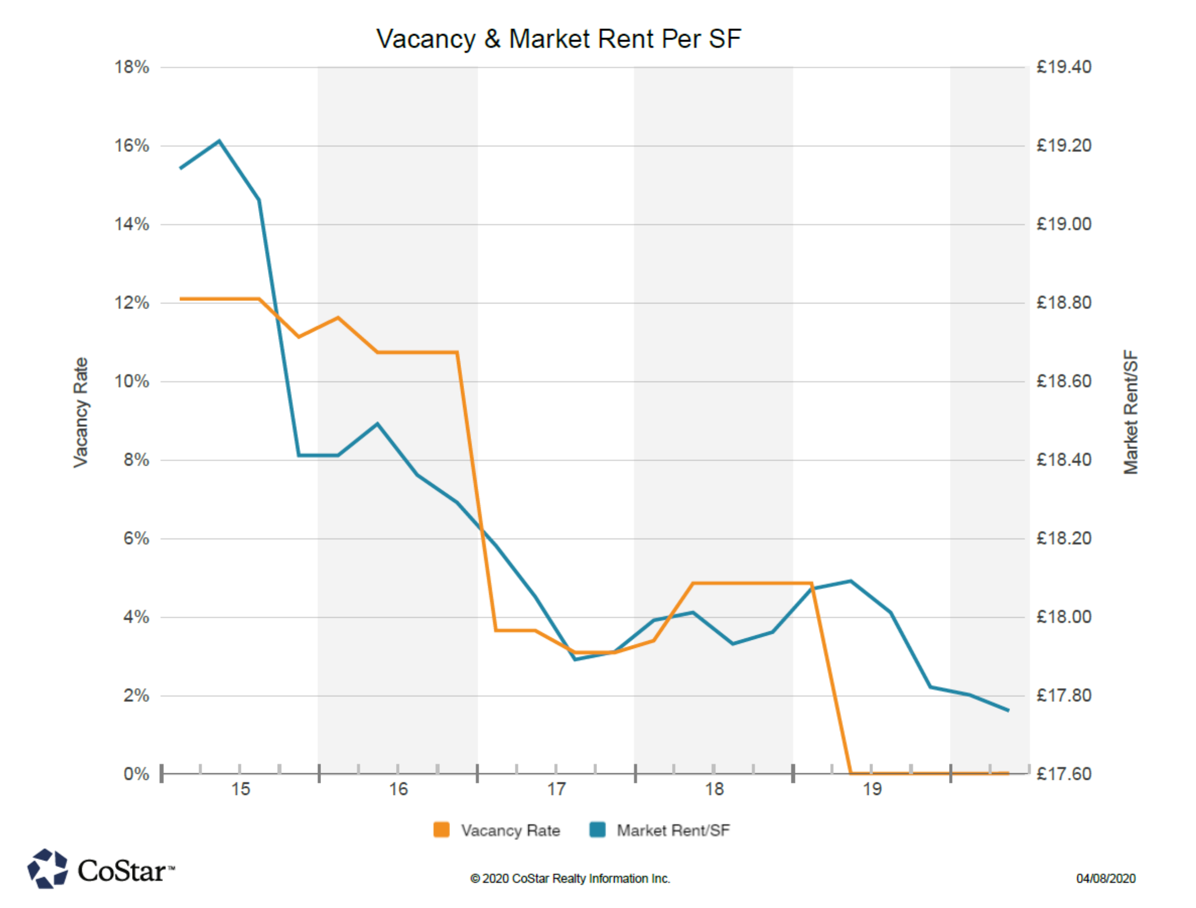
5.22 Even before the Coronavirus pandemic, the retail market is in a period of uncertainty. The rise in the online retailer sector has put pressure on the high street and shopping centres. Several national chains have been put into administration or have entered Company Voluntary Arrangements (CVA)[113]. The value of shopping centres in particular has been put under pressure, and is less attractive to investors than it was just a few years ago.

5.23 Bearing in mind the gloomy picture that can be taken from the above, it is surprising that the CoStar data shows a fall in vacancies over the last 5 years. Through the summer 2020 consultation it was suggested[114] that this was not a surprise that vacancies should fall in Stroud, the implication being that the market is not reflecting national trends. The fall in rents is to be expected.

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

[114] [redacted], Hawkins Watton for various (un-named) clients.

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



Source: CoStar (April 2020)

5.24 The retail market is segmented with the core high street areas of thriving but the remaining areas, being of largely secondary retailing areas doing less well. Retailing in secondary locations is challenging – although the data does reveal some surprising high rents, and there are some neighbourhood shopping areas that are thriving.

5.25 Across the SDC area rents are generally around £180/m^2/year (£16.80/sqft/year), although there are considerable differences within this.

5.26 Rents for good units in the central locations are currently over £430/m^2/year (£40/sqft/year)[115] although generally they are below this level at around £250/m^2/year (£23/sqft/year). Yields are reported to be in the range from 4.66% to about 10%, with an average of 7.71% and median of 7.85%. Through the summer 2020 consultation it was suggested[116] that this data is wrong, but no alternative data or suggestions were made. Further it was suggested that retail development is valued by zones. It is agreed that the zoning approach can be used, but

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

[116] [redacted], Hawkins Watton for various (un-named) clients.

the existing available data is for whole buildings, and in the absence of further data, this has been used.

5.27 A value (based on a £250/m^2/year / 7.75% yield / 12 month incentive) of £2,994/m^2 (£278/sqft) is derived for shop-based retail in the town centres. This is at the top end of the range of values reported by CoStar. A value of £3,000/m^2 (£278/sqft) is assumed, although it is important to note that such values would be restricted to the prime central locations.

5.28 As one moves away from the best locations into the secondary situations, the rents are normally in the range of £107/m^2/year (£10/sqft/year) to £160/m^2/year (£15/sqft/year), although yields are rather higher at around 10% to give a value of £1,200/m^2 (£110/sqft) or so.

5.29 We have given consideration to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the SDC area, however drawing on our wider experience we have assumed supermarket rents of £280/m^2/year (£26/sqft/year) with a yield of 5.25% to give a value of £5,000/m^2 (£464/sqft). This reflects the increased confidence in this sector after a difficult period faced by the traditional supermarket operators. This is in line with recent transactions in the wider Gloucestershire area. Through the summer 2020 consultation it was suggested[117] that information should be used with caution as the values are linked to the (financial) strength of the tenant. This is accepted, but it is important to note that this sector is dominated by relatively few operators.

5.30 In the case of retail warehouses, there has been a change within the market over the last few years with a move towards more smaller stores on out of town retail parks and employment areas. Whilst little such development is planned, it may be that some of the existing out of town / retail warehouse space will be redeveloped. We have assumed a rent of £200/m^2/year (£18.60/sqft/year) and a yield of 6% giving a value of £3,000/m^2 (£280/sqft) (allowing for a 2 year rent free / void period).

Hotels

5.31 For the hotel sector, a rental of £5,000/room/year for newbuild hotels is assumed to apply across the area. Assuming a yield of 5%, this equates to a value of about £4,050/m^2 (£376/sqft). It is important to note that this study is only concerned with newbuild hotels[118].

5.32 An agent[119] for a Strategic Site noted that hotels are typically valued on a 'profits' or turnover basis. This is agreed in relation to existing hotels, but in the case of hotels yet to be built, the proposed approach is appropriate.

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[117] [redacted], Hawkins Watton for various (un-named) clients.

[118] 60 rooms x £5,000 = £300,000. 5% yield = £6,000,00. 60 rooms @19m^2 + 30% circulation space = £4,049/m^2

[119] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

Appraisal Assumptions

5.33 In the 2016 CIL Viability Update the following assumptions were used:

Table 5.1 2016 Non-residential Values £/m²	
Industrial	£1,000
Office	£2,000
Large Supermarket	£3,250
Smaller Supermarket	£3,050
Large retail - Non food	£2,100
Small retail (Shop)	£2,000
Hotels	£3,472

Source: HDH 2016

5.34 These have been updated as follows:

Table 5.2 Commercial Values £/m² 2020

	Rent £/m²	Yield	Rent free period		Assumption
Offices - Large	£175	6.75%	1.0	£2,429	£2,450
Offices - Small	£175	8.00%	1.0	£2,025	£2,025
Industrial - Large	£70	5.00%	1.0	£1,429	£1,400
Industrial - Small	£70	8.00%	1.0	£868	£900
Retail - Central	£250	7.75%	1.0	£2,994	£3,000
Retail (elsewhere)	£130	9.00%	1.0	£1,325	£1,200
Supermarket	£280	5.25%	1.0	£5,067	£5,000
Retail Warehouse	£200	6.00%	2.0	£2,967	£3,000
Hotel (per room)	£5,000	5.00%	0.0	£4,049	£4,050

Source: HDH (August 2020)

6. Land Values

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

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

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

6.4 In the earlier viability work the following assumptions were used.

Table 6.1 2013 / 2016 EUV Assumptions (£/ha)	
Industrial Land	£400,650
Agricultural	£25,000

Source: *Chapter 6 SDC Local Plan Viability Study (HDH, August 2013)*

6.5 In addition, residential land was taken to have a value of £400,000/ha.

6.6 The earlier viability assessments were prepared before the updated PPG was released so does not explicitly follow the 'EUV plus' approach, as now set out in the PPG, however they are in general conformity with the updated PPG.

Existing Use Values

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

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

How should land value be defined for the purpose of viability assessment?

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

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

PPG: 10-013-20190509

What is meant by existing use value in viability assessment?

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

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

PPG: 10-015-20190509

6.9 The land value should reflect emerging policy requirements and planning obligations. The value of the land for a particular typology (or site) needs to be compared with the EUV. If the Residual Value does not exceed the EUV, plus the Landowner's Premium, then the development is not viable; if there is a surplus (i.e. profit) over and above the 'normal' developer's profit/return having paid for the land, then there is scope to make developer contributions. For the purpose of the present study, it is necessary to take a comparatively simplistic approach to determining the EUV. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis, the outcome might still be contentious.

6.10 The 'model' approach is outlined below:

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

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

iii. Where the development is on brownfield land or previously developed land (PDL), we have assumed an industrial value. In the town-centres a higher value is considered.

6.11 Through the summer 2020 consultation it was suggested[120] that the EUV should 'always be assessed in accordance with the Red Book[121]'. This is not accepted. The relevant RICS Guidance is the *Financial viability in planning: conduct and reporting RICS professional statement, England* (1st Edition, May 2019) and not the Red Book. In a study of this type, that is based on typologies rather than assessing each site separately, it is necessary to make some high-level assumptions and, primarily, to follow the guidance set out in the PPG.

Residential Land

6.12 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*[122]. This was prepared by the Valuation Office Agency (VOA) and sets out land values at April 2019. The Stroud District Council figure is £2,350,000/ha. This figure assumes nil Affordable Housing. The VOA assumed that each site is 1 hectare in area, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available; the site will have a net developable area equal to 80% of the gross area. For those local authorities outside London, the hypothetical scheme is for a development of 35 two storeys, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.

6.13 There are few larger development sites being publicly marketed in the area at the time of this assessment, however there are a number of small development sites being marketed in the area:

[120] [redacted], Hawkins Watton for various (un-named) clients.

[121] Red Book is commonly used shorthand for *RICS Valuation - Global Standards* ('Red Book Global Standards'). It contains mandatory rules, best practice guidance and related commentary for all RICS members undertaking valuations.

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

Table 6.2 Building Sites for Sale

		Ha	Units	Asking Price	£/ha	£/unit	
Birdlip Hill	Gloucester	3.20	10	£1,500,000	£468,750	£150,000	Consent for 10 log cabins
Ewen	Cirencester	2.83	1	£650,000	£229,682	£650,000	Para 55 consent for large house.
Bath Road	Stroud	0.16	3	£499,000	£3,118,750	£166,333	3 detached.
Rosebury Road	Dursley	0.12	2	£365,000	£3,041,667	£182,500	6/7 bed detached in existing house garden.
Hayden Lane	Boddington	0.14	1	£280,000	£2,000,000	£280,000	4 bed barn conversion.
Bath Rd	Stoud	0.08	2	£195,000	£2,437,500	£97,500	2 x detached 4 bed.
Oldens Lane	Stonehouse	0.09	3	£195,000	£2,166,667	£65,000	3 terraced.
Northfield Road	Nailsworth	0.04	1	£185,000	£4,625,000	£185,000	Single plot.
Ruscombe		0.05	1	£185,000	£3,700,000	£185,000	Single plot. 5 bed.
Mill Croft Cottage	Brockworth	0.07	1	£160,000	£2,285,714	£160,000	Single plot. 4 bed.
Windsoredge Lane	Nailsworth	0.05	1	£155,000	£3,100,000	£155,000	Single plot.
Paganhill Lane	Stroud	0.01	1	£110,000	£11,000,000	£110,000	Small Plot. 2 bed.
Norman Hill	Dursley	0.05	1	£90,000	£1,800,000	£90,000	Single plot. 3 bed.
Northfield Close	Tetbury		1	£50,000		£50,000	Small plot. 3 bed.

Source: Market Survey (April 2020)

6.14 The above prices are asking prices – so reflect the landowner's aspiration. In setting the BLV the important point is the minimum amount a landowner will accept, rather than their aspiration.

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

Table 6.3 Sales of Consented Development Land

Application No.	Development project	Total Dwellings	Developer Contribution (£)	Total Affordable Dwellings	Site Area	£/ha	£/unit
S.13/1387/FUL	Land at Horsemarling Farm, Stonehouse		£2,850				
S.13/1387/FUL	Land at Horsemarling Farm, Stonehouse aka. S'tandish Gate'	**7 conversion 10 new build**	£26,086	**5**			
S.15/2804/OUT	Land North East of Draycott, Cam aka. Millfields		£20,000 Plus developer agree to pay index £460		34.81	£11,060	£0
S.15/2804/OUT	Land North East of Draycott, Cam aka. Millfields	**450**	£130,000	**135**			
S.13/1834/FUL	Land off Woodside Lane King's Stanley		£60,891		2.75		
S.13/1834 S.16/0798/106R	Land off Woodside Lane King's Stanley	**48**		**14**			
S.14/0619/FUL	Land rear Canonbury Street Berkeley				11.84	£548,986	#DIV/0!
S.14/0619/FUL	Land rear Canonbury Street Berkeley. 188 dwellings, access, landscaping and infrastructure. ALLOWED AT APPEAL		£140,000				
S.14/0619/FUL	Land rear Canonbury Street Berkeley. 188 dwellings, access, landscaping and infrastructure. ALLOWED AT APPEAL	**188**		**56**			
S.13/1289/OUT	Land south of Leonard Stanley Primary School, aka Mankley Field (developers Gladman)	**150**	£235,572. To be calculated - £1196 per 1,2 or 3 bed, £1800 per 4 bed.	**45**	8.35	£820,195	£45,658
S.14/0810/OUT	Land west of Stonehouse, Nastend Lane, Stonehouse		£30,000				
S.14/0810/OUT	Land west of Stonehouse, Nastend Lane, Stonehouse						
S.14/0810/OUT	Land west of Stonehouse, Nastend Lane, Stonehouse		£222,480				
S.14/0810/OUT	Land west of Stonehouse, Nastend Lane, Stonehouse		£67,500				
S.14/0810/OUT	Land west of Stonehouse, Nastend Lane, Stonehouse						
S.14/0810/OUT	Land west of Stonehouse, Nastend Lane, Stonehouse						
S.14/0810/OUT	Land west of Stonehouse, Nastend Lane, Stonehouse	**1350**		**405**	97.28	£399,810	£28,810
S.13/2117/OUT	Mayos Land off A38 Bristol Rd Hardwicke aka 'Hardwicke Grange'		£75,196.46 (55 dwellings plus indexation)				
S.13/2117/OUT	Mayos Land off A38 Bristol Rd Hardwicke. aka 'Hardwicke Grange;	**55**	5,500	**16**			
S.11/1190/OUT	Sellars Farm, Hardwicke	**200**		**60**			

Source: SDC and Land Registry (April 2019)

6.16 These values are on a whole site basis (gross area) and range considerably. The average is about £445,000/ha (£37,000/unit), although the sample size is small.

6.17 Through the summer 2020 consultation it was suggested[123] that the above sample was too small and additionally some of the data was incomplete. The above table includes all the recent planning approvals that were subject to affordable housing, and the Land Registry search has been carried out for each. The reasons for the incomplete data are included in **Appendix 8**.

6.18 A housebuilder[124] provided several further examples:

- H6/7, Stonehouse £2.35m 68 plots – over 521k/NDA in 2018
- Vistry, Cam £10.65m 137 plots in 2018
- Wainhomes, Cam £5.47m 90 plots in 2019

6.19 This additional data illustrates the range of values and the challenges of establishing a 'normal / typical' assumption for the District.

6.20 It was also observed that the figures stated for West of Stonehouse are inaccurate, it was above £400k/net developable acre not hectare. We have checked the figures with the Land Registry Records and the recorded figures are presented. There may be additional data, however this is not publicly available and was not submitted as part of the consultation process.

6.21 When undertaking the *Assessment of Strategic Development Opportunities in parts of Gloucestershire. Viability Appendix – December 2019*, we carried out a similar exercise across the whole of Gloucestershire, the results of which can be summarised as follows:

Table 6.4 Recent Sales of Development Land

	All	Residential	Policy Compliant
Minimum	£11,060	£119,427	£119,427
Average	£1,038,807	£1,198,940	£761,093
Median	£816,663	£876,087	£820,195
Maximum	£3,446,640	£3,446,640	£1,487,578

Source: The Councils and Land Registry (February 2019)

6.22 Several of the above parcels assessed did not achieve the policy compliant levels of affordable housing (or were for 100% affordable housing). The non-policy compliant developments should be given limited weight. In this regard, we have a caveat and that is in relation to very large sites. Large sites have their own characteristics and are often subject to very significant

[123] [redacted] for Persimmon.

[124] [redacted] for Redrow with regard to Hardwick.

infrastructure costs and amounts of open space which result in lower values. It is particularly pertinent to note that the Land West of Stonehouse sold for about £400,000/ha.

6.23 In considering the above the PPG 10-014-20190509 says:

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

6.24 The price paid is the maximum the landowner could achieve. The landowner is unlikely to suggest a buyer may be paying an unrealistic amount. The BLV is not the price paid (nor the average of prices paid).

6.25 In relation to larger sites, and, in particular, larger greenfield sites, these have their own characteristics and are often subject to significant infrastructure costs and open space requirements which result in lower values. In the case of non-residential uses we have taken a similar approach to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes, we have assumed a BLV of the value of industrial land.

6.26 Through the summer 2020 consultation[125] the importance of noting the difference of net value (the area on which the homes are built) and gross value (the value for the whole site, including open space) was highlighted. This is agreed. It was also noted that some land sales may not be at ‘market value’ rather being subject to an option or other arrangement. This is also accepted, the data is useful as it can suggest the minimum price a landowner may accept.

6.27 An agent[126] for a Strategic Site commented that some of the above sites may have been sold at less than market value (for example where the land has been promoted under an option agreement). This is accepted however, it is important to note that the BLV is not the market value, or the average price paid, rather it is the minimum that a landowner is likely to accept.

[125] [redacted], Hawkins Watton for various (un-named) clients.

[126] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

6.28 It is necessary to make an assumption about the value of residential land. In this assessment a value of £800,000/ha is assumed for the smaller sites and £400,000/ha for the Strategic Sites.

Previously Developed Land

6.29 *Land value estimates for policy appraisal* provides a value figure for commercial land:

Table 6.5 Industrial Land Values

		Gloucester	Cheltenham	Swindon
Industrial Land	£/ha	£915,000		
	£/acre	£370,000		
Commercial Land: Office Edge of City Centre	£/ha	£865,000	£1,095,000	£865,000
	£/acre	£350,000	£443,000	£350,000
Commercial Land: Office Out of Town – Business Park	£/ha	£900,000	£1,000,000	£850,000
	£/acre	£364,000	£405,000	£344,000

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

6.30 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 9**. The average for SDC is about £1,100,000/ha (£445,000/acre) although the sample is small. Having said this, it is useful to look further afield due to the small sample size. Across Gloucestershire, CoStar reports a similar average figure of £1,062,000/ha (£430,000/acre) and a median of £1,000,000/ha (£404,762/acre).

6.31 A figure of £650,000/ha is assumed, being a rather less than the figure reported for Gloucester reported in *Land value estimates for policy appraisal* (DCLG, May 2018). There was a general consensus in this regard, although an agent[127] for a housebuilder questioned the approach (no alternative evidence was provided, or assumption suggested).

Agricultural and Paddocks

6.32 *Land value estimates for policy appraisal* (MHCLG, August 2020) provides a value figure for agricultural land in the area of £21,000/ha. This is a little less that the figure that was reported in *Land value estimates for policy appraisal* (DCLG, May 2018).

6.33 There are several relatively small parcels of land for sale at the time of this assessment.

[127] [redacted], Pioneer for Robert Hitchins.

Table 6.6 Agricultural Land for Sale					
		Ha	Asking Price	£/ha	
Bulley	Churcham	2.95	£150,000	£50,847	7 acres of pasture.
Stonehouse		2.95	£85,000	£28,814	7 acres of grazing land
Hucclecote Meadows East	East, Gloucester	4.00	£30,000	£7,500	Permanent Pasture (SSSI)
Millend Lane	Stroud	1.29	£20,000	£15,504	Permanent Pasture

Source: Market Survey (April 2020)

6.34 For agricultural land, a value of £25,000/ha is assumed to apply here. Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £50,000/ha is used for sites on the edge of the built-up area.

6.35 Through the summer 2020 consultation it was suggested[128] that a lower figure should be used and that the above parcels of land are relatively small. Conversely, a housebuilder[129] suggested a value for agricultural land in the range of £37,000/ha to £50,000/ha (although did not provide any supporting evidence). An agent[130] for a house builder suggested a normal range of £24,710/ha to £37,065/ha (£10,000 to £15,000 per acre), going on to say that they *'do not, therefore, accept the adoption of £25,000 per hectare as the EUV for this land. We would suggest a value of £30,000 per gross hectare (c£12,140 per gross acre) as a minimum'* in relation to the land at Whaddon.

6.36 We have checked this assumption:

a. Savills *GB Farmland*[131] reports that at '*a national level the picture is similar at both country and regional levels. The average value of prime arable and grade 3 grassland across GB is around £8,700 (£21,500/ha) and £5,500 per acre £13,600/ha) respectively*'.

b. Strutt and Parker's *English Estates & Farmland Market Review Winter 2019/2020*[132] states '*that average arable values remain unchanged from 12 months ago at £9,200/acre*'.

128 [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

129 [redacted] for Persimmon.

130 Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

131 file:///N:/Active%20Clients/Stroud/Data/savills-mim-ukfarmland2019.pdf

132 file:///N:/Active%20Clients/Stroud/Data/S&P%20EEFM-Review-Q4-2019-WEB.pdf

c. Carter Jonas *Farmland Market Update*[133] reports *'average arable land values shifted down slightly to end the year on £8,539 per acre (£21,100/ha)'.*

6.37 No change is made in this regard.

Existing Use Values

6.38 In this assessment the following Existing Use Value (EUV) assumptions are used. These are applied to the gross site area.

Table 6.7 Existing Use Value Land Prices £/ha - 2020

PDL	£650,000
Agricultural	£25,000
Paddock	£50,000

Source: HDH (August 2020)

Benchmark Land Values

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

Benchmark land value should:

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

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

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

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

133 https://www.carterjonas.co.uk/property-publications/

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

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6.40 With regard to the landowner's premium, the PPG says:

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

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

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

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6.41 It is useful to consider the assumptions used in other studies in other parts of England in development plans (albeit from before the PPG was updated in July 2018). These are set out in the table below.

Table 6.8 Benchmark Land Values Used Elsewhere

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

Source: Planning Advisory Service (collated by URS)

6.42 These highlight the range of approaches taken. Through the Summer 2020 consultation a number of points were raised, and it was noted that none of the examples used EUV Plus £350,000[134]. The inference therefore being that EUV Plus £350,000 should not be used here. The above data highlights the broad range of approaches taken in this regard and that there is not a right or wrong way to proceed. Following the summer 2020 consultation we have reviewed the Benchmark Land Values used by other nearby councils:

Forest of Dean

6.43 The Council's existing evidence is dated 2008, so predates the 2012 NPPF and 2014 PPG. It is very out of date (HDH are currently undertaking a plan-wide study for this area).

Cheltenham, Gloucester and Tewkesbury

6.44 The *Plan Viability, Community Infrastructure Levy and Affordable Housing Study* (PBA, January 2016) sets out:

> *5.3.14 The approach used to arrive at the benchmark/ threshold land value is based on a review of recent viability evidence of sites currently on the market, a review of viability appraisals in support of planning applications, published data on land values and discussions with JCS authorities' officers and the local development industry. The approach follows both a top down approach of current market value of serviced plots and bottom up approach of existing use values. Account has been taken of current and proposed future policy requirements. This approach is in line with the Harman report and recent CIL examination reports, which accept that authorities should work on the basis of future policy and its effects on land values and well as ensuring a reasonable return to a willing landowner and developer. In collecting evidence on residential land values, a distinction has been made for sites that might reflect extra costs for 'opening up, abnormals and securing planning permission' from those which are clean or 'oven-ready' residential sites.*
>
> *5.3.15 The starting point for the land values is the work already undertaken in the previous reports which was based on the same approach as outlined above. Where new information has come forward, values have been adjusted to reflect the changes.*
>
> *5.3.16 For the purposes of this report and testing viability, the benchmark/threshold values used in testing viability are shown in **Table 5.6**.*

[134] [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

Table 5.6 Benchmark/threshold land values

Site typology	Land value per net developable ha
Strategic sites	
Innsworth	£460,000
North Churchdown	£612,000
South Churchdown	£590,000
Brockworth	£450,000
Northwest Cheltenham	£730,000
Leckhampton	£800,000
MOD Ashchurch (GF)	£494,000
MOD Ashchurch (BF)	£450,000
Cheltenham	
Small sites	£1,606,185
Large non-strategic sites	£750,000
Gloucester	
Small sites	£741,316
Large non-strategic sites	£370,658
Tewkesbury	
Small sites	£1,111,974
Large non-strategic sites	£370,658

6.45 This approach does not follow the EUV method prescribed by the updated PPG.

Cotswold

6.46 The approach taken is set out at the end of Chapter 6 of the in the *Whole Plan and CIL Viability Assessment* (HDH, April 2016) and reviewed in the *Community Infrastructure Levy – Post PDCS Note* (HDH, October 2016):

6.36 The following alternative land prices were put to the consultation event:

i. Agricultural Land £25,000/ha

ii. Paddock Land £50,000/ha

iii. Industrial Land £450,000/ha

iv. Residential Land £750,000/ha (net).

6.37 During the consultation process it was agreed that the EUV plus approach was the appropriate approach for a study of this type. There was a consensus that the land values for agricultural, paddock and industrial uses were reflective of the current market in the Cotswolds – although the price achieved for a particular piece of land would vary depending on local and site specific matters.

6.38 There was a consensus that the Residential Land Value was low and it was discussed at some length. One consultee provided a number of examples on the minimum price included in a number of local option agreements being in the range of £630,000 to £784,000 per gross ha, although it was commented that these would normally be in the £500,000 to £620,000/ha range.

6.39 It was suggested that £620,000/ha be adopted as a value for residential land in the study, with a viability buffer of 20% (i.e. a viability threshold of £744,000/ha). On agricultural land this would represent an uplift over the EUV of about 30 times, being a very significant uplift.

6.40 Based on the comments made at the consultation, and the written responses that supported the EUV plus approach, we have assumed a viability threshold of EUV plus 20% on all residential sites, with a further £475,000/ha on greenfield sites. On non-residential sites we

> *have assumed an uplift of 20% and left the further uplift on greenfield sites unchanged at £300,000/ha.*
>
> *6.41 In this regard we have one caveat and that is in relation to very large sites. Large sites have their own characteristics and are often subject to very significant infrastructure costs and amount of open space which results in a lower value. In the case of non-residential uses we have taken a similar approach to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes we have assumed a viability threshold of the value of industrial land.*

6.47 Whilst this predates the 2019 NPPG and updated PPG, it does follow the EUV plus approach.

South Gloucestershire

6.48 This data has been withdrawn following withdrawal of the West of England JPS.

South Worcestershire

6.49 The approach taken is set out at the end of Chapter 3 of the *South Worcestershire Development Plan – Strategic Sites Viability Assessment* (HDH, August 2013

> *As in the previous work we have assumed that the threshold land value is the existing use value plus 20% plus additional £250,000/ha on greenfield sites, where the Existing Use Value was:*

Agricultural Land	*£25,000/ha*
Paddock Land	*£50,000/ha*
Industrial Land	*£350,000/ha*
Residential Land	*£750,000/ha*

6.50 Whilst this predates the 2019 NPPG and updated PPG, it does follow the EUV plus approach.

6.51 Care has to be taken drawing on such general figures without understanding the wider context and other assumptions in the studies.

6.52 In the pre-consultation iteration of this Viability Update, the following Benchmark Land Value assumptions are used (these are applied on a gross site area):

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

6.53 Through the summer 2020 consultation a number of points were raised.

a. None of the examples then quoted used EUV Plus £350,000[135]. The inference therefore being that EUV Plus £350,000 should not be used here.

b. A suggestion was made by the promoter of a very large Strategic Site[136], that the ‘precedence’ set out by the North Essex Joint Local Plan Inspector (Roger Clews)

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135 [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

136 [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

should be followed. A land price of about £100,000/acre (which is about £247,000/ha) would be adequate on this basis. Alternatively, they suggested that a figure of about 10 times the EUV would be appropriate.

c. *HCA Area Wide Viability Model (Annex 1 Transparent Viability Assumptions)* dated August 2010, identified that "*benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value".* The proposed premiums are midway or in the case of paddock land lower than (8 times) the ranges identified by HCA. These proposed BLVs may provide insufficient incentive to landowners of greenfield sites to sell. As noted in the Harman Report, *"prospective sellers are often making a once in a lifetime decision and are rarely distressed or forced sales".*[137]

d. Concern was expressed that whilst the EUV Plus methodology is the methodology set out in the PPG, it does not actually reflect the workings of the market where each owner is different. As such it is necessary to take into account matters such as inheritance and capital gains taxes.

It is agreed that every owner is different. Some landowners may pay inheritance tax or capital gains tax, but others may have organised their affairs to minimise their liability. Depending on the use of the land the seller may benefit from retirement relief or 'roll-over' any gains into other land. It is not possible to capture the complexities of individual landowner's affairs in a study of this type that is largely based on typologies.

e. It was suggested the figure of £375,000/ha was 'not realistic' – although no other figure was suggested.[138]

The benchmark land value for greenfield land is too low. We have of course set out (also reflected by RICS view on EUV+) that there are inherent flaws in a blanket approach to setting a benchmark land value that applies across a large area for a variety of reasons which are different in relation to every site. We therefore sympathise that this makes creating a Plan level viability assessment extremely challenging but if a blanket benchmark land value is to be used, it should err on the side of caution to ensure that as many developments are able to come forward as planned as possible, or it severely risks undermining the plan led system. £500,000 per hectare would be at the top end of the Harman recommendation if it were to be accepted that the blanket approach to agricultural land value of £25,000 were appropriate. The assessment should be assessing viability on the basis of the top end of the scale in order that the Plan delivers its aims.

Based on our experience, using the Harman approach, this would result in an EUV+ figure of between £370,000 - £740,000.

f. An agent[139] for a housebuilder said:

We agree the use and basis of the benchmark land value as determined by PPG and indeed other guidance and precedent. We have also considered the base EUV above and note the LPVA uses a figure for the premium of £350,000 per gross ha. This equates to £375,000/ha, (£151,7560/acre) for the EUV plus. We consider this multiplier to be sufficient to reflect the

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[137] HBF.

[138] [redacted] for Persimmon.

[139] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

minimum price a landowner would accept but would, as above, suggest that the EUV for agricultural land in the Seven Valley is increased.

g. An agent[140] for a Strategic Site suggested that different BLV assumptions should be used for each site, although did not suggest what would be appropriate or what the proposed assumption may be for their site.

h. An agent[141] for a housebuilder questioned the approach, however no alternative evidence was provided, nor assumption suggested.

i. The BLV should be reconsidered once a thorough analysis of recent transactions are undertaken. As it stands, the assessment is using a very small skewed sample which does not reflect market sentiment[142].

6.54 A range of opinions were expressed, and comments made, suggesting both higher and lower assumptions. The pre-consultation assumptions are carried forward unchanged.

[140] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

[141] [redacted], Pioneer for Robert Hitchins.

[142] [redacted] for Redrow with regard to Hardwick.

7. Development Costs

7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development typologies. These assumptions were presented to stakeholders through the summer 2020 consultation. Whilst there was a general consensus in relation to the approach taken, it was noted[143] that costs are subject to change. This is accepted and sensitivity testing is carried out.

Development Costs

Construction costs: baseline costs

7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Gloucestershire[144]. The cost figure for 'Estate Housing – Generally' is £1,291/m^2 at the time of this study: This is 29% higher than the equivalent figure of £1,002/m^2 used in the 2016 CIL Viability Update[145]. The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale.

