North Dorset Whole Plan Viability and CIL Study

Final Report

On behalf of **North Dorset District Council**

Project Ref: 30648 | Rev: 2 | Date: February 2015

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Document Control Sheet

Project Name: North Dorset Whole Plan Viability and CIL Study

Project Ref: **31991**

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1 Introduction

1.1 The study scope

1.1.1 Peter Brett Associates LLP (PBA) was commissioned by North Dorset District Council to undertake a viability assessment at a strategic plan level and provide the following outputs:

- A plan viability assessment (PV) of the North Dorset Local Plan 2011 – 2026 Part 1 (Local Plan).
- To test the Plan affordable housing policy in the context of the PV assessment.
- Viability assessment of theoretical developments taking into account the Local Plan requirements and other cost, to inform the Community Infrastructure Levy (CIL) rates.

1.1.2 The main purpose of a plan viability (or PV) assessment is to provide evidence to show that the requirements of the National Planning Policy Framework (NPPF) are met. That is, the policy requirements in the Plan should not threaten the development viability of the plan as a whole. The objective of this study is to inform policy decisions relating to the trade-offs between the policy aspirations of achieving sustainable development and the realities of economic viability.

1.1.3 The report and the accompanying appraisals have been prepared in line with the Royal Institute of Chartered Surveyors (RICS) valuation guidance. However, it is first and foremost a supporting document to inform the Local Plan evidence base and planning policy, in particular policy concerned with the planning, funding and delivery of infrastructure needed to support delivery of the plan.

1.1.4 As per Professional Standards 1 of the RICS Valuation Standards – Global and UK Edition[1], the advice expressly given in the preparation for, or during the course of negotiations or possible litigation does not form part of a formal “Red Book” valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.

Defining local plan level viability

1.1.5 The 'Viability Testing Local Plans' advice for planning practitioners prepared by the Local Housing Delivery Group and chaired by Sir John Harman June 2012 (the Harman Report) defines whole plan viability (on page 14) as follows:

'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs, and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place, and generates a land value sufficient to persuade the land owner to sell the land for the development proposed.'

At a Local Plan level, viability is very closely linked to the concept of deliverability. In the case of housing, a Local Plan can be said to be deliverable if sufficient sites are viable (as defined in the previous paragraph) to deliver the plan's housing requirement over the plan period.

1.1.6 It should be noted that the approach to Local Plan level viability assessment does not require all sites in the plan to be viable. The Harman Report says that a site typologies approach (i.e.

[1] RICS (January 2014) Valuation – Professional Standards, PS1 Compliance with standards and practice statements where a written valuation is provided

assessing a range of example development sites likely to come forward) to understanding plan viability is sensible. Whole plan viability:

'does not require a detailed viability appraisal of every site anticipated to come forward over the plan period… [we suggest] rather it is to provide high level assurance that the policies with the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.

A more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.

1.1.7 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period.

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'

1.1.8 Indeed, the Report also acknowledges that a:

'plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.

1.1.9 The report later suggests that once the typologies testing has been done:

'it may also help to include some tests of case study sites, based on more detailed examples of actual sites likely to come forward for development if this information is available' .

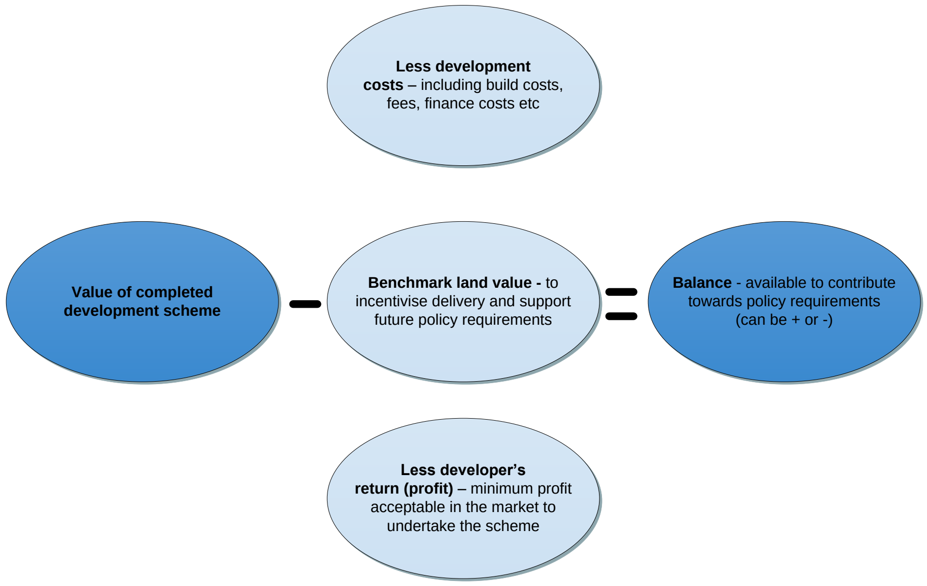
1.1.10 The Harman Report points out the importance of minimising risk to the delivery of the plan. Risks can come from policy requirements that are either too high or too low. So, planning authorities must have regard to the risks of damaging plan delivery with excessive policy costs - but equally, they need to be aware of lowering standards to the point where the sustainable delivery of the plan is not possible. Good planning in this respect is about 'striking a balance' between the competing demands for policy and plan viability.

1.2 Approach used for the development viability appraisals

1.2.1 The PBA development viability model was used to test Plan delivery based on viability and to ascertain a CIL charge. This involved high level testing of a number of hypothetical and named schemes that represent the future allocation of development land in North Dorset.

1.2.2 The viability testing and study results are based on a standard residual land valuation of different land uses relevant to different parts of the District, aiming to show typical values for each site. The approach takes the difference between development values and costs, and compares the 'residual value' (i.e. what is left over after the cost of building the site is deducted from the potential sales value of the completed site/buildings) with a benchmark/threshold land value (i.e. the value over and above the existing use value a landowner would want to accept to bring the site to market for development) to determine the balance that could be available to support policy costs such as affordable housing and infrastructure. This is a standard approach, which is advocated by the Harman Report. The broad method is illustrated in the **Figure 1.1**.

Figure 1.1 Approach to residual land value assessment for whole plan viability



1.2.4 In the case of the Council's strategic development sites, we have adapted the model to test a range of different infrastructure requirements in the phasing of the development. When added to a set of locally based assumptions on new-build sales values, benchmark/threshold land values and developer return, we can produce a set of viability assessments for the potential strategic development sites. This is then built into the cash flow modelling (i.e. the timing and costs of finance) to assess viability through the lifetime of the development, where costs and returns will be flowing through the development cycle. The purpose of the assessment is to identify the balance available to pay for policy costs at which each of the potential strategic sites is financially viable. We refer to this balance available at the end as the 'headroom'.

1.2.5 The arithmetic of residual land value assessment is straightforward (we use a bespoke spreadsheet models for the assessments). However, the inputs to the calculation are hard to determine for a specific site (as demonstrated by the complexity of many S106 negotiations). The difficulties grow when making calculations that represent a typical or average site - which is what is required by CIL regulations for estimating appropriate CIL charges. Therefore our viability assessments in this report are necessarily broad approximations, subject to a margin of uncertainty.

1.2.6 Examples of the residential and a non-residential site assessment sheets are set out in **Appendix B**.

1.3 Consultation

1.3.1 The Council arranged a viability workshop for the local development industry to enable us to test the assumptions contained within this report. This took place in October 2014 and was attended by developers and agents, in addition to the consultants and council officers.

1.3.2 The workshop was attended by a mix of house builders, surveyors, architects, agents and landowners and promoters. There were also representatives from local Registered Providers.

1.3.3 The key data discussed includes:

- Typologies;
- The density and mix of development;

- Estimated market values of completed development;
- Existing use and open market land values;
- Basic build cost;
- External works (% of build cost);
- Professional fees (% of build cost);
- Marketing & sales costs (% of development value);
- Typical S106 costs;
- Finance costs (typical prevailing rates); and
- Developer's margin (% of development value)

1.3.4 A copy of the meeting note is in **Appendix C**. Following the meeting, the Council circulated the meeting note around the attendees inviting comment on the assumptions. Unfortunately, the local development industry has not provided any further evidence upon which to test our assumptions and we have had to rely upon our own research and the anecdotal commentary from the workshop.

1.4 Approach

Report structure

1.4.1 The rest of this report is set out as follows:

- Chapter 2 sets out the policy and legal requirements relating to whole plan viability, affordable housing and community infrastructure levy which the study assessment must comply with.
- Chapter 3 outlines the planning and development context, and considers past delivery.
- Chapter 4 sets out the current policies and their impact on viability.
- Chapters 5 and 6 describe the local residential and non-residential markets, and the development scenarios to be tested, assumptions and viability results.
- Chapter 7 concludes by setting out the main findings and translates this into recommendations for the whole plan viability and specifically affordable housing and CIL.
- A glossary of key terms is available in **Appendix D**

2 National Policy Context

2.1 National framework

2.1.1 The National Planning Policy Framework (NPPF) recognises that the 'developer funding pot' or residual value is finite and decisions on how this funding is distributed between affordable housing, infrastructure, and other policy requirements have to be considered as a whole, they cannot be separated out.

2.1.2 The NPPF advises that cumulative effects of policy should not combine to render plans unviable:

'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'. [2]

2.1.3 With regard to non-residential development, the NPPF states that local planning authorities *'should have a clear understanding of business needs within the economic markets operating in and across their area. To achieve this, they should… understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.'* [3]

2.1.4 The NPPF does not state that all sites must be viable now in order to appear in the plan. Instead, the NPPF is concerned to ensure that the bulk of the development is not rendered unviable by unrealistic policy costs. It is important to recognise that economic viability will be subject to economic and market variations over the local plan timescale. In a free market, where development is largely undertaken by the private sector, the local planning authority can seek to provide suitable sites to meet the needs of sustainable development. It is not within the local planning authority's control to ensure delivery actually takes place; this will depend on the willingness of a developer to invest and a landowner to release the land. So in considering whether a site is deliverable now or developable in the future, we have taken account of the local context to help shape our viability assumptions.

Deliverability and developability considerations in the NPPF

2.1.5 The NPPF creates the two concepts of 'deliverability' (which applies to residential sites which are expected in years 0-5 of the plan) and 'developability' (which applies to year 6 of the plan onwards). The NPPF defines these two terms as follows:

To be deliverable, *‚sites 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 and in particular that development of the site is viable.'* [4]

To be developable, sites expected from year 6 onwards should be able to demonstrate a *'reasonable prospect that the site is available and could be viably developed at the point envisaged'.* [5]

[2] DCLG (2012) National Planning Policy Framework (41, para 173)
[3] Ibid (para 160)
[4] Ibid (para 47, footnote 11 – note this study deals with the viability element only, the assessment of availability, suitability, and achievability is dealt with by the client team as part of the site selection process for the SHLAA and other site work.

2.1.6 This study deals with the viability element only, the assessment of availability, suitability, and achievability, including the timely delivery of infrastructure is dealt with by the Council as part of its site allocations and infrastructure planning.

2.1.7 The NPPF advises that a more flexible approach may be taken to the sites coming forward from year 6 onwards. These sites might not be viable now and might instead be only become viable at a future point in time (e.g. when a lease for the land expires or future use values become attractive). This recognises the impact of economic cycles and variations in values and policy changes over time.

2.2 National policy on affordable housing

2.2.1 In informing future policy on affordable housing, it is important to understand national policy on affordable housing. The NPPF states:

2.2.2 'To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should[6]:

- *plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);*
- *identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and*
- *where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time'.*[7]

2.2.3 The NPPF accepts that in some instances, off site provision or a financial contribution of a broadly equivalent value may contribute towards creating mixed and balanced communities.

2.2.4 Finally, the NPPF recognises that market conditions change over time, and so when setting long term policy on affordable housing, incorporating a degree of flexibility is sensible to reflect changing market circumstances.

2.2.5 The government has not amended the definition of affordable housing in the NPPF to take account of the variety of first time buyer mortgage support schemes offered by both the government and developers. It is unclear how long such products will be on the market but they are not classified as an 'affordable product', although they may in some areas impact on the delivery of affordable products.