7.3 The base assumption in this report is that homes are built to the basic Building Regulation Part L 2013 Standards (as amended in 2016) but not to higher environmental standards. As set out in Chapter 2 above, the Government is undertaking a consultation on 'The Future Homes Standard'[146]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring the policy options in this regard. At this stage, a policy has not been drafted but is likely to include provisions to encourage reduced energy usage. This is considered in Chapter 8 below.

[143] [redacted], Hawkins Watton for various (un-named) clients.

[144] The sample size for Stroud is only 14, so Gloucestershire is used in preference.

[145] Based on February 2016.

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

Table 7.1 BCIS Costs- £/m² gross internal floor area						
Rebased to Gloucestershire (103; sample 92)						
£/m^2 study						
Description: Rate per m^2 gross internal floor area for the building Cost including prelims.						
The cost of the building with preliminaries apportioned, excluding external works, contingencies and design fees. The sample is from actual building contracts and represents a price including the contractors' overheads and profits included in the contract. The buildings sampled represent projects submitted to BCIS and will not necessarily be representative.						
Last updated: 11-Apr-2020 00.46						
	£/m² gross internal floor area					
(Maximum age of projects)	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest
810.1 Estate housing						
Generally (15)	1,334	639	1,141	1,291	1,460	4,590
Single storey (15)	1,493	847	1,264	1,444	1,676	4,590
2-storey (15)	1,293	639	1,129	1,264	1,412	2,782
3-storey (15)	1,360	837	1,110	1,315	1,528	2,714
4-storey or above (15)	2,786	1,379	2,217	2,476	3,685	4,174
810.11 Estate housing detached (15)	1,703	1,002	1,331	1,467	1,730	4,590
810.12 Estate housing semi detached						
Generally (15)	1,331	816	1,149	1,304	1,461	2,441
Single storey (15)	1,475	934	1,256	1,473	1,632	2,441
2-storey (15)	1,297	816	1,148	1,273	1,427	2,247
3-storey (15)	1,270	958	1,019	1,253	1,347	1,932
810.13 Estate housing terraced						
Generally (15)	1,375	837	1,138	1,301	1,520	4,174
Single storey (15)	1,545	1,025	1,271	1,474	1,807	2,191
2-storey (15)	1,329	839	1,128	1,289	1,479	2,782
3-storey (15)	1,372	837	1,119	1,306	1,517	2,714
816. Flats (apartments)						
Generally (15)	1,567	785	1,307	1,497	1,764	5,362
1-2 storey (15)	1,496	927	1,275	1,437	1,662	2,766
3-5 storey (15)	1,541	785	1,301	1,478	1,745	3,248
6+ storey (15)	1,896	1,136	1,528	1,774	2,044	5,362

Source: BCIS (April 2020)

7.4 In the pre consultation iteration of this update, the median BCIS costs were used across the typologies, with the lower quartile costs being used for the Strategic Sites.

7.5 An agent[147] for a housebuilder suggested a 'blended' cost was used. This is not the case. The figure relating to the appropriate development format is used, so the cost for flats is applied to flats, the cost for detached is applied to detached, the cost for offices is applied to offices and so on.

7.6 Several consultees[148] [149] [150] [151] [152] raised a concern about the use of lower quartile costs on the Strategic Sites, as strategic sites are sometimes built out by multiple developers so economies of scale are not always achieved. The HBF commented that the lower quartile costs should be used with agreement from the industry. The BCIS median costs are used in this iteration of this report.

7.7 A non-residential developer[153] suggested the costs should be increased in line with the BCIS forecast index to reflect higher environmental standards. This would not be appropriate. Whilst higher costs are tested, the BCIS forecast is simply to cover inflation and not changes in standards. These are considered as a policy cost.

7.8 Through the summer 2020 consultation the impact of coronavirus on build costs was raised[154]. At this stage (August 2020) there is little statistical evidence in this regard, although there are reports of significant falls in the prices of steel and cement / concrete, although these are countered by additional costs in the timber trade and as a result of socially distanced working. In line with the requirements of the Guidance, sensitivity testing has been carried out.

Other normal development costs

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

7.10 Nevertheless, it is possible to generalise. Drawing on experience and the comments of stakeholders, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently – larger greenfield sites tend to

[147] [redacted], Pioneer for Robert Hitchins.

[148] [redacted], Savills – for L&Q Estates, re Whaddon.

[149] [redacted]t for Persimmon.

[150] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[151] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

[152] [redacted], Savills – for L&Q Estates, re Whaddon.

[153] [redacted] of RPS for Tritax Symmetry.

[154] [redacted], Stantec for Colethorpe Farm Ltd.

have lower net developable areas so more land requires work. Rural sites would also be more likely to need mains services to brought to the site.

7.11 A scale of allowances for site costs has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes, to 15% for the larger greenfield schemes.

7.12 In this context a non-residential developer[155] suggested that site costs on large logistics sites are typically in the range of £370,000/ha to £741,000/ha.

7.13 It is important to note that separate allowance is made for the strategic infrastructure costs. On a large greenfield site an allowance of 15.66% (being 15% plus 0.66% for biodiversity net gain) equates to about £205/m^2 or about £640,000/net ha. No change has been made in this regard.

7.14 There was a general consensus in this regard, although an agent[156] for a housebuilder questioned this approach and suggested that the allowance appeared low, and that sensitivity testing should be carried out with a 20% allowance on large greenfield sites.

Garden Town Principles

7.15 The Sharpness Garden Village and the Wisloe Strategic Sites are to be developed under Garden Town principles. The difference between the Garden Town and the conventional approach is in two main parts. The first being the total land requirement and the second being the layout.

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

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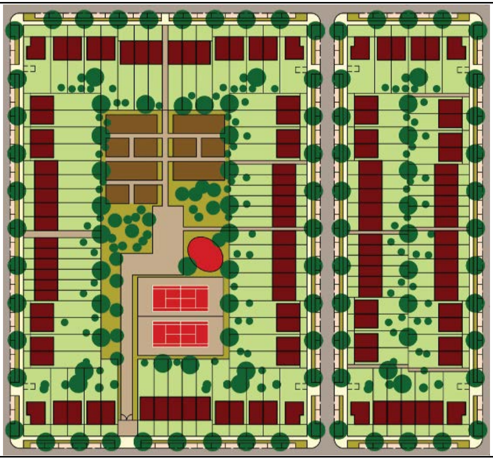
[155] [redacted], RPS – for Tritax Symetry with regard to Symmetry Park.

[156] [redacted], Savills – for L&Q Estates, re Whaddon.

Figure 7.1 Scheme Layouts

Conventional Layout (A)	Garden City Layout (B)
	

Source: Nothing gained by overcrowding! TCPA 2012

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

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

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

Abnormal development costs and brownfield sites

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

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

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

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

7.21 The consequence of this, when considering viability in the planning, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e. deducted from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.

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

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

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

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

7.25 Under this heading a planning consultant[157] noted as follows:

> *An allowance for external works such as internal, house-facing standard estate road, servicing and drainage is welcome. However, this does not take account of other infrastructure such as non-frontage roads, utilities, infrastructure and any off-site improvements. This should be re-considered.*

7.26 The site costs referred to are considered under the 'other normal development costs' heading above. The costs of infrastructure, including off site woks are considered under the '*S106 Contributions and the costs of infrastructure'* heading below.

7.27 The HBF commented in this regard:

> *... all abnormal costs (other than 5% allowance for brownfield sites) are ignored. It is assumed that if residual land value excluding abnormal costs is greater than BLV, development is viable. If the residual land value including abnormal costs falls below BLV, development remains viable*

[157] [redacted], Stantec for Colethorpe Farm Ltd.

> *because such abnormal costs are deductible from BLV. If abnormal costs are high, then the premium uplift should be reduced and borne by the landowner rather than by a loss of planning gain as set out in the Gedling Local Plan Part 2 Inspector's Final Report (para 7.11). However, this Inspector's findings pre-date 2019 NPPF and if the resultant figure provides insufficient incentive for a reasonable landowner to bring forward their land for development then the deliverability of the Local Plan is threatened. If the BLV is lower than the market value at which land will trade the delivery of housing targets will not be met. The NPPG specifically states (ID : 10-014-20190509) that BLV should "reflect the implications of abnormal costs" therefore abnormal costs should be recognised and acknowledged as forming an integral part of establishing BLV and a reasonable incentive for landowners to sell ;*

7.28 It was also suggested[158] that it '*may not be correct to assume that they are simply deducted from a land purchase price*'. It is important to note that this is the process specified in the PPG as set out above. It is accepted that, on occasion, the value of a site may be depressed to such an extent through abnormal costs that there is not an incentive for the landowner to sell the land for development. The purpose of this report is to establish whether there is a deliverable supply of sites.

7.29 The developer of a Strategic Site[159] commented that it is difficult to '*calculate a blanket figure'* but to *'ignore it is inappropriate'*. Abnormal costs were mentioned in connection with a noise bund adjacent to the M5, but no costs were provided.

7.30 The agent[160] for a Strategic Site also commented:

> *The BLV is intended to be set on the assumption that it is the minimum price that typical landowners are likely to accept to persuade them to release their land for development. It cannot be acceptable for such costs, normally upfront and bearing significant finance costs, to be deducted from an already artificially low, standardised BLV.*

7.31 An agent[161] for a housebuilder commented:

> *The 5% abnormals cost assumption for Brownfield sites is not based on any clear evidence presented within the draft LPVA – the author appears to suggest these costs are largely absorbed within the land value and therefore it is not the role of the draft LPVA to 'standardise land prices across an area'. However, the draft LPVA sets a standardised BLV for brownfield land which does not consider different circumstances facing different sites in respect of abnormal or other costs so the reasoning regarding the approach to the 5% allowance for abnormal costs on brownfield sites is unclear. There is a lack of any allowance for any level of abnormal costs on Greenfield sites; a situation which is unlikely to reflect reality.*
>
> *The timing of all of these costs is similarly critical - as much of the site servicing (or remediation for brownfield sites) will be necessary ahead of unit completions this adds significantly to the borrowing requirement on the project which further affects viability.*

[158] [redacted], Stantec for Colethorpe Farm Ltd.

[159] [redacted] for Persimmon.

[160] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[161] [redacted], Pioneer for Robert Hitchins.

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

Fees

7.33 For residential and non-residential development, we have assumed professional fees amount to 8% of build costs. Separate allowances are made for planning fees, acquisition, sales and fees.

7.34 The HBF and a housebuilder[162] commented that the Harman Guidance suggests 10% in this regard, and an agent[163] for a housebuilder observed that 10% was used in the 2016 CIL Viability Assessment. Since 2012 there has been considerable inflation in the construction sector (as seen through the BCIS costs) but this has not followed through to the same extent into the professional services. Conversely, an agent for a housebuilder agreed in this regard, subject to additional fees in relation to infrastructure and abnormal costs (we confirm that the 8% is applied to construction, infrastructure, contingencies and abnormal costs).

7.35 An agent[164] for a Strategic Site suggested that fees of 10% to 15% may be appropriate. In this context a non-residential developer[165] suggested that 8% to 11% would be recommended.

7.36 It is important to note that the above assumptions do not cover sale, acquisition, planning or finance fees. The assumption has not been changed.

Contingencies

7.37 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder.

7.38 A housebuilder[166] suggested this assumption should be based on the complexity of the scheme. This is agreed. It was then suggested that 5% should be used across all sites.

7.39 A land promoter[167] suggested that greenfield sites were actually more risky than brownfield sites due to their larger scale.

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[162] [redacted] for Persimmon.

[163] [redacted], Pioneer for Robert Hitchins.

[164] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

[165] [redacted], RPS – for Tritax Symetry with regard to Symmetry Park.

[166] [redacted] for Persimmon.

[167] [redacted], David Lock Associates for Hallam Land Management.

7.40 An agent[168] for a housebuilder suggested that *'a high-level appraisal such as a local plan contingency rates on costs should reflect up to 20% dependent on their source'.* On the Whaddon site this would total over £75,000,000. This was not explained or justified. They went onto suggest that in their view '*this should be 5% on BCIS costs, but at least 10% on all other (i.e. abnormal) costs...*'.

7.41 An agent[169] for a Strategic Site suggested that there should not be a differentiation between greenfield and brownfield sites. An agent[170] for a housebuilder made a similar comment. In this context a non-residential developer[171] suggested that 5% be used for build costs and 10% on infrastructure costs.

7.42 This assumption has been updated to 5% on all sites.

S106 Contributions and the costs of strategic infrastructure

7.43 SDC seeks payments from developers to mitigate the impact of the development through improvements to the local infrastructure. In this study it is important that the costs of mitigation are reflected in the analysis.

7.44 Based on discussions with the Council an assumption of £5,000/unit assumption (applying to major development sites, but excluding the Strategic Sites) has been used in this study. Leaving aside the Strategic Sites, which are considered individually, we understand CIL is the main tool for funding infrastructure). This is discussed further in Chapter 8 below.

7.45 An agent[172] for a housebuilder said that the £5,000/unit assumption was *'far too low'* and a separate allowance should be made for infrastructure in addition to strategic infrastructure and mitigation costs (although no suggestion as to the level of this was made). Bearing in mind the uncertainly in this regard, a range of costs has also been tested. Stroud District Council will engage with the promoters of the potential Strategic Sites to be included within the Plan.

[168] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[169] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

[170] [redacted], Savills – for L&Q Estates, re Whaddon.

[171] [redacted], RPS – for Tritax Symetry with regard to Symmetry Park.

[172] [redacted], Pioneer for Robert Hitchins.

Table 7.2 Strategic Sites. Initial Strategic Infrastructure and Mitigation Costs			
	Yield	Cost (£)	Cost per dwelling
G1 South of Hardwicke	1,200	£30,526,466	£25,439
G2 Land at Whaddon	1,350	£62,634,305	£46,396
PS19a Northwest of Stonehouse	635	£16,458,794	£25,919
PS24 West of Draycott	820	£17,724,855	£21,616
PS25 East of River Cam	265	£4,557,820	£17,199
PS30 Hunts Grove Extension	750	£18,990,916	£25,321
PS34 Sharpness Docks	300	£7,596,367	£25,321
PS36 New settlement at Sharpness	2,135	£61,052,932	£28,596
PS37 New settlement at Wisloe	1,120	£38,158,083	£34,070
## Whitminster	2,250	£57,237,124	£25,439

Source: Arup (May 2020)

7.46 Through the summer 2020 consultation some concern was raised[173] about the derivation of the above. These figures are prepared by Arup, outside this report and are the best current estimate. Through the summer 2020 consultation it was suggested[174] that some development may be supported by HIF and other Governmental funding streams. These funding sources are not certain so are not incorporated into this assessment.

7.47 Some uncertainties were also raised[175] with regard to M5 Junction 14 with regard to the Buckover Garden Village (in South Gloucestershire). Extensive sensitivity testing has been carried out and the Council will continue to engage with the promoters of the potential Strategic Sites.

7.48 Following the changes to the numbers of units on some sites in May 2021 this table was been updated as follows (the figure for the Whitminster site is not updated as this site is not a preferred site):

173 [redacted], Savills – for L&Q Estates, re Whaddon.

174 [redacted], Stantec for Colethorpe Farm Ltd.

175 [redacted], Avison Young for St Modwen and Tortworth Estate.

Table 7.3 Strategic Sites. Updated Strategic Infrastructure and Mitigation Costs – May 2021			
	Yield	Cost (£)	Cost per dwelling
G1 South of Hardwicke	1,350	£24,990,762	£18,512
G2 Land at Whaddon	3,000	£56,386,498	£18,795
PS19a Northwest of Stonehouse	700	£21,311,431	£30,445
PS24 West of Draycott	900	£17,613,076	£19,570
PS25 East of River Cam	180	£3,705,184	£20,584
PS30 Hunts Grove Extension	750	£14,348,969	£19,132
PS34 Sharpness Docks	300	£5,106,407	£17,021
PS36 New settlement at Sharpness	2,400	£42,309,510	£17,629
PS37 New settlement at Wisloe	1,500	£26,694,589	£17,796
## Whitminster	2,250	£57,237,124	£25,439

Source: Arup (May 2021)

7.49 As set out in Chapter 8 below, the principle source of infrastructure funding associated with smaller sites is CIL. Larger sites make appropriate combinations through a combination of CIL and S106 obligations, although under the adopted CIL Charging Schedule, the Strategic Sites are not subject to CIL.

Financial and Other Appraisal Assumptions

VAT

7.50 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[176].

Interest rates

7.51 In the pre-consultation draft the appraisals assume 6% p.a. for total debit balances, we have made no allowance for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.

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

7.52 The 6% assumption may seem high given the very low base rate figure (0.01% August 2020). Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cashflow is used to calculate interest.

7.53 The assumption of the 6% interest rate, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest, particularly on the larger schemes, as most developers are required to put some equity into most projects. In this study a cautious approach is being taken. Initially an arrangement fee of 1% of the peak borrowing requirement was also allowed for.

7.54 Through the summer 2020 consultation it was noted[177] that 6% was in line with Treasury assumptions but was not a reflection of commercially available rates. An agent[178] for a housebuilder suggested 7% (plus 1% fee) should be used. In this context the major housebuilders report the following in their 2019 Annual Reports:

a. Persimmon - Base plus 1% to 3.25% and LIBOR plus 0.9%[179].

b. Barratt - Weighted Average (excluding fees) of 2.8%[180].

c. Vistry (Bovis and Linden Homes) - LIBOR plus 165-255bsp. USPP Loan 4.03%[181].

d. Redrow - 2.3%[182]

7.55 An agent[183] for a housebuilder commented that the '*cost of these funds will not consistently lie at or below the 6% allowance ... and the interest costs for many scenarios will be above this allowance. This is particularly pertinent when considering phased longer timescale or complex schemes*'. This is agreed, but it is necessary to make an assumption in a report of this type.

7.56 In this context a non-residential developer[184] suggested that an '*all in (debt and equity) finance cost of between 10% and 15% would be more appropriate on 100% of costs.*'

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

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177 [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

178 Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

179 Page 150.

180 Page 172.

181 Page 139.

182 Page 120.

183 [redacted], Pioneer for Robert Hitchins.

184 [redacted], RPS – for Tritax Symetry with regard to Symmetry Park.

Developers' return

7.58 An allowance needs to be made for developers' return and to reflect the risk of development. As set out in Chapter 2 above, this is an area of significant change since the Council's earlier viability work that was used to support CIL. Paragraph 10-018-20190509 of the updated PPG now sets out the approach to be taken and says:

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

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

7.60 Broadly there are four different approaches that could be taken:

a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.

b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for Affordable Housing, as suggested by the HCA.

c. To set the rate relative to costs – and thus reflect the risks of development.

d. To set the rate relative to the gross development value.

7.61 In deciding which option to adopt, it is important to note that the intention is not to recreate any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.

7.62 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They require a developer to demonstrate a sufficient margin, to protect the lender in the case of changes in prices or development costs.

They will also consider a wide range of other factors, including the amount of equity the developer is contributing (both on a loan-to-value and loan-to-cost basis), the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.

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

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

7.65 Through the summer 2020 consultation a range of comments were made:

- The HBF noted that 17.5% / 6% may come to less than 15% overall.
- A housebuilder[185] suggested 20% should be used for market housing and 10% for affordable housing (a blended rate of approximately 18%).
- An agent[186] for a housebuilder suggested 20% on market housing and 6% on affordable housing be used.
- A land promoter[187] suggested that a minimum return of 20% should be used for market housing.
- An agent[188] for a Strategic Site noted that 17.5% / 6% may come to less than 15% overall. Further it was suggested that it was necessary to reflect the additional risk around development of the coronavirus pandemic. A 20% assumption was suggested.
- An agent[189] for a housebuilder observed that

  The fact is that a return range of 15-20% of GDV, whilst set out in the NPPG viability section, is already lower than the up to 30% that Housebuilders will require in the real world. Ignoring this fact devalues the whole viability exercise and renders it meaningless. Furthermore, reductions below 20% risk jeopardising the ability to secure finance for schemes (something which will become even more prevalent in the current economic climate) and are not a realistic assumption for inclusion within either a high level plan making or a decision-taking FVA. It is also realistic to suggest that developer return should be significantly increased where risks are

[185] [redacted] for Persimmon.

[186] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[187] [redacted], David Lock Associates for Hallam Land Management.

[188] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

[189] [redacted], Pioneer for Robert Hitchins.

greater than average; this would be a normal expectation in any sphere of investment and it is unclear why development would be any different.

- A non-residential developer[190] suggested that 20% be used for large scale non-residential developments.

7.66 In this regard, like other aspects of the planning system, it is necessary to work within the NPPF and the PPG. We would expect to use a figure near the bottom of the specified 15% to 20% range in the strongest markets (for example close to London) and to use a figure near the top of the range in the weaker markets (for example some areas of the northeast). We would consider Stroud District to be in the mid-market, so it is appropriate to use an assumption near the middle of the specified range. In addition, it is accepted that the coronavirus pandemic has introduced particular uncertainty at the present time. In this iteration this assumption has been increased to 17.5% across all tenures. Bearing in mind the range of comments made, and the current uncertainties, we have included sensitivity testing in this regard. 15% is used for both Build to Rent and non-residential development.

Voids

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

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

Phasing and timetable

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

7.70 It is assumed a maximum, per outlet, delivery rate of 50 units per year, this is a little less than the Council's general assumption of 50-60 units per outlet per year. On a site with 30% Affordable Housing this equates to around 35 market units per year. On the smaller sites, we have assumed much slower rates to reflect the nature of the developer that is likely to be bringing smaller sites forward. The higher density flatted schemes are assumed to come forward more quickly. These assumptions are conservative and do, properly, reflect current

190 [redacted], RPS – for Tritax Symetry with regard to Symmetry Park.

practice. This is the appropriate assumption to make to be in line with the PPG and the Harman Guidance.

7.71 In this regard, through the consultation, it was noted[191] that the 'rates of sales' were needed, but the approach taken was too simplistic. No alternative approach was suggested. The approach taken is consistent with the Council's wider evidence base and knowledge of build / sales rates.

7.72 The promoter of a large Strategic Site[192] suggested that the peak output of 200 units per year (across multiple outlets) would be reached in less than the 6 years. This may be the case, however it is appropriate to take a cautious approach in a high level assessment of this type. Conversely the agent[193] for a Strategic Site suggested the assumption used may be optimistic.

7.73 Alternatively, it was suggested[194] that the trajectory used in the wider evidence base should be used. This has been done.

[191] [redacted], Hawkins Watton for various (un-named) clients.

[192] [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

[193] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[194] [redacted], Savills – for L&Q Estates, re Whaddon.

Table 7.4 Development Trajectories

Year ended	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
PS24 West of Draycott				50	150	150	150	150	150	100														
PS25 East of River Cam										50	50	50	30											
G1 South of Hardwicke							120	120	120	120	120	120	120	120	120	120	120	30						
PS30 Hunts Grove Extension				8	68	90	110	110	110	110	110	34												
PS34 Sharpness Docks				45	35	30	20	20	20	26	26	26	26	26										
PS36 New settlement at Sharpness								50	150	150	150	150	150	150	150	150	150	250	250	250	250			
PS19a Northwest of Stonehouse					50	50	75	75	75	75	75	75	75	75										
PS37 New settlement at Wisloe						50	75	100	125	130	135	135	135	130	130	130	125	100						
G2 Land at Whaddon							50	75	100	150	200	200	200	200	200	200	200	200	200	200	200	200	200	25
## Grove End Farm						75	100	150	150	150	150	150	150	150	150	150	150	150	150	150	125			

Source: SDC / Arup (April 2020), Updated by HDH (May 2021)

7.74 The need to keep these assumptions under review, in the light of the coronavirus pandemic, in line with the HBF's comments, is agreed.

Site Acquisition and Disposal Costs

Site holding costs and receipts

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

Acquisition costs

7.76 A simplistic approach is taken, it is assumed an allowance 1% for acquisition agents' and 0.5% legal fees. A housebuilder[195] suggested that (in line with the Harman Guidance) agents fees should be in the 1% to 2% range and legal fees should also be in the 1% to 2% range. An agent[196] for a housebuilder suggested a 2% assumption to cover agents and legal costs.

7.77 Stamp duty is calculated at the prevailing rates.

Disposal costs

7.78 For market and for Affordable Housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts. For disposals of Affordable Housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.

7.79 A housebuilder[197] suggested that this was at the bottom of the expected range, and a figure of 5% should be used here, based on their experience at Berkley.

[195] [redacted] for Persimmon.

[196] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[197] [redacted] for Persimmon.

8. Local Plan Policy Requirements

8.1 The specific purpose of this study is to consider and inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies in the new Local Plan.

8.2 The new Local Plan will replace the current *Stroud District Local Plan – November 2015* and various Supplementary Planning Documents. The S*troud District Local Plan Review, Draft Plan for Consultation – November 2019* forms the basis of the testing in this report, updated in May 2021 to reflect changes to some of the strategic sites in the Pre-Submission Draft Plan. The emerging policy areas that add to the costs of development over and above the normal costs of development, are set out below. In addition, recent changes that may be introduced at a national level are also considered, although at this stage, these are simply options that may or may not be progressed into the new Local Plan.

8.3 Many of the policies are either general enabling policies or policies that restrict development to particular areas or situations. These do not directly impact on viability. Only those policies that add to the costs of development over and above the normal costs of development are mentioned.

8.4 Through the summer 2020 consultation the reasoning and need for some policies was questioned[198]. It is not the purpose of this Viability Assessment to consider the need for particular policies, so these comments are not addressed here.

Core Policies

** NEW * Core Policy DCP1 Delivering Carbon Neutral by 2030*

8.5 This policy sets out that:

> *Stroud District will become Carbon Neutral by 2030 ahead of the Government target of net Zero Carbon 2050. To support this target all new development must be:*
>
> - *located where the form and mix of development itself or proximity to essential services and facilities minimises the need to travel;*
> - *designed to discourage the use of the private car, irrespective of fuel source, by prioritising in order of importance: walking, cycling and public transport to deliver the highest possible share of trips by the most sustainable travel modes;*
> - *designed to maximise green infrastructure to sequester carbon and to support local food production;*
> - *designed to follow the Energy Hierarchy principle of reducing energy demand, supplying energy efficiently / cleanly and using onsite low or zero carbon energy generation to meet standards which move progressively towards zero carbon, in terms both of regulated and unregulated emissions. Accordingly, new development should be constructed to achieve*

198 [redacted], Hawkins Watton for various (un-named) clients.

the highest viable energy efficiency and designed to maximise the delivery of decentralised renewable or low-carbon energy generation;

- *designed to reduce vulnerability to and provide resilience from the impacts arising from a changing climate whilst not increasing the potential for increased greenhouse gas emissions in doing so.*

8.6 Whilst this is a general policy, it is timely to consider higher environmental standards. Building to increased standards would require construction to increased standards and thus higher costs. This is considered further under *Delivery Policy ES1 Sustainable construction and design* later in this chapter.

Core Policy CP2 Strategic growth and development locations

8.7 The policy sets out the overall strategy for development. This includes the following strategic development sites.

8.8 The site details were updated in May 2021, immediately prior to the Regulation 19 consultation, as shown in red:

Table 3.2 Potential Strategic Allocations – UPDATED May 2021		
Location	**Employment**	**Housing**
Cam North West (PS24 West of Draycott)		~~700~~ **900**
Cam North East Extension (PS25 East of River Cam)		180
South of Hardwicke (G1 South of Hardwicke)		~~1,200~~ **1,350**
Hunts Grove Extension (PS30 Hunts Grove Extension)		750
Javelin Park (PS43 Javelin Park)	~~9 ha~~ **27ha**	
Quedgeley East Extension (PS32 South of M5/J12)	5 ha	
Renishaw New Mills (PS47 Land west of Renishaw New Mills)	10 ha	
Sharpness Docks (PS34 Sharpness Docks)	7 ha	300
Sharpness (PS36 New settlement at Sharpness)	10 ha	2,400 (5,000 by 2050)
Stonehouse North West (PS19a Northwest of Stonehouse)	5 ha	~~650~~ **700**
Stonehouse – Eco Park M5 J13 (PS20 M5 Junction 13)	10 ha	
Wisloe (PS37 New settlement at Wisloe)	5 ha	1,500
Land at Whaddon (G2 Land at Whaddon)		~~2,500~~ **3,000**
~~Whitminster~~ ~~(## Grove End Farm)~~	~~13 ha~~	~~2,250~~

Source: Page 48, SDC Local Plan Review, Draft Plan for Consultation – November 2019 / SDC (May 20, May 21)

8.9 The Whitminster site has been added, as it has been promoted as a possible additional or alternative Strategic Site. The residential sites are tested individually, taking into account the best current estimate of their strategic infrastructure and mitigation costs (as set out in Chapter 7 above). The employment sites are tested based on the type of development likely to come forward.

8.10 Through the summer consultation it was suggested[199] that the costs in relation to this policy were understated. No details were provided, however this is a policy that directs the direction of development rather than setting out specific requirements for developers to deliver.

199 [redacted], Stantec for Colethorpe Farm Ltd.

Core Policy CP3 A hierarchy for growth and development across the District's settlements

8.11 This policy directs development rather than impacts on viability.

Core Policy CP4 Making Places: a Spatial Vision for the Stroud District

8.12 In most regards this is a high-level policy that will direct development and set out principles of design. These do not add to the costs of development over and above the base costs used. The policy does mention open space and the like which are elaborated on later in the Draft Plan.

Core Policy CP5 Principles for the siting, design and construction of strategic development.

8.13 In most regards this is a high-level policy that will direct development and set out principles of design. These do not add to the costs of development over and above the base costs used (although it is acknowledged that they do add to the costs of development over and above the absolute minimum).

8.14 The policy makes several specific requirements that do impact on development viability:

<u>Incorporating Sustainable Drainage Systems</u>

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

8.16 An agent[200] for a housebuilder questioned this approach, but did not suggest an alternative approach.

<u>Minimising water consumption</u>

8.17 It is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The costs are modest, likely to be less than £5/dwelling[201]. This cost was based in 2014 so has been indexed[202] to £6/dwelling.

[200] [redacted], Pioneer for Robert Hitchins.

[201] Paragraph 285 Housing Standards Review, Final Implementation Impact Assessment, March 2015. Department for Communities and Local Government.

[202] BCIS Index 1Q 2014, Q2 2020.

<u>Minimising energy consumption and improving energy performance / Minimising net greenhouse gas emissions of the proposed development / Maximising low or zero carbon energy generation.</u>

8.18 These requirements are considered under *Core Policy DCP1 Delivering Carbon Neutral by 2030*.

8.19 Through the summer consultation it was suggested[203] that the costs in relation to this policy were understated. No details were provided, however those items not specifically considered here are considered below, for example under policy *ES1 Sustainable construction and design*.

Core Policy CP6 Infrastructure and developer contributions

8.20 This is a broad policy that seeks to ensure that development provides the appropriate strategic infrastructure and mitigation measures and sets out a number of mechanisms for doing this. This assessment tests a range of infrastructure payments (s106/s278) and reviews (from a viability point of view) the current rates of CIL.

8.21 Through the summer consultation it was suggested[204] that the costs in relation to this policy were understated. No details were provided. This is not accepted. As set out below, CIL is treated as a cost and a range of developer contributions are tested.

Making Places

8.22 The policies in this section (Chapter 3) of the Draft Plan relate to the specifics of development in the eight sub-areas of the District.

a. The Stroud Valleys
b. The Stonehouse cluster
c. Cam & Dursley
d. Gloucester's rural fringe
e. The Berkeley cluster
f. The Severn Vale
g. The Wotton cluster
h. The Cotswold cluster

8.23 Potential allocations are set out. These are modelled as typologies in this assessment.

[203] [redacted], Stantec for Colethorpe Farm Ltd.

[204] [redacted], Stantec for Colethorpe Farm Ltd.

Homes and communities

** NEW * Core Policy DCP2 Supporting Older People*

8.24 This policy does not make requirements on development, rather it sets out types of development that will be supported.

Core Policy CP7 Lifetime communities

8.25 This policy sets out that

> *Proposals will need to demonstrate how the following needs have been taken into account:*
>
> 1. *An ageing population, particularly in terms of design, accessibility, health and wellbeing service co-ordination*
> 2. *Children, young people and families*
> 3. *People with special needs, including those with a physical, sensory or learning disability, dementia, or problems accessing services and*
> 4. *The specific identified needs of minority groups in the District.*
>
> *Proposals will need to demonstrate how the factors below have informed the development proposal:*
>
> A. *Lifetime accommodation*
>
> B. *Contribution to meeting the needs of those with an existing long standing family, educational or employment connection to the area.*

8.26 The policy is general in nature rather than requiring standards over and above the existing Building Regulations.

8.27 In this context it is timely to note that the Lifetime Homes Standards have been superseded and the scope for councils to introduce additional standards are constrained to those within the optional Building Regulations. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4[205]) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)[206], reflect accessibility as follows:

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

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

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

8.28 The cost of a wheelchair adaptable dwelling, based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be £10,111 per dwelling[207]. The cost of Category 2 is taken to be £521[208] (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed[209] by 14.5% to £11,577/dwelling and £597/dwelling respectively.

8.29 The Council is reviewing the options in this regard. The policy will be informed by the new Housing Market Assessment and any other relevant evidence. However, consistent with the Council's policy direction as part of the study, we have assessed what the impact would be of requiring:

- 90% of new homes to be designed to be accessible and adaptable dwellings;
- 10% of housing to be wheelchair adaptable dwellings.

8.30 Through the summer consultation it was suggested[210] that the costs in relation to this policy were understated. No details were provided. The requirements of the policy are tested as set out above.

Core Policy CP8 New housing development

8.31 This is a general policy that seeks that:

> *New housing development must be well designed to address local housing needs, incorporating a range of different types, tenures and sizes of housing, to create mixed communities. New developments should take account of the District's housing needs, as set out in the Local Housing Needs Assessment. ....*

8.32 The draft *Gloucestershire Local Housing Needs Assessment 2019* (ORS, Draft 11th March 2020) (which is subject to change) sets out the following housing mix.

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

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

209 BCIS Index 1Q 2014, Q2 2020.

210 [redacted], Stantec for Colethorpe Farm Ltd.

Table 8.2 Housing Mix					
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	All
Social Rent	422	684	403	148	1,657
Affordable Rent	75	243	163	70	551
AHO	254	477	308	45	1,084
Planned Affordable	**751**	**1,404**	**874**	**263**	**3,292**
	22.81%	42.65%	26.55%	7.99%	
Market Housing	**228**	**1,307**	**4,973**	**2,627**	**9,135**
	2.50%	14.31%	54.44%	28.76%	

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

8.33 The base modelling follows the above mix, although consideration is also given to the type and likely setting of the typologies.

8.34 Through the summer consultation it was suggested[211] that the costs in relation to this policy were understated. No details were provided ant it is not clear what specific costs arise from seeking a particular housing mix that are not covered in the wider construction and value assumptions. The modelling is based on the Council's preferred mix as informed by the most recent housing needs assessment.

8.35 An agent[212] for a housebuilder commented that this is a little different to the mix proposed for Whaddon, although not to a great extent. It is accepted that each scheme will be designed in relation to the specifics of each site. It is necessary for this study to follow the general mix as set out.

<u>Biodiversity Net Gain</u>

8.36 The policy also seeks:

> *Major residential development proposals will be expected to enhance biodiversity on site and, where appropriate, through a network of multifunctional green spaces, which support the natural and ecological processes.*

8.37 This is considered under *Delivery Policy ES6 Providing for biodiversity and geodiversity,* later in this chapter.

Core Policy CP9 Affordable housing

8.38 The policy requires the following:

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[211] [redacted], Stantec for Colethorpe Farm Ltd.

[212] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

Within the Cotswolds Area of Outstanding Natural Beauty or the designated rural parishes of Alderley, Alkington, Amberley, Arlingham, Bisley with Lypiatt, Brookthorpe with Whaddon, Coaley, Cranham, Eastington, Frampton on Severn, Fretherne with Saul, Frocester, Ham and Stone, Hamfallow, Harescombe, Haresfield, Hillesley and Tresham, Hinton, Horsley, Kingswood, Longney and Epney, Miserden, Moreton Valance, North Nibley, Nympsfield, Painswick, Pitchcombe, Slimbridge, Standish, Stinchcombe, Uley and Whitminster, sites capable of providing 4 or more dwellings (net) will be required to provide at least 30% affordable housing.

In all other areas, sites capable of providing 10 or more dwellings (net), or covering a site area of 0.5 hectares or more, will be required to provide at least 30% affordable housing The Council will negotiate the tenure,

8.39 This forms the basis of the testing in this report, although a range of other policy requirements are tested. The base modelling (having been adjusted following the pre-consultation draft[213]) assumes a 67% Affordable Rent 33% Intermediate tenure mix, in line with the emerging Housing Needs Assessment.

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

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

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

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

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

PPG: 60-002-20180913

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

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

PPG: 60-003-20180913

<u>Is affordable private rent the only form of affordable housing permitted on build to rent schemes?</u>

It is expected that developers will usually meet their affordable housing requirement by providing affordable private rent homes. However, if agreement is reached between a

[213] In line with comments made by [redacted], Savills – for L&Q Estates, re Whaddon.

> *developer and a local authority, this requirement can be met by other routes, such as a commuted payment and/or other forms of affordable housing as defined in the National Planning Policy Framework glossary. The details of this must be set out in the section 106.*
>
> *PPG: 60-004-20180913*
>
> *How can the proportion of affordable private rent and level of discount be flexed?*
>
> *Both the proportion of affordable private rent units, and discount offered on them can be varied across a development, over time. Similarly it should be possible to explore a trade off between the proportion of discounted units and the discount(s) offered on them, with the proviso being that these should accord with the headline affordable housing contribution agreed through the planning permission. All options should be agreed jointly between the local authority and the developer as part of the planning permission, and set out in a section 106 agreement. Guidance on viability confirms that viability studies for build to rent schemes can be customised in this way.*
>
> *PPG: 60-005-20180913*

8.41 In line with this, 20% private affordable rent at a 20% discount to market rent has been tested in the base modelling.

8.42 As set out in Chapter 2 above, in February 2020, the Government launched a consultation on First Homes. The Government's *Changes to the current planning system – Consultation on changes to planning policy and regulations* (MHCLG, August 2020) has provided some clarity in this regard:

> *48. The Government intends to set out in policy that a minimum of 25 per cent of all affordable housing units secured through developer contributions should be First Homes. This will be a national threshold, set out in planning policy....*
>
> *59. The minimum discount for First Homes should be 30% from market price which will be set by an independent registered valuer. The valuation should assume the home is sold as an open market dwelling without restrictions. Local authorities will have discretion to increase the discount to 40% or 50%. This would need to be evidenced in the local plan making process.*
>
> *61. In line with other affordable housing tenures, we intend to introduce an exemption from the Community Infrastructure Levy (CIL) for First Homes. We intend to introduce this national exemption through regulations.*

8.43 This emerging requirement has been tested. Both different amounts of First Homes are tested, and First Homes prices at 70%, 60% and 50% of Market Value.

8.44 A housebuilder[214] raised concern about taking 30% affordable housing as a 'given'. Whilst this is noted, it is necessary to start somewhere. A range of affordable housing requirements and tenure mixes have been tested.

Core Policy CP10 Gypsy, Traveller and Travelling Showpeople Sites

8.45 This policy does not impact on viability.

214 [redacted] for Persimmon.

**NEW* Delivery Policy DHC1 Meeting housing need within defined settlements*

8.46 As set out above, the modelling is based on the current housing need.

**NEW* Delivery Policy DHC2 Sustainable rural communities*

8.47 As set out above, the modelling is based on the current housing need. A lower affordable housing threshold of 4 or more units is assumed to apply in the Designated Rural Areas.

Delivery Policy HC2 Providing new homes above shops in our town centres

8.48 This is an enabling policy that does not impact on viability.

Delivery Policy HC3 Self-build and custom build housing provision

8.49 The policy seeks 2% of housing on the Strategic Sites to be self-build or custom-build. This is tested.

8.50 Through the summer 2020 consultation a planning consultant[215] noted:

> *... paragraph 68 of the NPPF2019 now also drives LPAs to deliver 10% their housing requirement on small sites (under 1ha) unless there are strong reasons to show this cannot be achieved. These sites are likely to provide a proportion of custom and self-build housing.*
>
> *Self build and custom housing can in some circumstances impact upon not only the overall viability of a site, but also on cashflow to support the construction process. Typically, it is not easy to release self build or custom plots on a large, live construction site due to health and safety reasons. It is also more time consuming to sell individual plots and is significantly more dependent upon market conditions regarding lending availability and purchaser appetite to build. Without strong evidence of need, self build and custom plots could impact upon the timing and deliverability of other infrastructure which is typically focused on the larger development sites.*

8.51 This viability assessment considers smaller sites, through the typologies, and tests the provision of self and custom build on larger sites in line with the draft policy.

Delivery Policy HC4 Local housing need (exception sites)

8.52 This is an enabling policy that does not impact on viability.

**NEW* Delivery Policy DHC3 Live-work development*

8.53 This is an enabling policy that does not impact on viability.

[215] [redacted], Stantec for Colethorpe Farm Ltd.

Delivery Policy HC1 Detailed criteria for new housing developments

8.54 This is a high level policy that sets some design principles. These do not go over and above the requirements set out elsewhere in the Draft Plan or covered in the base BCIS and construction costs.

**NEW* Delivery Policy DHC4 Community-led housing*

8.55 This is an enabling policy that does not impact on viability.

Delivery Policy HC5 Replacement dwellings / Delivery Policy HC6 Residential sub-division of dwellings / Delivery Policy HC7 Annexes for dependents or carers / Delivery Policy HC8 Extensions to dwellings

8.56 These are general policies that do not impact on viability.

**NEW* Delivery Policy DHC5 Wellbeing and healthy communities / *NEW* Delivery Policy DHC6 Protection of existing open spaces and built and indoor sports facilities*

8.57 We have considered these policies together. These policies have been developed from the Stroud District Open Space and Green Infrastructure Study.

8.58 In summary, the requirement is for 3.22ha of open space per 1,000 residents. This is calculated based on an average dwelling occupancy rate of 2.3 people per household. It is important to note that the actual requirement is assessed site by site, depending on the existing facilities (or lack of them) in the locality of the site. The base assumption is that this will be provided on-site by the developer (and then managed through a management company). This has been embedded in the modelling.

8.59 Where the greenspace is not provided on-site, the costs of off-site provision is estimated at £1,709.71/ person[216] where the occupants are calculated using the following assumptions:

- 1 bed = 1.4 people
- 2 bed = 1.8 people
- 3 bed = 2.4 people
- 4+ bed = 2.8 people

8.60 On this basis an average contribution to off-site provision is likely to be just under £4,000/unit (which is only payable where provision cannot be made on-site <u>and</u> there is a local need). As this will vary from site to site, a range of contributions are tested.

[216] *Stroud District Open Space and Green Infrastructure Study*, Table 24 (page 164).

8.61 The policy also sets out the needs for internal sports facilities. It is assumed that these will be met through developer contributions. A range is tested.

Economy and infrastructure

Core Policy CP11 New employment development

8.62 This is an enabling policy that does not impact on viability.

Core Policy CP12 Town centres and retailing

8.63 This policy is principally concerned with directing and enabling development. As such it does not impact on viability.

Core Policy CP13 Demand management and sustainable travel measures

8.64 This is one of a number of policies that requires new development to contribute towards strategic infrastructure and to mitigate their impact.

8.65 A range of levels of developer contributions has been tested.

Specific Delivery Policies

8.66 Policies EI1, EI2, EI2a, EI4, EI5, EI6, EI7, EI8, EI9, EI10, EI11, EI14, EI15 set out specific detailed policy requirements, but these do not directly impact viability.

Delivery Policy EI12 Promoting transport choice and accessibility / Delivery Policy DEI1 District-wide mode-specific strategies / Delivery Policy EI16 Provision of public transport facilities

8.67 These add to other policies that require new development to contribute towards strategic infrastructure and to mitigate their impact.

8.68 A range of levels of developer contributions has been tested.

Our environment and surroundings

Core Policy CP14 High quality sustainable development

8.69 This policy builds on design policies set out earlier in the Plan. It does not add to the cost of development over and above those set out above.

8.70 Through the summer consultation it was suggested[217] that the costs in relation to this policy were understated. No details were provided, however this policy does not introduce requirements that are not covered elsewhere.

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[217] [redacted], Stantec for Colethorpe Farm Ltd.

8.71 An agent[218] for a housebuilder raised a concern that the costs under this policy were additional costs. These are additional costs that are over and above the basic building regulation standard, but not over and above normal development costs as reflected in the BCIS costs and other assumptions made through this report.

Core Policy CP15 A quality living and working countryside

8.72 This policy builds on design policies set out earlier in the Plan. It does not add to the costs of development over and above those set out above.

8.73 An agent[219] for a housebuilder raised a concern that the costs under this policy were additional costs. These are additional costs that are over and above the basic building regulation standard, but not over and above normal development costs as reflected in the BCIS costs and other assumptions made through this report.

Delivery Policy ES1 Sustainable construction and design

8.74 This is a broad policy that requires:

> *Development proposals should meet the following requirements:*
>
> *1. Achieve net-zero carbon – all new development should achieve a net zero carbon standard by means of:*
>
> - *an overall minimum 35% reduction in emissions over Part L 2013 Building Regulations achieved onsite;*
> - *a minimum of 10% and 15% reduction in emissions over Part L 2013 Building Regulations achieved respectively in homes and in nondomestic developments through fabric energy efficiency improvements;*
> - *residual emissions offset through payments to a Stroud District Council carbon offset fund;*
>
> *Major development proposals should calculate and minimise carbon emissions from any other part of the development, including plant or equipment, that are not covered by Building Regulations, i.e. unregulated emissions.*

8.75 Building to increased standards would require construction to increased standards and thus higher costs. The Government launched a consultation on 'The Future Homes Standard'[220] towards the end of 2019. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050.

8.76 There are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do alter depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural

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[218] [redacted], Pioneer for Robert Hitchins.

[219] [redacted], Pioneer for Robert Hitchins.

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

ventilation, through to altering the fundamental design and construction. The extent of the costs will depend on the specific changes made and are considered in Chapter 3 of the Government Consultation[221]:

> *3.9. Following discussion with our technical working group and assessment of the modelling analysis, two options for the 2020 CO_2 and primary energy targets are proposed for consultation. The options below are presented in terms of CO_2 reduction to aid comparison with current standards. We plan to use either option 1 or option 2 as the basis of the new primary energy and CO_2 targets for new dwellings, with option 2 as the government's preferred option:*
>
> *a. **Option 1 - 'Future Homes Fabric'.** This would be a 20% reduction in CO_2 from new dwellings, compared to the current standards. This performance standard is based on the energy and carbon performance of a home with:*
>
> *i. Very high fabric standards to minimise heat loss from windows, walls, floors and roofs (typically with triple glazing). This would be the same fabric requirement as we currently anticipate for the Future Homes Standard*
>
> *ii. A gas boiler*
>
> *iii. A waste water heat recovery system*
>
> *This would add £2557 to the build-cost of a new home and would save households £59 a year on energy bills. The estimated impact on housebuilding is discussed in the impact assessment.*
>
> *b. **Option 2 - 'Fabric plus technology'**. This would be a 31% reduction in CO_2 from new dwellings, compared to the current standards. This option is likely to encourage the use of low-carbon heating and/or renewables. The performance standard is based on the energy and carbon performance of a home with:*
>
> *i. an increase in fabric standards (but not as high an increase as in Option 1, likely to have double rather than triple glazing)*
>
> *ii. a gas boiler*
>
> *iii. a waste water heat recovery system.*
>
> *iv. iv. Photovoltaic panels*
>
> *Meeting the same specification would add £4847 to the build-cost of a new home and would save households £257 a year on energy bills. The estimated impact on housebuilding is discussed in the impact assessment.*
>
> *3.10. The option 2 specification would give a CO_2 saving of only 22% for flats due to the standard including solar panels and flats having a smaller roof area per home. The additional cost per flat is also less at £2256.*
>
> *3.11. In practice, we expect that some developers would choose less costly ways of meeting the option 2 standard, such as putting in low-carbon heating now. This would cost less than the full specification, at £3134 for a semi-detached house.*

8.77 Approximately, Option 1 would add about 2% to the base cost of construction, and Option 2 would add about 3.1% to the base cost of construction[222]. In addition to the above, it may be

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

[222] In the pre-consultation draft of this report these costs were shown in the appraisals under a CfSH heading.

necessary (depending on the outcome of the consultation) for all new homes to be heated off the gas grid.

8.78 The Council's policy goes some way beyond the requirements set out in the Government consultation and is informed by the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018). This report suggests a 5-7% uplift to achieve net-zero regulated emissions (both domestic and non-domestic), and a 7-11% uplift to achieve net-zero total emissions (domestic only)[223].

8.79 Through the summer 2020 consultation it was suggested[224] that a figure at the top of the range is used. This is not accepted, a mid-point has been used. Alternatively, a land promoter[225] suggested that the costs in this regard were about £10,000/unit. No reason was given for these differences to the Government's figures. An agent[226] for a housebuilder suggested that the changes could add 'as much as £4,000 to £5,000' to a unit. No change is made in this regard.

8.80 An agent[227] for a housebuilder and a housebuilder[228] raised a concern around the justification for this policy. It is beyond the scope of this report to consider the wider justification for policies.

8.81 In this assessment the requirements of the policy are tested, as well as both Option 1 and Option 2 of the Future Homes Standard consultation. As this report was being completed in January 2021 the Government announced its preference to pursue Option 2 through a change in Part L of the Building Regulations, thus making it mandatory. Whilst Option 1 is tested, Option 2 is assumed to apply.

8.82 The above relates to residential development. The performance of non-residential development is normally assessed using the BREEAM system[229]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[230] by BRE. The

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

[224] HBF.

[225] [redacted], David Lock Associates for Hallam Land Management.

[226] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[227] [redacted], Pioneer for Robert Hitchins.

[228] [redacted] for Redrow with regard to Hardwick.

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

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

additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent and this increases the construction costs by 2% or so.

8.83 It is timely to note that building to higher standards that result in lower running costs does result in higher values[231].

8.84 Through the summer 2020 consultation the testing of these standards was supported[232].

8.85 The policy also seeks the provision of electric car charging points. A cost of £976/unit[233] has been modelled.

8.86 Through the summer 2020 consultation it was suggested[234] that a worst case scenario of £3,600 per unit should be used (to cover the costs of reinforcement work to the wider network), rather than the average. An agent[235] for a housebuilder made a similar point. This is not accepted. If worst case scenario costs were used through the report, an understanding of the economics of most development would not be gained. Sensitivity testing with regard to costs has been carried out.

Delivery Policy ES2 Renewable or low carbon energy generation

8.87 This is a general enabling policy that does not impact on viability.

Delivery Policy DES3 Heat supply

8.88 This is a potentially costly policy:

> *Development proposals should include a communal low-temperature heating system where viable.*
>
> *The heat source for the communal heating system should be selected in accordance with the following heating hierarchy:*
>
> *1. connect to local existing or planned heat networks*
>
> *2. use of zero-carbon renewable heat or CHP*
>
> *3. use of local ambient or secondary heat sources (in conjunction with heat pumps*, if required)*
>
> **heat pumps assumed to become zero-carbon when grid decarbonises.*

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

[232] [redacted], Stantec for Colethorpe Farm Ltd.

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

[234] [redacted], Stantec for Colethorpe Farm Ltd.

[235] [redacted], Pioneer for Robert Hitchins.

> *Where a local heat network is planned but not yet in existence or connection is not currently viable, but may become viable in the future, the development should be designed to allow for the cost-effective connection and supply at a later date. In this case the heat should be supplied according to steps 2 and 3 of the above hierarchy*

8.89 Other than the potential heat supply from the Javelin energy waste plant, we are not aware of other significant heat sources within Stroud District at the time of writing. New District Heating schemes are therefore going to require the construction of a central heat plant as well as the distribution network infrastructure.

8.90 There are few published costs of District Heating schemes in modern estate housing. There are savings to be made from not installing gas and boilers in each unit, but these are more than offset by the costs of laying the heat pipes through the site, heat metering etc. Informal discussions with suppliers suggest that the additional costs may be in the range of £3,000 to £7,000 per unit, which is supported by the limited published data[236], depending on the size and shape of the project. This has not been modelled at this stage (and is not included in the base appraisals).

8.91 Through the summer 2020 consultation it was suggested[237] that the costs in relation to this policy were understated. No details were provided. The costs used are based on the limited published data and discussions with suppliers of such systems. Alternatively, a cost of £30,000 per unit was suggested[238], based on some research in Bristol (higher running costs of such schemes were also mentioned). It is accepted that the cost will vary from scheme to scheme, and that this will depend, in part, on the availability of an existing heat source.

Delivery Policy ES3 Maintaining quality of life within our environmental limits / Delivery Policy ES4 Water resources, quality and flood risk / Delivery Policy ES5 Air quality / Delivery Policy DES1 Conversion of redundant agricultural or forestry buildings / Delivery Policy ES7 Landscape character / Delivery Policy ES8 Trees, hedgerows and woodlands / Delivery Policy ES9 Equestrian development / Delivery Policy ES10 Valuing our historic environment and assets / Delivery Policy ES11 Maintaining, restoring and regenerating the District's canals

8.92 These are general policies that concern design. They do not add to the costs of development over and above those set out elsewhere in this report.

Delivery Policy ES6 Providing for biodiversity and geodiversity

8.93 In March 2019, the Government announced that new developments must deliver an overall increase in biodiversity. Following a consultation, the Chancellor confirmed in the 2019 Spring Statement that the Government will use the forthcoming Environment Bill to mandate 'biodiversity net gain'. The Environment Bill has been delayed due to the coronavirus

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[236] There are few published costs in this regard, *Assessment of the Costs, Performance, and Characteristics of UK Heat Networks* (DoE&CC, 2015) provides useful guidance for infrastructure to distribute heat, but not generation.

[237] [redacted], Stantec for Colethorpe Farm Ltd.

[238] [redacted], Savills – for L&Q Estates, re Whaddon.

pandemic. Within the current iteration of the Bill, it is anticipated that all consented developments (with a few exceptions), will be mandated to deliver a biodiversity net gain of 10% as against the measured baseline position using the evolving Defra metric.

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

8.95 Green improvements on site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.

8.96 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation as a survey will need to be carried out.

8.97 The Government's impact assessment[239] suggests an average cost in the region of £22,000 per hectare, (including fees) for residential development and £15,000/ha for non-residential development. This would represent an increase in the site costs of about 5%. We have increased the site cost assumption to reflect this.

8.98 Through the summer consultation it was suggested[240] [241] that the costs in relation to this policy were understated. No details were provided. The costs used are based on the appropriate published data.

Delivery Policy ES12 Better design of places

8.99 This is a general policy that concern designs. They do not add to the costs of development over and above those set out elsewhere in this report.

Delivery Policy DES2 Green Infrastructure

8.100 This policy builds on **NEW* Delivery Policy DHC5 Wellbeing and healthy communities* and **NEW* Delivery Policy DHC6 Protection of existing open spaces and built and indoor sports facilities* which are considered above.

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

[240] [redacted], Stantec for Colethorpe Farm Ltd.

[241] [redacted], Savills – for L&Q Estates, re Whaddon.

Delivery Policy ES16 Public art contributions

8.101 This is a general enabling policy that seeks public art. It is assumed this will be delivered through developer contributions, a range of which are tested.

8.102 Through the summer consultation it was suggested[242] that the costs in relation to this policy were understated. No details were provided. Alternatively, it was suggested[243] that this cost should be modelled separately, in addition to the other developer contributions. It is accepted that the costs can vary, however the approach taken is appropriate.

Strategic Sites – Site Specific Policies

8.103 In addition to the above, the Council has drafted policies for the following Strategic Sites:

a. PS19a Northwest of Stonehouse
b. PS20 M5 Junction 13 Eco-Park
c. PS24 West of Draycott:
d. PS25 East of River Cam
e. PS30 Hunts Grove Extension
f. PS32 South of M5 / J12
g. G1 South of Hardwicke
h. G2 Land at Whaddon
i. PS36 New settlement at Sharpness
j. PS37 New settlement at Wisloe

8.104 These are reflected in the modelling. In addition, Grove Farm, Whitminster, is modelled as a potential Strategic Site. This site is not in the Draft Plan but has been promoted as an alternative Strategic Site.

Other Matters

Nationally Described Space Standard

8.105 The draft Plan does not specifically seek Nationally Described Space Standard (NDSS) technical requirements, although, on the whole new units in the District are substantially larger than NDSS.

8.106 An agent[244] for a housebuilder raised a concern about the impact of NDSS on land take and densities. The Council's density assumptions are informed by historic developments in the District.

Community Infrastructure Levy

8.107 SDC adopted CIL in February 2017 and it came into effect on 1st April 2017. The current rates of CIL are as follows:

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[242] [redacted], Stantec for Colethorpe Farm Ltd.

[243] HBF.

[244] [redacted], Pioneer for Robert Hitchins.

Table 8.3 Adopted Rates of CIL. £/m²		
	2017 Rate	Index (2020) Rate
Residential		
Generally	£80.00	£96.44
Strategic sites identified in the Local Plan	£0.00	£0.00
Residential sites within the Stroud Valleys area	£0.00	£0.00
Supermarkets and Retail Warehouses	£75.00	£90.41

Source: https://www.stroud.gov.uk/media/1120913/indexation-guidance-note-2019-pdf-copy.pdf

8.108 These are incorporated in the base assumptions as per the Council's Instalment Policy (although CIL is reviewed later in the assessment).

Table 8.4 Instalment Policy				
CIL in £	**Number of Instalments**	**Total Timescale for Instalments**	**Payment Amounts**	**Payment Periods**
up to £6,000	2	270 days (9 months)	10%	60 days from commencement.
			90%	270 days from commencement.
£6,001 to £30,000	3	365 days (1 year)	10%	60 days from commencement.
			45%	270 days from commencement.
			45%	365 days from commencement.
£30,001 to £150,000	3	548 days (18 months)	10%	60 days from commencement.
			45%	365 days from commencement.
			45%	548 days from commencement.
£150,001 to £300,000	4	730 days (2 years)	10%	60 days from commencement.
			30%	365 days from commencement.
			30%	548 days from commencement.
			30%	730 days from commencement.
£300,001 to £600,000	5	1095 days (3 years)	10%	60 days from commencement.
			23%	365 days from commencement.
			23%	548 days from commencement.
			23%	730 days from commencement.
			21%	1095 days from commencement.
£600,001 to £1,200,000	6	1460 days (4 years)	10%	60 days from commencement.
			18%	365 days from commencement.
			18%	548 days from commencement.
			18%	730 days from commencement.
			18%	1095 days from commencement.
			18%	1460 days from commencement.
£1,200,001 to £1,800,000	7	1825 days (5 years)	10%	60 days from commencement.
			15%	365 days from commencement.
			15%	548 days from commencement.
			15%	730 days from commencement.
			15%	1095 days from commencement.
			15%	1460 days from commencement.
			15%	1825 days from commencement.
£1,800,001 and over	8	2190 days (6 years)	10%	60 days from commencement.
			13%	365 days from commencement.
			13%	548 days from commencement.
			13%	730 days from commencement.
			13%	1095 days from commencement.
			13%	1460 days from commencement.
			13%	1825 days from commencement.
			12%	2190 days from commencement.

Source: SDC CIL Instalment Policy (February 2017)

Developer Contributions

8.109 The Draft Plan includes a range of policies that give rise to developer contributions to contribute to strategic infrastructure, mitigate the impact of development, and to make the development acceptable in planning terms. In this context the *Stroud District Local Plan: Planning Obligations Supplementary Planning Document* (April 2017) is relevant. This sets out contributions under the following headings:

a. Affordable housing
b. Education
c. Flood risk alleviation and drainage measures
d. Green infrastructure
e. Social and health infrastructure
f. Transport
g. Other contributions

8.110 In addition to these, payments may be sought for off-site provision of open space and public art.

8.111 The actual level of contributions will vary from site to site, depending on the individual circumstances of that site. A range of contributions are tested.

8.112 At the time of this report, Gloucester County Council are looking to increase the levels of developer contributions towards education provision and to this end published *Local Developer Guide: Infrastructure and Services Necessary to Support New Development, UPDATE February 2020 (Pre-consultation draft)* for consultation. This includes the following headings:

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

8.113 This County Council have set out the following costs (although these are not agreed with SDC).

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

Source: GCC (May 2020)

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

8.115 Through the summer 2020 consultation this was picked up by several consultees[245] [246] [247] [248] [249] [250]. This is an area of uncertainty. We have discussed this with the Council and it is understood that this is unlikely to be required on all sites so it would not be appropriate to include the full amount in all the base appraisals. Further, the Council has not agreed the proposed rates with the County Council. In light of the uncertainty, a range of developer contributions is tested.

8.116 A land promoter[251] suggested that this assessment should clarify '*how developers would be protected from being charged twice through CIL and s106*'. Whilst this is noted, the purpose of this assessment is to assess the capacity for development to bear these charges as a whole, rather than draft policy in this regard.

[245] [redacted], Stantec for Colethorpe Farm Ltd.

[246] HBF.

[247] [redacted] for Persimmon.

[248] [redacted], David Lock Associates for Hallam Land Management.

[249] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[250] [redacted], Pioneer for Robert Hitchins.

[251] [redacted], David Lock Associates for Hallam Land Management.

9. Modelling

9.1 In the previous chapters, the general assumptions to be inputted into the development appraisals are set out. In this chapter, the modelling is set out. It is stressed that this is a high-level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the policies set out in The S*troud District Local Plan Review, Draft Plan for Consultation – November 2019* on development viability.

9.2 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan. The Council has provided a long list of potential allocations which have formed the basis of the modelling. As set out in Chapter 3 above, in addition to modelling a range of representative sites, the Strategic Sites are to be considered individually.

Residential Development

9.3 In this assessment the modelling draws on the Council's Strategic Assessment of Land Availability (SALA). We have based the densities used in the site modelling on the expected density that is likely to come forward in current market conditions. These are informed by the density assumptions used in the SALA, it is important to note that these are approximations:

Table 9.1 SALA Density Assumptions

Situation	Approximate Density
Rural or urban fringe, low density housing development (mainly detached housing)	About 20 to 25/ha
Suburban medium density housing development (semi-detached and terraced housing)	About 30/ha
Edge of town centre/town centre housing development (terraced, town houses)	40 to 50/ha
Flats in a town centre location	Up to 100/ha

Source: Stroud SALA 2016-2020

9.4 The following assumptions are used to establish the net developable area, although the individual characteristics of the sites (particularly the Strategic Sites) are also taken into account.

Table 9.2 Net / Gross Assumptions	
Site Size (ha)	Development Ratio (Net Developable Area)
Up to 1 ha	95%
1-4 ha	80%-90%
4-10 ha	75%-80%
10-50 ha	70%-75%
50-100 ha	60%-65%
100 ha+	50%-55%

Source: Stroud SALA 2016-2020

9.5 We have used the above to inform the modelling of the typologies. Having said this, the mix of housing (as per Core Policy CP8 New Housing Development) suggests that development is most likely to be as a blend of detached, semi-detached, terraced and flats, leading to sites coming forward at greater densities. In the current market it is unlikely that the development of larger, reasonably shaped sites would come forward at around 32 units/ha – being a mix of family housing.

9.6 The SALA is a working document. At the time of this report (May 2020), excluding the strategic allocations, it includes 123 sites, of which 26 have been selected for allocation. The characteristics of the SALA sites have been considered and have informed the modelling.

Table 9.3 Potential Development Sites, By Land Use – Excluding Strategic Sites							
All SALA Sites							
	Count	Area		Yield		Average ha	Average Yield
		Ha	%	Units	%		
Brownfield	35	37.66	8.13%	1002	20.91%	1.08	30.36
Greenfield	72	367.83	79.43%	3433	71.63%	5.11	52.82
Mixed	16	57.60	12.44%	358	7.47%	3.60	25.57
All	123	463.09	100.00%	4793	100.00%	3.76	42.79
Draft Allocations							
	Count	Area		Yield		Average ha	Average Yield
		Ha	%	Units	%		
Brownfield	11	13.47	21.87%	490	41.84%	1.22	44.55
Greenfield	12	33.89	55.03%	541	46.20%	2.82	45.08
Mixed	3	14.23	23.10%	140	11.96%	4.74	46.67
All	26	61.59	100.00%	1171	100.00%	2.37	45.04

Source: SDC SALA May 2020

Table 9.4 Potential Development Sites, By Size – Excluding Strategic Sites Greenfield Sites				
	Sites		Units	
	Count	%	Count	%
400+	2	2.78%	1,080	29.16%
100 to 399	5	6.94%	699	18.88%
75 to 99	4	5.56%	346	9.34%
50 to 74	6	8.33%	369	9.97%
40 to 49	11	15.28%	514	13.87%
30 to 39	3	4.17%	113	3.05%
20 to 29	7	9.72%	171	4.61%
15 to 19	10	13.89%	188	5.08%
10 to 14	9	12.50%	130	3.51%
5 to 9	8	11.11%	68	1.84%
0 to 4	7	9.72%	26	0.70%
All	72	100.00%	3,703	100.00%

Source: SDC SALA May 2020

Table 9.5 Potential Development Sites, By Size – Excluding Strategic Sites Brownfield and Mixed Use Sites				
	Sites		Units	
	Count	%	Count	%
400+	0	0.00%	0	0.00%
100 to 399	3	5.88%	419	40.00%
75 to 99	2	3.92%	178	16.98%
50 to 74	4	7.84%	275	26.24%
40 to 49	3	5.88%	139	13.26%
30 to 39	4	7.84%	158	15.06%
20 to 29	4	7.84%	110	10.49%
15 to 19	3	5.88%	57	5.44%
10 to 14	5	9.80%	68	6.49%
5 to 9	9	17.65%	84	8.01%
0 to 4	14	27.45%	64	6.11%
All	51	100.00%	1,048	100.00%

Source: SDC SALA May 2020

9.7 Through the summer 2020 consultation there was a consensus in this regard, but it was suggested[252] that the above tables would change as a result of the COVID-19 pandemic. This would be the case if the SALA was updated.

9.8 Brownfield/Urban sites have been modelled at a higher density than greenfield sites. To inform the modelling, the characteristics of the planned development is considered in terms of location, size and suggested use, representative of sites in the Stroud District Council area.