2.2.6 In informing future policy on affordable housing, it is important to be clear of the national policy parameters that apply to affordable housing. The NPPF now provides local planning authorities greater flexibility to determine their housing delivery strategy based on their understanding of local housing needs and housing market.

[5] Ibid (para 47, footnote 12)
[6] Ibid (para 50 and bullets).
[7] Ibid (p13, para 50)

Threshold limits, off site contributions, and flexibility in policy

2.2.7 The NPPF does not include any affordable housing thresholds with the intention instead of allowing local authorities to set its own threshold to meet local requirements based on a clear understanding of local market, need, viability and delivery.

2.2.8 However, during the course of drafting this report the government has amended the National Planning Practice Guidance (NPPG) to require local authorities to adopt a national threshold for affordable housing and other infrastructure related S106 contributions. For areas such as North Dorset the NPPG states:

’contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1000sqm

in designated rural areas, local planning authorities may choose to apply a lower threshold of 5-units or less. No affordable housing or tariff-style contributions should then be sought from these developments. In addition, in a rural area where the lower 5-unit or less threshold is applied, affordable housing and tariff style contributions should be sought from developments of between 6 and 10-units in the form of cash payments which are commuted until after completion of units within the development. This applies to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty’

2.2.9 The NPPG confirms that this applies to seeking affordable housing though S106 or to *’pooled funding ‘pots’ intended to fund the provision of general infrastructure in the wider area‘*. Authorities can still seek site specific infrastructure necessary to make the development acceptable in planning terms, such as improving road access or street lighting.

2.2.10 Any testing will need to take into account these central government requirements and whilst it does reduce the ability of the authority to receive S106 contributions and in particular affordable housing, it will mean in viability terms that sites of 10 or less sites of 5 and less dwellings will be more viable and thus have potential for a greater level of CIL contribution.

2.2.11 The NPPF requires local planning authorities through the duty to cooperate with neighbouring authorities to reflect affordable housing needs[8]:

‘in rural areas, exercising the duty to cooperate with neighbouring authorities, local planning authorities should be responsive to local circumstances and plan housing development to reflect local needs, particularly for affordable housing, including through rural exception sites where appropriate. Local planning authorities should in particular consider whether allowing some market housing would facilitate the provision of significant additional affordable housing to meet local needs’.

2.3 National policy on infrastructure

2.3.1 The NPPF requires local planning authorities to demonstrate that infrastructure will be available to support development:

’It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up.’ [9]

2.3.2 It is not necessary for local planning authorities to identify all future funding of infrastructure when preparing planning policy. The NPPF states that standards and policies in Local Plans should

[8] DCLG (2012) op cit (para 54 page 14)

[9] Ibid (p42, para 177)

'facilitate development across the economic cycle,' [10] suggesting that in some circumstances it may be reasonable for a local planning authority to argue that viability is likely to improve over time, that policy costs may be revised, that some infrastructure is not required immediately, and that mainstream funding levels may recover.

2.4 National policy on community infrastructure levy

2.4.1 The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be tested by an independent examiner.

2.4.2 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[11], as amended in 2011[12], 2012[13], 2013[14] and 2014[15].
- National Planning Practice Guidance on CIL (NPPG CIL).[16]

2.4.3 The 2014 CIL amendment Regulations have altered key aspects of setting the charge for charging authorities who publish a draft charging schedule for consultation. The key points from these various documents are summarised below.

Striking the appropriate balance

2.4.4 The revised Regulation 14 requires that a charging authority '*strike an appropriate balance*' between:

a. The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and

b. The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.4.5 A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for a charging authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed

[10] Ibid (p42, para 174)
[11] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[12] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[13] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[14] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[15] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf
[16] DCLG (February 2014) Community Infrastructure Levy Guidance and DCLG (June 2014) National Planning Practice Guidance: Community Infrastructure Levy (NPPG CIL)

levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.' [17]

2.4.6 In other words, the 'appropriate balance' is the level of CIL which maximises the delivery of development and supporting infrastructure in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

2.4.7 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. This has been reduced by the 2014 Regulations, but remains. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike <u>*an*</u> *appropriate balance…*' i.e. it is recognised there is no one perfect balance;

'Charging authorities need to demonstrate that their proposed levy rate or rates are <u>*informed*</u> *by 'appropriate available' evidence and consistent with that evidence across their area as a whole.'*

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence …… There is room for some pragmatism.' [18]

2.4.8 Thus, the guidance sets the delivery of development firmly in within the context of implementing the local plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the guidance. For example, in guiding examiners, the guidance makes it clear that the independent examiner should establish that:

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole…..'[19]

2.4.9 This also makes the point that viability is not simply a site specific issue but one for the plan <u>as a whole</u>.

2.4.10 The focus is on seeking to ensure that the CIL rate does not threaten the ability to develop viably the sites and scale of development identified in the local plan. Accordingly, when considering evidence the guidance requires that charging authorities should:

'*use an area based approach, involving a broad test of viability across their area', supplemented by sampling '…an appropriate range of types of sites across its area…' with the focus '...on strategic sites on which the relevant Plan relies and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).* [20]

2.4.11 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable (some schemes will be unviable with or without CIL). The levy may put some schemes at risk in this way, so long as, in striking an appropriate balance

[17] DCLG (June 2014) NPPG CIL (para 009)

[18] DCLG (June 2014) NPPG CIL (para 019)

[19] DCLG (June 2014) NPPG CIL (para 038)

[20] DCLG (June 2014) NPPG CIL (para 019)

overall, it avoids threatening the ability to develop viably the sites and scale of development identified in the local plan.

Keeping clear of the ceiling

2.4.12 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

'…..if the evidence pointed to setting a charge right at the margins of viability………It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[21]

2.4.13 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.
- A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

Varying the CIL charge

2.4.14 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[22] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.4.15 The guidance also points out that charging authorities should avoid '*undue complexity*' when setting differential rates, and *'….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.'* [23]

2.4.16 Moreover, generally speaking, '*Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'*; otherwise the CIL may fall foul of state aid rules.[24]

2.4.17 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [25]

[21] DCLG (June 2014) NPPG CIL (para 019)

[22] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area.

[23] DCLG (June 2014) NPPG CIL (para 021)

[24] Ibid

[25] Ibid

Supporting evidence

2.4.18 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[26]. The guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[27]

2.4.19 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the local plan.

Chargeable floorspace

2.4.20 CIL will be payable on most buildings that people normally use and will be levied on the net additional new build floorspace created by any given development scheme. The following will not pay CIL:

- New build that replaces demolished existing floorspace that has been in use for six months in the last three years on the same site, even if the new floorspace belongs to a higher-value use than the old;
- Retained parts of buildings on the site that will not change their use, or have otherwise been in use for six months in the last three years;
- Development of buildings with floorspace less than 100 sq.m (if not a new dwelling), by charities for charitable use, extensions to homes, homes by self-builders' and social housing as defined in the regulations.

CIL, S106, S278 and the regulation 123 infrastructure list

2.4.21 The purpose of CIL is to enable the charging authority to carry out a wide range of infrastructure projects. CIL is not expected to pay for all infrastructure requirements but could make a significant contribution. However, development specific planning obligations (commonly known as S106) to make development acceptable will continue to be used alongside CIL. In order to ensure that planning obligations and CIL operate in a complementary way, CIL Regulations 122 and 123 place limits on the use of planning obligations.

2.4.22 To overcome potential for 'double dipping' (i.e. being charged twice for the same infrastructure by requiring the paying of CIL and S106), it is imperative that charging authorities are clear about the authority's infrastructure needs and what developers will be expected to pay for and through which route. The guidance expands this further in explaining how the list of infrastructure for funding by CIL, known as the Regulation 123 infrastructure list should be scripted to account for generic projects and specific named projects).

2.4.23 The guidance states that '*it is good practice for charging authorities to also publish their draft (regulation 123) infrastructure lists and proposed policy for the scaling back of S106 agreements*.' This list now forms part of the 'appropriate available evidence' for consideration at the CIL examination. A draft infrastructure list should be available at the preliminary draft charging schedule phase.

2.4.24 The guidance identifies the need to assess past evidence on developer contributions, stating '*as background evidence, the charging authority should also provide information about the amount of funding collected in recent years through Section 106 agreements, and information on the extent to which affordable housing and other targets have been met'*.

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[26] Planning Act 2008 Section 211 (7A)

[27] DCLG (June 2014) NPPG CIL (para 019)

2.4.25 Similarly, there are restrictions on using section 278 highway agreements to fund infrastructure that is also included in the CIL infrastructure list. This is done by placing a limit on the use of planning conditions and obligations to enter into section 278 agreements to provide items that appear on the charging authority's Regulation 123 infrastructure list. Note these restrictions do not apply to highway agreements drawn up with the Highways Agency.

What the CIL examiner will be looking for

2.4.26 According to the guidance, the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation.
- The draft charging schedule is supported by background documents containing appropriate available evidence.
- The proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area.
- Evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole.

2.4.27 The examiner must recommend that the draft charging schedule should be approved, rejected or approved with specific modifications.

2.5 Policy and other requirements

2.5.1 More broadly, the CIL guidance states that '*Charging authorities should consider relevant national planning policy when drafting their charging schedules*'[28]. Where consideration of development viability is concerned, the CIL guidance draws specific attention to paragraphs 173 to 177 of the NPPF and to paragraphs 162 and 177 of the NPPF in relation to infrastructure planning.

2.5.2 The only policy requirements which refer directly to CIL in the NPPF are set out at paragraph 175 of the NPPF, covering firstly, working up CIL alongside the plan making where practical; and secondly, placing control over a meaningful proportion of funds raised within neighbourhoods where development takes place. In urban areas, the Council retains the neighbourhood proportion to spend it on behalf of the neighbourhood. Whilst important considerations, these two points are outside the immediate remit of this study.

2.6 Summary

Plan summary

2.6.1 Plan wide viability testing is different to site viability assessment and adopts a broader plan level approach to viability assessment based on 'site typologies rather than actual sites' combined with some case studies.

2.6.2 The key documents guiding plan viability assessment are the Harman Report and the RICS Guidance – both approach plan level viability different to site specific viability, and take account of current and future policy requirements, but both documents differ in their approach to arriving at the benchmark/threshold land value. The Harman Report advocates using the existing use value plus uplift for the potential new use, whilst the RICS report advocates a market value minus a future policy cost approach.

[28] DCLG (June 2014) NPPG CIL (para 011)

2.6.3 The NPPF requires Councils to ensure that they 'do not load' policy costs onto development if it would hinder the site being developed. The key point is that policy costs will need to be balanced so as not to render a development unviable, but should still be considered sustainable.

Affordable housing summary

2.6.4 The NPPG has introduced nationally prescribed affordable housing thresholds and removes the greater flexibility for local authorities to meet local needs based on a clear understanding of local market, need, viability and delivery. There is scope to secure commuted sums for offsite delivery where appropriate, and importantly, the NPPF recognises the need for policies to be sufficiently flexible to take account of changing market conditions over time.

Infrastructure summary

2.6.5 The infrastructure needed to support the plan over time will need to be planned and managed. Plans should be backed by a thought-through set of priorities and delivery sequencing that allows a clear narrative to be set out around how the plan will be delivered (including meeting the infrastructure requirements to enable delivery to take place).

2.6.6 This study confines itself to the question of development viability. It is for other elements of the evidence base to investigate the other ingredients in the definition of deliverability (i.e. location, infrastructure and prospects for development). Though the study will draw on infrastructure costs (prepared by the Council) to inform the impact on viability where relevant.

CIL summary

2.6.7 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a draft for consultation must strike an appropriate balance between the desirability of funding (in whole or in part) infrastructure needed to support the development and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.6.8 This means that the net effect of the levy on total development across the area should be positive. CIL may reduce the overall amount of development by making certain schemes which are not plan priorities unviable. Conversely, it may increase the capacity for future development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

2.6.9 Legislation and guidance also set out that:

- Authorities should avoid setting charges at the margin of viability.
- CIL charging rates may vary across geographical zones, building uses, and by scale of development. But differential charging must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive'.
- Charging authorities should be clear and transparent about the use of different approaches to developers funding infrastructure and avoid 'double dipping'.