Development assumptions

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

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

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

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

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

9.14 Allowance is made for circulation space within flatted schemes.

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[252] [redacted], Hawkins Watton for various (un-named) clients.

Table 9.6 Summary of Typologies			
Green 400	Units	400	Large Greenfield Extension. Mix of family housing as per HMA. 72% net - 12.5ha.
	Area	17.36	
1	Units/ha	32.00	
Green 250	Units	250	Large Greenfield. Mix of family housing as per HMA. 77% net - 7.81ha.
	Area	10.146	
2	Units/ha	32.00	
Green 100	Units	100	Large Greenfield. Mix of family housing as per HMA. 80% net - 3.13ha.
	Area	3.91	
3	Units/ha	32.00	
Green 60	Units	60	Greenfield. Mix of family housing as per HMA. 80% net - 1.88ha.
	Area	2.34	
4	Units/ha	32.00	
Green 40	Units	40	Greenfield. Mix of family housing as per HMA. 80% net - 1.25ha.
	Area	1.56	
5	Units/ha	32.00	
Green 20	Units	20	Greenfield. Mix of family housing as per HMA. Open Space @ 3.22ha/1,000. 81.82% net, 0.67ha.
	Area	0.81	
6	Units/ha	30.00	
Green 10	Units	10	Greenfield. Mix of family housing as per HMA. Open Space @ 3.22ha/1,000. 81.82% net, 0.33ha.
	Area	0.41	
7	Units/ha	30.00	
Green 6	Units	6	Greenfield. 95% net - 0.21ha.
	Area	0.20	
8	Units/ha	30.00	
Green 3	Units	3	Greenfield. 95% net -0.12ha.
	Area	0.13	
9	Units/ha	25.00	
Brown 100	Units	100	Large Brownfield. Mix of family housing as per HMA. Open Space @ 3.22ha/1,000. 75% net, 2.22ha.
	Area	2.96	
10	Units/ha	45.00	
Brown 60	Units	60	Brownfield. Mix of family housing as per HMA. Open Space @ 3.22ha/1,000. 75% net, 1.33ha.
	Area	1.78	
11	Units/ha	45.00	
Brown 40	Units	40	Brownfield. Mix of family housing as per HMA. Open Space @ 3.22ha/1,000. 75% net, 0.89ha.
	Area	1.19	
12	Units/ha	45.00	

Brown 20	Units	20	Brownfield. Mix of family housing as per HMA. Open Space @ 3.22ha/1,000. 75% net, 0.44ha.
	Area	0.59	
13	Units/ha	45.00	
Brown 20 HD	Units	20	Brownfield. Flatted Scheme. Open Space @ 3.22ha/1,000. 69% net, 0.33ha.
	Area	0.48	
14	Units/ha	60.00	
Brown 10	Units	10	Brownfield. Mix of family housing as per HMA. Open Space @ 3.22ha/1,000. 75% net, 0.22ha.
	Area	0.30	
15	Units/ha	45.00	
Brown 10 HD	Units	10	Brownfield. Flatted Scheme. Open Space @ 3.22ha/1,000. 69% net, 0.17ha.
	Area	0.24	
16	Units/ha	60.00	
Brown 6	Units	6	Brownfield. 95% net - 0.13ha.
	Area	0.14	
17	Units/ha	45.00	
Brown 6 HD	Units	6	Flatted scheme. 95% net - 0.11ha.
	Area	0.11	
18	Units/ha	55.00	
Brown 3	Units	3	Brownfield. 95% net - 0.08ha.
	Area	0.08	
19	Units/ha	40.00	
PRS 20	Units	20	PRS scheme. Open Space @ 3.22ha/1,000. 79% net, 0.57ha.
	Area	0.72	
20	Units/ha	35.00	
PRS 20 HD	Units	20	Flatted PRS scheme. Open Space @ 3.22ha/1,000. 73% net, 0.4ha.
	Area	0.55	
21	Units/ha	50.00	

Source: HDH (May 2020)

9.15 The modelling is further summarised below.

Table 9.7 Summary of Typologies – Areas and Densities

			Current Use	Units	Area Ha		Density Units/ha		Density
					Gross	Net	Gross	Net	m2/ha
1	Green 400	Green	Agricultural	400	17.36	12.50	23.04	32.00	3,128
2	Green 250	Green	Agricultural	250	10.15	7.81	24.64	32.00	3,143
3	Green 100	Green	Agricultural	100	3.91	3.13	25.60	32.00	3,137
4	Green 60	Green	Agricultural	60	2.34	1.88	25.60	32.00	3,125
5	Green 40	Green	Agricultural	40	1.56	1.25	25.60	32.00	3,138
6	Green 20	Green	Agricultural	20	0.81	0.67	24.55	30.00	2,930
7	Green 10	Green	Paddock	10	0.41	0.33	24.55	30.00	2,955
8	Green 6	Green	Paddock	6	0.21	0.20	28.50	30.00	3,210
9	Green 3	Green	Paddock	3	0.13	0.12	23.75	25.00	2,908
10	Brown 100	Brown	PDL	100	2.96	2.22	33.75	45.00	4,374
11	Brown 60	Brown	PDL	60	1.78	1.33	33.75	45.00	4,355
12	Brown 40	Brown	PDL	40	1.19	0.89	33.75	45.00	4,200
13	Brown 20	Brown	PDL	20	0.59	0.44	33.75	45.00	4,394
14	Brown 20 HD	Brown	PDL	20	0.48	0.33	41.54	60.00	3,738
15	Brown 10	Brown	PDL	10	0.30	0.22	33.75	45.00	3,974
16	Brown 10 HD	Brown	PDL	10	0.24	0.17	41.54	60.00	3,828
17	Brown 6	Brown	PDL	6	0.14	0.13	42.75	45.00	4,260
18	Brown 6 HD	Brown	PDL	6	0.11	0.11	52.25	55.00	3,502
19	Brown 3	Brown	PDL	3	0.08	0.08	38.00	40.00	3,800
20	PRS 20	Brown	PDL	20	0.72	0.57	27.80	35.00	3,227
21	PRS 20 HD	Brown	PDL	20	0.55	0.40	36.49	50.00	3,135

Source: HDH (May 2020)

9.16 Through the summer 2020 consultation[253] it was noted that a greater range of densities should be tested. Whilst it is accepted that a range of densities will come forward, the purpose of this

253 [redacted], Hawkins Watton for various (un-named) clients.

high-level assessment is to test the development as envisaged by the emerging Local Plan. It is therefore appropriate that the assumptions used are broadly consistent with the wider evidence base.

9.17 Through the summer 2020 consultation[254] it was also noted that some of the Strategic Sites include areas for employment. These are not modelled individually as they could come forward under a wide range of formats, from high quality offices to large logistic 'sheds'. Such areas are assumed to take the value of industrial land (£650,000/ha) as per Chapter 6 above.

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

9.19 The Strategic Sites are modelled on the basis of a development density of 32 units/ha and a net developable area of 75%. The sites are similarly summarised.

[254] [redacted], Hawkins Watton for various (un-named) clients.

Table 9.8 Summary of Strategic Sites (as updated April 2021)			
PS24 West of Draycott	Units	700	North West of Cam. HMA mix. Modelled at 32units/ha / 60% net developable (21.88ha). Total site area 45.85ha.
	Area	36.46	
1	Units/ha	32.00	
PS25 East of River Cam	Units	180	North East of Cam extension. HMA mix. Modelled at 32units/ha / 75% net developable (5.63ha). Total site area 48.10ha.
	Area	7.50	
2	Units/ha	32.00	
G1 South of Hardwicke	Units	1,200	South of Hardwick, Gloucester Fringe. HMA mix. Modelled at 32units/ha / 61% net developable (33.00ha). Total site area 67.84ha.
	Area	53.57	
3	Units/ha	36.36	
PS30 Hunts Grove Extension	Units	750	Hunts Grove extension, Gloucester Fringe. HMA mix. Modelled at 32units/ha / 70% net developable (23.44ha). Total site area 34.87ha.
	Area	33.48	
4	Units/ha	32.00	
PS34 Sharpness Docks	Units	300	Sharpness Docks. HMA mix. Modelled at 32units/ha / 70% net developable (9.38ha). Total site area 96.24ha.
	Area	13.39	
5	Units/ha	32.00	
PS36 New settlement at Sharpness	Units	2,400	Sharpness. HMA mix. Modelled at 32units/ha / 65% net developable (64.86ha). Total site area 190.01ha.
	Area	99.79	
6	Units/ha	37.00	
PS19a Northwest of Stonehouse	Units	650	North West of Stonehouse. HMA mix. Modelled at 32units/ha / 70% net developable (20.31ha). Total site area 35.85ha.
	Area	29.02	
7	Units/ha	32.00	
PS37 New settlement at Wisloe	Units	1,500	Wisloe. HMA mix. Modelled at 32units/ha / 70% net developable (46.88ha). Total site area 83.81ha.
	Area	66.96	
8	Units/ha	32.00	
G2 Land at Whaddon	Units	2,500	Gloucester Finge. HMA mix. Modelled at 32units/ha / 52.8% net developable (69ha). Total site area 173.11ha.
	Area	130.69	
9	Units/ha	36.23	
## Grove End Farm	Units	2,250	Whitminster. HMA mix. Modelled at 32units/ha / 70% net developable (70.31ha). Total site area 101.06ha.
	Area	101.06	
10	Units/ha	32.00	

Source: HDH (August 2020) **Total site area is the total promoted site area and includes areas not identified as developable due to landscape, heritage or other identified constraints.*

9.20 This information was updated in May 2021:

Table 9.9 Updated Strategic Site Areas – May 2021			
Site ref.	**Name.**	**Area (hectares)**	
		April 2021	**May 2021**
PS24	Cam North West (West of Draycott)	36.46	39.42
PS25	Cam North East extension	7.50	7.07
PS30	Hunts Grove extension	33.48	34.89
G1	South of Hardwicke	53.57	
G2	Land at Whaddon	130.69	
PS34	Sharpness Docks	13.39	96.23
PS36	Sharpness new settlement	99.79	194.34
PS36a	Sharpness new settlement (Phase 2)		131.77
PS37	Wisloe new settlement	66.96	83.97

Source: SDC (May 2021)

9.21 In relation to the Sharpness New Settlement, the promoter[255] clarified the emerging masterplan is based on 37 dwellings per hectare and a net developable area of 65ha. The modelling has been updated.

9.22 Two comments were made in relation to the Land at Whaddon. Firstly[256], the density is expected to be about 3,444m^2/ha. The agent[257] for the site suggested that densities of up to 40/ha may be appropriate and the unit numbers may alter as the plan making process moves forward. The areas have been clarified a gross area is 130.69ha and the net area 69ha (which gives a density of 36.2/ha). The areas are updated, which results in higher net densities.

9.23 The promoter[258] of NW of Cam (PS24 West of Draycott) noted that the net assumption (70%) was '*far too high*'. This has been adjusted to 60%.

9.24 An agent[259] for a Strategic Site suggested that in the absence of a masterplan they could not comment at this stage. They also raised concerns about the employment land. Whilst several sites do include employment land, this element has not been modelled in detail due to wide variety of uses that could come forward (from high quality offices to large logistics 'sheds').

9.25 A housebuilder[260] has provided the Council with its latest masterplan for the Hardwick site, which provides an NDA of 33 hectares for residential development that will accommodate

[255] [redacted], Lioncourt Strategic Land, for Sharpness Development LLP.

[256] [redacted], Savills – for L&Q Estates, re Whaddon.

[257] Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

[258] [redacted] for Persimmon.

[259] Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

[260] [redacted]l for Redrow with regard to Hardwick.

1,200 dwellings. Redrow has commenced discussion with statutory providers to agree utilities diversions and has consulted locally on land use composition.

9.26 They went on to comment that, in regard to Sharpness, assuming a 65% net to gross assessment is not reasonable in light of the various constraints, and the need for biodiversity net gain. Again, an assumption of 70% net to gross for Wisloe is too high. Whilst these comments are noted, this modelling is based on, and is consistent with, the Council's wider development assumptions.

9.27 The updated modelling is further summarised below.

Table 9.10 Summary of Strategic Sites – Areas and Densities (Updated, May 2021)

			Current Use	Units	Area Ha		Density Units/ha		Density
					Gross	Net	Gross	Net	m2/ha
1	PS24 West of Draycott	Green	Agricultural	900	39.42	28.13	22.83	32.00	3,125
2	PS25 East of River Cam	Green	Agricultural	180	7.07	5.63	25.46	32.00	3,139
3	G1 South of Hardwicke	Green	Agricultural	1,350	53.57	33.00	25.20	40.91	3,998
4	PS30 Hunts Grove Extension	Green	Agricultural	750	34.89	23.44	21.50	32.00	3,129
5	PS34 Sharpness Docks	Brown	PDL	300	13.39	9.38	22.40	32.00	3,123
6	PS36 New settlement at Sharpnes	Green	Agricultural	2,400	99.79	64.86	24.05	37.00	3,613
7	PS19a Northwest of Stonehouse	Green	Agricultural	700	31.25	21.88	22.40	32.00	3,125
8	PS37 New settlement at Wisloe	Green	Agricultural	1,500	66.96	46.88	22.40	32.00	3,125
9	G2 Land at Whaddon	Green	Agricultural	3,000	130.69	69.00	22.96	43.48	4,245
10	## Grove End Farm	Green	Agricultural	2,250	101.06	70.31	22.26	32.00	3,127

Source: HDH (May 2021)

Older People's Housing

9.28 A private Sheltered/retirement and an Extracare scheme have been modelled, each on a 0.5ha site as follows.

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

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

Employment Uses

9.29 The Council is planning to allocate Strategic Employment Sites. These sites will not be modelled individually, rather the type of development that they are most likely to deliver is modelled.

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

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

a. **Offices**. These are more than 250m^2, will be of steel frame construction, be over several floors and will be located on larger business parks. Typical larger units are around 2,000m^2 – we will use this as the basis of our modelling.

We have made assumptions about the site coverage and density of development on the sites. We have assumed 80% coverage on the office sites in the urban situation and 25% elsewhere. Initially we assumed two storey construction in the business park situation, and six-storey construction in the urban situation. Following a comment made through the summer 2020 consultation[261], the town centre format has been reduced to 3 storeys.

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

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

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

9.33 Through the summer consultation it was suggested[262] that '*there is also a pressing need for the plan and its viability to explore how green technology/ innovation employment offers are*

[261] [redacted], Hawkins Watton for various (un-named) clients.

[262] [redacted], Stantec for Colethorpe Farm Ltd.

provided, by moving away from the 'single land use model'. If SDC wishes to support a resilient, wide ranging economy, it should use the viability appraisal process to explore the financial modelling as well as social and environmental benefits of mixed-use employment offers to support SMEs and non-shed based employment offers'. No details were provided with regard to what may fall into these categories and what type of structures may be needed to accommodate them (and how they are different to those set out above).

9.34 It is beyond the scope of this viability assessment to make a broader assessment of the type envisaged. Rather it is the purpose of this assessment to consider the cumulative impact of the Council's emerging policies and how they impact on the deliverability of the planned development.

Retail

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

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

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

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

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

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

9.36 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed simple, single storey construction and have assumed that there are no mezzanine floors.

9.37 Through the summer 2020 consultation[263], it was highlighted that the design was *'location critical'*. No changes were proposed to the modelling. No changes have been made.

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[263] [redacted], Hawkins Watton for various (un-named) clients.

Hotels and Leisure

9.38 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. We have reviewed this sector and there is very little activity in this sector at the moment, either at the planning stage or the construction stage. This is an indication that development in this sector is currently at the margins of viability. Having considered this further we have assessed a modern hotel on a town edge site

9.39 We have assumed that this is a 60 bedroom product (60 x 19m^2 + 30% circulation space = 1,1482m^2) with ample car parking on a 0.4 ha (1 acre) site.

10. Residential Appraisals

10.1 At the start of this chapter, it is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this study are one of a number of factors that SDC will consider, including the track record in delivering affordable housing and collecting payments under s106.

10.2 The appraisals use the residual valuation approach, they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

10.3 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions. Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction and an increase and decrease in prices.

10.4 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:

a. **Green** **Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).

b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.

c. **Red** **Non-viable** – where the Residual Value does not exceed the EUV.

10.5 A report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development.

10.6 Through the summer 2020 consultation an agent[264] for a housebuilder commented that presenting the marginal category (amber) '*renders the process of setting a benchmark in the first place against which policy / developer contribution burdens upon development are to be tested meaningless'.* This is not accepted and wrongly assumes that a viability assessment

[264] [redacted], Pioneer for Robert Hitchins.

is based on certainties and precise numbers and assumptions – and that all landowners have the same expectations and requirements. This is not the case. A viability assessment is based on a series of estimates and landowners accept different prices for their land (as set out in Chapter 6 above). It would be wrong to simply strike all sites from the plan were the Residual Value does not exceed the BLV. On these sites, the Council may wish to further engage with the site promoters and to establish, at a greater level of detail, whether a particular site or type of site may actually be deliverable and to be included in the Plan.

Base Appraisals

10.7 A set of draft results were presented in the pre-consultation draft and several consultees made comments on the results. These are not responded to as the assumptions for the appraisals have been substantially altered to reflect to comments made through the consultation.

10.8 The initial appraisals are based on the full policy on scenario with all the policy requirements, unless stated, being the following assumptions[265].

a.	Affordable Housing	30% on sites of 4 and larger (Intermediate Housing 33%, Affordable Rent 67%). PRS 20%.
b.	Design	90% Accessible and Adaptable – Category 2
		10% Wheelchair Accessible
		NDSS
		Water efficiency / Car Charging Points
		10% Biodiversity Net Gain
		Carbon Reduction as per ES1.
c.	Developer Contributions	CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2)
		s106 – Typologies £5,000/unit and Strategic Sites as estimated.

PS24 West of Draycott	£17,613,076
PS25 East of River Cam	£3,705,184
G1 South of Hardwicke	£24,990,762
PS30 Hunts Grove Extension	£14,348,969
PS34 Sharpness Docks	£5,106,407
PS36 New settlement at Sharpness	£42,309,510
PS19a Northwest of Stonehouse	£21,311,431
PS37 New settlement at Wisloe	£26,694,589
G2 Land at Whaddon	£56,386,498
## Grove End Farm	£57,237,124

[265] To provide clarity requested by [redacted], Savills – for L&Q Estates, re Whaddon.

10.9 Following the consultation, value assumptions and the value areas have been updated.

a. <u>Gloucester Fringe and North West SDC</u>

The sites adjacent to the wider Gloucester built up area, including the areas to the northwest of the M5, north of Junction 12, adjacent to Upton St Leonards and Cooper's Edge, and the area to the west of the Gloucester and Sharpness Canal, to the north of the River Frome.

Almost all development in this area is likely to on the larger greenfield Gloucester urban-extension types sites, with very little development planned or anticipated in the wider rural area. There is a case for including the rural area in the Lower Value Villages, however the data is very limited, make this more difficult to justify.

b. <u>Cotswolds</u>

The area to the east of the M5, including the villages, but excluding Stroud, the Stroud Valleys and the sites adjacent to Gloucester.

c. <u>Rural West - Lower Value Villages</u>

The rural areas to the west of the M5, south of the River Frome. This includes the attractive villages of Frampton and historic town of Berkeley. Values tend to be rather less than in the higher value Cotswold areas. Little development is planned within this area, development is likely to be on smaller greenfield sites.

Values are less in Sharpness, whilst little development is planned in Sharpness beyond the PS34 Sharpness Docks and PS36 New settlement at Sharpness, this area is included in the Stroud, Stroud Valleys area.

d. <u>Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness</u>

These are the distinct areas within the built up area of Cam, Stonehouse and Stroud and extending to Thrupp to the east and Ebley in the west. The area is tightly constrained to the built up area (in the case of Stroud by the steep valley sides) and development is likely to be on previously developed land.

This area does not include the higher value villages such as North Woodchester, Minchinhampton, which are within the Cotswolds.

10.10 The base appraisals are included in **Appendix 10**.

Table 10.1a Residential Typologies, – Residual Values

Gloucester Fringe and Cotswold

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Green 400	Glouc Fringe & NW	Green	Agricultural	17.36	12.50	400	64,711	89,876	1,123,449
Site 2	Green 250	Glouc Fringe & NW	Green	Agricultural	10.15	7.81	250	93,069	120,869	944,288
Site 3	Green 100	Cotswold	Green	Agricultural	3.91	3.13	100	886,384	1,107,980	3,462,437
Site 4	Green 60	Cotswold	Green	Agricultural	2.34	1.88	60	893,520	1,116,900	2,094,187
Site 5	Green 40	Cotswold	Green	Agricultural	1.56	1.25	40	913,627	1,142,034	1,427,543
Site 6	Green 20	Cotswold	Green	Agricultural	0.81	0.67	20	1,067,510	1,304,689	869,793
Site 7	Green 10	Cotswold	Green	Paddock	0.41	0.33	10	1,128,012	1,378,634	459,545
Site 8	Green 6	Cotswold	Green	Paddock	0.21	0.20	6	1,348,233	1,419,193	283,839
Site 9	Green 3	Cotswold	Green	Paddock	0.13	0.12	3	1,839,873	1,936,708	232,405
Site 10	Brown 100	Cotswold	Brown	PDL	2.96	2.22	100	558,380	744,471	1,654,380
Site 11	Brown 60	Cotswold	Brown	PDL	1.78	1.33	60	557,594	743,424	991,232
Site 12	Brown 40	Cotswold	Brown	PDL	1.19	0.89	40	506,172	674,864	599,879
Site 13	Brown 20	Cotswold	Brown	PDL	0.59	0.44	20	843,739	1,124,933	499,970
Site 14	Brown 20 HD	Cotswold	Brown	PDL	0.48	0.33	20	-290,978	-420,277	-140,092
Site 15	Brown 10	Cotswold	Brown	PDL	0.30	0.22	10	904,400	1,205,809	267,957
Site 16	Brown 10 HD	Cotswold	Brown	PDL	0.24	0.17	10	-282,681	-408,293	-68,049
Site 17	Brown 6	Cotswold	Brown	PDL	0.14	0.13	6	1,334,105	1,404,322	187,243
Site 18	Brown 6 HD	Cotswold	Brown	PDL	0.11	0.11	6	-153,703	-161,792	-17,650
Site 19	Brown 3	Cotswold	Brown	PDL	0.08	0.08	3	1,892,296	1,991,890	149,392
Site 20	PRS 20	Cotswold	Brown	PDL	0.72	0.57	20	-106,071	-133,566	-76,323
Site 21	PRS 20 HD	Cotswold	Brown	PDL	0.55	0.40	20	-1,000,261	-1,370,657	-548,263

Source: HDH (October 2020)

Table 10.1b Residential Typologies, – Residual Values

Rural West

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Green 400	West	Green	Agricultural	17.36	12.50	400	316,870	440,098	5,501,222
Site 2	Green 250	West	Green	Agricultural	10.15	7.81	250	380,017	493,529	3,855,697
Site 3	Green 100	West	Green	Agricultural	3.91	3.13	100	247,588	309,484	967,139
Site 4	Green 60	West	Green	Agricultural	2.34	1.88	60	246,374	307,967	577,439
Site 5	Green 40	West	Green	Agricultural	1.56	1.25	40	252,039	315,049	393,812
Site 6	Green 20	West	Green	Agricultural	0.81	0.67	20	438,496	535,921	357,280
Site 7	Green 10	West	Green	Paddock	0.41	0.33	10	645,014	788,323	262,774
Site 8	Green 6	West	Green	Paddock	0.21	0.20	6	736,970	775,758	155,152
Site 9	Green 3	West	Green	Paddock	0.13	0.12	3	1,177,928	1,239,925	148,791
Site 10	Brown 100	West	Brown	PDL	2.96	2.22	100	-1,019,742	-1,359,592	-3,021,315
Site 11	Brown 60	West	Brown	PDL	1.78	1.33	60	-1,041,010	-1,387,947	-1,850,596
Site 12	Brown 40	West	Brown	PDL	1.19	0.89	40	-1,044,149	-1,392,132	-1,237,451
Site 13	Brown 20	West	Brown	PDL	0.59	0.44	20	-770,702	-1,027,554	-456,691
Site 14	Brown 20 HD	West	Brown	PDL	0.48	0.33	20	-1,527,938	-2,206,893	-735,631
Site 15	Brown 10	West	Brown	PDL	0.30	0.22	10	-574,570	-766,057	-170,235
Site 16	Brown 10 HD	West	Brown	PDL	0.24	0.17	10	-1,564,804	-2,260,140	-376,690
Site 17	Brown 6	West	Brown	PDL	0.14	0.13	6	-694,249	-730,788	-97,438
Site 18	Brown 6 HD	West	Brown	PDL	0.11	0.11	6	-1,750,016	-1,842,122	-200,959
Site 19	Brown 3	West	Brown	PDL	0.08	0.08	3	-248,941	-262,043	-19,653
Site 20	PRS 20	West	Brown	PDL	0.72	0.57	20	-106,071	-133,566	-76,323
Site 21	PRS 20 HD	West	Brown	PDL	0.55	0.40	20	-1,000,261	-1,370,657	-548,263

Source: HDH (October 2020)

Table 10.1c Residential Typologies, – Residual Values

Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Green 400	Stroud Valleys	Green	Agricultural	17.36	12.50	400	121,120	168,222	2,102,776
Site 2	Green 250	Stroud Valleys	Green	Agricultural	10.15	7.81	250	156,835	203,682	1,591,268
Site 3	Green 100	Stroud Valleys	Green	Agricultural	3.91	3.13	100	-60,358	-75,447	-235,773
Site 4	Green 60	Stroud Valleys	Green	Agricultural	2.34	1.88	60	-67,547	-84,434	-158,313
Site 5	Green 40	Stroud Valleys	Green	Agricultural	1.56	1.25	40	-70,987	-88,734	-110,917
Site 6	Green 20	Stroud Valleys	Green	Agricultural	0.81	0.67	20	134,768	164,711	109,808
Site 7	Green 10	Stroud Valleys	Green	Paddock	0.41	0.33	10	144,604	176,733	58,911
Site 8	Green 6	Stroud Valleys	Green	Paddock	0.21	0.20	6	109,394	115,152	23,030
Site 9	Green 3	Stroud Valleys	Green	Paddock	0.13	0.12	3	503,130	529,610	63,553
Site 10	Brown 100	Stroud Valleys	Brown	PDL	2.96	2.22	100	-574,977	-766,600	-1,703,555
Site 11	Brown 60	Stroud Valleys	Brown	PDL	1.78	1.33	60	-592,845	-790,422	-1,053,897
Site 12	Brown 40	Stroud Valleys	Brown	PDL	1.19	0.89	40	-612,100	-816,094	-725,417
Site 13	Brown 20	Stroud Valleys	Brown	PDL	0.59	0.44	20	-312,106	-416,121	-184,943
Site 14	Brown 20 HD	Stroud Valleys	Brown	PDL	0.48	0.33	20	-1,269,887	-1,834,175	-611,392
Site 15	Brown 10	Stroud Valleys	Brown	PDL	0.30	0.22	10	-163,312	-217,739	-48,387
Site 16	Brown 10 HD	Stroud Valleys	Brown	PDL	0.24	0.17	10	-1,298,725	-1,875,827	-312,638
Site 17	Brown 6	Stroud Valleys	Brown	PDL	0.14	0.13	6	-132,437	-139,408	-18,588
Site 18	Brown 6 HD	Stroud Valleys	Brown	PDL	0.11	0.11	6	-1,415,934	-1,490,457	-162,595
Site 19	Brown 3	Stroud Valleys	Brown	PDL	0.08	0.08	3	356,566	375,333	28,150
Site 20	PRS 20	Stroud Valleys	Brown	PDL	0.72	0.57	20	103,019	129,722	74,127
Site 21	PRS 20 HD	Stroud Valleys	Brown	PDL	0.55	0.40	20	-814,402	-1,115,976	-446,390

Source: HDH (October 2020)

Table 10.1d Residual Values

Strategic Sites

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	PS24 West of Draycott	Cam NW	Green	Agricultural	39.42	28.13	900	-326,087	-457,043	-12,854,342
Site 2	PS25 East of River Cam	Cam NE Extension	Green	Agricultural	7.07	5.63	180	-514,141	-646,219	-3,634,980
Site 3	G1 South of Hardwicke	S of Hardwicke	Green	Agricultural	53.57	33.00	1,350	-56,333	-91,447	-3,017,757
Site 4	PS30 Hunts Grove Extension	Hunts Grove	Green	Agricultural	34.89	23.44	750	-73,542	-109,477	-2,565,864
Site 5	PS34 Sharpness Docks	Sharpness	Brown	PDL	13.39	9.38	300	-596,496	-852,138	-7,988,791
Site 6	PS36 New settlement at Sharpness	Sharpness	Green	Agricultural	99.79	64.86	2,400	193,399	297,538	19,299,737
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	Green	Agricultural	31.25	21.88	700	-181,347	-259,067	-5,667,085
Site 8	PS37 New settlement at Wisloe	Wisloe	Green	Agricultural	66.96	46.88	1,500	211,794	302,563	14,182,618
Site 9	G2 Land at Whaddon	Whaddon	Green	Agricultural	130.69	69.00	3,000	-104,275	-197,503	-13,627,716
Site 10	## Grove End Farm	Whitminster	Green	Agricultural	101.06	70.31	2,250	-69,965	-100,561	-7,070,686

Source: HDH (May 2021)

10.11 The results vary across the typologies and Strategic Sites, although this is largely due to the different assumptions around the nature of each typology. The higher density sites generally have higher Residual Values, and additional costs associated with brownfield sites result in lower Residual Values.

10.12 Through the summer consultation a planning consultant said[266] that they 'would welcome clarity about the detail of the calculations after which a further, more technical, response can be made'. These are set out in full in Appendix 10 below where copies of the full spreadsheets are provided (as was the case at the time of the consultation).

10.13 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The Benchmark Land Value being an amount over and above the Existing Use Value that is sufficient to provide the willing landowner with a premium, and induce them to sell the land for development as set out in Chapter 6 above.

266 [redacted], Stantec for Colethorpe Farm Ltd.

Table 10.2a Residual Value v BLV

Gloucester Fringe and Cotswolds

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Glouc Fringe & NW	25,000	375,000	64,711
Site 2	Green 250	Glouc Fringe & NW	25,000	375,000	93,069
Site 3	Green 100	Cotswold	25,000	375,000	886,384
Site 4	Green 60	Cotswold	25,000	375,000	893,520
Site 5	Green 40	Cotswold	25,000	375,000	913,627
Site 6	Green 20	Cotswold	25,000	375,000	1,067,510
Site 7	Green 10	Cotswold	50,000	400,000	1,128,012
Site 8	Green 6	Cotswold	50,000	400,000	1,348,233
Site 9	Green 3	Cotswold	50,000	400,000	1,839,873
Site 10	Brown 100	Cotswold	650,000	780,000	558,380
Site 11	Brown 60	Cotswold	650,000	780,000	557,594
Site 12	Brown 40	Cotswold	650,000	780,000	506,172
Site 13	Brown 20	Cotswold	650,000	780,000	843,739
Site 14	Brown 20 HD	Cotswold	650,000	780,000	-290,978
Site 15	Brown 10	Cotswold	650,000	780,000	904,400
Site 16	Brown 10 HD	Cotswold	650,000	780,000	-282,681
Site 17	Brown 6	Cotswold	650,000	780,000	1,334,105
Site 18	Brown 6 HD	Cotswold	650,000	780,000	-153,703
Site 19	Brown 3	Cotswold	650,000	780,000	1,892,296
Site 20	PRS 20	Cotswold	650,000	780,000	-106,071
Site 21	PRS 20 HD	Cotswold	650,000	780,000	-1,000,261

Source: HDH (October 2020)

Table 10.2b Residual Value v BLV Rural West					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	West	25,000	375,000	316,870
Site 2	Green 250	West	25,000	375,000	380,017
Site 3	Green 100	West	25,000	375,000	247,588
Site 4	Green 60	West	25,000	375,000	246,374
Site 5	Green 40	West	25,000	375,000	252,039
Site 6	Green 20	West	25,000	375,000	438,496
Site 7	Green 10	West	50,000	400,000	645,014
Site 8	Green 6	West	50,000	400,000	736,970
Site 9	Green 3	West	50,000	400,000	1,177,928
Site 10	Brown 100	West	650,000	780,000	-1,019,742
Site 11	Brown 60	West	650,000	780,000	-1,041,010
Site 12	Brown 40	West	650,000	780,000	-1,044,149
Site 13	Brown 20	West	650,000	780,000	-770,702
Site 14	Brown 20 HD	West	650,000	780,000	-1,527,938
Site 15	Brown 10	West	650,000	780,000	-574,570
Site 16	Brown 10 HD	West	650,000	780,000	-1,564,804
Site 17	Brown 6	West	650,000	780,000	-694,249
Site 18	Brown 6 HD	West	650,000	780,000	-1,750,016
Site 19	Brown 3	West	650,000	780,000	-248,941
Site 20	PRS 20	West	650,000	780,000	-106,071
Site 21	PRS 20 HD	West	650,000	780,000	-1,000,261

Source: HDH (October 2020)

Table 10.2c Residual Value v BLV Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Stroud Valleys	25,000	375,000	121,120
Site 2	Green 250	Stroud Valleys	25,000	375,000	156,835
Site 3	Green 100	Stroud Valleys	25,000	375,000	-60,358
Site 4	Green 60	Stroud Valleys	25,000	375,000	-67,547
Site 5	Green 40	Stroud Valleys	25,000	375,000	-70,987
Site 6	Green 20	Stroud Valleys	25,000	375,000	134,768
Site 7	Green 10	Stroud Valleys	50,000	400,000	144,604
Site 8	Green 6	Stroud Valleys	50,000	400,000	109,394
Site 9	Green 3	Stroud Valleys	50,000	400,000	503,130
Site 10	Brown 100	Stroud Valleys	650,000	780,000	-574,977
Site 11	Brown 60	Stroud Valleys	650,000	780,000	-592,845
Site 12	Brown 40	Stroud Valleys	650,000	780,000	-612,100
Site 13	Brown 20	Stroud Valleys	650,000	780,000	-312,106
Site 14	Brown 20 HD	Stroud Valleys	650,000	780,000	-1,269,887
Site 15	Brown 10	Stroud Valleys	650,000	780,000	-163,312
Site 16	Brown 10 HD	Stroud Valleys	650,000	780,000	-1,298,725
Site 17	Brown 6	Stroud Valleys	650,000	780,000	-132,437
Site 18	Brown 6 HD	Stroud Valleys	650,000	780,000	-1,415,934
Site 19	Brown 3	Stroud Valleys	650,000	780,000	356,566
Site 20	PRS 20	Stroud Valleys	650,000	780,000	103,019
Site 21	PRS 20 HD	Stroud Valleys	650,000	780,000	-814,402

Source: HDH (October 2020)

Table 10.2d Residual Value v BLV

Strategic Sites

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	PS24 West of Draycott	Cam NW	25,000	375,000	-326,087
Site 2	PS25 East of River Cam	Cam NE Extension	25,000	375,000	-514,141
Site 3	G1 South of Hardwicke	S of Hardwicke	25,000	375,000	-56,333
Site 4	PS30 Hunts Grove Extension	Hunts Grove	25,000	375,000	-73,542
Site 5	PS34 Sharpness Docks	Sharpness	650,000	780,000	-596,496
Site 6	PS36 New settlement at Sharpness	Sharpness	25,000	375,000	193,399
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	25,000	375,000	-181,347
Site 8	PS37 New settlement at Wisloe	Wisloe	25,000	375,000	211,794
Site 9	G2 Land at Whaddon	Whaddon	25,000	375,000	-104,275
Site 10	## Grove End Farm	Whitminster	25,000	375,000	-69,965

Source: HDH (May 2021)

10.14 The above appraisals are based on the full range of potential policy requests that the Council is considering. These are explored further below. Generally, the greenfield sites produce a Residual Value that is in excess of the Benchmark Land Value indicating that such sites are likely to be viable. On the whole, the brownfield sites are shown as being unviable.

10.15 To inform the development of policy a range of policy requirements have been tested. The above tables show the results of for all the typologies, in the following analysis only the relevant results are shown.

Varied Affordable Housing

10.16 Affordable Housing is the greatest single variable cost to development. The following analysis sets out the results with different levels of Affordable Housing. Initially this analysis is based on the policy requirements used in the base appraisals above, and only the amount of Affordable Housing is varied.

Table 10.3a Residual Value v BLV. Base Appraisals with Varied Affordable Housing

Gloucester Fringe and Cotswolds, Rural East & South and West

			EUV	BLV									
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 1	Green 400	Glouc Fringe & NW	25,000	375,000	378,385	326,974	275,564	223,205	170,373	117,542	64,711	11,806	-43,844
Site 2	Green 250	Glouc Fringe & NW	25,000	375,000	453,922	393,780	333,638	273,495	213,353	153,211	93,069	32,927	-29,675
Site 3	Green 100	Cotswold	25,000	375,000	1,567,835	1,454,260	1,340,685	1,227,110	1,113,534	999,959	886,384	772,809	659,233
Site 4	Green 60	Cotswold	25,000	375,000	1,585,928	1,470,526	1,355,125	1,239,724	1,124,322	1,008,921	893,520	778,118	662,717
Site 5	Green 40	Cotswold	25,000	375,000	1,609,852	1,493,815	1,377,777	1,261,740	1,145,702	1,029,665	913,627	797,590	681,552
Site 6	Green 20	Cotswold	25,000	375,000	1,756,805	1,641,922	1,527,040	1,412,157	1,297,275	1,182,392	1,067,510	952,627	837,745
Site 7	Green 10	Cotswold	50,000	400,000	1,831,281	1,714,069	1,596,858	1,479,646	1,362,435	1,245,224	1,128,012	1,010,801	893,590
Site 8	Green 6	Cotswold	50,000	400,000	2,233,764	2,086,176	1,938,587	1,790,999	1,643,410	1,495,821	1,348,233	1,200,644	1,049,159
Site 9	Green 3	Cotswold	50,000	400,000	1,839,873	1,704,717	1,569,562	1,434,406	1,299,251	1,163,634	1,025,815	887,997	750,178
Site 12	Brown 40	Cotswold	650,000	780,000	1,235,269	1,113,753	992,236	870,720	749,204	627,688	506,172	384,656	263,139
Site 13	Brown 20	Cotswold	650,000	780,000	1,634,614	1,502,801	1,370,989	1,239,177	1,107,364	975,552	843,739	711,927	580,115
Site 15	Brown 10	Cotswold	650,000	780,000	1,648,636	1,524,597	1,400,557	1,276,518	1,152,478	1,028,439	904,400	778,522	650,887
Site 17	Brown 6	Cotswold	650,000	780,000	2,370,660	2,200,000	2,029,340	1,858,680	1,685,318	1,509,712	1,334,105	1,158,499	981,201
Site 19	Brown 3	Cotswold	650,000	780,000	1,892,296	1,731,537	1,570,778	1,410,019	1,249,260	1,088,501	927,743	766,984	606,225

			EUV	BLV									
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 1	Green 400	West	25,000	375,000	709,242	643,847	578,452	513,056	447,661	382,266	316,870	251,345	184,139
Site 2	Green 250	West	25,000	375,000	835,608	760,699	685,682	609,266	532,850	456,434	380,017	303,601	227,185
Site 3	Green 100	West	25,000	375,000	711,191	633,924	556,657	479,389	402,122	324,855	247,588	170,320	93,053
Site 4	Green 60	West	25,000	375,000	718,770	640,037	561,304	482,572	403,839	325,106	246,374	167,641	88,394
Site 5	Green 40	West	25,000	375,000	719,773	641,818	563,862	485,906	407,951	329,995	252,039	174,084	94,243
Site 6	Green 20	West	25,000	375,000	911,893	832,994	754,094	675,194	596,295	517,395	438,496	359,596	279,939
Site 7	Green 10	West	50,000	400,000	1,177,500	1,088,753	1,000,005	911,257	822,510	733,762	645,014	554,603	463,283
Site 8	Green 6	West	50,000	400,000	1,431,064	1,317,497	1,203,930	1,087,547	970,688	853,829	736,970	618,291	499,129
Site 9	Green 3	West	50,000	400,000	1,177,928	1,065,978	954,027	842,077	730,126	618,175	506,225	394,274	282,324
Site 15	Brown 10	West	650,000	780,000	-287,874	-334,998	-382,912	-430,827	-478,741	-526,655	-574,570	-622,484	-670,398
Site 17	Brown 6	West	650,000	780,000	-299,438	-363,552	-428,319	-494,801	-561,284	-627,767	-694,249	-760,732	-827,214
Site 19	Brown 3	West	650,000	780,000	-248,941	-327,751	-408,665	-489,972	-571,278	-652,585	-733,891	-815,198	-896,504

Source: HDH (October 2020)

Table 10.3b Residual Value v BLV. Base Appraisals with Varied Affordable Housing

Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness and Strategic Sites

			EUV	BLV									
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 10	Brown 100	Stroud Valleys	650,000	780,000	-169,827	-235,869	-301,911	-369,790	-438,186	-506,581	-574,977	-643,373	-711,768
Site 11	Brown 60	Stroud Valleys	650,000	780,000	-179,694	-246,984	-314,274	-383,804	-453,484	-523,165	-592,845	-662,525	-732,206
Site 12	Brown 40	Stroud Valleys	650,000	780,000	-198,398	-265,638	-333,664	-403,273	-472,882	-542,491	-612,100	-681,709	-751,318
Site 13	Brown 20	Stroud Valleys	650,000	780,000	135,418	60,959	-13,500	-87,959	-162,418	-236,878	-312,106	-389,182	-466,259
Site 14	Brown 20 HD	Stroud Valleys	650,000	780,000	-832,300	-905,231	-978,162	-1,051,094	-1,124,025	-1,196,956	-1,269,887	-1,342,819	-1,415,750
Site 15	Brown 10	Stroud Valleys	650,000	780,000	270,797	198,446	126,094	53,742	-18,609	-90,961	-163,312	-235,664	-310,029
Site 16	Brown 10 HD	Stroud Valleys	650,000	780,000	-864,644	-936,991	-1,009,338	-1,081,685	-1,154,031	-1,226,378	-1,298,725	-1,371,072	-1,443,419
Site 17	Brown 6	Stroud Valleys	650,000	780,000	467,803	367,763	267,723	167,683	67,643	-32,397	-132,437	-232,477	-332,517
Site 18	Brown 6 HD	Stroud Valleys	650,000	780,000	-869,447	-960,528	-1,051,610	-1,142,691	-1,233,772	-1,324,853	-1,415,934	-1,507,015	-1,598,096
Site 19	Brown 3	Stroud Valleys	650,000	780,000	356,566	250,554	144,541	38,529	-67,483	-173,496	-279,508	-388,170	-497,655
Site 20	PRS 20	Stroud Valleys	650,000	780,000	373,907	307,545	240,415	172,593	104,140	35,688	-32,764	-101,217	-169,669
Site 21	PRS 20 HD	Stroud Valleys	650,000	780,000	-540,301	-608,521	-676,741	-744,961	-813,182	-881,402	-949,622	-1,017,842	-1,086,063

			EUV	BLV									
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 1	PS24 West of Draycott	Cam NW	25,000	375,000	10,775	-43,730	-98,503	-153,847	-211,260	-268,674	-326,087	-385,995	-450,980
Site 2	PS25 East of River Cam	Cam NE Extension	25,000	375,000	-156,463	-214,575	-273,577	-333,718	-393,859	-454,000	-514,141	-574,575	-635,848
Site 3	G1 South of Hardwicke	S of Hardwicke	25,000	375,000	354,550	287,566	220,582	153,598	84,885	15,690	-56,333	-131,646	-207,341
Site 4	PS30 Hunts Grove Extension	Hunts Grove	25,000	375,000	272,400	216,425	160,450	103,575	45,781	-12,901	-73,542	-134,182	-197,610
Site 5	PS34 Sharpness Docks	Sharpness	650,000	780,000	-292,367	-341,134	-389,900	-439,317	-491,710	-544,103	-596,496	-648,890	-701,283
Site 6	PS36 New settlement at Sharpness	Sharpness	25,000	375,000	591,943	526,150	460,357	394,564	327,892	260,646	193,399	124,886	55,732
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	25,000	375,000	230,820	165,769	99,694	32,483	-36,770	-107,693	-181,347	-255,122	-332,959
Site 8	PS37 New settlement at Wisloe	Wisloe	25,000	375,000	583,891	522,746	460,555	398,365	336,175	273,984	211,794	148,209	84,298
Site 9	G2 Land at Whaddon	Whaddon	25,000	375,000	203,466	154,592	104,955	54,677	4,398	-49,621	-104,275	-160,739	-218,625
Site 10	## Grove End Farm	Whitminster	25,000	375,000	291,893	234,107	174,967	115,633	56,229	-5,465	-69,965	-136,967	-205,881

Source: HDH (October 2020, May 2021)

10.17 On average, across all the typologies, a 10% increase in affordable housing results in a fall in the Residual Value of about £180,000/ha, meaning that each additional 10% of affordable housing reduces the amount a developer can pay a landowner, for a parcel of land, by about £180,000ha. The figures do vary across the typologies, with the effect being greater on brownfield sites (due to the higher density) and in the higher value areas (as the difference in value between market and affordable housing is more). Typically, a 30% affordable housing requirement reduces the Residual Value by about £530,000/ha or so.

a. In the higher value Cotswold area, all the greenfield typologies are viable and there may be scope to increase the affordable housing requirement above 30%. The smaller brownfield typologies representing housing development (rather than flatted development) are also viable at 30%.

b. The two typologies representing development on the Gloucester Fringe are not shown as viable with 30% affordable housing. Having said this the development in this area is most likely to be on the larger Strategic Sites.

c. The majority of development in the Rural West of the District is likely to be on smaller greenfield sites. Such sites, being 20 units and smaller generate an EUV that is above the EUV with 30% affordable housing. The larger greenfield sites generate an EUV that is below the EUV with 30% affordable housing. We understand that little such development is planned however the Council should be should be cautious about relying on these types of site in the early years of the Plan, and should only count on such sites (for example in the five year land supply calculation) where it is confident the site will be forthcoming, for example, where there is a recent planning consent or a commitment from the land promoter.

d. All the sites in the Stroud Valleys typologies (which include Sharpness) are assumed to be brownfield sites. On these the Residual Value is less than the EUV in all cases. This is in spite of development in the Stroud Valleys not being subject to CIL.

e. The Build to Rent typologies are shown as unviable across the areas.

f. For the Strategic Sites, an allowance is made for strategic infrastructure costs. On these sites, viability is constrained. To a large extent these findings are to be expected at this stage of the plan-making process as the delivery of any large site is challenging, so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.

In this context we particularly highlight paragraph 10-006 of the PPG:

... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a

> *price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*
>
> *PPG 10-006-20180724*

10.18 The above analysis suggests that some development will be unable to bear the Council's full policy aspirations. Further, there is not scope to review CIL and seek higher levels under this analysis.

10.19 In order to inform the plan-making process the costs of the individual policy requirements are considered individually and then cumulatively.

10.20 In the Gloucester Fringe and Rural East and South the Residual Value, on the greenfield sites, is substantially above the BLV, suggesting that even if the BLV should be higher than the assumption uses, the proportion of typologies that are shown as being viable is unlikely to change. The results for the greenfield sites in the Stroud Valleys are more sensitive in this regard. A slightly lower BLV would return results with a greater proportion of typologies being viable at 30% affordable housing.

Cost of individual Policy Requirements

Affordable Housing

10.21 The greatest single policy cost to the developer is that of affordable housing. A set of appraisals has been run with up to 40% affordable housing, where the affordable housing is 33% Intermediate Housing and 67% Affordable Rent. No other policy costs are allowed for. The impact of different affordable tenure mixes is considered later in this chapter.

Table 10.4a Residual Value v BLV. Varied Affordable Housing

Gloucester Fringe and Cotswolds, Rural West

			EUV	BLV									
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 1	Green 400	Glouc Fringe & NW	25,000	375,000	1,024,121	957,331	890,541	822,951	755,241	687,531	619,821	552,112	484,402
Site 2	Green 250	Glouc Fringe & NW	25,000	375,000	1,182,982	1,105,894	1,028,807	951,720	874,633	797,545	720,458	643,371	566,273
Site 3	Green 100	Cotswold	25,000	375,000	2,374,408	2,240,686	2,106,964	1,973,242	1,839,520	1,705,798	1,572,076	1,438,354	1,304,632
Site 4	Green 60	Cotswold	25,000	375,000	2,402,400	2,266,849	2,131,299	1,995,748	1,860,198	1,724,647	1,589,097	1,453,546	1,317,996
Site 5	Green 40	Cotswold	25,000	375,000	2,448,474	2,310,697	2,172,919	2,035,142	1,897,365	1,759,587	1,621,810	1,484,033	1,346,255
Site 6	Green 20	Cotswold	25,000	375,000	2,553,885	2,418,630	2,283,375	2,148,121	2,012,866	1,877,611	1,742,356	1,607,102	1,471,847
Site 7	Green 10	Cotswold	50,000	400,000	2,663,722	2,523,387	2,383,052	2,242,717	2,102,381	1,962,046	1,821,711	1,681,376	1,541,040
Site 8	Green 6	Cotswold	50,000	400,000	3,251,954	3,078,569	2,905,183	2,731,798	2,558,413	2,385,027	2,211,642	2,038,257	1,864,871
Site 9	Green 3	Cotswold	50,000	400,000	2,662,492	2,518,247	2,374,003	2,229,759	2,085,514	1,940,172	1,791,746	1,643,321	1,494,896
Site 12	Brown 40	Cotswold	650,000	780,000	2,309,280	2,161,547	2,013,814	1,866,082	1,718,349	1,570,616	1,422,883	1,275,150	1,127,417
Site 13	Brown 20	Cotswold	650,000	780,000	2,758,666	2,598,330	2,437,994	2,277,658	2,117,322	1,956,986	1,796,650	1,636,314	1,475,978
Site 15	Brown 10	Cotswold	650,000	780,000	2,670,898	2,521,949	2,372,999	2,224,050	2,075,100	1,926,151	1,777,201	1,628,252	1,479,302
Site 17	Brown 6	Cotswold	650,000	780,000	3,747,916	3,543,038	3,338,159	3,133,281	2,928,403	2,723,524	2,518,646	2,313,767	2,108,889
Site 19	Brown 3	Cotswold	650,000	780,000	3,031,150	2,856,160	2,681,169	2,506,179	2,331,188	2,156,197	1,981,207	1,804,368	1,625,929

			EUV	BLV									
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 1	Green 400	West	25,000	375,000	1,349,150	1,268,621	1,188,093	1,107,565	1,027,036	946,508	865,979	785,074	703,379
Site 2	Green 250	West	25,000	375,000	1,558,723	1,465,737	1,372,750	1,279,763	1,186,776	1,093,790	1,000,803	907,816	814,830
Site 3	Green 100	West	25,000	375,000	1,517,764	1,420,350	1,322,936	1,225,522	1,128,108	1,030,693	933,279	835,865	738,451
Site 4	Green 60	West	25,000	375,000	1,535,242	1,436,360	1,337,478	1,238,596	1,139,715	1,040,833	941,951	843,069	744,187
Site 5	Green 40	West	25,000	375,000	1,558,395	1,458,700	1,359,004	1,259,309	1,159,613	1,059,917	960,222	860,526	760,831
Site 6	Green 20	West	25,000	375,000	1,708,974	1,609,702	1,510,430	1,411,158	1,311,886	1,212,614	1,113,342	1,014,071	914,799
Site 7	Green 10	West	50,000	400,000	2,009,942	1,898,071	1,786,199	1,674,327	1,562,456	1,450,584	1,338,713	1,226,841	1,114,970
Site 8	Green 6	West	50,000	400,000	2,449,254	2,309,890	2,170,526	2,031,162	1,891,798	1,752,434	1,613,070	1,473,706	1,334,342
Site 15	Brown 10	West	650,000	780,000	779,365	708,420	637,475	566,530	495,374	423,031	350,688	278,345	206,002
Site 17	Brown 6	West	650,000	780,000	1,144,177	1,045,645	945,627	845,609	745,590	645,572	545,554	445,536	345,517
Site 19	Brown 3	West	650,000	780,000	912,202	815,847	719,492	623,136	526,781	430,425	334,070	237,714	141,359

Source: HDH (October 2020)

Table 10.4b Residual Value v BLV. Varied Affordable Housing

Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness and Strategic Sites

			EUV	BLV									
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 10	Brown 100	Stroud Valleys	650,000	780,000	600,712	526,571	452,430	378,289	304,148	230,007	155,866	81,648	4,466
Site 11	Brown 60	Stroud Valleys	650,000	780,000	603,769	528,474	453,179	377,883	302,588	227,293	151,998	74,662	-4,343
Site 12	Brown 40	Stroud Valleys	650,000	780,000	569,914	495,780	421,647	347,513	273,380	198,907	122,547	44,761	-33,024
Site 13	Brown 20	Stroud Valleys	650,000	780,000	924,295	842,081	759,866	677,652	595,438	513,224	431,010	346,677	262,080
Site 14	Brown 20 HD	Stroud Valleys	650,000	780,000	-62,665	-134,069	-205,473	-278,239	-351,993	-425,748	-499,502	-573,256	-647,011
Site 15	Brown 10	Stroud Valleys	650,000	780,000	1,003,500	925,141	846,782	766,239	685,609	604,979	524,349	442,486	360,267
Site 16	Brown 10 HD	Stroud Valleys	650,000	780,000	-70,152	-141,911	-213,670	-286,864	-360,996	-435,129	-509,262	-583,394	-657,527
Site 17	Brown 6	Stroud Valleys	650,000	780,000	1,457,206	1,345,858	1,234,510	1,123,162	1,010,692	897,150	783,608	670,066	556,523
Site 18	Brown 6 HD	Stroud Valleys	650,000	780,000	99,498	9,226	-81,047	-171,320	-261,593	-353,746	-447,004	-540,263	-633,521
Site 19	Brown 3	Stroud Valleys	650,000	780,000	1,164,113	1,058,100	952,088	846,076	740,063	634,051	528,039	422,026	316,014
Site 20	PRS 20	Stroud Valleys	650,000	780,000	937,929	868,424	798,920	729,416	659,911	590,407	520,902	451,398	381,894
Site 21	PRS 20 HD	Stroud Valleys	650,000	780,000	131,666	64,820	-2,027	-68,874	-135,720	-202,567	-271,477	-340,525	-409,572

			EUV	BLV									
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 1	PS24 West of Draycott	Cam NW	25,000	375,000	749,209	692,550	635,891	579,232	522,573	465,913	409,254	352,595	295,936
Site 2	PS25 East of River Cam	Cam NE Extension	25,000	375,000	731,478	669,063	606,648	544,233	481,818	419,404	356,989	294,574	232,159
Site 3	G1 South of Hardwicke	S of Hardwicke	25,000	375,000	1,082,106	1,011,624	941,143	870,661	800,180	729,698	658,467	586,874	515,280
Site 4	PS30 Hunts Grove Extension	Hunts Grove	25,000	375,000	909,946	849,695	789,444	729,193	668,943	608,692	548,441	488,104	426,745
Site 5	PS34 Sharpness Docks	Sharpness	650,000	780,000	435,780	389,781	343,783	296,965	249,857	202,748	155,639	107,485	58,883
Site 6	PS36 New settlement at Sharpness	Sharpness	25,000	375,000	1,174,248	1,105,243	1,036,237	967,231	898,226	829,220	759,545	689,760	619,976
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	25,000	375,000	1,091,848	1,023,681	955,513	887,346	818,625	749,569	680,513	611,457	542,401
Site 8	PS37 New settlement at Wisloe	Wisloe	25,000	375,000	1,163,672	1,098,382	1,033,093	967,804	902,515	837,226	771,461	705,421	639,381
Site 9	G2 Land at Whaddon	Whaddon	25,000	375,000	758,655	706,992	655,329	603,665	552,002	500,339	448,676	396,234	343,749
Site 10	## Grove End Farm	Whitminster	25,000	375,000	966,843	906,275	845,707	785,138	724,570	664,002	603,433	542,575	481,130

Source: HDH (May 2021)

10.22 When considering only affordable housing, on average, across all the typologies, a 10% increase in affordable housing results in a fall in the Residual Value of about £220,000/ha, meaning that each 10% of affordable housing reduces the amount a developer can pay a landowner for a parcel of land by about £220,000ha. The figures do vary across the typologies, with the effect being greater on brownfield sites (due to the higher density). On average, a 30% affordable housing requirement reduces the Residual Value by about £600,000/ha or so.

Developer Contributions

10.23 After affordable housing, the greatest policy cost to the developer is that of developer contributions. These can be paid as CIL or through the s106 regime. A set of appraisals has been run with developer contributions of up to £40,000/ha. No distinction is made as to whether it is paid as CIL or under s106. No other policy costs are allowed for.

Table 10.5a Residual Value v BLV. Varied Developer Contributions

Gloucester Fringe and Cotswolds, Rural West

			EUV	BLV											
		Developer Contribution - £/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**	**£35,000**	**£40,000**	**£45,000**	**£50,000**
Site 1	Green 400	Glouc Fringe & NW	25,000	375,000	1,024,121	931,962	837,845	743,727	649,610	555,492	461,375	366,475	269,471	172,466	75,462
Site 2	Green 250	Glouc Fringe & NW	25,000	375,000	1,182,982	1,077,196	971,411	865,625	759,840	651,834	543,126	434,419	325,711	217,003	108,295
Site 3	Green 100	Cotswold	25,000	375,000	2,374,408	2,255,482	2,136,556	2,017,630	1,898,705	1,779,779	1,660,853	1,541,927	1,423,001	1,304,075	1,185,149
Site 4	Green 60	Cotswold	25,000	375,000	2,402,400	2,280,956	2,159,511	2,038,067	1,916,623	1,795,179	1,673,734	1,552,290	1,430,846	1,309,402	1,187,958
Site 5	Green 40	Cotswold	25,000	375,000	2,448,474	2,326,022	2,203,571	2,081,119	1,958,668	1,836,216	1,713,765	1,591,313	1,468,862	1,346,410	1,223,958
Site 6	Green 20	Cotswold	25,000	375,000	2,553,885	2,436,474	2,319,062	2,201,651	2,084,239	1,966,828	1,849,416	1,732,005	1,614,594	1,497,182	1,379,771
Site 7	Green 10	Cotswold	50,000	400,000	2,663,722	2,544,583	2,425,444	2,306,304	2,187,165	2,068,026	1,948,886	1,829,747	1,710,608	1,591,468	1,472,329
Site 8	Green 6	Cotswold	50,000	400,000	3,251,954	3,114,633	2,977,312	2,839,992	2,702,671	2,565,350	2,428,029	2,290,709	2,153,388	2,016,067	1,878,746
Site 9	Green 3	Cotswold	50,000	400,000	2,662,492	2,548,058	2,433,624	2,319,190	2,204,756	2,090,322	1,975,793	1,858,042	1,740,291	1,622,540	1,504,789
Site 12	Brown 40	Cotswold	650,000	780,000	2,309,280	2,147,837	1,986,394	1,824,952	1,663,509	1,502,066	1,340,623	1,179,180	1,017,737	856,295	694,852
Site 13	Brown 20	Cotswold	650,000	780,000	2,758,666	2,597,223	2,435,780	2,274,337	2,112,895	1,951,452	1,790,009	1,628,566	1,467,123	1,305,681	1,144,238
Site 15	Brown 10	Cotswold	650,000	780,000	2,670,898	2,507,080	2,343,261	2,179,442	2,015,623	1,851,805	1,687,986	1,524,167	1,360,349	1,196,530	1,032,711
Site 17	Brown 6	Cotswold	650,000	780,000	3,747,916	3,541,935	3,335,954	3,129,973	2,923,991	2,718,010	2,512,029	2,306,048	2,100,067	1,894,086	1,685,405
Site 19	Brown 3	Cotswold	650,000	780,000	3,031,150	2,842,749	2,654,347	2,465,946	2,277,545	2,089,143	1,900,742	1,708,643	1,516,529	1,324,415	1,132,301

			EUV	BLV											
		Developer Contribution - £/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**	**£35,000**	**£40,000**	**£45,000**	**£50,000**
Site 1	Green 400	West	25,000	375,000	1,349,150	1,257,140	1,165,131	1,073,121	980,467	886,350	792,232	698,115	603,997	509,879	415,556
Site 2	Green 250	West	25,000	375,000	1,558,723	1,452,938	1,347,152	1,241,367	1,135,582	1,029,796	924,011	818,225	710,303	601,595	492,888
Site 3	Green 100	West	25,000	375,000	1,517,764	1,398,838	1,279,912	1,160,986	1,042,060	923,135	804,209	685,283	566,357	447,431	328,505
Site 4	Green 60	West	25,000	375,000	1,535,242	1,413,798	1,292,353	1,170,909	1,049,465	928,021	806,577	685,132	563,688	442,244	320,800
Site 5	Green 40	West	25,000	375,000	1,558,395	1,435,944	1,313,492	1,191,040	1,068,589	946,137	823,686	701,234	578,783	456,331	333,880
Site 6	Green 20	West	25,000	375,000	1,708,974	1,591,562	1,474,151	1,356,739	1,239,328	1,121,916	1,004,505	887,093	769,682	652,271	534,859
Site 7	Green 10	West	50,000	400,000	2,009,942	1,890,803	1,771,664	1,652,524	1,533,385	1,414,245	1,295,106	1,175,967	1,056,827	937,688	818,549
Site 8	Green 6	West	50,000	400,000	2,449,254	2,311,933	2,174,612	2,037,292	1,899,971	1,762,650	1,625,329	1,488,009	1,350,688	1,213,367	1,072,816
Site 9	Green 3	West	50,000	400,000	2,019,374	1,902,788	1,785,037	1,667,286	1,549,535	1,431,785	1,314,034	1,196,283	1,076,385	956,314	836,242
Site 15	Brown 10	West	650,000	780,000	779,365	610,798	440,969	269,080	97,192	-74,697	-246,586	-422,291	-599,566	-776,842	-954,117
Site 17	Brown 6	West	650,000	780,000	1,144,177	929,535	713,407	497,279	281,151	65,023	-151,105	-367,233	-588,874	-811,773	-1,034,672
Site 19	Brown 3	West	650,000	780,000	912,202	720,089	527,975	335,861	143,747	-48,366	-240,480	-436,014	-634,146	-832,278	-1,030,411

Source: HDH (October 2020)

Table 10.5b Residual Value v BLV. Developer Contributions

Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness and Strategic Sites

			EUV	BLV											
		Developer Contribution - £/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**	**£35,000**	**£40,000**	**£45,000**	**£50,000**
Site 10	Brown 100	Stroud Valleys	650,000	780,000	600,712	443,917	287,123	130,328	-31,261	-195,780	-361,031	-530,695	-700,358	-870,022	-1,039,685
Site 11	Brown 60	Stroud Valleys	650,000	780,000	603,769	443,812	283,854	123,411	-43,657	-211,494	-380,651	-553,742	-726,833	-899,924	-1,073,015
Site 12	Brown 40	Stroud Valleys	650,000	780,000	569,914	408,471	247,028	81,073	-88,323	-257,719	-430,325	-605,026	-779,726	-954,427	-1,129,128
Site 13	Brown 20	Stroud Valleys	650,000	780,000	924,295	762,852	601,409	439,966	274,368	105,391	-64,005	-233,401	-404,717	-579,417	-754,118
Site 14	Brown 20 HD	Stroud Valleys	650,000	780,000	-62,665	-275,163	-493,351	-711,538	-929,725	-1,147,913	-1,366,100	-1,584,287	-1,804,481	-2,025,361	-2,246,240
Site 15	Brown 10	Stroud Valleys	650,000	780,000	1,003,500	839,562	670,995	502,352	330,463	158,575	-13,314	-185,203	-358,652	-535,927	-713,202
Site 16	Brown 10 HD	Stroud Valleys	650,000	780,000	-70,152	-284,263	-504,060	-723,858	-943,655	-1,163,452	-1,383,250	-1,603,047	-1,822,845	-2,042,642	-2,262,439
Site 17	Brown 6	Stroud Valleys	650,000	780,000	1,457,206	1,245,254	1,032,604	816,476	600,348	384,220	168,092	-48,036	-264,164	-482,118	-705,017
Site 18	Brown 6 HD	Stroud Valleys	650,000	780,000	99,498	-166,598	-436,326	-710,761	-985,197	-1,259,632	-1,534,067	-1,808,503	-2,082,938	-2,360,153	-2,637,974
Site 19	Brown 3	Stroud Valleys	650,000	780,000	1,164,113	971,999	779,885	587,771	395,658	203,544	11,430	-180,684	-373,982	-572,115	-770,247
Site 20	PRS 20	Stroud Valleys	650,000	780,000	937,929	804,977	672,025	539,073	406,122	271,017	132,748	-6,753	-146,254	-286,773	-430,643
Site 21	PRS 20 HD	Stroud Valleys	650,000	780,000	131,666	-54,160	-240,492	-432,142	-623,791	-815,441	-1,007,091	-1,198,740	-1,390,390	-1,582,958	-1,776,972

			EUV	BLV											
		Developer Contribution - £/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**	**£35,000**	**£40,000**	**£45,000**	**£50,000**
Site 1	PS24 West of Draycott	Cam NW	25,000	375,000	749,209	652,514	459,122	362,426	265,731	167,008	167,008	67,002	-34,891	-139,823	-248,880
Site 2	PS25 East of River Cam	Cam NE Extension	25,000	375,000	731,478	618,457	392,415	279,394	166,373	53,352	53,352	-64,072	-182,660	-302,599	-424,888
Site 3	G1 South of Hardwicke	S of Hardwicke	25,000	375,000	1,082,106	985,016	789,834	690,435	591,037	491,638	491,638	390,726	288,399	186,072	81,286
Site 4	PS30 Hunts Grove Extension	Hunts Grove	25,000	375,000	909,946	825,882	657,755	572,637	486,391	400,146	400,146	313,900	227,655	141,369	52,097
Site 5	PS34 Sharpness Docks	Sharpness	650,000	780,000	435,780	342,718	150,888	51,950	-50,075	-158,203	-158,203	-266,736	-380,277	-495,538	-615,814
Site 6	PS36 New settlement at Sharpness	Sharpness	25,000	375,000	1,174,248	1,094,240	933,638	852,099	770,561	689,023	689,023	606,415	523,003	439,591	354,738
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	25,000	375,000	1,091,848	1,005,671	830,664	742,602	654,540	566,478	566,478	478,417	388,084	297,513	206,942
Site 8	PS37 New settlement at Wisloe	Wisloe	25,000	375,000	1,163,672	1,084,252	924,673	843,663	762,653	681,644	681,644	600,634	519,031	435,956	352,881
Site 9	G2 Land at Whaddon	Whaddon	25,000	375,000	758,655	685,089	537,934	462,703	387,472	312,128	312,128	234,876	157,624	78,566	-1,238
Site 10	## Grove End Farm	Whitminster	25,000	375,000	966,843	891,006	739,332	662,744	585,258	507,772	507,772	430,042	350,543	271,044	190,235

Source: HDH (October 2020, May 2021)

10.24 When considering only developer contributions, on average, across all the typologies, a £10,000/unit increase in affordable housing results in a fall in the Residual Value of a about £300,000/ha, meaning that each £10,000/unit of developer reduces the amount a developer can pay a landowner for a parcel of land by about £300,000ha. The figures do vary across the typologies, with the effect being greater on brownfield sites (due to the higher density).