2.6.10 While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence. In this, and other ways, charging authorities have discretion in setting charging rates.

3 Local Development Context

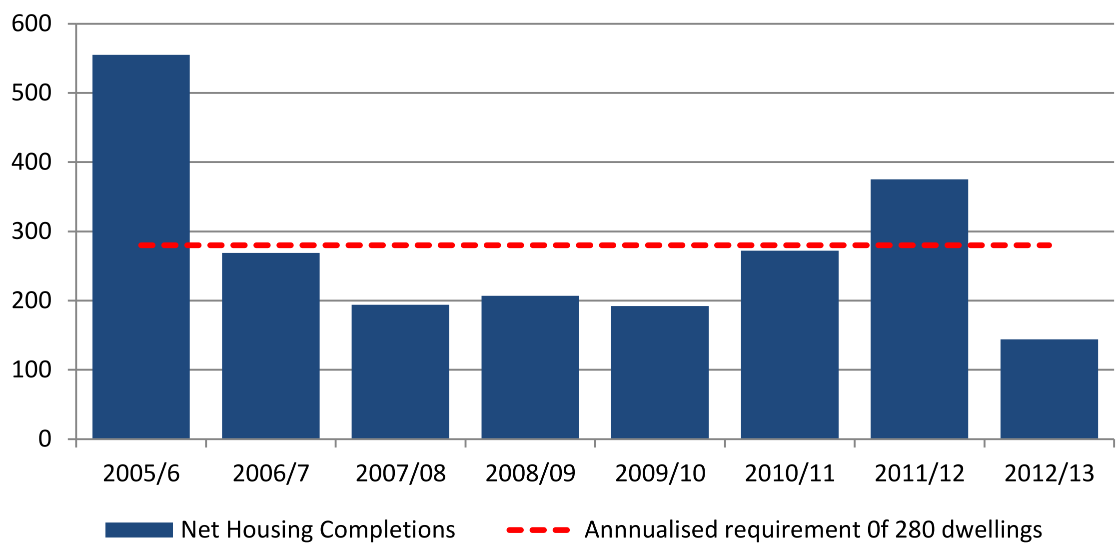
3.1 Introduction

3.1.1 This chapter briefly outlines the local development context in North Dorset reviewing past development that has taken place, and potential for growth over the Plan period to inform the emerging North Dorset Local Plan. This development context has informed the viability appraisal assumptions.

3.2 Past development patterns

3.2.1 Patterns of past development can normally provide a guide to the likely patterns of future development. North Dorset's Annual Monitoring Report (AMR) for 2011 contains a review of performance over the whole of the plan period for the North Dorset District-wide Local Plan, which ran from 1994 to 2011. This showed that 6,708 dwellings were delivered against a target of 5,900. The additional 808 dwellings represent 14% delivery above the target. The 2011 AMR also shows high levels of delivery in the years following the adoption of the Local Plan in 2003. More recent Annual Monitoring Reports cite the updated Strategic Housing Market Assessment (SHMA) target rate provision from 2011 onwards of 280 additional dwellings per annum. In the first three years of the new plan period, 746 dwellings have been delivered against a target of 840, leaving a deficit of 94 units that will need to be made up over the next five years. The 2014 AMR shows that there are sufficient sites that can come forward over the next five years to deliver against this rate and make good the shortfall.

Table 3.1 Residential completions 2005-2013



Source: North Dorset Annual Monitoring Reports

Scale and type of past delivery

3.2.2 In terms of the scale and type of developments brought forward in recent years, the Annual Monitoring Report 2013 indicates in the year 2012/13, 68% of the total dwellings built had 3 bedrooms or more. Our consultation with both the local authority and local developers confirms a preference for family homes, or starter homes for younger families. The preference for houses, as opposed to flats, is reflected in Table 3.2. The table summarises data from the three most recent

Annual Monitoring Reports regarding the proportions of new dwellings completed, showing that of the total dwellings built over the last three years, only one fifth were flats.

Table 3.2 Types of developments

	2010/11	2011/12	2012/13	3 year average
Houses	65%	80%	97%	81%
Flats	35%	20%	3%	19%

Source: North Dorset Annual Monitoring Reports

3.2.3 The preference for houses, in part, informs the average dwellings per hectare densities of recent developments. Whilst just over half of developments completed since 2008 appear to have been built between 30 and 50 dwellings per hectare (dph), only about a quarter exceeded 50 dph and just under a quarter were built at less than 30 dwellings per hectare.

Table 3.3 Density of development

	2008/09	2009/10	2010/11	2011/12	2012/13	5 year average
Less than 30 dwellings per hectare	16%	45%	15%	22%	16%	23%
Between 30 and 50 dwellings per hectare	59%	19%	63%	47%	75%	53%
Greater than 50 dwellings per hectare	26%	36%	21%	31%	9%	25%

Source: North Dorset Annual Monitoring Reports

Affordable housing

3.2.4 The volume of affordable housing has, on the whole, increased in recent years, particularly when compared to the relatively low levels provided in 2006/07 and 2007/08. The ratio of affordable housing as a proportion of net dwellings completed has also shown signs of a growing trend.

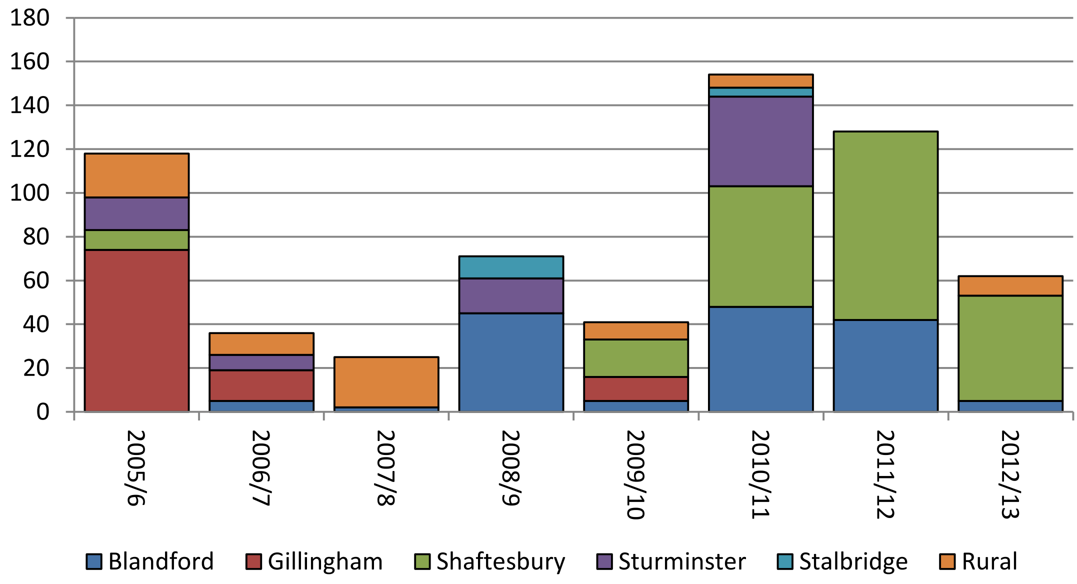
Table 3.5 Affordable housing provision

	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13
Affordable Housing delivered within the District	118	36	25	71	56	154	128	62
As a proportion of net dwellings completed (from Table 3.1)	21%	13%	13%	34%	29%	57%	34%	43%

Source: North Dorset Annual Monitoring Reports

3.2.5 In terms of past affordable housing delivery, Table 3.6 identifies where the majority of affordable housing has been delivered in recent years. According to North Dorset's recent Annual Monitoring Reports developments in both Shaftesbury and Blandford have provided the greatest levels of affordable housing, accounting for 34% and 24% since 2005. However, according to the 2012 SHMA update, it is estimated that that 387 additional units of affordable housing would need to be provided annually over a five year period to meet the identified need. Table 3.6 identifies that this target has not been met between the 2005 to 2013 period.

Table 3.6 Location of Affordable housing



Source: North Dorset Annual Monitoring Reports

3.2.6 North Dorset's current stance on affordable housing provision is for 30% to be sought within Gillingham; 35% in the southern extension to Gillingham and 40% elsewhere in the District. Policy 8: Affordable Housing of North Dorset Local Plan 2011 – 2026 also outlines ambitions for 70 to 85% of this affordable housing to be provided as affordable rented or social rented with the remaining 15 to 30% provided as intermediate housing.

3.2.7 Policies regarding the level of affordable housing to be sought are a key component in viability studies. The Council will need to be mindful of overloading development costs and potentially stymieing development. The viability analysis contained within this report tests a range of affordable housing scenarios and makes recommendations of an appropriate level that will contribute to meeting the identified need but not put at risk delivery of development and associated infrastructure requirements.

3.3 Future development and the North Dorset Local Plan

3.3.1 The Council is currently in the process of taking its Plan through Examination. This study intends to gather evidence and test Local Plan policies in terms of their impact on plan delivery. Additionally, it also tests the deliverability of allocated development sites and potential development sites. The Plan proposes a requirement for 4,200 additional dwellings in the plan period, between 2011 and 2026. In terms of the split between locations, it is envisaged that the majority of development will be provided in the larger settlements of Gillingham, Shaftesbury and Blandford as outlined in Table 3.7. It should be noted that, following consultation on focused changes relating to Blandford, the overall level of provision proposed has increased to 4,350 dwellings, which gives a slightly different split between locations to that set out below.

Table 3.7 Anticipated provision of development

	Homes proposed 2011-26 (Approx.)	% of Total
Blandford	960	23%
Gillingham	1,490	35%
Shaftesbury	1,140	27%
Sturminster	380	9%
Countryside (as a minimum)	230	6%

Source: North Dorset Local Plan

4 Local Plan policies and potential for impact on viability

4.1 Local plan policies

4.1.1 In order to be able to identify the full implications of local policies on development viability, we have reviewed the policy requirements within the North Dorset Local Plan to identify those that may have a cost implication and hence an impact on viability.

4.1.2 The policies have been assessed, firstly to determine whether there is likely to be a cost implication over and above that required by the market to deliver the defined development. For those policies where there will be, or could be, a cost implication, we have undertaken a broad assessment of the nature of that cost, including whether the cost is likely to be District-wide or site specific, whether costs are related to specific timescales or apply for the entire life of the plan and whether costs are likely to be incurred directly by the developer through on site or off site development, or via financial contributions made by the developer to other agencies or developers towards wider schemes within the District. Table 4.1 sets out the results of our policy review. Green indicates the policy has no cost/testing implication, amber indicates a slight impact, and red meaning that the policy would have some bearing on the viability of sites.

Table 4.1 Core Strategy policy assessment matrix

Core Strategy policy	Does the policy have a cost implication?	Policy	Viability testing implication?
Policy 1 – Presumption in favour of Sustainable Development	No		
Policy 2 – Core Spatial Strategy	Potentially	Sets out that the four main towns of Blandford (Forum and St Mary), Sturminster Newton, Shaftesbury and Gillingham shall be the main locations for growth	It is important that during the testing we use values similar to these four areas and also consider these areas as the main locations for growth.
Policy 3 – Climate Change	No		
Policy 4 – The Natural Environment	Yes	Developers should demonstrate that their proposals will not have significant adverse effects on internationally important wildlife sites. i.e. Fontmell and Melbury Downs SAC, Rooksmoor SAC , Dorset Heaths SAC, Dorset Heaths (Purbeck and Wareham) and Studland Dunes SAC, Dorset Heathlands SPA, and Dorset Heathlands Ramsar site.	Testing should, if applicable, consider the costs involved in mitigating any impact.
Policy 5 – The Historic Environment	No		
Policy 6 – Housing Distribution	Potentially	The policy sets out the scale and location of housing development between 2011 and 2026:	Again, consideration of where development is likely to take place, and

Core Strategy policy	Does the policy have a cost implication?	Policy	Viability testing implication?
		• Blandford (Forum and St. Mary) – about 1,110 homes; • Gillingham – about 1,490 homes; • Shaftesbury – about 1,140 homes; • Sturminster Newton – about 380 homes.	using values most appropriate to these locations is most important.
Policy 7 – Delivering Homes	Yes	The policy seeks about 40% of market homes in North Dorset to be one or two bedroom with about 60% being three or more. Conversely, for Affordable homes the policy seeks about 60% of homes to be one or two bedroom with about 40% being three or more. The policy includes restrictions on schemes with densities of higher than 50 dwelling per hectare.	Testing will take into account these requirements for both market and affordable housing.
Policy 8 – Affordable Housing	Yes	The policy states that development will contribute to the provision of affordable housing in the following proportions: • within the settlement boundary of Gillingham 30% of the total number of dwellings will be affordable; and • within the southern extension to Gillingham 35% of the total number of dwellings will be affordable, subject to any site-based assessments of viability; and • elsewhere in the District 40% of the total number of dwellings will be affordable. The policy targets 70 to 85% of all new affordable housing in the District will be provided as affordable rented and/or social rented housing with the remaining 15 to 30% provided as intermediate housing.	The viability appraisal will test these affordable housing requirements, along with a number of other ranges, to determine a range of headrooms left over for other policy requirements (such as CIL). Again, the appraisal will test at the affordable housing splits outlined in policy.
Policy 9 – Rural Exception Affordable Housing	Yes	The policy states that small rural exception housing schemes (including an element of market housing) may be permitted if local need can be demonstrated. However, this will not be permitted in locations adjoining the four main towns.	A scenario to test a small scheme of affordable homes will be required.

Core Strategy policy	Does the policy have a cost implication?	Policy	Viability testing implication?
Policy 10 – Gypsies, Travellers and Travelling Showpeople	No		
Policy 11 – The Economy	Potentially	The policy sets out where it wishes the majority of development, employment and retail uses to be located. It also details potential development sites.	Residential and non residential appraisals shall have regard for values and type of development likely to come forward in 'growth areas' as set out in policy.
Policy 12 – Retail, Leisure and Other Commercial Developments	Potentially	The policy sets out the retail hierarchy and designates main town centres within North Dorset as Blandford Forum, Gillingham, Shaftesbury and Sturminster Newton, proposing that development should be directed to these locations in the first instance.	Testing will consider that main four centres are the most likely areas for growth.
Policy 13 – Grey Infrastructure	No		
Policy 14 – Social Infrastructure	Potentially	The policy seeks development that will support the maintenance and enhancement of existing social infrastructure and the provision of new social infrastructure either on or off site (as appropriate).	Where applicable, the testing will take into developer contributions or known strategic infrastructure payments.
Policy 15 – Green Infrastructure	No		
Policy 16 – Blandford	Yes	Policy outlines the locations across Blandford where residential development is proposed to come forward. Also includes potential sites to meet requirements for employment and retail uses.	Testing will need to have regard to the nature and value of development specific to this location
Policy 17 – Gillingham	Yes	Policy outlines the locations across Gillingham where development is proposed to come forward. Also includes potential sites to meet requirements for employment and retail uses.	Testing will need to have regard to the nature and value of development specific to this location
Policy 18 – Shaftesbury	Yes	Policy outlines the locations across Shaftesbury where development is proposed to come forward.	Testing will need to have regard to the nature and value of development specific to this location
Policy 19 – Sturminster Newton	Yes	Policy outlines the locations across Sturminster Newton where development is proposed to come forward. Also includes potential sites to meet requirements for employment and retail uses.	Testing will need to have regard to the nature and value of development specific to this location
Policy 20 – The Countryside	Yes	Policy states that development will be focused on the four larger towns, but will only be allowed in the countryside if	Testing will need to have regard to the nature and value of development

Core Strategy policy	Does the policy have a cost implication?	Policy	Viability testing implication?
		appropriate as per local plan policies or if there is an over-riding need for it to be located in the countryside.	specific to this location
Policy 21 – Gillingham Strategic Site Allocation	Yes	The policy states that the master plan framework shall be the main policy basis for determining planning matters on the site. The policy outlines intentions for the development of 1,800 new homes, which include a minimum of 35% affordable homes to be sought onsite and includes a number of infrastructure items that shall also be sought.	Testing will need to have regard to the nature and value of development specific to this location. Appraisal shall also test the minimum 35% target.
Policy 22 – Renewable and Low Carbon Energy	No		
Policy 23 – Parking	No		
Policy 24 – Design	No		
Policy 25 – Amenity	No		
Policy 26 – Sites for Gypsies, Travellers and Travelling Showpeople	No		
Policy 27 – Retention of Community Facilities	No		
Policy 28 – Existing Dwellings in the Countryside	No		
Policy 29 – The Re-use of Existing Buildings in the Countryside	No		
Policy 30 – Existing Employment Sites in the Countryside	No		
Policy 31 – Tourist Accommodation in the Countryside	No		
Policy 32 – Equine-related Developments in the Countryside	No		
Policy 33 – Occupational Dwellings in the Countryside	No		

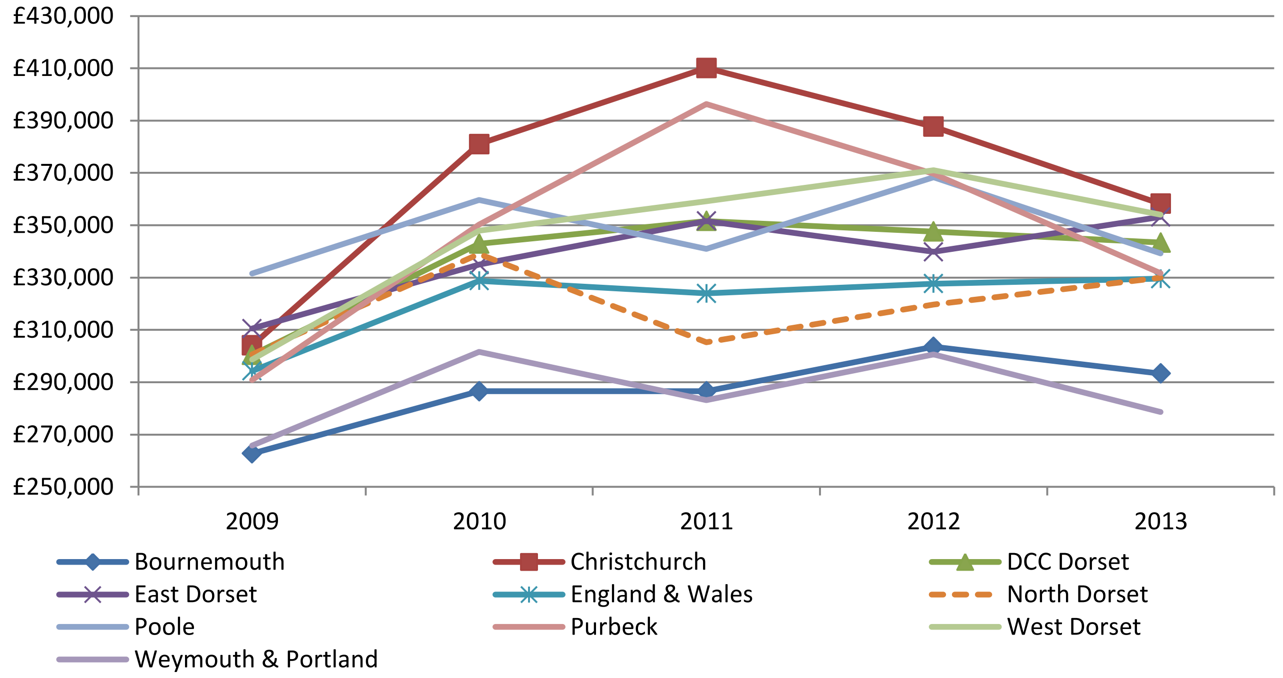
4.1.3 As set out in **Table 4.1**, 'Policy 4: The Natural Environment' includes the requirement for development to pay a contribution to internationally important wildlife sites, such as the Dorset Heathlands SPA. Having discussed this with North Dorset District Council, we have been informed that these contributions affect a small proportion of the overall development, predominantly those located towards the very south of the district. The decision has therefore been taken not to incorporate these costs in the viability testing.

5 Residential Market and Viability

5.1 Residential market overview

5.1.1 **Figure 5.1** displays Land Registry data of house prices separated by district, along with the average for England and Wales. In general, the house price for North Dorset between 2009 and 2013, indicated by the dashed line, is very similar to the national average. Compared to neighbouring districts, house prices appear slightly lower over the period in North Dorset. The average price fell considerably since its five-year peak of £340,000 in 2010 to less than £310,000, however since 2011 house prices have steadily risen showing convergence between house prices in other districts.

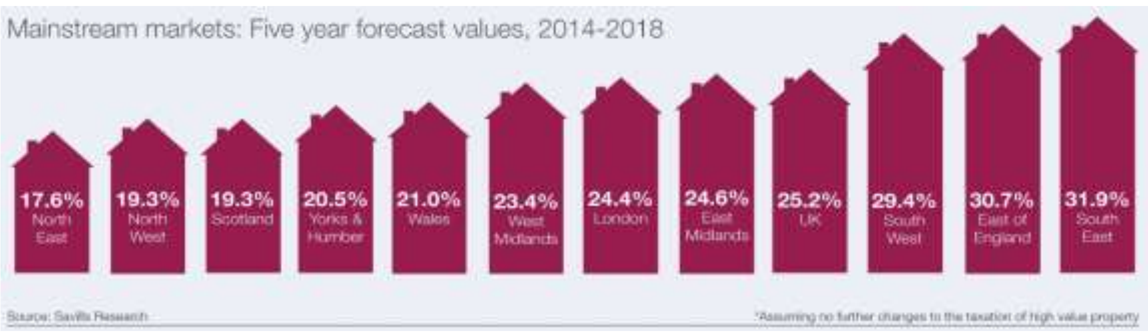
Figure 5.1 Average House prices



Source: Land Registry (Q2, 2009 – Q2, 2013)

5.1.2 Looking forward in **Figure 5.2**, the latest projections of house prices prepared by Savills in their Residential Property Focus (Q2 2014), shows that the South West is expected to grow at a higher rate than the UK average over the period 2014 to 2018, with values forecast to rise by 29.4%.

Figure 5.2 Five Year forecast values, 2014-2018



Source: Savills (May 2014)

5.1.3 In terms of locations within North Dorset, Figure 5.3 and Figure 5.4 use land registry data since 2009 to November 2014 to map average house price values to individual postcode sectors across the district to indicate where values differ. Post code sectors with a lighter shading refer to areas where values are lower compared with darker areas where the average is higher.

5.1.4 In the case of both housing and flats there appears to be higher values towards the east of the district (in locations such as Shaftesbury and Blandford Forum) compared with locations towards the west, particularly Sturminster Newton. Additionally, and most noticeably in Figure 5.3, there appears to be a clear difference between values in postcodes that include the four main towns (Blandford Forum, Shaftesbury, Gillingham and Sturminster Newton) and rural areas surrounding these towns.