Individual Policies

10.25 The appraisals have been run without any policy requirement and then with each of the individual policy requirements. The difference between the results are set out below, expressed as £/ha, being an indication of the amount that each policy, when treated in isolation, would impact on the maximum price a developer could pay a landowner.

Table 10.6a Cost of Individual Policy Requirements (£/ha)

Gloucester Fringe and Cotswolds				
		Greenfield	Brownfield	All
Water		275	398	319
Future Homes Standard	Option 1	75,014	105,702	85,974
	Option 2	116,280	163,838	133,265
	Option 2 Plus	338,003	475,660	387,166
Accessible and Adaptable	50% PtM4 2	8,240	11,952	9,566
	100% PtM42	16,479	23,905	19,131
	90% M4 2 / 10% M4 3	48,064	69,722	55,799
Biodiversity Net Gain		24,755	34,882	28,371
EV Charging		27,465	39,841	31,885
District Heating		137,376	199,205	159,458
Current CIL		255,096	350,537	289,182
Rural West				
		Greenfield	Brownfield	All
Water		275	422	311
Future Homes Standard	Option 1	75,130	110,519	83,977
	Option 2	116,523	171,576	130,287
	Option 2 Plus	338,540	500,110	378,933
Accessible and Adaptable	50% PtM4 2	8,240	12,655	9,343
	100% PtM42	16,479	25,309	18,687
	90% M4 2 / 10% M4 3	48,092	73,897	54,543
Biodiversity Net Gain		24,755	36,353	27,654
EV Charging		27,465	42,182	31,144
District Heating		137,646	212,055	156,249
Current CIL		255,798	373,391	285,196

Source: HDH (October 2020) BNG : Biodiversity Net Gain, CIL : Community Infrastructure Levy, FHS : Future Homes Standard, M4 2 : Accessible and Adaptable, M4 3 : Wheelchair Adaptable, EV : Electric Vehicle Charging

Table 10.6b Cost of Individual Policy Requirements (£/ha)				
Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness				
		Greenfield	Brownfield	All
Water			358	358
Future Homes Standard	Option 1		101,110	101,110
	Option 2		156,721	156,721
	Option 2 Plus		457,934	457,934
Accessible and Adaptable	50% PtM4 2		10,726	10,726
	100% PtM42		21,453	21,453
	90% M4 2 / 10% M4 3		62,571	62,571
Biodiversity Net Gain			33,366	33,366
EV Charging			35,755	35,755
District Heating			178,816	178,816
Current CIL			0	0
Strategic Sites				
				All
Water				96
Future Homes Standard	Option 1			26,293
	Option 2			40,771
	Option 2 Plus			118,791
Accessible and Adaptable	50% PtM4 2			2,883
	100% PtM42			5,765
	90% M4 2 / 10% M4 3			16,815
Biodiversity Net Gain				8,677
EV Charging				9,609
District Heating				76,391
Current CIL				102,076

Source: HDH (October 2020, May 2021) BNG : Biodiversity Net Gain, CIL : Community Infrastructure Levy, FHS : Future Homes Standard, M4 2 : Accessible and Adaptable, M4 3 : Wheelchair Adaptable, EV : Electric Vehicle Charging

10.26 The cost of the individual policy requirements varies between the greenfield and the brownfield sites, largely because of the density assumptions, the brownfield sites being modelled at higher densities.

10.27 Higher environmental standards also add to the costs of development. Seeking 10% Biodiversity Net Gain (in line with the Government's proposals) increases the costs of development by about £30,000/ha. The cost of the Future Homes Standard is notably more with Option 1 (20% CO_2 saving) costing about £85,000/ha and Option 2 (31% CO_2 saving) adding 50% or so to this, increasing the cost to about £130,000/ha. The costs of brownfield sites (where densities are higher) is somewhat higher than on greenfield sites. Adding the Council's proposed additional environmental standards adds about £250,000/ha to the costs, bringing the costs of the additional environmental standards to over £380,000/ha.

10.28 We take this opportunity to comment about the cost of EV charging points. Whilst the costs of these, when considered in isolation is relatively modest at about £30,000/ha, this is an area where there is not industry standardisation (Audi cannot use a Tesla point etc), so we would suggest that rather than requiring developers to install charging points, a more pragmatic approach would be to require a 33amp fused spur to be provided to a convenient point for the householder to install the appropriate unit in due course. The cost of this would be very modest.

10.29 District Heating has been modelled on the basis of a cost of £5,000/unit and on this basis the costs is likely to be about £160,000/ha. The additional costs of seeking District Heating schemes will vary considerable from site to site, depending on the heat source utilised. As set out in Chapter 8 above, there are few published costs of District Heating schemes in modern estate housing. There are savings to be made from not installing gas and boilers in each unit, but these are more than offset by the costs of laying the heat pipes through the site, heat metering etc. Informal discussions with suppliers suggest that the additional costs may be in the range of £3,000 to £7,000 per unit, which is supported by the limited published data[267], depending on the size and shape of the project.

10.30 The cost of the increased water standard is very modest and unlikely to have an impact on viability.

10.31 The costs of the Accessible and Adaptable Standards (Part M4 (2)) is generally about £20,000/ha when applied at all the new homes. The introduction of 10% Wheelchair Adaptable Standards (Part M4 (3)), when combined with the remainder being Accessible and Adaptable, results in the cost increasing by about £35,000/ha to about £55,000/ha.

10.32 The above analysis considers the policy requirements separately. The reality is that the Council must balance its requirements to address a range of policy objectives.

Cumulative Cost of Policies

10.33 The appraisals have been run without any policy requirement and have then been run, adding in the individual policy requirements cumulatively. The difference between the results are set out below, expressed as £/ha, being an indication of the amount that each combination of policies would impact on the maximum price a developer could pay a landowner. It is important to note that the policy requirements have been added by HDH rather in the particular policy priority of the Council.

[267] There are few published costs in this regard, *Assessment of the Costs, Performance, and Characteristics of UK Heat Networks* (DoE&CC, 2015) provides useful guidance for infrastructure to distribute heat, but not generation.

Table 10.7a Cumulative Cost of Individual Policy Requirements (£/ha)

Gloucester Fringe and Cotswolds			
	Greenfield	Brownfield	All
Water	275	398	319
Water, BNG	25,029	35,280	28,690
Water, BNG, CIL	280,126	385,817	317,873
Water, BNG, CIL, FHS 1	355,252	491,519	403,919
Water, BNG, CIL, FHS 2	396,590	549,656	451,256
Water, BNG, CIL, FHS 2, 50% M4 2	404,845	561,608	460,832
Water, BNG, CIL, FHS 2, 100% M4 2	413,101	573,560	470,408
Water, BNG, CIL, FHS 2, 90% M4 2 - 10% M4 3	444,665	619,258	507,019
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3	666,648	931,080	761,088
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging	694,308	970,921	793,099
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging, District Heating	832,725	1,170,189	953,248
Rural West			
	Greenfield	Brownfield	All
Water	275	422	311
Water, BNG	25,029	36,775	27,966
Water, BNG, CIL	280,909	410,661	313,347
Water, BNG, CIL, FHS 1	356,169	522,305	397,703
Water, BNG, CIL, FHS 2	397,562	583,710	444,099
Water, BNG, CIL, FHS 2, 50% M4 2	405,828	596,535	453,505
Water, BNG, CIL, FHS 2, 100% M4 2	414,095	609,360	462,911
Water, BNG, CIL, FHS 2, 90% M4 2 - 10% M4 3	445,701	658,394	498,874
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3	667,788	987,744	747,777
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging	695,397	1,030,494	779,171
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging, District Heating	833,517	1,244,271	936,206

Source: HDH (October 2020). BNG : Biodiversity Net Gain, CIL : Community Infrastructure Levy, FHS : Future Homes Standard, M4 2 : Accessible and Adaptable, M4 3 : Wheelchair Adaptable, EV : Electric Vehicle Charging

Table 10.7b Cumulative Cost of Individual Policy Requirements (£/ha)			
Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness			
	Greenfield	Brownfield	All
Water		358	358
Water, BNG		33,724	33,724
Water, BNG, CIL		33,724	33,724
Water, BNG, CIL, FHS 1		134,834	134,834
Water, BNG, CIL, FHS 2		190,497	190,497
Water, BNG, CIL, FHS 2, 50% M4 2		201,290	201,290
Water, BNG, CIL, FHS 2, 100% M4 2		212,089	212,089
Water, BNG, CIL, FHS 2, 90% M4 2 - 10% M4 3		253,376	253,376
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3		556,577	556,577
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging		593,440	593,440
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging, District Heating		777,998	777,998
Strategic Sites			
	Greenfield	Brownfield	All
Water			202
Water, BNG			18,423
Water, BNG, CIL			18,423
Water, BNG, CIL, FHS 1			73,638
Water, BNG, CIL, FHS 2			104,104
Water, BNG, CIL, FHS 2, 50% M4 2			110,177
Water, BNG, CIL, FHS 2, 100% M4 2			116,251
Water, BNG, CIL, FHS 2, 90% M4 2 - 10% M4 3			139,534
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3			304,106
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging			324,685
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging, District Heating			428,101

Source: HDH (October 2020, May 2021) BNG : Biodiversity Net Gain, CIL : Community Infrastructure Levy, FHS : Future Homes Standard, M4 2 : Accessible and Adaptable, M4 3 : Wheelchair Adaptable, EV : Electric Vehicle Charging

10.34 The analysis shows that whilst the cost of some requirements is modest when treated in isolation, when added together the costs add up and are likely to add to the costs of development by about £850,000/ha on greenfield sites and by over £1,000,000/ha on brownfield sites. This impacts directly on the amount developers can bid for the land and still make an adequate return.

10.35 The appraisal results are set out below showing the effect of the above policy requirements on viability. This analysis does not make allowance for affordable housing nor developer contributions.

Table 10.8a Residual Value v BLV. Varied Cumulative Cost of Individual Policy Requirements

Gloucester Fringe and Cotswolds and Rural West

			EUV	BLV												
		Water				Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Future Homes Standard							Option 1	Option 2	Option 2	Option 2	Option 2	Option 2 Plus	Option 2 Plus	Option 2 Plus
		Accessible and Adaptable									50% PtM4 2	100% PtM42	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3
		Biodiversity Net Gain					10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
		EV Charging													Yes	Yes
		District Heating														Yes
		Current CIL						Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Site 1	Green 400	Glouc Fringe & NW	25,000	375,000	1,024,121	1,023,911	1,004,935	795,983	737,472	705,122	698,674	692,226	667,574	494,060	472,567	365,103
Site 2	Green 250	Glouc Fringe & NW	25,000	375,000	1,182,982	1,182,738	1,160,797	931,712	865,222	828,652	821,359	814,066	786,181	587,687	562,705	437,793
Site 3	Green 100	Cotswold	25,000	375,000	2,374,408	2,374,135	2,349,493	2,097,936	2,023,263	1,982,193	1,973,995	1,965,797	1,934,455	1,714,169	1,686,843	1,550,215
Site 4	Green 60	Cotswold	25,000	375,000	2,402,400	2,402,123	2,377,176	2,123,794	2,048,200	2,006,622	1,998,305	1,989,987	1,958,186	1,735,181	1,707,455	1,568,827
Site 5	Green 40	Cotswold	25,000	375,000	2,448,474	2,448,189	2,422,478	2,161,228	2,083,316	2,040,464	2,031,920	2,023,376	1,990,711	1,760,868	1,732,389	1,589,993
Site 6	Green 20	Cotswold	25,000	375,000	2,553,885	2,553,615	2,529,441	2,278,203	2,204,949	2,164,659	2,156,549	2,148,439	2,117,431	1,901,331	1,874,297	1,739,127
Site 7	Green 10	Cotswold	50,000	400,000	2,663,722	2,663,438	2,637,871	2,377,304	2,299,827	2,257,215	2,248,680	2,240,145	2,207,512	1,978,956	1,950,505	1,808,253
Site 8	Green 6	Cotswold	50,000	400,000	3,251,954	3,251,605	3,219,996	2,898,076	2,802,290	2,749,608	2,739,141	2,728,673	2,688,650	2,406,083	2,371,190	2,196,724
Site 9	Green 3	Cotswold	50,000	400,000	2,662,492	2,662,212	2,636,989	2,379,068	2,302,633	2,260,594	2,252,207	2,243,820	2,211,754	1,986,271	1,957,710	1,813,877
Site 12	Brown 40	Cotswold	650,000	780,000	2,309,280	2,308,911	2,275,616	1,952,282	1,851,388	1,795,896	1,784,818	1,773,740	1,731,387	1,433,748	1,396,822	1,212,195
Site 13	Brown 20	Cotswold	650,000	780,000	2,758,666	2,758,276	2,723,454	2,377,998	2,272,476	2,214,439	2,202,756	2,191,073	2,146,407	1,835,116	1,796,173	1,601,462
Site 15	Brown 10	Cotswold	650,000	780,000	2,670,898	2,670,544	2,639,770	2,329,648	2,236,394	2,185,105	2,174,463	2,163,821	2,123,132	1,848,035	1,812,561	1,635,192
Site 17	Brown 6	Cotswold	650,000	780,000	3,747,916	3,747,431	3,705,724	3,278,715	3,152,330	3,082,818	3,068,272	3,053,725	2,998,110	2,625,274	2,576,786	2,334,346
Site 19	Brown 3	Cotswold	650,000	780,000	3,031,150	3,030,757	2,996,946	2,650,182	2,547,726	2,491,375	2,479,562	2,467,750	2,422,585	2,120,340	2,080,964	1,883,771

			EUV	BLV												
		Water				Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Future Homes Standard							Option 1	Option 2	Option 2	Option 2	Option 2	Option 2 Plus	Option 2 Plus	Option 2 Plus
		Accessible and Adaptable									50% PtM4 2	100% PtM42	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3
		Biodiversity Net Gain					10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
		EV Charging													Yes	Yes
		District Heating														Yes
		Current CIL						Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Site 1	Green 400	West	25,000	375,000	1,349,150	1,348,940	1,329,964	1,121,013	1,063,512	1,031,886	1,025,583	1,019,279	995,179	824,917	803,425	695,961
Site 2	Green 250	West	25,000	375,000	1,558,723	1,558,480	1,536,538	1,307,454	1,240,964	1,204,394	1,197,101	1,189,808	1,161,923	965,777	941,466	819,912
Site 3	Green 100	West	25,000	375,000	1,517,764	1,517,491	1,492,849	1,241,292	1,166,619	1,125,548	1,117,351	1,109,153	1,077,811	857,525	830,199	693,571
Site 4	Green 60	West	25,000	375,000	1,535,242	1,534,965	1,510,018	1,256,637	1,181,042	1,139,465	1,131,147	1,122,829	1,091,028	868,023	840,297	701,669
Site 5	Green 40	West	25,000	375,000	1,558,395	1,558,110	1,532,399	1,271,150	1,193,237	1,150,385	1,141,841	1,133,297	1,100,632	870,790	842,310	699,915
Site 6	Green 20	West	25,000	375,000	1,708,974	1,708,703	1,684,529	1,433,292	1,360,038	1,319,748	1,311,638	1,303,528	1,272,520	1,056,420	1,029,386	894,216
Site 7	Green 10	West	50,000	400,000	2,009,942	2,009,658	1,984,090	1,723,524	1,646,047	1,603,435	1,594,900	1,586,365	1,553,732	1,325,175	1,296,725	1,154,473
Site 8	Green 6	West	50,000	400,000	2,449,254	2,448,905	2,417,296	2,095,376	1,999,591	1,946,909	1,936,441	1,925,973	1,885,950	1,603,383	1,568,490	1,394,024
Site 9	Green 3	West	50,000	400,000	2,019,374	2,019,094	1,993,870	1,728,900	1,650,250	1,606,992	1,598,362	1,589,732	1,556,737	1,324,717	1,295,951	1,151,421
Site 15	Brown 10	West	650,000	780,000	779,365	779,000	747,334	426,685	328,838	275,022	263,856	252,689	209,996	-78,652	-115,874	-302,062
Site 17	Brown 6	West	650,000	780,000	1,144,177	1,143,678	1,100,762	653,349	520,738	447,802	432,539	417,276	358,921	-32,281	-83,158	-337,540
Site 19	Brown 3	West	650,000	780,000	912,202	911,801	877,324	523,727	419,252	361,791	349,746	337,700	291,646	-16,555	-56,707	-257,466

Source: HDH (October 2020)

Table 10.8b Residual Value v BLV. Varied Cumulative Cost of Individual Policy Requirements

Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness, Strategic Sites

			EUV	BLV												
		Water				Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Future Homes Standard							Option 1	Option 2	Option 2	Option 2	Option 2	Option 2 Plus	Option 2 Plus	Option 2 Plus
		Accessible and Adaptable									50% PtM4 2	100% PtM42	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3
		Biodiversity Net Gain					10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
		EV Charging													Yes	Yes
		District Heating														Yes
		Current CIL						Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Site 10	Brown 100	Stroud Valleys	650,000	780,000	600,712	600,335	566,291	566,291	463,128	406,389	395,066	383,744	340,453	34,412	-5,190	-203,197
Site 11	Brown 60	Stroud Valleys	650,000	780,000	603,769	603,387	568,956	568,956	464,623	407,239	395,762	384,285	340,403	28,406	-11,736	-212,445
Site 12	Brown 40	Stroud Valleys	650,000	780,000	569,914	569,545	536,249	536,249	435,355	379,863	368,785	357,707	315,354	9,859	-28,886	-222,608
Site 13	Brown 20	Stroud Valleys	650,000	780,000	924,295	923,905	889,083	889,083	783,561	725,523	713,841	702,158	657,491	344,006	303,935	100,633
Site 14	Brown 20 HD	Stroud Valleys	650,000	780,000	-62,665	-62,957	-94,349	-94,349	-189,476	-241,796	-250,772	-259,824	-294,431	-583,850	-614,022	-764,883
Site 15	Brown 10	Stroud Valleys	650,000	780,000	1,003,500	1,003,145	972,371	972,371	879,118	827,366	816,415	805,465	763,597	480,019	442,797	256,691
Site 16	Brown 10 HD	Stroud Valleys	650,000	780,000	-70,152	-70,457	-103,158	-103,158	-202,252	-256,918	-266,347	-275,777	-311,828	-613,321	-644,752	-801,907
Site 17	Brown 6	Stroud Valleys	650,000	780,000	1,457,206	1,456,707	1,413,791	1,413,791	1,283,743	1,212,216	1,197,248	1,182,280	1,125,052	734,960	684,084	429,701
Site 18	Brown 6 HD	Stroud Valleys	650,000	780,000	99,498	99,118	59,420	59,420	-60,877	-127,040	-138,456	-149,871	-193,517	-555,650	-594,894	-791,116
Site 19	Brown 3	Stroud Valleys	650,000	780,000	1,164,113	1,163,711	1,129,234	1,129,234	1,024,759	967,298	955,253	943,207	897,153	588,952	548,800	348,041
Site 20	PRS 20	Stroud Valleys	650,000	780,000	937,929	937,648	913,491	913,491	840,288	800,026	791,603	783,179	750,972	535,023	506,943	366,546
Site 21	PRS 20 HD	Stroud Valleys	650,000	780,000	131,666	131,408	103,717	103,717	19,804	-26,348	-34,090	-41,832	-71,432	-321,956	-348,571	-481,648

			EUV	BLV												
		Water				Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Future Homes Standard							Option 1	Option 2	Option 2	Option 2	Option 2	Option 2 Plus	Option 2 Plus	Option 2 Plus
		Accessible and Adaptable									50% PtM4 2	100% PtM42	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3	90% M4 2 / 10% M4 3
		Biodiversity Net Gain					10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
		EV Charging													Yes	Yes
		District Heating														Yes
		Current CIL						Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Site 1	PS24 West of Draycott	Cam NW	25,000	375,000	749,209	748,989	729,050	729,050	668,628	635,396	628,773	622,150	596,762	418,518	396,441	286,058
Site 2	PS25 East of River Cam	Cam NE Extension	25,000	375,000	731,478	731,219	707,827	707,827	636,944	597,959	590,182	582,406	552,596	343,492	317,570	187,963
Site 3	G1 South of Hardwicke	S of Hardwicke	25,000	375,000	1,082,106	1,081,884	1,061,848	1,061,848	1,001,133	967,739	961,083	954,427	928,911	747,822	725,106	611,528
Site 4	PS30 Hunts Grove Extension	Hunts Grove	25,000	375,000	909,946	909,753	892,389	892,389	839,769	810,828	805,058	799,289	777,171	621,943	602,409	503,751
Site 5	PS34 Sharpness Docks	Sharpness	650,000	780,000	435,780	435,558	415,526	415,526	354,822	320,461	313,603	306,745	280,457	93,278	69,614	-51,916
Site 6	PS36 New settlement at Sharpness	Sharpness	25,000	375,000	1,174,248	1,174,066	1,157,570	1,157,570	1,107,583	1,080,090	1,074,611	1,069,131	1,048,127	899,439	880,825	787,755
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	25,000	375,000	1,091,848	1,091,651	1,073,885	1,073,885	1,020,049	990,439	984,538	978,637	956,016	793,755	773,654	673,153
Site 8	PS37 New settlement at Wisloe	Wisloe	25,000	375,000	1,163,672	1,163,490	1,147,117	1,147,117	1,097,503	1,070,215	1,064,776	1,059,337	1,038,489	890,720	872,228	779,767
Site 9	G2 Land at Whaddon	Whaddon	25,000	375,000	758,655	758,487	743,320	743,320	697,361	672,083	667,045	662,007	642,695	506,395	489,222	403,357
Site 10	## Grove End Farm	Whitminster	25,000	375,000	966,843	966,670	951,025	951,025	903,614	877,539	872,342	867,144	847,221	707,361	689,863	601,358

Source: HDH (October 2020, May 2021)

10.36 The above suggests that the Council's full policy aspirations are unlikely to be deliverable in the lower value areas of the District.

Varied Tenure Mix

10.37 The base appraisals, at the start of this chapter, are based on the tenure mix, as informed by the Housing Market Assessment, of 33% Intermediate Housing and 67% Affordable Rent. This is somewhat different to the Council's current preferred 50% : 50% mix. Not only may this change over time (as the Housing Market Assessment is updated), but this is an area of changing national policy with current requirements for 10% Affordable Ownership (where the 10% is of all the housing) and 25% First Homes (where the 25% is of the affordable housing only).

10.38 Further sets of appraisals have been run with a range of levels of affordable housing and tenure mixes. These are included in **Appendix 11**.

10.39 Preferring Social Rent to Affordable Rent has a substantial impact on the Residual Value. With a 30% affordable housing requirement, where 30% of the affordable housing is Intermediate Housing, the Residual Value is about £200,000/ha less where the affordable housing for rent is provided as Social Rent rather than Affordable Rent.

10.40 The balance of Affordable Rent and Intermediate Housing is also important. A 10% increase in the amount of Intermediate Housing / 10% decrease in the amount of Affordable Rent results in an increase in the Residual Value of over £25,000/ha in the higher value areas, although the difference is less in the lower value areas.

10.41 When it comes to the decision-making process and determining planning applications, on sites where viability is challenging, it is recommended that consideration is given to adjusting the affordable housing mix as this can have a marked impact on the value of a site.

10% Affordable Home Ownership

10.42 As set out in Chapter 2 above, the 2019 NPPF (paragraph 64) sets out a policy for a minimum of 10% Affordable Home Ownership units on larger sites. This has been tested with a further set of appraisals. Further sets of appraisals has been run where the first 10% of the housing on the site is as intermediate housing. These are also included in **Appendix 11**.

10.43 The base appraisals are based on the Council's Housing Market Assessment has identified a tenure mix of 33% Intermediate Housing and 67% Affordable Rent. 10% Affordable Home Ownership is the equivalent to a 33% / 67% tenure split at 30% affordable housing, so is broadly in line with the Council's preferred mix. As would be expected, 10% Affordable Home Ownership does not materially impact on viability.

First Homes

10.44 In February 2020, the Government launched a consultation on First Homes. The Government's *Changes to the current planning system – Consultation on changes to planning* *policy and regulations* (MHCLG, August 2020) has provided some clarity in this regard. A further set of appraisals has been run at 20%, 25% and 30% affordable housing, where 25% of the affordable housing is as a First Home. In addition, the consequence of seeking First Homes to be delivered with a greater discount than the minimum 30% discount is tested. These are included in **Appendix 12**.

10.45 The consequence of seeking the First Homes to be sold at a greater discount than 30% is significant. Based on a 30% affordable housing target, each 10% increase in the discount (i.e. from 30% to 40% or 40% to 50%) results in a fall in the Residual Value of about £35,000/ha. The Council should be cautious in seeking affordable homes to be subject to a greater than 30% discount.

Affordable Housing v Developer Contributions

10.46 The core balance in a viability assessment is between the provision of affordable housing and the provision of developer contributions towards strategic infrastructure and mitigation measures that are required to make development acceptable. Two further sets of appraisals have been run with varied levels of developer contributions tested against varied affordable housing targets. Initially this was done with a higher level of policy requirements. As part of the iterative plan-making process, a set was then run with a lower level of policy requirements.

10.47 The appraisals with the lower policy requirements assume an altered tenure mix, reduced levels of accessible and adaptable housing and reduced environmental standards.

10.48 The results for full policy requirements are included in **Appendix 13** and for reduced policy requirements are included in **Appendix 14**.

10.49 Typically, the Residual Value is about £250,000/ha greater under the lower policy requirements than under the higher policy requirements, meaning a developer can pay the landowner £250,000/ha more for the land. In making the comments below, it is assumed that it is preferable (and more normal) to keep general policy requirements consistent across the area, rather than have different areas subject to differing environmental standards or similar.

Table 10.9 Affordable Housing v Developer Contributions

Effect of Policy Requirements

Higher Policy Requirements	Lower Policy Requirements
Affordable Housing Varied as shown (Intermediate Housing 33%, Affordable Rent 67%). Design 90% Accessible and Adaptable, 10% Wheelchair Accessible. NDSS / Water efficiency / Car Charging Points / 10% Biodiversity Net Gain / Future Homes Standard Option 2 plus additional Carbon Reduction. Developer Contributions CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2). s106 – typologies and strategic sites as varied.	Affordable Housing Varied as shown (Intermediate Housing 50%, Affordable Rent 50%). Design 67% Accessible and Adaptable, 8% Wheelchair Accessible. NDSS / Water efficiency / 10% Biodiversity Net Gain / Future Homes Standard Option 2. Developer Contributions CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2). s106 – typologies and strategic sites as varied.
Gloucester Fringe and Cotswold Area	
All the greenfield sites are able to bear at least 30% affordable housing and at least £25,000/unit in developer contributions, in addition to CIL. The brownfield sites that are likely to come forward in this area, being the smaller lower density schemes are able to bear 30% affordable housing and £5,000/unit in developer contributions, in addition to CIL. At 20% affordable housing brownfield development is likely to be able to bear £15,000/unit in developer contributions, in addition to CIL. The two larger sites modelled on the Gloucester Fringe have limited capacity to bear affordable housing, over and above CIL.	All the greenfield sites are able to bear at least 30% affordable housing and over £30,000/unit in developer contributions, in addition to CIL. The brownfield sites that are likely to come forward in this area, being the smaller lower density schemes are able to bear 30% affordable housing and £15,000/unit in developer contributions, in addition to CIL. The smaller of the two larger sites modelled on the Gloucester Fringe is viable at 30% affordable housing, but has limited capacity to bear Developer Contributions in addition to CIL. The larger of the two larger sites modelled on the Gloucester Fringe is viable at 25% affordable housing, but, similarly, has limited capacity to bear Developer contributions in addition. The capacity to bear developer contributions increases as the amount of affordable housing is reduced.
Rural West	
Whilst some greenfield typologies are viable at 30% not all are, having said this the majority of development in this area is likely to be on smaller sites which are shown as viable. There is limited capacity to bear CIL Developer contributions in addition to CIL, however developer contributions are not normally sought from smaller sites. All the greenfield typologies are shown as viable at 25% affordable housing. The Council should be cautious about allocating sites in this area.	At 30% affordable housing all the greenfield sites have capacity to bear 30% affordable housing and mat lease £10,000 per unit developer contributions in addition to the adopted rates of CIL. Brownfield sites are not shown as being viable in this area. The Council should be cautious about allocating brownfield sites in this area.

Higher Policy Requirements	Lower Policy Requirements
Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness	
Consistent with the findings of the Council's previous viability work, development in the Stroud Valleys does face viability challenges, particularly on the brownfield sites (which were zero rated for CIL in recognition of this). Brownfield sites are not shown as being viable in this area. The Council should be cautious about allocating sites in this area	Brownfield sites are not shown as being viable in this area. The Council should be cautious about allocating sites in this area

Source: HDH (October 2020)

Preferred Policy Mix and Sensitivity Testing

10.50 In the proceeding analysis the impact of the Council's policy options have been tested separately and cumulatively, and under various options, for example under different tenures. When considering what mix of policies to recommend, the following factors have been taken into account:

a. That it is preferable (and more normal) to keep general policy requirements consistent across the area, rather than have different areas subject to differing environmental standards or similar.

b. That infrastructure, including education, can be funded, at least in part, by CIL, so it is not necessary to make an allowance for the full, worst case scenario of developer contributions.

c. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now, it would be preferable to wait for the Government to set out its future plans.

d. That an important factor when setting policy is the distribution of potential development sites. In this regard, little development is planned in the lower value West area.

10.51 Having discussed these with the Council through the iterative viability testing process, a final set of appraisals has been run on the following assumptions.

a.	Affordable Housing	30% (Intermediate Housing 50%, Affordable Rent 50%).
b.	Design	67% Accessible and Adaptable / 8% Wheelchair Accessible
		NDSS, Water efficiency
		10% Biodiversity Net Gain
		Future Homes Standard Option 2.
c.	Developer Contributions	CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2).
		s106 – typologies as, £5,000/unit, Strategic Sites as estimated.

10.52 Relative to the adopted Local Plan, the above includes the following:

- A significant move towards reducing carbon emissions, adopting draft Future Homes Standard Option 2.
- The inclusion of accessible and adaptable standards and wheelchair adaptable standards on an element of the new homes to meet the needs identified through the Housing Market Assessment.
- 10% Biodiversity Net Gain in line with the requirements of the Environment Bill that is progressing through Parliament.
- Additional standards in relation to water use.

10.53 In addition to the above, the affordable housing mix has been changed to 50 / 50 Affordable Rent / Intermediate Housing, being in line with the Council's normal (and preferred) delivery mix. This has the effect of improving viability.

10.54 With a view to improving viability, the requirements do not include EV Charging Points, an allowance for District Heating, or higher environmental standards over and above the Future Homes Standard. A lowered proportion of homes being subject to accessible and adaptable standards and wheelchair adaptable standards is assumed, and it is also assumed that CIL is used to fund some of the strategic infrastructure and mitigation measures that are required.

10.55 Even on this basis, not all development is viable, particularly that on brownfield sites. In these cases, it is recommended that the Council accepts site specific viability assessments at the development management stage.

10.56 The infrastructure cost for the Strategic Sites (as set out Chapter 7 above) is about £20,000/unit. On these sites, viability is constrained, with none of them being able to deliver 30% affordable housing and £20,000/unit. As set out above, to a large extent these findings are to be expected at this stage of the plan-making process as the delivery of any large site is challenging, so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23) and the PPG.

10.57 The Council should only include brownfield sites and Strategic Sites in the Plan where it is demonstrated that they are actually deliverable.

10.58 The brief for this Local Plan Viability Assessment extends to making an assessment of the capacity of development to bear CIL. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now it would be preferable to wait for the Government to set out their future plans. It is however clear that if the Council were to seek higher rates of CIL then it would be necessary to consider lower levels of affordable housing. As set out above, at this stage we would suggest that the Council is cautious about proceeding with CIL, but reconsiders this as and when the Government's plans in this regard have been clarified.

10.59 A further set of appraisals has been run on this recommended basis. These are directly comparable to the results set out at the start of this chapter.