Figure 5.3 Average house price by Postcode sector

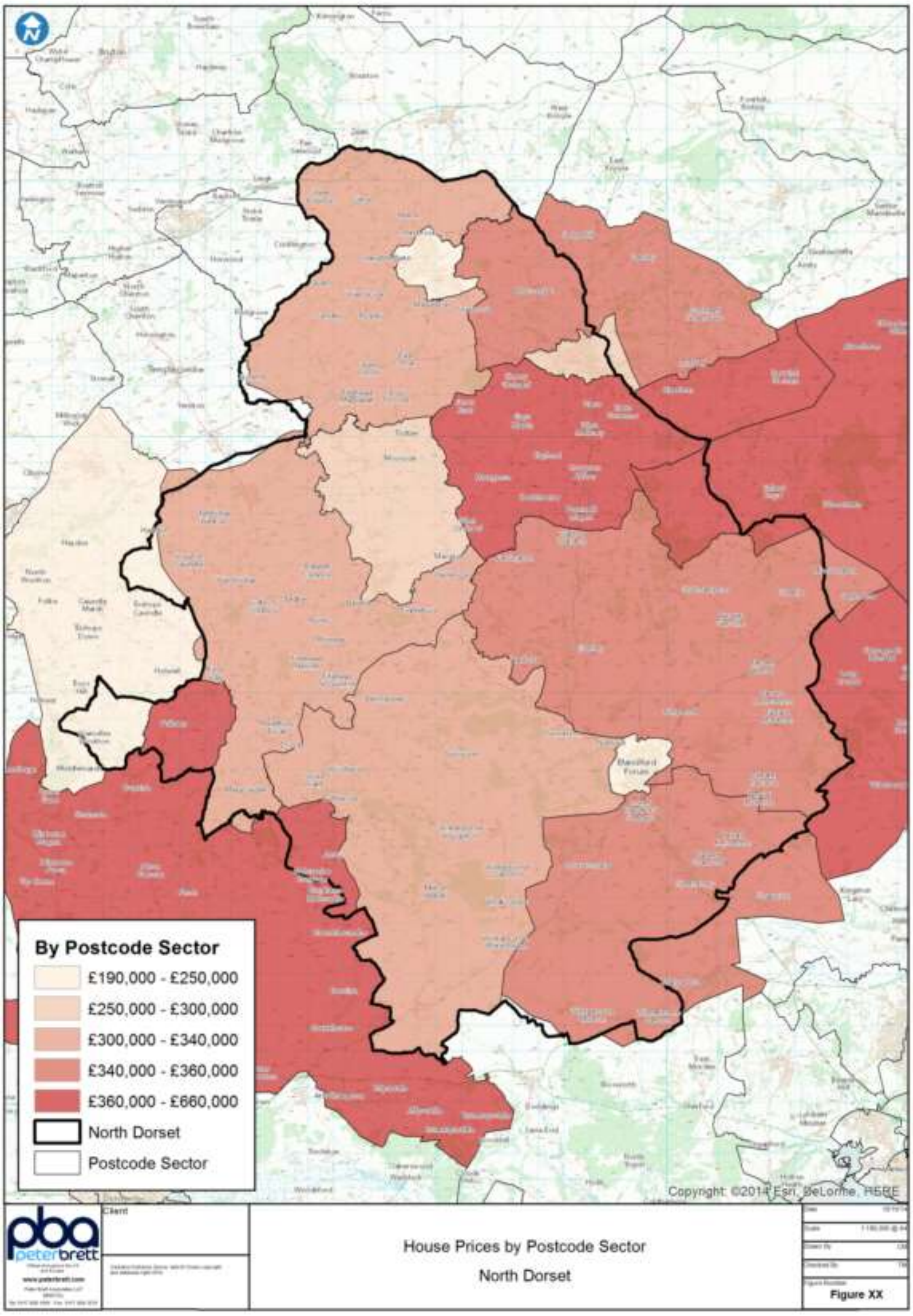
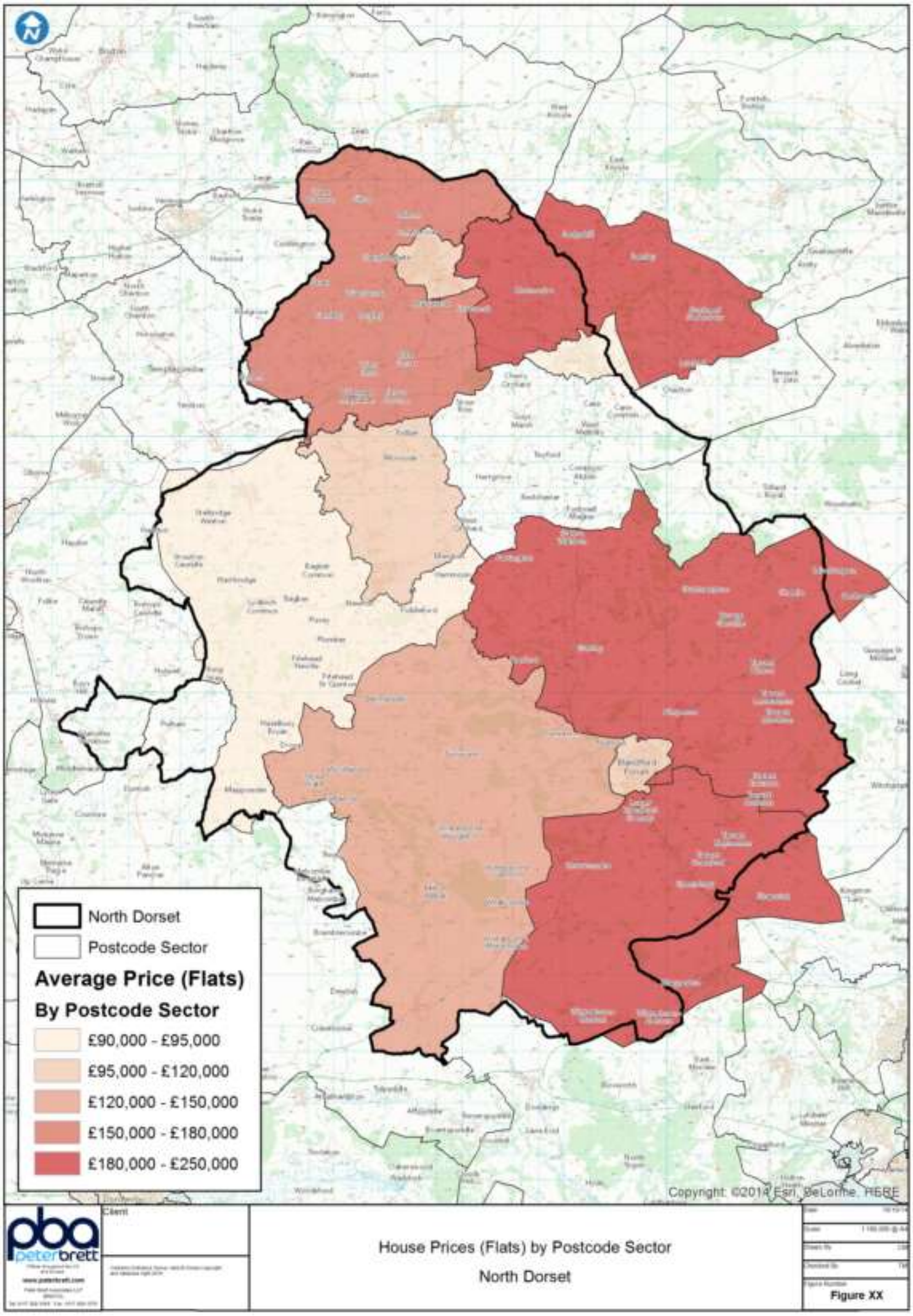


Figure 5.4 Average flat price by Postcode sector



5.1.5 Table 5.1 below summarises the average prices for each of the town's below based on each of the postcode sectors that best fit the current built form of the towns.

Table 5.1 Average house prices by area

	Houses (approx.)	Flats (approx.)
Blandford Forum (DT11 7)	£221,000	£112,000
Gillingham (SP8 4)	£205,000	£119,000
Shaftesbury (SP7 8)	£225,000	£120,000
Sturminster Newton (DT10 1)	£230,000	£108,000
Elsewhere in the district (all other postcode sectors)	£243,000	£180,000

5.1.6 We discuss land registry data, along with other sources that inform our assumptions regarding sales values, in more detail in Section **5.3**.

5.2 Residential site typologies for viability testing

5.2.1 The objective here is to allocate future development sites in North Dorset to an appropriate development category. This allows the study to deal efficiently with the very high level of detail that would otherwise be generated by an attempt to viability test each site. This approach is proposed by the Harman Report, which suggests 'a more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.[29]

5.2.2 The typologies are supported with a selection of case studies reflecting CIL guidance (2014), which suggests that:

'a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites). The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.'[30]

5.2.3 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period:

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'[31]

5.2.4 Indeed the Report also acknowledges that a:

'*plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development*

[29] Local Housing Delivery Group Chaired by Sir John Harman (2012) *Viability Testing Local Plans* (9)

[30] DCLG CIL Guidance 2014 page 16.

[31] Local Housing Delivery Group (2012), op cit (para 15)

site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.[32]

Developing site profile categories

5.2.5 A list of typologies, reflecting planned development and representing the cross section of sites identified in the SHLAA were agreed with the Council. Feedback from the Viability Workshop suggested that we also test a number of 20 unit schemes in certain locations, which was later added into our assessment. Thus we amended the original list to reflect these views and the revised list is summarised in Table 5.2.

Table 5.2 Typologies

Reference	Typology	Land type	Nr of Dwellings
1	Shaftesbury (1 house)	Brownfield	1
2	Shaftesbury (4 houses)	Brownfield	4
3	Shaftesbury (9 houses)	Brownfield	9
4	Shaftesbury (12 houses)	Brownfield	12
5	Shaftesbury (20 houses)	Greenfield	20
6	Shaftesbury (150 mixed)	Greenfield	150
7	Gillingham (1 house)	Brownfield	1
8	Gillingham (4 houses)	Brownfield	4
9	Gillingham (9 houses)	Brownfield	9
10	Gillingham (12 houses)	Brownfield	12
11	Gillingham (20 houses)	Greenfield	20
12	Gillingham (50 mixed)	Greenfield	50
13	Gillingham (150 mixed)	Greenfield	150
14	Blandford Forum (1 house)	Brownfield	1
15	Blandford Forum (4 houses)	Brownfield	4

[32] Local Housing Delivery Group (2012), op cit (para 18)

16	Blandford Forum (9 houses)	Brownfield	9
17	Blandford Forum (12 houses)	Brownfield	12
18	Blandford Forum (20 houses)	Greenfield	20
19	Blandford Forum (50 mixed)	Greenfield	50
20	Blandford Forum (150 mixed)	Greenfield	150
21	Sturminster Newton (1 house)	Brownfield	1
22	Sturminster Newton (4 houses)	Brownfield	4
23	Sturminster Newton (9 houses)	Brownfield	9
24	Sturminster Newton (12 houses)	Brownfield	12
25	Sturminster Newton (50 mixed)	Greenfield	50
26	Sturminster Newton (150 mixed)	Greenfield	150
27	Rural areas (1 house)	Greenfield	1
28	Rural areas (4 houses)	Greenfield	4
29	Rural areas (9 houses)	Greenfield	9
30	Rural areas (12 houses)	Greenfield	12
31	Rural areas (20 houses)	Greenfield	20
32	Rural areas (50 mixed)	Greenfield	50
33	Rural areas (150 mixed)	Greenfield	150
34	Rural exception	Greenfield	9
35	Gillingham (southern extension)	Greenfield	1,800
36	Care Home	Brownfield	20
37	Extra care	Brownfield	30

38	Blandford Forum (150 Brownfield)	Brownfield	150
39	Retirement home	Brownfield	45

5.2.6 The residential testing, including for impacts relating to affordable housing, also includes specialist market products for care, assisted living and retirement living. These have been informed by recent new build schemes or planning applications either in North Dorset or in similar places elsewhere in the region.

5.3 Viability assumptions

5.3.1 It is not always possible to get a perfect fit between a site, the site profile and cost/revenue categories but we have attempted a best fit in the spirit of the Harman Report. For this, the viability testing requires a series of assumptions about the site coverage and floorspace mix to generate an overall sales turnover and value of land, which are discussed here.

Site coverage and area

Site coverage

5.3.2 The net (developable) area of the site informs the likely land value of a residential site. Typically, residential land values are normally reported on a per net hectare basis, since it is only this area which delivers a saleable return.

5.3.3 For the residential typologies, the net developable areas have been derived using a formula[33] based on discussions with the Council and the wider development industry, and examples from elsewhere. Details on gross and net areas for each typology are shown in **Appendix A**.

Saleable area

5.3.4 In addition to density, the type and size of units is important because this informs overall revenue based on saleable floorspace, to generate an overall sales turnover.

5.3.5 The type of unit and size of these likely to come forward in North Dorset have been informed by the Strategic Housing Land Availability Assessment Report – August 2010, along with discussions with stakeholders and judgement based on experience of masterplans for other sites and studies using national standards in order to derive saleable floorspace.

5.3.6 Two floor areas are used for flatted schemes: the Gross Internal Area (GIA), including circulation space, is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue.