Table 10.10a Residential Typologies, – Residual Values

Gloucester Fringe and Cotswolds

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Green 400	Glouc Fringe & NW	Green	Agricultural	17.36	12.50	400	262,345	364,368	4,554,595
Site 2	Green 250	Glouc Fringe & NW	Green	Agricultural	10.15	7.81	250	316,277	410,750	3,208,983
Site 3	Green 100	Cotswold	Green	Agricultural	3.91	3.13	100	1,158,215	1,447,768	4,524,276
Site 4	Green 60	Cotswold	Green	Agricultural	2.34	1.88	60	1,169,968	1,462,459	2,742,111
Site 5	Green 40	Cotswold	Green	Agricultural	1.56	1.25	40	1,192,037	1,490,047	1,862,558
Site 6	Green 20	Cotswold	Green	Agricultural	0.81	0.67	20	1,332,271	1,628,275	1,085,517
Site 7	Green 10	Cotswold	Green	Paddock	0.41	0.33	10	1,395,782	1,705,897	568,632
Site 8	Green 6	Cotswold	Green	Paddock	0.21	0.20	6	1,696,277	1,785,555	357,111
Site 9	Green 3	Cotswold	Green	Paddock	0.13	0.12	3	1,365,987	1,437,881	172,546
Site 12	Brown 40	Cotswold	Brown	PDL	1.19	0.89	40	861,223	1,148,243	1,020,660
Site 13	Brown 20	Cotswold	Brown	PDL	0.59	0.44	20	1,211,693	1,615,514	718,006
Site 15	Brown 10	Cotswold	Brown	PDL	0.30	0.22	10	1,235,375	1,647,089	366,020
Site 17	Brown 6	Cotswold	Brown	PDL	0.14	0.13	6	1,795,702	1,890,213	252,028
Site 19	Brown 3	Cotswold	Brown	PDL	0.08	0.08	3	1,360,763	1,432,382	107,429

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Green 400	West	Green	Agricultural	17.36	12.50	400	516,968	718,011	8,975,142
Site 2	Green 250	West	Green	Agricultural	10.15	7.81	250	612,072	794,899	6,210,150
Site 3	Green 100	West	Green	Agricultural	3.91	3.13	100	499,840	624,800	1,952,499
Site 4	Green 60	West	Green	Agricultural	2.34	1.88	60	502,748	628,435	1,178,315
Site 5	Green 40	West	Green	Agricultural	1.56	1.25	40	511,177	638,971	798,714
Site 6	Green 20	West	Green	Agricultural	0.81	0.67	20	684,463	836,538	557,692
Site 7	Green 10	West	Green	Paddock	0.41	0.33	10	900,104	1,100,090	366,697
Site 8	Green 6	West	Green	Paddock	0.21	0.20	6	1,076,225	1,132,868	226,574
Site 9	Green 3	West	Green	Paddock	0.13	0.12	3	826,291	869,780	104,374
Site 15	Brown 10	West	Brown	PDL	0.30	0.22	10	-263,616	-351,471	-78,105
Site 17	Brown 6	West	Brown	PDL	0.14	0.13	6	-275,139	-289,620	-38,616
Site 19	Brown 3	West	Brown	PDL	0.08	0.08	3	-364,621	-383,811	-28,786

Source: HDH (October 2020)

Table 10.10b Residential Typologies, – Residual Values

Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness and Strategic Sites

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 10	Brown 100	Stroud Valleys	Brown	PDL	2.96	2.22	100	-231,756	-308,993	-686,651
Site 11	Brown 60	Stroud Valleys	Brown	PDL	1.78	1.33	60	-244,565	-326,072	-434,762
Site 12	Brown 40	Stroud Valleys	Brown	PDL	1.19	0.89	40	-271,394	-361,841	-321,637
Site 13	Brown 20	Stroud Valleys	Brown	PDL	0.59	0.44	20	31,930	42,571	18,921
Site 14	Brown 20 HD	Stroud Valleys	Brown	PDL	0.48	0.33	20	-942,595	-1,361,447	-453,816
Site 15	Brown 10	Stroud Valleys	Brown	PDL	0.30	0.22	10	143,730	191,630	42,585
Site 16	Brown 10 HD	Stroud Valleys	Brown	PDL	0.24	0.17	10	-961,056	-1,388,111	-231,352
Site 17	Brown 6	Stroud Valleys	Brown	PDL	0.14	0.13	6	283,856	298,795	39,839
Site 18	Brown 6 HD	Stroud Valleys	Brown	PDL	0.11	0.11	6	-1,004,577	-1,057,449	-115,358
Site 19	Brown 3	Stroud Valleys	Brown	PDL	0.08	0.08	3	87,373	91,971	6,898
Site 20	PRS 20	Stroud Valleys	Brown	PDL	0.72	0.57	20	219,324	276,175	157,814
Site 21	PRS 20 HD	Stroud Valleys	Brown	PDL	0.55	0.40	20	-659,547	-903,777	-361,511

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	PS24 West of Draycott	Cam NW	Green	Agricultural	39.42	28.13	900	-110,821	-155,326	-4,368,555
Site 2	PS25 East of River Cam	Cam NE Extension	Green	Agricultural	7.07	5.63	180	-272,424	-342,407	-1,926,038
Site 3	G1 South of Hardwicke	S of Hardwicke	Green	Agricultural	53.57	33.00	1,350	161,771	262,609	8,666,098
Site 4	PS30 Hunts Grove Extension	Hunts Grove	Green	Agricultural	34.89	23.44	750	112,628	167,662	3,929,577
Site 5	PS34 Sharpness Docks	Sharpness	Brown	PDL	13.39	9.38	300	-355,060	-507,229	-4,755,272
Site 6	PS36 New settlement at Sharpness	Sharpness	Green	Agricultural	99.79	64.86	2,400	373,490	574,600	37,271,325
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	Green	Agricultural	31.25	21.88	700	25,772	36,817	805,381
Site 8	PS37 New settlement at Wisloe	Wisloe	Green	Agricultural	66.96	46.88	1,500	384,382	549,117	25,739,881
Site 9	G2 Land at Whaddon	Whaddon	Green	Agricultural	130.69	69.00	3,000	66,392	125,751	8,676,786
Site 10	## Grove End Farm	Whitminster	Green	Agricultural	101.06	70.31	2,250	108,598	156,087	10,974,872

Source: HDH (October 2020, May 2021)

10.60 In the following tables the Residual Value is compared with the BLV. The BLV being an amount over the Existing Use Value that is sufficient to provide the landowner with a premium, and induce them to sell the land for development, as set out in Chapter 6 above.

Table 10.11a Residual Value v BLV

Gloucester Fringe and Cotswolds

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Glouc Fringe & NW	25,000	375,000	262,345
Site 2	Green 250	Glouc Fringe & NW	25,000	375,000	316,277
Site 3	Green 100	Cotswold	25,000	375,000	1,158,215
Site 4	Green 60	Cotswold	25,000	375,000	1,169,968
Site 5	Green 40	Cotswold	25,000	375,000	1,192,037
Site 6	Green 20	Cotswold	25,000	375,000	1,332,271
Site 7	Green 10	Cotswold	50,000	400,000	1,395,782
Site 8	Green 6	Cotswold	50,000	400,000	1,696,277
Site 9	Green 3	Cotswold	50,000	400,000	1,365,987
Site 12	Brown 40	Cotswold	650,000	780,000	861,223
Site 13	Brown 20	Cotswold	650,000	780,000	1,211,693
Site 15	Brown 10	Cotswold	650,000	780,000	1,235,375
Site 17	Brown 6	Cotswold	650,000	780,000	1,795,702
Site 19	Brown 3	Cotswold	650,000	780,000	1,360,763

Source: HDH (October 2020)

Table 10.11b Residual Value v BLV Rural West					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	West	25,000	375,000	516,968
Site 2	Green 250	West	25,000	375,000	612,072
Site 3	Green 100	West	25,000	375,000	499,840
Site 4	Green 60	West	25,000	375,000	502,748
Site 5	Green 40	West	25,000	375,000	511,177
Site 6	Green 20	West	25,000	375,000	684,463
Site 7	Green 10	West	50,000	400,000	900,104
Site 8	Green 6	West	50,000	400,000	1,076,225
Site 9	Green 3	West	50,000	400,000	826,291
Site 15	Brown 10	West	650,000	780,000	-263,616
Site 17	Brown 6	West	650,000	780,000	-275,139
Site 19	Brown 3	West	650,000	780,000	-364,621

Source: HDH (October 2020)

Table 10.11c Residual Value v BLV Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 10	Brown 100	Stroud Valleys	650,000	780,000	-231,756
Site 11	Brown 60	Stroud Valleys	650,000	780,000	-244,565
Site 12	Brown 40	Stroud Valleys	650,000	780,000	-271,394
Site 13	Brown 20	Stroud Valleys	650,000	780,000	31,930
Site 14	Brown 20 HD	Stroud Valleys	650,000	780,000	-942,595
Site 15	Brown 10	Stroud Valleys	650,000	780,000	143,730
Site 16	Brown 10 HD	Stroud Valleys	650,000	780,000	-961,056
Site 17	Brown 6	Stroud Valleys	650,000	780,000	283,856
Site 18	Brown 6 HD	Stroud Valleys	650,000	780,000	-1,004,577
Site 19	Brown 3	Stroud Valleys	650,000	780,000	87,373
Site 20	PRS 20	Stroud Valleys	650,000	780,000	219,324
Site 21	PRS 20 HD	Stroud Valleys	650,000	780,000	-659,547

Source: HDH (October 2020)

Table 10.11d Residual Value v BLV Strategic Sites					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	PS24 West of Draycott	Cam NW	25,000	375,000	-110,821
Site 2	PS25 East of River Cam	Cam NE Extension	25,000	375,000	-272,424
Site 3	G1 South of Hardwicke	S of Hardwicke	25,000	375,000	161,771
Site 4	PS30 Hunts Grove Extension	Hunts Grove	25,000	375,000	112,628
Site 5	PS34 Sharpness Docks	Sharpness	650,000	780,000	-355,060
Site 6	PS36 New settlement at Sharpness	Sharpness	25,000	375,000	373,490
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	25,000	375,000	25,772
Site 8	PS37 New settlement at Wisloe	Wisloe	25,000	375,000	384,382
Site 9	G2 Land at Whaddon	Whaddon	25,000	375,000	66,392
Site 10	## Grove End Farm	Whitminster	25,000	375,000	108,598

Source: HDH (May 2021)

10.61 Through the consultation there were two main matters where there was not a consensus. The first was the treatment of site costs and the second the approach to the developer's return. It is also necessary to consider the potential impact of change in values and costs. These are considered further below. In addition, the effect of some of the suggested approaches to developer contributions, set out in the Government's *White Paper: Planning for the Future* (MHCLG, August 2020) are tested.

Varied Site Costs

10.62 In the base appraisals a range of allowances were made for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes, to 15% for the larger greenfield schemes. A developer suggested that 15% may be too low. Whilst it is our firm position that the base assumptions are appropriate, a further set of appraisals has been run where the site costs are increased up to 25%. The appraisal results are set out in **Appendix 15**.

10.63 A 5% increase in the site costs results in a fall in the Residual Value of about £160,000/ha or so. This is therefore a significant cost, where a relatively small change has a significant impact.

Developer's Return

10.64 Through the consultation process a range of views were expressed as to the appropriate developer's return. In this iteration of this study a 17.5% assumption is used across the tenures, although, as set out in Chapter 7 above, this is an area where there was not a consensus. A range of assumptions have been tested. The results set out in **Appendix 16** show the results for the appraisals run on the same basis as the base appraisals above, with only the developer's return assumption being altered.

10.65 In the initial (pre-consultation) iteration of this assessment, developer's return was taken as 17.5% of the value market housing and 6% of the value of affordable housing. Following the consultation this has been changed to 17.5% of the Gross Development Value (i.e. across tenures). This change has the effect of reducing the Residual Value, although the amount does vary depending on the nature of the specific sites.

10.66 Some consultees suggested that an assumption of 20% of GDV should be used, being at the top of the 15% to 20% range suggested in the PPG. When the appraisals are run with this assumption, the Residual Value is about £165,000/ha less than where a 17.5% assumption is used. This is a substantial difference, however, when the typologies that are shown as viable at 17.5% are compared with those that are viable at 20%, a similar proportion of the greenfield typologies are shown as viable.

Standardised Infrastructure Tariff

10.67 As set out in Chapter 2 above, the Government has consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The key proposals are:

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

10.68 Two further set of appraisals have been run, the results of which are set out in **Appendix 17**, based on the same assumptions as used in the base appraisals, both with and without affordable housing. The developer contributions are calculated as a proportion of the Gross Development Value (GDV).

10.69 The analysis should be given limited weight as the outcome of the Government's consultation is not yet known. Having said this, the appraisals indicate that with 30% affordable housing the greenfield sites in the higher value areas may be able to bear a contribution of 4% of GDV, but elsewhere it would be less. Without affordable housing the greenfield sites in the higher value areas may be able to bear a contribution of 6% of GDV, but elsewhere it would be less.

Changes in Costs and Values

10.70 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 11.3% over the next 3 years[268]. We have tested a range of scenarios with varied increases in build costs.

10.71 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested several price change scenarios. In this analysis, we have assumed all other matters in the base appraisals remain unchanged. It is important to note that in the tables (that are set out in **Appendix 18**), only the costs of construction and the value of the market housing are altered.

10.72 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. Conversely a modest increase in value could have a significant impact in improving viability.

Review

10.73 The direction of the market, as set out in Chapter 4 above, is improving, and there is an improved sentiment that the economy and property markets are improving. There is however some level of uncertainty. Bearing in mind Stroud District Council's wish to develop housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review; should the economics of development change significantly it should consider undertaking a limited review of the Plan to adjust the affordable housing requirements or levels of developer contribution.

10.74 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> <u>*How should viability be reviewed during the lifetime of a project?*</u>
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *PPG 10-009-20180724*

[268] BCIS General Build Cost Index August 2020 = 361.5, August 2023 = 402.6 (updated September 2020). 402.6-361.5+41.1. 41.1/361.5=11.3%.

10.75 It is recommended that, on sites where the policy requirements are flexed, the Council includes review mechanisms.

Older People's Housing

10.76 As well as mainstream housing, we have considered the Sheltered and Extracare sectors separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows. Under the adopted CIL Charging Schedule 'older people's housing' is not subject to CIL. An allowance of £1,000/unit is made s106 developer contributions. The full appraisals are set out in **Appendix 19** below:

Table 10.12 Older People's Housing (Sheltered), Appraisal Results (£/ha)

			EUV	BLV	Residual Value
Site 2	Green	0%	50,000	400,000	1,403,823
Site 3	Green	5%	50,000	400,000	956,949
Site 4	Green	10%	50,000	400,000	510,075
Site 5	Green	15%	50,000	400,000	45,625
Site 6	Green	20%	50,000	400,000	-423,262
Site 7	Green	25%	50,000	400,000	-896,383
Site 8	Green	30%	50,000	400,000	-1,380,633
Site 14	Brown	0%	650,000	780,000	189,624
Site 15	Brown	5%	650,000	780,000	-279,263
Site 16	Brown	10%	650,000	780,000	-748,150
Site 17	Brown	15%	650,000	780,000	-1,230,252
Site 18	Brown	20%	650,000	780,000	-1,714,501
Site 19	Brown	25%	650,000	780,000	-2,198,751
Site 20	Brown	30%	650,000	780,000	-2,683,661

Source: HDH (October 2020)

Table 10.13 Older People's Housing (Extracare), Appraisal Results (£/ha)

			EUV	BLV	Residual Value
Site 2	Green	0%	50,000	400,000	3,261,790
Site 3	Green	5%	50,000	400,000	2,674,663
Site 4	Green	10%	50,000	400,000	2,087,535
Site 5	Green	15%	50,000	400,000	1,500,408
Site 6	Green	20%	50,000	400,000	913,280
Site 7	Green	25%	50,000	400,000	321,114
Site 8	Green	30%	50,000	400,000	-294,520
Site 14	Brown	0%	650,000	780,000	1,892,575
Site 15	Brown	5%	650,000	780,000	1,305,677
Site 16	Brown	10%	650,000	780,000	718,779
Site 17	Brown	15%	650,000	780,000	117,688
Site 18	Brown	20%	650,000	780,000	-498,122
Site 19	Brown	25%	650,000	780,000	-1,120,427
Site 20	Brown	30%	650,000	780,000	-1,756,417

Source: HDH (October 2020)

10.77 The results indicate that specialist older people's housing is likely to be able to bear some affordable housing, but not 30%.

10.78 When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not considered necessary to develop a specific policy for this sector.

11. Non-Residential Appraisals

11.1 Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix 20** and summarised in the table below.

11.2 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV 'plus').

11.3 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and what planning applications are being determined – and on what basis.

Employment uses

11.4 Firstly, the main employment uses are considered.

Table 11.1 Employment

Greenfield					
		Offices - Central	Offices - Park	Larger Industrial	Smaller Industrial
CIL	£/m2	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-1,827,131**	**-1,276,722**	**64,574**	**-375,728**
Existing Use Value	£/ha	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	400,000	400,000	400,000	400,000
Residual Value	£/ha	-21,925,566	-3,191,806	64,574	-3,757,280
Brownfield					
		Offices - Central	Offices - Park	Larger Industrial	Smaller Industrial
CIL	£/m2	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-2,095,819**	**-1,524,365**	**-164,616**	**-410,422**
Existing Use Value	£/ha	650,000	650,000	650,000	650,000
Viability Threshold	£/ha	780,000	780,000	780,000	780,000
Residual Value	£/ha	-25,149,834	-3,810,912	-164,616	-4,104,216

Source: HDH (October 2020)

11.5 To a large extent the above results are reflective of the current market. Office development and industrial are both shown as being unviable, however this is not just an issue here, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward (and it is coming forward), it tends to be from existing businesses for operational reasons, rather than purely for property investment reasons. Larger industrial sites are shown as viable on the greenfield sites, which is consistent with such delivery being delivered, particularly in the north of the District.

11.6 It is important to note that the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. The limited development that is coming forward in the area is largely user-led, being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.

11.7 It is clear that the delivery of the employment uses is limited. We would urge caution in relation to setting policy requirements for employment uses that would impact on viability.

Retail and Hotel Development

11.8 Similar appraisals have been prepared for the retail and hotel uses. The large format retail uses incorporate CIL at the current rate (£90.41/m^2).

Table 11.2 Retail and Hotels

Greenfield					
		Prime Retail	Secondary Retail	Supermarket	Smaller Supermarket
CIL	£/m2	**0.00**	**0.00**	**90.41**	**90.41**
RESIDUAL VALUE	**Site**	**166,605**	**-136,466**	**7,735,552**	**2,304,868**
Existing Use Value	£/ha	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	400,000	400,000	400,000	400,000
Residual Value	£/ha	6,664,198	-5,458,652	5,801,664	7,682,894
		Retail Warehouse	Hotel		
CIL	£/m2	**90.41**	**0.00**		
RESIDUAL VALUE	**Site**	**4,567,184**	**2,018,605**		
Existing Use Value	£/ha	50,000	50,000		
Viability Threshold	£/ha	400,000	400,000		
Residual Value	£/ha	5,708,980	5,448,328		
Brownfield					
		Prime Retail	Secondary Retail	Supermarket	Smaller Supermarket
CIL	£/m2	**0.00**	**0.00**	**90.41**	**90.41**
RESIDUAL VALUE	**Site**	**150,975**	**-152,096**	**7,316,188**	**2,181,217**
Existing Use Value	£/ha	650,000	650,000	650,000	650,000
Viability Threshold	£/ha	780,000	780,000	780,000	780,000
Residual Value	£/ha	6,039,002	-6,083,848	5,487,141	7,270,724
		Retail Warehouse	Hotel		
CIL	£/m2	**90.41**	**0.00**		
RESIDUAL VALUE	**Site**	**4,319,842**	**1,873,618**		
Existing Use Value	£/ha	650,000	650,000		
Viability Threshold	£/ha	780,000	780,000		
Residual Value	£/ha	5,399,803	5,056,999		

Source: HDH (October 2020)

11.9 The larger format retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The town centre retail is shown as viable, however these results should be treated with some caution as the retail sector is in a particularly uncertain time. As would be expected, the smaller format retail uses in the secondary situations are not viable.

11.10 Hotel development is shown as viable.

12. Findings and Recommendations

12.1 This chapter provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of the National Planning Policy Framework. As this is a summary chapter, some of the content of earlier chapters is repeated.

12.2 This Viability Assessment sets out the methodology used, the key assumptions adopted, and the results. It has been prepared to assist the Council with the assessment of the viability of the emerging Local Plan. The 2019 National Planning Policy Framework (2019 NPPF), the updated Planning Practice Guidance (PPG) and the Harman Viability Guidance require stakeholder engagement – particularly with members of the development industry. Consultation has taken place and, whilst there was not universal agreement, a broad consensus was achieved.

12.3 Stroud District Council (SDC / the Council) is undertaking a Local Plan Review that will set out the future spatial strategy for the District and will include sites for allocation. This Viability Assessment has been commissioned to inform the further development of the emerging Local Plan. HDH Planning & Development Ltd has been appointed to advise the Council in connection with several matters:

a. Whole plan viability to consider all standards and policy requirements, including Affordable Housing and developer contributions.

b. To consider the scope to review Community Infrastructure Levy (CIL).

12.4 The initial iteration of this report was completed in April 2021 on the basis of the contents of the Draft Plan for Consultation (November 2019). Following the approval ofthe *Stroud Local Plan Review Pre-submission Draft Plan* this iteration of the report was updated in early May 2021 to reflect the changes to some of the strategic sites.

Compliance

12.5 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As such it is necessary to have regard to RICS Professional Standards and Guidance. It is confirmed that this study has been carried out in line with *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)*.

12.6 As this report was being completed, the RICS published a new Guidance Note, *Assessing Viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition* (RICS, March 2021). This is effective from the 1st July 2021 so does not apply to this report. This new Guidance Note cancels *Financial Viability in planning (1st edition), RICS guidance note 2012*. We confirm that this report is generally in accordance with this further guidance (in as far as it relates to plan-wide viability assessments).

COVID-19

12.7 This update is being carried out during the coronavirus pandemic. There are real material uncertainties around the values of property and the costs of construction that are a direct result of the COVID-19 pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be. This assessment is conducted at August 2020 costs and values.

Viability Testing under the 2019 NPPF and Updated PPG

12.8 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2019 NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.'*

12.9 This study is based on typologies that are representative of the sites to be allocated in the new Local Plan. Several potential Strategic Sites are also tested.

12.10 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV+) approach:

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

12.11 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

Viability Guidance

12.12 There is no specific technical guidance on how to test viability in the 2019 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the Harman Guidance. In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning.

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

Gross Development Value
(The combined value of the complete development)
LESS
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)
=
RESIDUAL VALUE

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

12.15 The 2019 NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of viability should, be based on existing available evidence rather than new evidence. The evidence that is available from Stroud District Council has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions.

12.16 Consultation formed part of the preparation of this study. A process was help on the summer of 2020. Residential and non-residential developers (including housing associations), landowners and planning professionals took part.

Residential Market

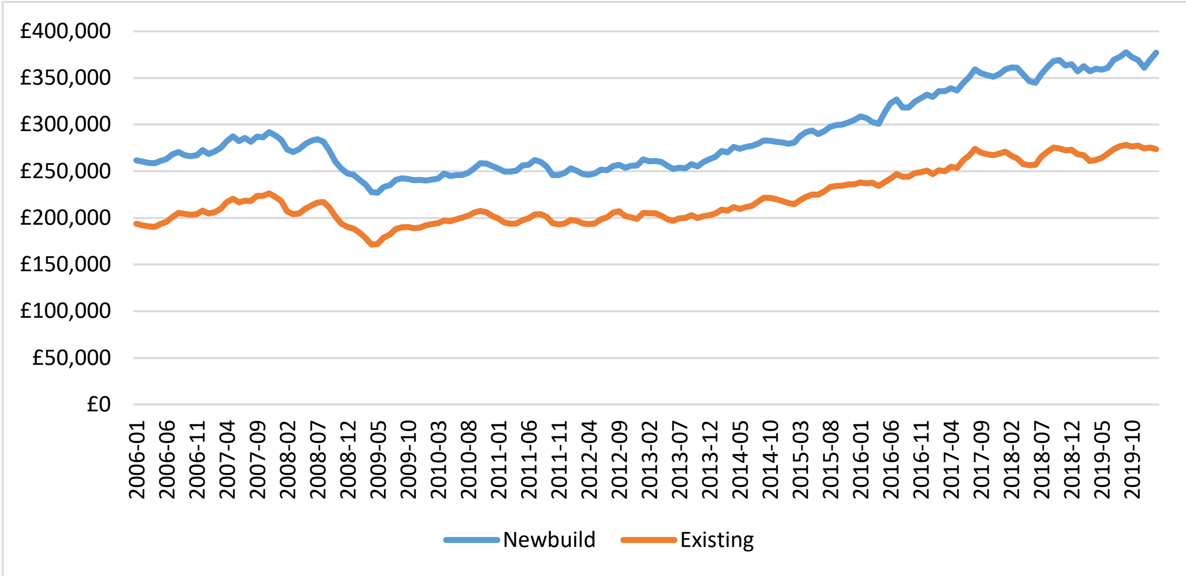
12.17 An assessment of the housing market was undertaken. The study is concerned not just with the prices but the differences across different areas.

12.18 When ranked across England and Wales, the average house price for SDC is 131st (out of 339) at £313,255. To set this in context, the Council at the middle of the rank (170 – Cornwall), has an average price of £269,260. The Stroud median price is lower than the average at £270,000.

12.19 The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'. Average house prices in Stroud had not recovered to their pre-recession peak by the time that the 2013 Viability Assessment was undertaken, but are now about 22% above the 2007 peak and are 35% higher than when the 2013 Viability Assessment was carried out. Whilst these increases are substantial, the rates of increase are a little less than seen across Gloucestershire (26% increase since 2007 / 38% increase since 2013) or England and Wales (28% increase since 2007 / 42% increase since 2013).

12.20 A characteristic of the data is that the values of newbuild homes have increased faster than that for existing homes. The Land Registry shows that the average price paid for newbuild homes in Stroud (£377,192) is £103,650 (or 38%) higher than the average price paid for existing homes (£273,542).

Figure 12.1 Change in House Prices. Existing v Newbuild – Stroud



Source: Land Registry (August 2020)

12.21 This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty. Negotiations around the details of the future relationship with the EU are underway but not concluded, so the future of trade with the EU and wider world are not yet known.

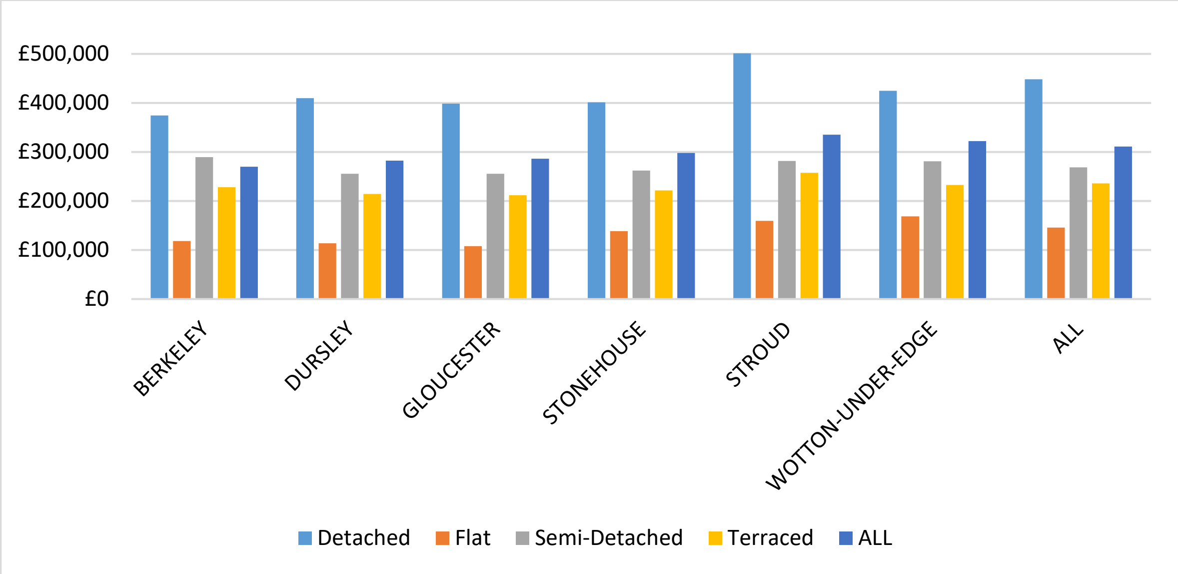
12.22 A further uncertainty is around the ongoing coronavirus pandemic. There is mixed feedback about the impact on the property market. There is anecdotal evidence of an increased demand for larger units (with space for working from home) and with private outdoor space. Conversely, employees in some sectors that have been particularly affected by the coronavirus and the Government's restrictions, have found their ability to secure a loan restricted.

12.23 This report is carried out at current costs and values. Sensitivity testing has been carried out.

The Local Market

12.24 A survey of asking prices across the District was carried out, using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated. The Land Registry publishes data of all homes sold. Across the SDC area, 2,504 home sales are recorded since the start of 2019. These transactions (as recorded by the Land Registry) are summarised as follows – these are sorted by 'post town' as per the Land Registry dataset.

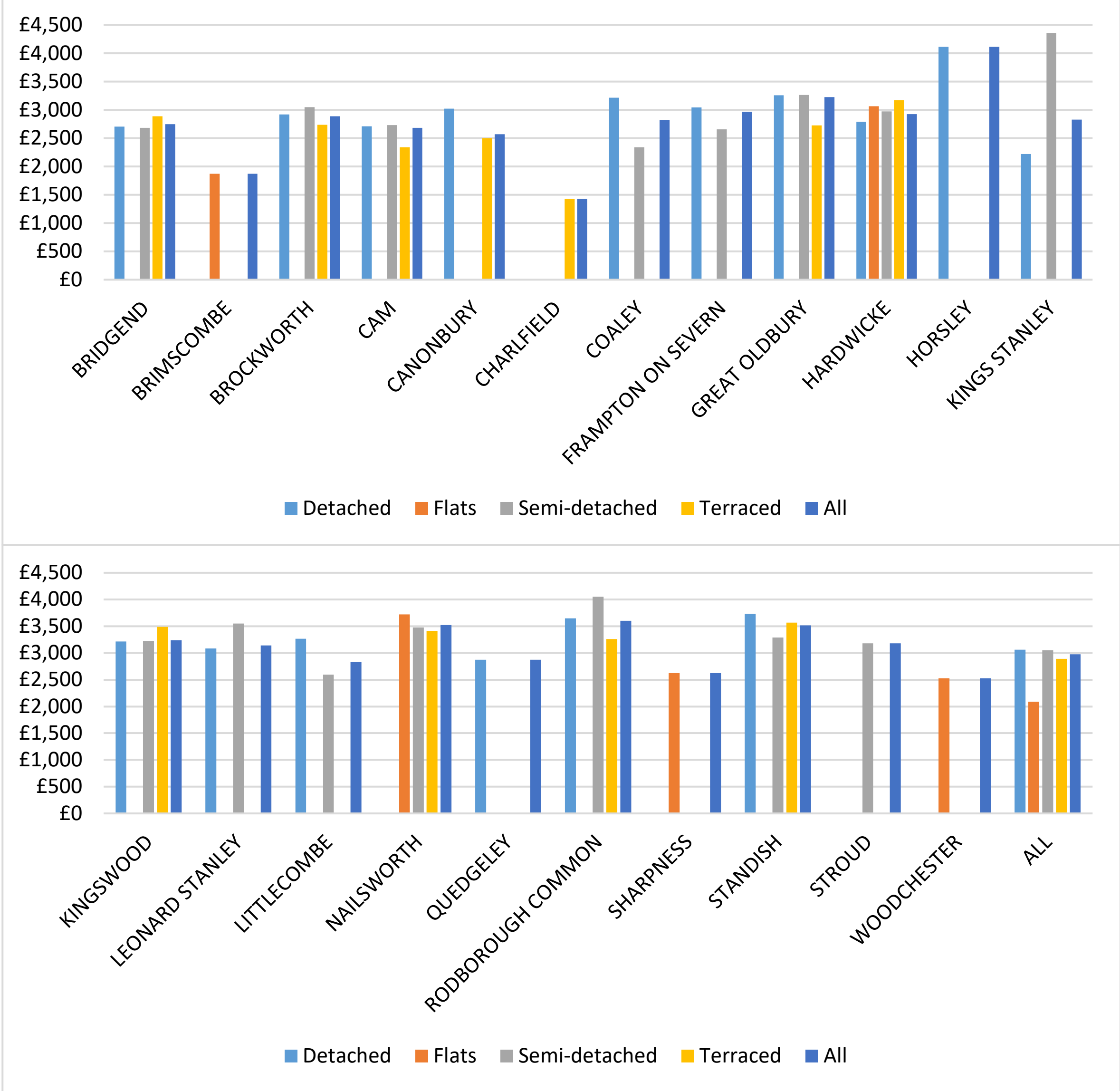
Figure 12.2 Land Registry Price Paid Data



Source: Land Registry (April 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0

12.25 The 661 newbuild home sales since the start of 2018 have been further analysed. Each dwelling sold requires an Energy Performance Certificate (EPC). The EPC contains the floor area (the Gross Internal Area – GIA). The price paid data from the Land Registry has been married with the floor area from the EPC Register.

Figure 12.3 Average Price Paid



Source: Land Registry and EPC Register (April 2020) Contains HM Land Registry data © Crown copyright and database 2020. This data is licensed under the Open Government Licence v3.0.

12.26 The average price paid is £2,975/m^2, ranging from less than £1,000/m^2 to over £7,000/m^2. Care should be taken when considering the disaggregated data as many of the sample sizes are small. Across the area, flats are approximately 40% less expensive than houses.

12.27 Bringing together the evidence, and following the consultation the following price assumptions are used.

a. Gloucester Fringe and North West SDC

The sites adjacent to the wider Gloucester built up area, including the areas to the northwest of the M5, north of Junction 12, adjacent to Upton St Leonards and Cooper's Edge, and the area to the west of the Gloucester and Sharpness Canal, to the north of the River Frome.

Almost all development in this area is likely to on the larger greenfield Gloucester urban-extension types sites, with very little development planned or anticipated in the wider rural area. There is a case for including the rural area in the Lower Value Villages, however the data is very limited, make this more difficult to justify

b. Cotswolds

The area to the east of the M5, including the villages, but excluding Stroud, the Stroud Valleys and the sites adjacent to Gloucester.

c. Rural West - Lower Value Villages

The rural areas to the west of the M5, south of the River Frome. This includes the attractive villages of Frampton and Berkeley. Values tend to be rather less than in the higher value Cotswold areas. Little development is planned within this area, development is likely to be on smaller greenfield sites.

Values are less in Sharpness, whilst little development is planned in Sharpness beyond the PS34 Sharpness Docks and PS36 New settlement at Sharpness, this area is included in the Stroud, Stroud Valleys area.

d. Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness

These are the distinct areas within the built up area of Cam, Stonehouse and Stroud and extending to Thrupp to the east and Ebley in the west. The area is tightly constrained to the built up area (in the case of Stroud by the steep valley sides) and development is likely to be on previously developed land.

This area does not include the higher value villages such as North Woodchester and Minchinhampton, which are within the Cotswolds.

Table 12.1 Post-Consultation Residential. Price Assumptions (£/m^2)

	Gloucester Fringe and Northwest SDC	Rural East & South - Higher Value Villages	Rural West - Lower Value Villages	Cam, Stonehouse, Stroud, the Stroud Valleys and Sharpness
Brownfield		£3,500		£2,750
Urban Flatted Schemes				£2,700
Large Greenfield Sites	£3,000			£3,050
Medium Greenfield Sites	£3,000	£3,700	£3,225	£3,000
Small Greenfield Sites		£3,700	£3,350	£3,000

Source: HDH (September 2020)

Table 12.2 Post-Consultation Residential Strategic Sites. Price Assumptions (£/m^2)			
Site 1	PS24 West of Draycott	Cam NW	£2,800
Site 2	PS25 East of River Cam	Cam NE Extension	£2,800
Site 3	G1 South of Hardwicke	S of Hardwicke	£3,000
Site 4	PS30 Hunts Grove Extension	Hunts Grove	£3,000
Site 5	PS34 Sharpness Docks	Sharpness	£2,700
Site 6	PS36 New settlement at Sharpness	Sharpness	£3,200
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	£3,100
Site 8	PS37 New settlement at Wisloe	Wisloe	£3,100
Site 9	G2 Land at Whaddon	Whaddon	£3,000
Site 10	## Grove End Farm	Whitminster	£3,125

Source: HDH (September 2020)

Affordable Housing

12.28 In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the area:

a. Social Rent £1,280/m^2.

b. Affordable Rent £1,900/m^2.

c. Intermediate Products for Sale 70% of Open Market Value.

Non-Residential Market

12.29 The following value assumptions have been used:

Table 12.3 Commercial Values £/m^2 2020					
	Rent £/m^2	Yield	Rent free period		Assumption
Offices - Large	£175	6.75%	1.0	£2,429	£2,450
Offices - Small	£175	8.00%	1.0	£2,025	£2,025
Industrial - Large	£70	5.00%	1.0	£1,429	£1,400
Industrial - Small	£70	8.00%	1.0	£868	£900
Retail - Central	£250	7.75%	1.0	£2,994	£3,000
Retail (elsewhere)	£130	9.00%	1.0	£1,325	£1,200
Supermarket	£280	5.25%	1.0	£5,067	£5,000
Retail Warehouse	£200	6.00%	2.0	£2,967	£3,000
Hotel (per room)	£5,000	5.00%	0.0	£4,049	£4,050

Source: HDH (August 2020)

Land Values

12.30 In this assessment the following Existing Use Value (EUV) assumptions are used.

Table 12.4 Existing Use Value Land Prices £/ha	
PDL	£650,000
Agricultural	£25,000
Paddock	£50,000

Source: HDH (August 2020)

12.31 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

12.32 In the pre-consultation iteration of this Viability Update, the following Benchmark Land Value assumptions are used (these are applied on a gross site area):

a. Brownfield/Urban Sites: EUV Plus 20%.

b. Greenfield Sites: EUV Plus £350,000/ha.

Development Costs

12.33 These are the costs and other assumptions required to produce the financial appraisals.

Construction costs: baseline costs

12.34 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Gloucestershire. The cost figure for 'Estate Housing – Generally' is £1,291/m^2. The appropriate cost is used for the relevant building type, so the figure for flatted development (of the appropriate height) is used for flatted development, the figure used for terraced development is that for terraced housing and so on. Likewise, the appropriate figures are used for non-residential development types.

Other normal development costs

12.35 In addition to the BCIS £/m^2 build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for flatted schemes, to 15% for the larger greenfield schemes. The effect of using higher costs has also been tested.

Abnormal development costs and brownfield sites

12.36 An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

12.37 For residential development we have assumed professional fees amount to 8% of build costs, for non-residential development we have assumed professional fees amount to 8% of build costs.

Contingencies

12.38 A 5% allowance was used on all brownfield sites.

S106 Contributions and the costs of infrastructure

12.39 Based on discussions with the Council CIL is the main tool for funding infrastructure, however an additional allowance £5,000/unit s106 assumption is used. The Strategic Sites are considered individually.

Table 12.5 Strategic Sites. Updated Strategic Infrastructure and Mitigation Costs – May 2021

	Yield	Cost (£)	Cost per dwelling
G1 South of Hardwicke	1,350	£24,990,762	£18,512
G2 Land at Whaddon	3,000	£56,386,498	£18,795
PS19a Northwest of Stonehouse	700	£21,311,431	£30,445
PS24 West of Draycott	900	£17,613,076	£19,570
PS25 East of River Cam	180	£3,705,184	£20,584
PS30 Hunts Grove Extension	750	£14,348,969	£19,132
PS34 Sharpness Docks	300	£5,106,407	£17,021
PS36 New settlement at Sharpness	2,400	£42,309,510	£17,629
PS37 New settlement at Wisloe	1,500	£26,694,589	£17,796
## Whitminster	2,250	£57,237,124	£25,439

Source: (May 2021)

Financial and Other Appraisal Assumptions

12.40 The appraisals assume interest of 6.5% p.a. for total debit balances, we have made no allowance for any equity provided by the developer.

Developers' return

12.41 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions. The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies*'. An assumption of 17.5% is used across market and affordable housing.

Site Acquisition and Disposal Costs

12.42 An allowance 1.5% for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates. For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts.

Local Plan Policy Requirements

12.43 The specific purpose of this study is to consider the cumulative impact of the policies in the emerging Local Plan.

12.44 The new Local Plan will replace the current *Stroud District Local Plan – November 2015* and various Supplementary Planning Documents. The S*troud District Local Plan Review, Draft Plan for Consultation – November 2019* forms the basis of the testing in this report, updated in May 2021 to reflect changes to some of the strategic sites in the Pre-Submission Draft Plan. The emerging policy areas that add to the costs of development over and above the normal costs of development, are set out below. In addition, recent changes that may be introduced at a national level are also considered, although at this stage, these are simply options that may or may not be progressed into the new Local Plan.

Modelling

12.45 The approach is to model a set of development sites (typologies) that are broadly representative of the type of the residential and non-residential development that is likely to come forward under the new Local Plan. The potential Strategic Sites are modelled individually.

Residential Appraisals

12.46 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

12.47 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions. The initial appraisals are based on the full policy on scenario with all the policy requirements, unless stated, being following assumptions.

a.	Affordable Housing	30% on sites of 4 and larger (Intermediate Housing 33%, Affordable Rent 67%). PRS 20%.
b.	Design	90% Accessible and Adaptable – Category 2
		10% Wheelchair Accessible
		NDSS

		Water efficiency / Car Charging Points
		10% Biodiversity Net Gain
		Carbon Reduction as per ES1.
c.	Developer Contributions	CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2)
		s106 – Typologies £5,000/unit and Strategic Sites as estimated.

12.48 The results vary across the typologies and Strategic Sites, although this is largely due to the different assumptions around the nature of each typology. The higher density sites generally have higher Residual Values, and additional costs associated with brownfield sites result in lower Residual Values. The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return.

12.49 Generally, the greenfield sites produce a Residual Value that is in excess of the Benchmark Land Value indicating that such sites are likely to be viable. On the whole, the brownfield sites are shown as being unviable.

12.50 To inform the development of policy a range of policy requirements have been tested.

Varied Affordable Housing

12.51 Affordable Housing is the greatest single cost to development. On average, across all the typologies, a 10% increase in affordable housing results in a fall in the Residual Value of about £220,000/ha, meaning that each additional 10% of affordable housing reduces the amount a developer can pay a landowner, for a parcel of land, by about £220,000ha. The figures do vary across the typologies, with the effect being greater on brownfield sites (due to the higher density) and in the higher value areas (as the difference in value between market and affordable housing is more). On average, a 30% affordable housing requirement reduces the Residual Value by about £600,000/ha or so.

a. In the higher value Cotswold area, all the greenfield typologies are viable and there may be scope to increase the affordable housing requirement above 30%. The smaller brownfield typologies representing housing development (rather than flatted development) are also viable at 30%.

b. The two typologies representing development on the Gloucester Fringe (Site 1 and Site 2) are not shown as viable with 30% affordable housing. Having said this, the development in this area is most likely to be on the larger Strategic Sites.

c. The majority of development in the Rural West of the District is likely to be on smaller greenfield sites. Such sites, being 20 units and smaller generate an EUV that is above the EUV with 30% affordable housing. The larger greenfield sites generate an EUV that is below the EUV with 30% affordable housing. We understand that little such development is planned however the Council should be should be cautious about relying on these types of site in the early years of the Plan, and should only count on such sites (for example in the five year land supply calculation) where it is confident the site will be forthcoming, for example, where there is a recent planning consent or a commitment from the land promoter.

d. All the sites in the Stroud Valleys typologies (which include Sharpness) are assumed to be brownfield sites. On these the Residual Value is less than the EUV in all cases. This is in spite of development in this area not being subject to CIL.

e. The Build to Rent typologies are shown as unviable across the areas.

f. For the Strategic Sites, an allowance is made for strategic infrastructure costs. On these sites, viability is constrained. To a large extent these findings are to be expected at this stage of the plan-making process as the delivery of any large site is challenging, so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23) and paragraph 10-006 of the PPG:

12.52 The above analysis suggests that much development will be unable to bear the Council's full policy aspirations. In order to inform the plan-making process the costs of the individual policy requirements are considered individually and then cumulatively.

Developer Contributions Only

12.53 After affordable housing, the greatest policy cost to the developer is that of developer contributions. These can be paid as CIL or through the s106 regime. A set of appraisals has been run with developer contributions of up to £40,000/ha. No distinction is made as to whether it is paid as CIL or under s106. No other policy costs are allowed for.

12.54 When considering only developer contributions, on average, across all the typologies, a £10,000/unit increase in affordable housing results in a fall in the Residual Value of about £300,000/ha, meaning that each £10,000/unit of developer contributions reduces the amount a developer can pay a landowner for a parcel of land by about £300,000ha. The figures do vary across the typologies, with the effect being greater on brownfield sites (due to the higher density) and in the higher value areas (as the difference in value between market and affordable housing is more).

Cumulative Cost of Policies

12.55 Appraisals have been run without any policy requirement and then with each of the individual policy requirements. The policy requirements are then considered cumulatively as the Council must balance its requirements to address a range of policy objectives. The appraisals have been run without any policy requirement and then adding the individual policy requirements cumulatively. The difference between the results are set out below, expressed as £/ha, being an indication of the amount that each combination of policies would impact on the maximum price a developer could pay a landowner.

Table 12.6a Cumulative Cost of Individual Policy Requirements (£/ha)			
Gloucester Fringe and Cotswolds			
	Greenfield	Brownfield	All
Water	275	398	319
Water, BNG	25,029	35,280	28,690
Water, BNG, CIL	280,126	385,817	317,873
Water, BNG, CIL, FHS 1	355,252	491,519	403,919
Water, BNG, CIL, FHS 2	396,590	549,656	451,256
Water, BNG, CIL, FHS 2, 50% M4 2	404,845	561,608	460,832
Water, BNG, CIL, FHS 2, 100% M4 2	413,101	573,560	470,408
Water, BNG, CIL, FHS 2, 90% M4 2 - 10% M4 3	444,665	619,258	507,019
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3	666,648	931,080	761,088
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging	694,308	970,921	793,099
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging, District Heating	832,725	1,170,189	953,248
Rural West			
	Greenfield	Brownfield	All
Water	275	422	311
Water, BNG	25,029	36,775	27,966
Water, BNG, CIL	280,909	410,661	313,347
Water, BNG, CIL, FHS 1	356,169	522,305	397,703
Water, BNG, CIL, FHS 2	397,562	583,710	444,099
Water, BNG, CIL, FHS 2, 50% M4 2	405,828	596,535	453,505
Water, BNG, CIL, FHS 2, 100% M4 2	414,095	609,360	462,911
Water, BNG, CIL, FHS 2, 90% M4 2 - 10% M4 3	445,701	658,394	498,874
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3	667,788	987,744	747,777
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging	695,397	1,030,494	779,171
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging, District Heating	833,517	1,244,271	936,206

Source: HDH (October 2020). BNG : Biodiversity Net Gain, CIL : Community Infrastructure Levy, FHS : Future Homes Standard, M4 2 : Accessible and Adaptable, M4 3 : Wheelchair Adaptable, EV : Electric Vehicle Charging

Table 12.6b Cumulative Cost of Individual Policy Requirements (£/ha)			
Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness			
	Greenfield	Brownfield	All
Water		358	358
Water, BNG		33,724	33,724
Water, BNG, CIL		33,724	33,724
Water, BNG, CIL, FHS 1		134,834	134,834
Water, BNG, CIL, FHS 2		190,497	190,497
Water, BNG, CIL, FHS 2, 50% M4 2		201,290	201,290
Water, BNG, CIL, FHS 2, 100% M4 2		212,089	212,089
Water, BNG, CIL, FHS 2, 90% M4 2 - 10% M4 3		253,376	253,376
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3		556,577	556,577
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging		593,440	593,440
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging, District Heating		777,998	777,998
Strategic Sites			
	Greenfield	Brownfield	All
Water			202
Water, BNG			18,423
Water, BNG, CIL			18,423
Water, BNG, CIL, FHS 1			73,638
Water, BNG, CIL, FHS 2			104,104
Water, BNG, CIL, FHS 2, 50% M4 2			110,177
Water, BNG, CIL, FHS 2, 100% M4 2			116,251
Water, BNG, CIL, FHS 2, 90% M4 2 - 10% M4 3			139,534
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3			304,106
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging			324,685
Water, BNG, CIL, FHS 2 Plus, 90% M4 2 - 10% M4 3, EV Charging, District Heating			428,101

Source: HDH (October 2020, May 2021) BNG : Biodiversity Net Gain, CIL : Community Infrastructure Levy, FHS : Future Homes Standard, M4 2 : Accessible and Adaptable, M4 3 : Wheelchair Adaptable, EV : Electric Vehicle Charging

12.56 The analysis shows that whilst the cost of some requirements is modest when treated in isolation, when added together the costs add up and are likely to add to the costs of development by about £850,000/ha on greenfield sites and by over £1,000,000/ha on brownfield sites. This impacts directly on the amount developers can bid for the land and still make an adequate return. The above suggests that the Council's full policy aspirations are unlikely to be deliverable in the lower value areas of the District.

Varied Tenure Mix

12.57 The base appraisals, are based on the tenure mix, as informed by the Housing Market Assessment, of 33% Intermediate Housing and 67% Affordable Rent. This is somewhat different to the Council's current preferred 50%:50% mix. Not only may this change over time (as the Housing Market Assessment is updated), but this is an area of changing national policy with current requirements for 10% Affordable Ownership (where the 10% is of all the housing) and 25% First Homes (where the 25% is of the affordable housing only).

12.58 Preferring Social Rent to Affordable Rent has a substantial impact on the Residual Value. With a 30% affordable housing requirement, where 30% of the affordable housing is Intermediate Housing, the Residual Value is about £200,000/ha less where the affordable housing for rent is provided as Social Rent rather than Affordable Rent.

12.59 The balance of Affordable Rent and Intermediate Housing is also important. A 10% increase in the amount of Intermediate Housing / 10% decrease in the amount of Affordable Rent results in an increase in the Residual Value of over £25,000/ha in the higher value areas, although the difference is less in the lower value areas.

12.60 When it comes to the decision-making process and determining planning applications, on sites were viability is challenging, it is recommended that consideration is given to adjusting the affordable housing mix as this can have a marked impact on the value of a site.

12.61 The 2019 NPPF (paragraph 64) sets out a policy for a minimum of 10% Affordable Home Ownership units on larger sites. 10% Affordable Home Ownership is the equivalent to a 33% / 67% tenure split at 30% affordable housing, so is broadly in line with the Council's preferred mix. As would be expected, 10% Affordable Home Ownership does not impact on viability.

12.62 In February 2020, the Government launched a consultation on First Homes. The Government's *Changes to the current planning system – Consultation on changes to planning policy and regulations* (MHCLG, August 2020) has provided some clarity in this regard. A further set of appraisals has been run at 20%, 25% and 30% affordable housing, where 25% of the affordable housing is as a First Home. In addition, the effect of seeking First Homes to be delivered with a greater discount than the minimum 30% discount is tested.

12.63 The consequence of seeking the First Homes to be sold at a greater discount than 30% is significant. Based on a 30% affordable housing target, each 10% increase in the discount (i.e. from 30% to 40% or 40% to 50%) results in a fall in the Residual Value of about £35,000/ha. The Council should be cautious seeking greater discounts.

Affordable Housing v Developer Contributions

12.64 The core balance in a viability assessment is between the provision of affordable housing and the provision of developer contributions towards strategic infrastructure and mitigation measures that are required to make development acceptable. Two further sets of appraisals have been run with varied levels of developer contributions tested against varied affordable housing targets. Initially this was done with a higher level of policy requirements. As part of the iterative plan-making process, a set was then run with a lower level of policy requirements.

12.65 The appraisals with the lower policy requirements assume an altered tenure mix, reduced levels of accessible and adaptable housing and reduced environmental standards.

12.66 Typically, the Residual Value is about £250,000/ha greater under the lower policy requirements than under the higher policy requirements, meaning a developer can pay the landowner £250,000/ha more for the land. In making the comments below, it is assumed that it is preferable (and more normal) to keep general policy requirements consistent across the area, rather than have different areas subject to differing environmental standards or similar.

Table 12.7 Affordable Housing v Developer Contributions
Effect of Policy Requirements

Higher Policy Requirements	Lower Policy Requirements
Affordable Housing Varied as shown (Intermediate Housing 33%, Affordable Rent 67%). Design 90% Accessible and Adaptable, 10% Wheelchair Accessible. NDSS / Water efficiency / Car Charging Points / 10% Biodiversity Net Gain / Future Homes Standard Option 2 plus additional Carbon Reduction. Developer Contributions CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2). s106 – typologies and strategic sites as varied.	Affordable Housing Varied as shown (Intermediate Housing 50%, Affordable Rent 50%). Design 67% Accessible and Adaptable, 8% Wheelchair Accessible. NDSS / Water efficiency / 10% Biodiversity Net Gain / Future Homes Standard Option 2. Developer Contributions CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2). s106 – typologies and strategic sites as varied.
Gloucester Fringe and Cotswold Area	
All the greenfield sites are able to bear at least 30% affordable housing and at least £25,000/unit in developer contributions, in addition to CIL. The brownfield sites that are likely to come forward in this area, being the smaller lower density schemes are able to bear 30% affordable housing and £5,000/unit in developer contributions, in addition to CIL. At 20% affordable housing brownfield development is likely to be able to bear £15,000/unit in developer contributions, in addition to CIL. The two larger sites modelled on the Gloucester Fringe have limited capacity to bear affordable housing, over and above CIL.	All the greenfield sites are able to bear at least 30% affordable housing and over £30,000/unit in developer contributions, in addition to CIL. The brownfield sites that are likely to come forward in this area, being the smaller lower density schemes are able to bear 30% affordable housing and £15,000/unit in developer contributions, in addition to CIL. The smaller of the two larger sites modelled on the Gloucester Fringe is viable at 30% affordable housing, but has limited capacity to bear Developer Contributions in addition to CIL. The larger of the two larger sites modelled on the Gloucester Fringe is viable at 25% affordable housing, but, similarly, has limited capacity to bear Developer contributions in addition. The capacity to bear developer contributions increases as the amount of affordable housing is reduced.

Higher Policy Requirements	**Lower Policy Requirements**
Rural West	
Whilst some greenfield typologies are viable at 30% not all are, having said this the majority of development in this area is likely to be on smaller sites which are shown as viable. There is limited capacity to bear CIL Developer contributions in addition to CIL, however developer contributions are not normally sought from smaller sites. All the greenfield typologies are shown as viable at 25% affordable housing. The Council should be cautious about allocating sites in this area.	At 30% affordable housing all the greenfield sites have capacity to bear 30% affordable housing and mat lease £10,000 per unit developer contributions in addition to the adopted rates of CIL. Brownfield sites are not shown as being viable in this area. The Council should be cautious about allocating brownfield sites in this area.
Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness	
Consistent with the findings of the Council's previous viability work, development in the Stroud Valleys does face viability challenges, particularly on the brownfield sites (which were zero rated for CIL in recognition of this). Brownfield sites are not shown as being viable in this area. The Council should be cautious about allocating sites in this area	Brownfield sites are not shown as being viable in this area. The Council should be cautious about allocating sites in this area

Source: HDH (October 2020)

Preferred Policy Mix and Sensitivity Testing

12.67 In the proceeding analysis the impact of the Council's policy options have been tested separably and cumulatively, and under various options, for example under different tenures. When considering what mix of policies to recommend, the following factors have been taken into account:

a. That it is preferable (and more normal) to keep general policy requirements consistent across the area, rather than have different areas subject to differing environmental standards or similar.

b. That infrastructure, including education, can be funded by CIL, so it is not necessary to make an allowance for the full, worst case scenario of developer contributions.

c. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now it would be preferable to wait for the Government to set out their future plans.

d. That an important factor when setting policy is the distribution of potential development sites. In this regard, little development is planned in the lower value West area.

12.68 Having discussed these with the Council, a final set of appraisals has been run on the following assumptions.

a. Affordable Housing 30% (Intermediate Housing 50%, Affordable Rent 50%).

b. Design 67% Accessible and Adaptable / 8% Wheelchair Accessible

		NDSS, Water efficiency
		10% Biodiversity Net Gain
		Future Homes Standard Option 2.
c.	Developer Contributions	CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2).
		s106 – typologies as, £5,000/unit, Strategic Sites as estimated.

12.69 Relative to the policies in the adopted Local Plan, the above included the following:

- A significant move towards reducing carbon emissions, adopting draft Future Homes Standard Option 2.
- The inclusion of accessible and adaptable standards and wheelchair adaptable standards on an element of the new homes to meet the needs identified through the Housing Market Assessment.
- 10% Biodiversity Net Gain in line with the requirements of the Environment Bill that is progressing through Parliament.
- Additional standards in relation to water use.

12.70 In addition to the above, the affordable housing mix has been changed to 50 / 50 Affordable Rent / Intermediate Housing, being in line with the Council's normal delivery mix. This has the effect of improving viability.

12.71 With a view to improving viability, the requirements do not include EV Charging Points, an allowance for District Heating, or higher environmental standards over and above the Future Homes Standard. A lowered proportion of homes being subject to accessible and adaptable standards and wheelchair adaptable standards is assumed, and it is also assumed that CIL is used to fund some of the strategic infrastructure and mitigation measures that are required.

12.72 In the following tables the Residual Value is compared with the BLV. The Benchmark Land Value being an amount over and above the Existing Use Value that is sufficient to provide the willing landowner with a premium, and induce them to sell the land for development.

Table 12.8a Residual Value v BLV Gloucester Fringe and Cotswolds					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Glouc Fringe & NW	25,000	375,000	262,345
Site 2	Green 250	Glouc Fringe & NW	25,000	375,000	316,277
Site 3	Green 100	Cotswold	25,000	375,000	1,158,215
Site 4	Green 60	Cotswold	25,000	375,000	1,169,968
Site 5	Green 40	Cotswold	25,000	375,000	1,192,037
Site 6	Green 20	Cotswold	25,000	375,000	1,332,271
Site 7	Green 10	Cotswold	50,000	400,000	1,395,782
Site 8	Green 6	Cotswold	50,000	400,000	1,696,277
Site 9	Green 3	Cotswold	50,000	400,000	1,365,987
Site 12	Brown 40	Cotswold	650,000	780,000	861,223
Site 13	Brown 20	Cotswold	650,000	780,000	1,211,693
Site 15	Brown 10	Cotswold	650,000	780,000	1,235,375
Site 17	Brown 6	Cotswold	650,000	780,000	1,795,702
Site 19	Brown 3	Cotswold	650,000	780,000	1,360,763

Source: HDH (October 2020)

Table 12.8b Residual Value v BLV Rural West					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	West	25,000	375,000	516,968
Site 2	Green 250	West	25,000	375,000	612,072
Site 3	Green 100	West	25,000	375,000	499,840
Site 4	Green 60	West	25,000	375,000	502,748
Site 5	Green 40	West	25,000	375,000	511,177
Site 6	Green 20	West	25,000	375,000	684,463
Site 7	Green 10	West	50,000	400,000	900,104
Site 8	Green 6	West	50,000	400,000	1,076,225
Site 9	Green 3	West	50,000	400,000	826,291
Site 15	Brown 10	West	650,000	780,000	-263,616
Site 17	Brown 6	West	650,000	780,000	-275,139
Site 19	Brown 3	West	650,000	780,000	-364,621

Source: HDH (October 2020)

Table 12.8c Residual Value v BLV

Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness

			Existing Use Value	Benchmark Land Value	Residual Value
Site 10	Brown 100	Stroud Valleys	650,000	780,000	-231,756
Site 11	Brown 60	Stroud Valleys	650,000	780,000	-244,565
Site 12	Brown 40	Stroud Valleys	650,000	780,000	-271,394
Site 13	Brown 20	Stroud Valleys	650,000	780,000	31,930
Site 14	Brown 20 HD	Stroud Valleys	650,000	780,000	-942,595
Site 15	Brown 10	Stroud Valleys	650,000	780,000	143,730
Site 16	Brown 10 HD	Stroud Valleys	650,000	780,000	-961,056
Site 17	Brown 6	Stroud Valleys	650,000	780,000	283,856
Site 18	Brown 6 HD	Stroud Valleys	650,000	780,000	-1,004,577
Site 19	Brown 3	Stroud Valleys	650,000	780,000	87,373
Site 20	PRS 20	Stroud Valleys	650,000	780,000	219,324
Site 21	PRS 20 HD	Stroud Valleys	650,000	780,000	-659,547

Source: HDH (October 2020)

Table 12.8d Residual Value v BLV Strategic Sites					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	PS24 West of Draycott	Cam NW	25,000	375,000	-110,821
Site 2	PS25 East of River Cam	Cam NE Extension	25,000	375,000	-272,424
Site 3	G1 South of Hardwicke	S of Hardwicke	25,000	375,000	161,771
Site 4	PS30 Hunts Grove Extension	Hunts Grove	25,000	375,000	112,628
Site 5	PS34 Sharpness Docks	Sharpness	650,000	780,000	-355,060
Site 6	PS36 New settlement at Sharpness	Sharpness	25,000	375,000	373,490
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	25,000	375,000	25,772
Site 8	PS37 New settlement at Wisloe	Wisloe	25,000	375,000	384,382
Site 9	G2 Land at Whaddon	Whaddon	25,000	375,000	66,392
Site 10	## Grove End Farm	Whitminster	25,000	375,000	108,598

Source: HDH (May 2021)

12.73 Even on this basis, not all development is viable, particularly that on brownfield sites. In these cases it is recommended that the Council accepts site specific viability assessments at the development management stage.

12.74 The infrastructure cost for the Strategic Sites (as set out Chapter 7 above) is about £20,000/unit. On these sites, viability is constrained, with none of them being able to deliver 30% affordable housing and £20,000/unit. As set out above, to a large extent these findings are to be expected at this stage of the plan-making process as the delivery of any large site is challenging, so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

12.75 In this context we particularly highlight paragraph 10-006 of the PPG:

> *... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in*

buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....

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12.76 The Council should only include brownfield sites and Strategic Sites in the Plan where it is demonstrated that they are actually deliverable.

Older People's Housing

12.77 As well as mainstream housing, we have considered the Sheltered and Extracare sectors separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows. Under the adopted CIL Charging Schedule 'older people's housing' is not subject to CIL. An allowance of £1,000/unit is made s106 developer contributions.

12.78 The results indicate that specialist older people's housing is likely to be able to bear some affordable housing, but not 30%. In this context, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not considered necessary to develop a specific policy for this sector.

Non-Residential Appraisals

12.79 Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types. As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV 'plus').

12.80 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and what planning applications are being determined – and on what basis.

Employment uses

12.81 To a large extent the results are reflective of the current market. Office development and industrial are both shown as being unviable, however this is not just an issue here, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis. Where development is coming forward, it tends to be from existing businesses for operational reasons, rather than purely for property investment reasons. Larger industrial sites are shown as viable on the greenfield sites, which is consistent with such delivery being delivered, particularly in the north of the District.

12.82 It is important to note that the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the aim of making a profit from the development. The Guidance does not reflect the broad range of business models under which development comes forward and developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. The limited development that is coming forward in the area is largely user-led, being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.

12.83 It is clear that the delivery of the employment uses is limited. We would urge caution in relation to setting policy requirements for employment uses that would impact on viability.

Retail and Hotel Development

12.84 Similar appraisals have been prepared for the retail and hotel uses. The large format retail uses incorporate CIL at the current rate (£90.41/m^2).

12.85 The larger format retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The town centre retail is shown as viable, however these results should be treated with some caution as the retail sector is in a particularly uncertain time. As would be expected, the smaller format retail uses in the secondary situations are not viable.

12.86 Hotel development is shown as viable.

Community Infrastructure Levy

12.87 The brief for this Local Plan Viability Assessment extended to making an assessment of the capacity of development to bear CIL. There is uncertainty as to whether or not CIL will remain an option for funding infrastructure. The analysis suggests that there is limited capacity to review CIL. At this stage we would suggest that the Council is cautious about proceeding with a formal review of CIL, but reconsiders this as and when the Government’s plans in this regard have been clarified

Conclusions

12.88 The Stroud District Council area has a vibrant and active property market, although some areas, particularly those associated with the wider Stroud Valleys and Sharpness, do have challenges. All types of residential and non-residential development are coming forward and only in relatively few cases they are not delivering the full policy requirements for affordable housing in addition to the adopted rates of CIL. Viability testing is a quantitative and a qualitative process, and one that involves judgment. It is our recommendation that the Council revisits its overall policy requirements policy and reduces it somewhat. It is suggested that the following approach is adopted.

a.	Affordable Housing	30% (Intermediate Housing 50%, Affordable Rent 50%).
b.	Design	67% Accessible and Adaptable / 8% Wheelchair Accessible
		NDSS, Water efficiency
		10% Biodiversity Net Gain
		Future Homes Standard Option 2.
c.	Developer Contributions	CIL – As per Charging Schedule (£96.44/m^2 / £0/m^2).

12.89 Policy requirements at this level, generally allows for developer contributions (in addition to the current rates for CIL) of at least £5,000 per unit, and in many cases, significantly more. In taking this approach it remains necessary to be cautious about relying on the brownfield sites to in the early years of the Plan, and the Council should only count on such sites (for example in the five year land supply calculation) where it is confident the site will be forthcoming, for example there is a recent planning consent.

12.90 In relation to the Strategic Sites, we reiterate our earlier comments. There is no doubt that the delivery of any large site is challenging so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance and the PPG:

12.91 Whilst some of the non-residential uses are not viable, they are not rendered unviable by the cumulative impact of the Council's policies, rather by the general market conditions. The employment uses (office and industrial) are coming forward.

12.92 There is uncertainty around the impact of COVID-19 and Brexit on the economy. It is important that the Council monitors these changes as they occur and if necessary, makes any required changes.

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers. The firm is regulated by the RICS.
The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

HDH Planning and Development have clients throughout England and Wales.

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