5.3.7 Details are shown in **Appendix A**.

Sales values

5.3.8 Current residential revenues and other viability variables are obtained from a range of sources, including:

- Land Registry, as considered in a previous section, provides a wealth of data of transactional for a local area, for both new and second hand properties.

[33] Uses a non-linear formula to estimate the net area from the gross area, so that the greater the number of units that there are the greater the amount of gross to net land area.

- Property websites, such as Zoopla and Rightmove, provide a snapshot of values of properties currently on the market and also indicates the floorspace of new developments, in order to derive a sales value per square metre. A cross-section of some of the properties considered is listed in **Appendix E**.
- Direct research with developers and agents operating in the area.

5.3.9 We discuss the evidence for the sales assumptions and distribution in the market assessment section of this report. In summary, from analysing the average size of developments likely to come forward in each value area, and using the value data provided by Land Registry, along with feedback received at the Viability Workshop/consultation with the local development industry, we have arrived at the sales values shown in **Table 5.3**. These are used in the plan wide viability assessment.

Table 5.3 Average new sales values achieved (£ p sq.m)

Location/use	House price	Flat price
Shaftesbury	£2,527	£2,200
Gillingham	£2,378	£2,100
Blandford Forum	£2,583	£2,050
Sturminster Newton	£2,447	£2,100
Rural	£2,700	£2,800

Source: PBA derived from Land Registry, (2014) Rightmove / Zoopla, (2014); websearch

Testing of Retirement schemes

5.3.10 We have estimated the values for retirement homes and care homes, in **Table 5.4** based on existing and similar schemes which have come forward in North Dorset or in similar areas in the region. A wider area has been used due to the limited number of transaction for these types of accommodation within the District.

5.3.11 Interrogation of retirement property websites indicate that Royal Lodge, a retirement scheme in Gillingham, the average sales price for a one bed retirement home ranges between £170,000 and £185,000 with 2 bedroom schemes around £210,000. Additionally, a retirement scheme in Motcombe, Shaftesbury, reveals a range of prices from £185,000 up to £275,000.

5.3.12 We have based our assumption for retirement properties on a sales per square metre value of approximately £2,950, approximately £177,000 per dwelling. To act as a sense check, Three Dragons guidance, produced on behalf of a trade organisation for developers of housing for older people, suggests sales prices for 1 bed retirement homes to be in the region of 75% of the price of existing three bed semi-detached properties in that location, with 2 bed retirement properties equal to the full value of a three bed semi-detached house. Land Registry data indicates that the average sales value for a semi-detached house in North Dorset is £212,000, so we consider the values used here to be appropriate.

5.3.13 In terms of Extra care properties, we have again followed Three Dragons guidance and applied a 25% uplift on Retirement homes to calculate a value for Extra care schemes.

Table 5.4 Average new sales values for older person housing (£ p Sq.m)

Location/use	Value (£ per sq.m)
Care home	£3,000
Extra care / assisted living	£3,781

Retirement home	£3,025

Source: PBA derived from Land Registry, (2014) Rightmove / Zoopla, (2014); websearch

Affordable Housing

5.3.14 The appraisal assumes that affordable housing will command a transfer value to a Registered Provider at lower than market rates. The values have been informed by evidence of recent deals and discussion with the Council's housing team.

5.3.15 The testing assumes the following values:

- Affordable rent at 55% of market value
- Social rent at 33% of market value
- Intermediate at 65% of market value

Benchmark/threshold land values

5.3.16 To assess viability, the residual value generated by a scheme is compared with a benchmark/threshold land value, which reflects 'a competitive return for a landowner' (as stated in Harman). The benchmark/threshold land value is important in our calculations of the residual balance the difference between the benchmark/ threshold land value and the residual land value represents the amount of money available to contribute to affordable housing policy, S106/278 contributions or CIL.

5.3.17 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 council 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.

5.3.18 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.

5.3.19 Analysis of websites, such as Right Move, indicates there are a number of land development sites with planning permissions currently on the market. For instance, a 0.4 hectare site in Stourton Caundle currently has a guide price equivalent to £1.25m per hectare and a 0.6 hectare site in Marnhull, Sturminster Newton, with planning permission for 13 dwellings has a guide price of just under £1.7m per hectare. In terms of larger sites, in Templecombe, which is located just outside the North Dorset district boundary, there is a plot with permission for 75 dwellings equivalent to just over £500,000 per hectare. It should be noted that these sites already have the benefit of planning permission and therefore command a higher price.

5.3.20 Taking this into consideration, along with discussion with local agents and those at the developer workshop, for the purposes of this report and testing viability, the benchmark/threshold values used in testing viability are shown in **Table 5.5**.

Table 5.5 Benchmark/threshold land values

Site typology	Land value per net developable ha
Shaftesbury	£1,450,000
Gillingham	£1,100,000
Gillingham (Strategic)	£400,000
Blandford Forum	£1,450,000
Sturminster Newton	£1,250,000
Care & Retirement	£1,350,000
Rural	£1,600,000
Rural exception	£160,000

5.3.21 It is important to appreciate that assumptions on benchmark/threshold land values can only be broad approximations subject to a wide margin of uncertainty. This uncertainty is considered when drawing conclusions and recommendations. We have examined cross sections of comparable residential land to identify transactions which are either clean greenfield sites or existing non-residential use urban brownfield sites, fully serviced with roads and major utilities to the site boundary.

Build costs

5.3.22 Residential build costs are based on actual tender prices for new builds in the market place over a 15 year period from the Build Cost Information Service (BCIS), which is published by the Royal Institution of Chartered Surveyors (RICS). The tender price data is rebased to North Dorset prices using BCIS defined adjustments, to give the median build costs for small, medium and large schemes as shown in **Table 5.6**. Additionally, the table also outlines the assumed costs for retirement housing schemes.

Table 5.6 Median build costs in North Dorset at 2014 tender prices (per sq. m.)

Dwelling type	Small housing scheme (3 or less units)	Medium sized house scheme (4 to 14 units)	Estate housing (15+ units)
Flats	£1,091	£1,091	£1,091
Houses	£1,095	£1,027	£959

Source: PBA derived from BCIS

Dwelling type	Flats
Care homes	£1,250
Retirement homes	£1,140
Extra care/assisted living	£1,182

Source: PBA derived from BCIS

5.3.23 Volume and regional house builders are able to operate within the median district cost figures comfortably, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller and medium sized developers of houses are usually unable to attain the same economies, so their construction costs may be higher as shown in **Table 5.6**, which reflects the higher costs for schemes with 3 or less houses (taken from BCIS) and for 4-14 houses (taken as a mid-point between the larger and small schemes).

5.3.24 The BCIS build costs are exclusive of External works, Contingencies, Fees, VAT and Finance charges, plus other revenue costs.

Sustainability and building standards

5.3.25 The BCIS tender price at April 2014 may not reflect the latest England Building Regulations (Part L, 2013), which came into effect from April 2014. Building Regulations (currently Part L, 2013) were amended to require emission reductions, to give an overall 6% improvement to 2010 standards. This standard is estimated to add approximately £450 in costs per home above the 2010 Building Regulation standards (this is based on the Government's Regulatory Impact Assessment findings). This increase is taken into account in the viability assessments.

5.3.26 Building Regulations are different to the requirements set out in the Code for Sustainable Homes (CfSH). The Code outlines a staged framework to improve the overall sustainability of new homes. In the past, there has been an intention to incorporate the requirements of the code with the Building Regulations. The Government has recently intimated in the Building Standards Review that it wishes to simplify national standards and proposes to move away from the CfSH to a single system of standards.

5.3.27 Whilst the Government is no longer intending to support a range of standards in the future, they have indicated that they will allow local authorities, through planning policy, to seek improved Building Standards in their locations until revised regulations are in place. For authorities wishing to incorporate this into planning policy this will have cost implications that will need to be considered – however, at this stage the Council is not intending to introduce a mandatory policy requiring development to meet a higher level of sustainable development.

5.3.28 Similar to the Building Regulations, the Government is also reviewing space standards and is currently considering a national voluntary policy on space standards. The details of this have yet to be published.

External works

5.3.29 This input incorporates all additional costs associated with the site curtilage of the built area. These include circulation space in flatted areas and garden space with housing units; incidental landscaping costs including trees and hedges, soft and hard landscaping; estate roads and connections to the strategic infrastructure such as sewers and utilities.

5.3.30 The external works variable had been set at a rate of 10% of build cost.

Other development costs

Professional fees

5.3.31 This input incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing, etc., at 10% of build cost plus externals.

Contingency

5.3.32 It is normal to build in contingency based on the risk associated with each site and has been calculated based on industry standards. It is applied at 5% of build cost plus externals.

S106, infrastructure and site opening costs

S106 costs

5.3.33 The infrastructure requirements anticipated for the majority of small sites (under 10 dwellings) are likely to be met through off site delivery of infrastructure such as schools expansions, open space enhancements or transport improvements. The Council informs us that this infrastructure will be met through currently established programmes (such as the County Council's schools programme) and the CIL and identified on the Regulation 123 infrastructure list as appropriate.

5.3.34 The Council informs us that on some of the larger sites, the approach to infrastructure requirements will vary and could be considered through both S106 and CIL. However, at this stage the specific requirements are unknown, so in determining a suitable level of CIL, sufficient headroom needs to be available to fund likely S106 requirements. The exception is the large strategic site at Gillingham. Some initial work has been undertaken which suggests a range of infrastructure costs. For the purposes of this study we have reviewed these and, in discussion with the Council, have assumed the following:

- Development opening up costs to prepare the land for development, including utilities provision and connections – we have assumed £30.6m
- S106/278 costs which include local junction improvements, local pedestrian/cycle links, travel plan and public transport improvements, we have assumed £2.5m
- Likely CIL items are as follows – education, strategic cycle/pedestrian network, strategic public transport, community facilities, strategic recreation improvements – these are excluded as a cost for the viability assessment as they are an output, i.e. what is left after all other costs have been considered for a CIL.

5.3.35 It is accepted that these costs and infrastructure items will vary over time and as more detail becomes available, however they are considered reasonable for this type of development and provide a realistic assessment for the purposes of a plan wide high level viability test.

5.3.36 One of the most significant items of S106 sought from residential development sites is affordable housing. We test this at different tenures and different proportions to enable the Council to understand the balance between affordable housing and infrastructure provision.

Opening costs

5.3.37 Developing greenfield, brownfield and mixed sites represent different risks and costs. These costs can vary significantly depending on the site's specific characteristics. To reflect additional costs associated with the tested site typologies, the following assumptions apply:

- For brownfield site development for residential purposes, we have increased the build costs (for demolition and remediation) as follows:
  - Brownfield £200,000 per net ha
  - Mixed £100,000 per net ha
- We also make an allowance for opening up works such as utilities, land preparation, SuDS and spine roads. There will be different levels of development costs according to the type and characteristics of each site. Opening up costs vary but generally increase as schemes get bigger. Owing to the nature of being generic appraisals, we apply an allowance for opening costs based on the size of site. Therefore, we assume the following opening costs[34]:
  - Less than 200 units £5,000 per unit

[34] Once detailed master-planning is undertaken there will be a better understanding of these various costs (site opening costs, site abnormals, and strategic infrastructure such as schools, highways etc.) to inform site specific assessments.

- 201-500 units £10,000 per unit
- 501 plus units £17,000 per unit

Land purchase costs

5.3.38 The land value needs to reflect additional purchase cost assumptions, shown in **Table 5.7**. These are based on surveying costs and legal costs to a developer in the acquisition of land and the development process itself, which we have established from discussions with developers and agents, and are also reflected in the Harman Report (2012) as industry standard rates.

Table 5.7 Land purchase costs

Land purchase costs	Rate	Unit
Surveyor's fees	1.00%	land value
Legal fees	0.75%	land value
Stamp Duty Land Tax	HMRC rate	land value

5.3.39 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost based on the HM Customs & Revenue variable rates against the residual land value.

Sales fees

5.3.40 The Gross Development Value (GDV) on open market housing units need to reflect additional sales cost assumptions relating to the disposing of the completed residential units. This will include legal, agents and marketing fees at the rate of 3% of the open market unit GDV, which is based on industry accepted scales established from discussions with developers and agents.

Developer's profit

5.3.41 The developer's profit is the expected and reasonable level of return that a private developer would expect to achieve from a specific development scheme. We assume a profit of 20% in North Dorset applied to site GDV. This also allows for internal overheads.

5.3.42 For the affordable housing element, because they will have some, albeit lower risks to the developer, we assume a lower 6% profit margin for the private house builders on a nil grant basis. This is applied to the below market development cost of the AH residential dwelling development.

Finance

5.3.43 We have used a monthly cashflow based on a finance cost of 6% throughout the sites appraisals. This is used to account for the cost of borrowing and the risk associated with the current economic climate and the near term outlook and associated implications for the housing market. This is a typical rate which is being applied to schemes of this nature. Recent consultation with a local bank representative has confirmed that this figure is appropriate.

6 Residential assessment outputs

6.1.1 This section sets out the assessment of residential development viability and also summarises the impact on viability of changes in policy, values and costs, and how this might have an impact on the level of developer contribution.

6.1.2 Each generic site type has been subjected to a detailed appraisal, complete with cashflow analysis. A range of different scenarios are then presented, including residential, student accommodation and, older people housing. Each set of scenarios sets out the maximum headroom for development contributions for infrastructure, whether these are collected through a traditional S106 or CIL. An example of an appraisal is shown in **Appendix B**.

Scenario 1 – Residential development excluding policy requirements

6.1.3 The first scenario shows the results of the residential appraisals with no affordable housing provision or any other policy costs to show whether development in the district is broadly viable. As can be seen from the results in **Table 6.1**, the majority of development is viable and generally provides headroom against a benchmark/threshold land value to accommodate a S106 contribution and/or CIL levy.

6.1.4 The results are colour coded, with green representing that a site is viable, amber that it is marginal (i.e. where the residual land value falls plus or minus 10% of the benchmark/threshold land value) and red where it is not consider being viable.

Table 6.1 Scenario 1 results

	Site Typology	Value Area	Dwellings	Affordable housing	Headroom	
			No.	%	£ Per Ha	CIL liable £Sq.m
1	Shaftesbury (1 house)	Shaftesbury	1	0%	Yes	£56
2	Shaftesbury (4 houses)	Shaftesbury	4	0%	Yes	£116
3	Shaftesbury (9 houses)	Shaftesbury	9	0%	Yes	£63
4	Shaftesbury (12 houses)	Shaftesbury	12	0%	Marginal	£32
5	Shaftesbury (20 houses)	Shaftesbury	20	0%	Yes	£197
6	Shaftesbury (150 mixed)	Shaftesbury	150	0%	Yes	£233
7	Gillingham (1 house)	Gillingham	1	0%	Yes	£30
8	Gillingham (4 houses)	Gillingham	4	0%	Yes	£94
9	Gillingham (9 houses)	Gillingham	9	0%	Yes	£52
10	Gillingham (12 houses)	Gillingham	12	0%	Marginal	£27
11	Gillingham (20 houses)	Gillingham	20	0%	Yes	£185
12	Gillingham (50 mixed)	Gillingham	50	0%	Yes	£174
13	Gillingham (150 mixed)	Gillingham	150	0%	Yes	£212
14	Blandford Forum (1 house)	Blandford Forum	1	0%	Yes	£96
15	Blandford Forum (4 houses)	Blandford Forum	4	0%	Yes	£156

16	Blandford Forum (9 houses)	Blandford Forum	9	0%	Yes	£104
17	Blandford Forum (12 houses)	Blandford Forum	12	0%	Yes	£73
18	Blandford Forum (20 houses)	Blandford Forum	20	0%	Yes	£237
19	Blandford Forum (50 mixed)	Blandford Forum	50	0%	Yes	£222
20	Blandford Forum (150 mixed)	Blandford Forum	150	0%	Yes	£273
21	Sturminster Newton (1 house)	Sturminster Newton	1	0%	Yes	£45
22	Sturminster Newton (4 houses)	Sturminster Newton	4	0%	Yes	£107
23	Sturminster Newton (9 houses)	Sturminster Newton	9	0%	Yes	£60
24	Sturminster Newton (12 houses)	Sturminster Newton	12	0%	Marginal	£33
25	Sturminster Newton (50 mixed)	Sturminster Newton	50	0%	Yes	£181
26	Sturminster Newton (150 mixed)	Sturminster Newton	150	0%	Yes	£225
27	Rural areas (1 house)	Rural	1	0%	Yes	£192
28	Rural areas (4 houses)	Rural	4	0%	Yes	£252
29	Rural areas (9 houses)	Rural	9	0%	Yes	£200
30	Rural areas (12 houses)	Rural	12	0%	Yes	£170
31	Rural areas (20 houses)	Rural	20	0%	Yes	£280
32	Rural areas (50 mixed)	Rural	50	0%	Yes	£263
33	Rural areas (150 mixed)	Rural	150	0%	Yes	£319
34	Rural exception	See scenario 4 for details				
35	Gillingham (southern extension)	Gillingham	1,800	0%	Yes	£149
36	Care Home	Care Home	20	0%	No	-£234
37	Extra care	Extra care	30	0%	Yes	£351
38	Blandford Forum (150 Brownfield)	Blandford Forum	150	0%	Yes	£203
39	Retirement home	Retirement home	45	0%	Yes	£182

Scenario 2 – Residential development with varying affordable housing rates and all policy costs

6.1.5 Having tested no policy costs in scenario 1, scenario 2 now tests the typologies with the affordable housing ranges as set out in the submitted North Dorset Local Plan:

- 30% within the settlement boundary of Gillingham;
- 35% within the Gillingham southern extension;
- 40% elsewhere in the district.

6.1.6 The results include a tenure split of 70% Affordable rent and 30% Intermediate and are summarised in **Table 6.2** below.

6.1.7 **Table 6.2** indicates that the plan policy of 40% in Shaftesbury, Blandford Forum and Sturminster Newton suggests that viability is a concern for schemes above the 10 housing threshold in these locations. The requirement of 40% is generally still viable in rural areas, however this is likely to be only at fairly low rates of CIL.

6.1.8 In Gillingham, the plan policy of 30% within the settlement area is viable; however, this is at particularly low rates of CIL. The testing identifies that the 35% required on the Gillingham strategic site may be a little onerous, as our test indicated this was unviable.

Table 6.2 Scenario 2 results

	Site Typology	Value Area	Dwellings	Affordable housing	Headroom	
			No.	%	Viable?	CIL liable £Sq.m
1	Shaftesbury (1 house)	Shaftesbury	1	0%	Yes	£56
2	Shaftesbury (4 houses)	Shaftesbury	4	0%	Yes	£116
3	Shaftesbury (9 houses)	Shaftesbury	9	0%	Yes	£63
4	Shaftesbury (12 houses)	Shaftesbury	12	40%	No	-£340
5	Shaftesbury (20 houses)	Shaftesbury	20	40%	No	-£83
6	Shaftesbury (150 mixed)	Shaftesbury	150	40%	Marginal	-£13
7	Gillingham (1 house)	Gillingham	1	0%	Yes	£30
8	Gillingham (4 houses)	Gillingham	4	0%	Yes	£94
9	Gillingham (9 houses)	Gillingham	9	0%	Yes	£52
10	Gillingham (12 houses)	Gillingham	12	30%	No	-£195
11	Gillingham (20 houses)	Gillingham	20	30%	Marginal	£21
12	Gillingham (50 mixed)	Gillingham	50	30%	Marginal	£6
13	Gillingham (150 mixed)	Gillingham	150	30%	Yes	£64
14	Blandford Forum (1 house)	Blandford Forum	1	0%	Yes	£96
15	Blandford Forum (4 houses)	Blandford Forum	4	0%	Yes	£156
16	Blandford Forum (9 houses)	Blandford Forum	9	0%	Yes	£104
17	Blandford Forum (12 houses)	Blandford Forum	12	40%	No	-£297
18	Blandford Forum (20 houses)	Blandford Forum	20	40%	Marginal	-£39
19	Blandford Forum (50 mixed)	Blandford Forum	50	40%	Marginal	-£62
20	Blandford Forum (150 mixed)	Blandford Forum	150	40%	Marginal	£29
21	Sturminster Newton (1 house)	Sturminster Newton	1	0%	Yes	£45
22	Sturminster Newton (4 houses)	Sturminster Newton	4	0%	Yes	£107
23	Sturminster Newton (9 houses)	Sturminster Newton	9	0%	Yes	£60
24	Sturminster Newton (12 houses)	Sturminster Newton	12	40%	No	-£326
25	Sturminster Newton (50 mixed)	Sturminster Newton	50	40%	No	-£93

26	Sturminster Newton (150 mixed)	Sturminster Newton	150	40%	Marginal	-£14
27	Rural areas (1 house)	Rural	1	0%	Yes	£192
28	Rural areas (4 houses)	Rural	4	0%	Yes	£252
29	Rural areas (9 houses)	Rural	9	0%	Yes	£200
30	Rural areas (12 houses)	Rural	12	40%	No	-£116
31	Rural areas (20 houses)	Rural	20	40%	Marginal	£51
32	Rural areas (50 mixed)	Rural	50	40%	Marginal	£25
33	Rural areas (150 mixed)	Rural	150	40%	Yes	£125
35	Gillingham (southern extension)	Gillingham	1,800	35%	No	-£35
38	Blandford Forum (150 Brownfield)	Blandford Forum	150	40%	Yes	£203

Scenario 3 – Residential development with varying affordable housing rates

6.1.9 The results in Scenario 2 suggest that the current planning policy renders many schemes unviable which poses questions regarding the deliverability of the plan. At these development values landowners are unlikely to have sufficient incentive to bring sites forward for housing development, and enable the Council to achieve its housing targets.

6.1.10 Scenario 3, as shown in **Table 6.3** below, introduces different rates of affordable housing to explore the impact that different rates of affordable housing will have on viability. Whilst the results are shown for all sites, the change of government policy stating a change to the threshold for affordable housing on sites of more than 10 dwellings in urban areas means that only the larger scenarios (of greater than 10 dwellings) will see a difference in viability. In designated rural areas, such as AONB, the Council can still receive contributions towards affordable housing, albeit through commuted sums. If an equivalence model is used to seek commuted sums, i.e. the cost to the development is the same whether the affordable housing is provided off site or onsite, then the viability will be the same. In terms of the scenarios, commuted sums could be sought from Scenario 29 – Rural areas 9 dwellings – so this is shown both without affordable housing (a) and with the different ranges (b).

Table 6.3 Scenario 3 results

	Site Typology						
		10%AH	20% AH	25% AH	30% AH	35% AH	40%AH
1	Shaftesbury (1 house)	£56					
2	Shaftesbury (4 houses)	£116					
3	Shaftesbury (9 houses)	£63					
4	Shaftesbury (12 houses)	-£30	-£107	-£154	-£207	-£269	-£340
5	Shaftesbury (20 houses)	£150	£92	£57	£17	-£29	-£83
6	Shaftesbury (150 mixed)	£192	£141	£110	£75	£34	-£13
7	Gillingham (1 house)	£30					
8	Gillingham (4 houses)	£94					
9	Gillingham (9 houses)	£52					
10	Gillingham (12 houses)	-£31	-£103	-£146	-£195	-£252	-£318
11	Gillingham (20 houses)	£143	£89	£57	£21	-£22	-£71

12	Gillingham (50 mixed)	£130	£76	£43	£6	-£38	-£88
13	Gillingham (150 mixed)	£174	£126	£97	£64	£26	-£18
14	Blandford Forum (1 house)	£96					
15	Blandford Forum (4 houses)	£156					
16	Blandford Forum (9 houses)	£104					
17	Blandford Forum (12 houses)	£11	-£66	-£112	-£165	-£226	-£297
18	Blandford Forum (20 houses)	£191	£133	£99	£59	£14	-£39
19	Blandford Forum (50 mixed)	£175	£115	£80	£39	-£7	-£62
20	Blandford Forum (150 mixed)	£232	£181	£151	£116	£76	£29
21	Sturminster Newton (1 house)	£45					
22	Sturminster Newton (4 houses)	£107					
23	Sturminster Newton (9 houses)	£60					
24	Sturminster Newton (12 houses)	-£27	-£101	-£146	-£198	-£257	-£326
25	Sturminster Newton (50 mixed)	£135	£78	£44	£5	-£40	-£93
26	Sturminster Newton (150 mixed)	£185	£135	£105	£71	£32	-£14
27	Rural areas (1 house)	£192					
28	Rural areas (4 houses)	£252					
29a	Rural areas (9 houses) (0% AH)	£200					
29b	Rural areas (9 houses) (10%-40% AH)	£158	£106	£74	£38	-£3	-£52
30	Rural areas (12 houses)	£122	£63	£27	-£14	-£61	-£116
31	Rural areas (20 houses)	£241	£194	£165	£132	£95	£51
32	Rural areas (50 mixed)	£224	£174	£144	£110	£71	£25
33	Rural areas (150 mixed)	£287	£246	£222	£194	£162	£125
35	Gillingham (southern extension)	£111	£64	£35	£2	-£35	-£79
36	Care Home	-£311	-£408	-£466	-£532	-£608	-£697
37	Extra care	£326	£294	£275	£253	£228	£198
38	Blandford Forum (150 Brownfield)	£170	£129	£105	£77	£45	£7
39	Retirement home	£144	£97	£69	£36	-£1	-£44

6.1.11 The results demonstrate that, broadly speaking, viability appears to be challenging within the four main towns at affordable housing levels greater than 30%, with schemes in the rural areas showing greater viability and could accommodate viability of 40% on most schemes. It is also noticeable that, if the new government guidance regarding affordable homes thresholds is instigated, there is a clear difference between the viability of 9 unit schemes and 12 unit schemes in urban and non-designated rural areas. Where designated rural areas can be defined and if it is assumed that onsite and offsite provision results in the same value for the development, as this will be secured through commuted sums, it can be seen that qualifying sites, i.e. a 9 dwelling scheme is not viable above 30% affordable housing.

6.1.12 The Gillingham southern extension appears viable at a range of viability up to 25%.

6.1.13 In terms of housing for older people it is clear that care homes struggle to be viable. Extra Care is viable at the majority of levels of affordable housing whilst retirement homes only appear viable at a lower provision.

Scenario 4 – Rural exception scheme

6.1.14 Policy 9 in the North Dorset Local Plan allows rural exception homes where local need can be demonstrated. However, the policy also states that this will only be permitted in areas that do not adjoin the four main towns of Blandford, Gillingham, Sturminster Newton and Shaftesbury. The policy allows scope for proposals 'that propose small numbers of market housing'.

6.1.15 In order to test the viability of this approach **Table 6.4** shows the residual land values for schemes for 9 dwellings in the rural area with 100% affordable housing, and again at 8 affordable dwellings with 1 market units, 7 affordable dwellings with 2 market units and 6 affordable dwellings with 3 market units.

Table 6.4 Rural exception scheme summary

Use	Residual land value			
	9 affordable housing	8 affordable housing and 1 market unit	7 affordable housing units and 2 market units	6 affordable housing units and 3 market units
Rural exception scheme of nine units	£209,603	£443,530	£677,457	£911,384

6.1.16 The results set out in **Table 6.4** suggest the value that a landowner could expect from these four schemes. According to a recent report by Savills[35], agricultural land in the south west is considered in the region of £6,510 per acre, equating to approximately £16,090 per hectare. Therefore, the return that a land owner may receive for a 100% affordable housing scheme is around 13 times the value of agricultural land, whilst the 6 affordable housing units and 3 market housing unit it is just over 50 times. It should be noted that the calculation above does not allow for any CIL payment. If the Council was mindful to introduce a CIL then this would be liable on any market units and reduce the return available for the landowner.

Scenario 5 – Housing for Older people

6.1.17 The North Dorset Local Plan also has ambitions of meeting the needs of older people, so it is important that the types of development that will help meet these needs are not unduly burdened with extra costs that makes them unviable. It is recognised that whilst retirement apartments share characteristics with normal flatted development there is a greater area of communal spaces within assisted living and extra care schemes. However, whilst development costs might be marginally higher there is also a premium on prices for these types of developments and extra charges that pay for the additional services and facilities that are available.

6.1.18 For completeness, the viability of care (C2) and retirement home products have also been tested. Table 6.5 shows the results of testing these different types of schemes at a range of affordable housing provisions, similar to our approach in Scenario 3.

[35] Market Survey: UK Agricultural land 2014, Savills Research (2014)

Table 6.5 Older person housing schemes summary

	Site Typology						
		10%AH	20% AH	25% AH	30% AH	35% AH	40%AH
36	Care Home	-£311	-£408	-£466	-£532	-£608	-£697
37	Extra care	£326	£294	£275	£253	£228	£198
39	Retirement home	£144	£97	£69	£36	-£1	-£44

6.2 Residential viability zones

6.2.1 The results shown in the four scenarios essentially show the maximum amount of CIL that could be set and still enable development to be viable. As well as considering CIL in relation to policy costs it is also important to consider whether it could be varied geographically. We now consider the options in respect of varying the rate across the District.

6.2.2 As previously stated, CIL Regulations (Regulation 13) allow the charging authority to introduce charging variations by geographical zone, by land use, or both. All differences in rates need to be justified by reference to the economic viability of development.

6.2.3 Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required, and may be contested at examination. However, it will be worthwhile if the additional complexity generates important additional revenues for contributing to the delivery of infrastructure and therefore growth.

Principles

6.2.4 Identifying different charging zones for CIL has inherent difficulties. For example, house prices are an imperfect indicator; and there is no certainty that we are comparing like products; even within a given type of dwelling, such as terraced houses, there will be variations in, say, quality or size which will impact on price. Also the assumed housing type split that is typical for North Dorset may produce anomalies when applied to individual houses – especially around zonal boundaries. Even between areas with very different average prices, the prices of similar houses in different areas may considerably overlap.

6.2.5 A further problem with setting charging area boundaries is that they depend on how the boundaries are defined. Boundaries drawn in a different place might alter the average price of an area within the boundary. To avoid these statistical and boundary problems, a robust set of differential charging zones should ideally meet two conditions:

i. The zones should be separated by substantial and clear-cut price differences; and

ii. They should where possible also be separated by substantial and clear-cut geographical boundaries – for example, with zones defined as identifiable suburban parts of the District. Any charging boundaries which might bisect a strategic site or development area should be avoided.

6.2.6 It will be for the Council to determine an appropriate zone, and this decision and delimitation should be based on the viability evidence within this report.

Method

6.2.7 Setting zones requires the marshalling of 'appropriate available evidence' available from a range of sources in order to advise on the best way forward. The following steps were taken:

- First step was to look at home prices. Sales prices of homes are a good proxy for viability. Land Registry, Rightmove and Zoopla data have been used to do this.
- Secondly, consultation with the Council on the distribution of development
- Thirdly, testing of this through formal development appraisals.

House prices

6.2.8 In advising on charging zones, the first step was to look at residential sales prices. In Figure 5.3 above, we looked at the average sales prices of all houses. Average prices are shown for post code sectors. Aside from the highest and lowest bands (which are tailored to actual values), average prices are broken into bands to show price variance across the District. Given the larger proportion of houses built in the District compared to flatted developments we have only considered the average prices of houses, as this is likely to have a greater degree of accuracy.

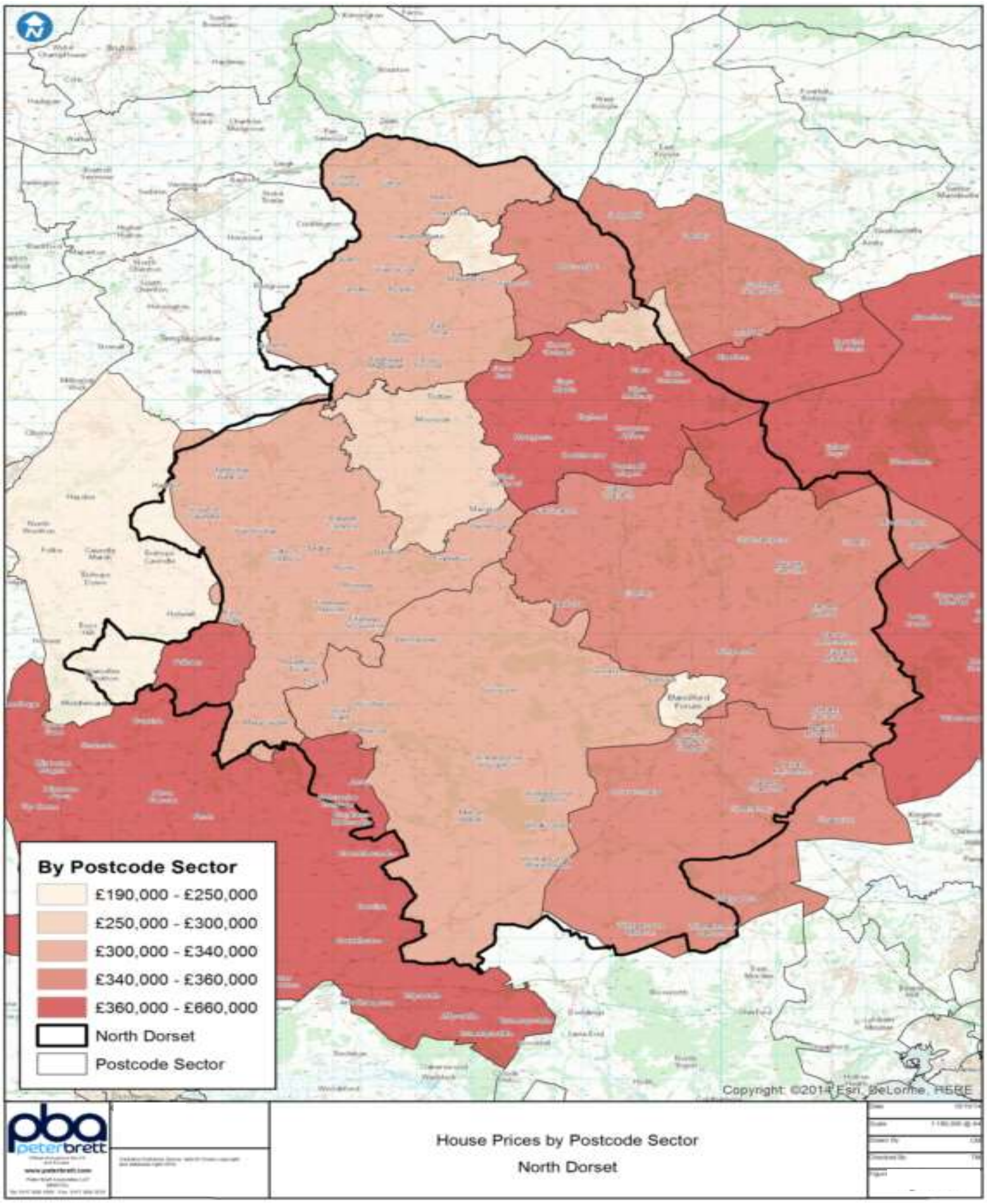
6.2.9 It is also worth noting that new homes are typically more expensive than second hand homes but the prices mapped include both second hand and new homes. Data on both new and second hand homes was used because datasets on sales values for new homes only was much smaller and therefore more unstable.

6.2.10 This data is mapped to help understand the broad contours of residential prices in the North Dorset area. Sales prices are a reasonable, though an imperfect, proxy for development viability, so the map provides a broad idea of which areas would tend to have more viable housing developments, with other things being equal.

6.2.11 The map shows that prices do vary across the District with three distinctive areas:

- The lowest values are clearly focussed in the main towns of Blandford Forum, Sturminster, Shaftesbury and Gillingham.
- The highest values are achieved in rural areas, outside the four main centres. Although Figure 3 suggests a slight difference of higher values in rural areas in the east of the district compared to the west, it is deemed that this is not sufficient to warrant a different rate.

Figure 6.1 Average house price by Postcode sector



Future supply

6.2.12 Understanding the patterns of development is the next stage in our analysis. If the broad future housing supply is considered in relation to the average price bands, the scope for separate charging bands for residential development can be better understood.

6.2.13 As discussed previously, Table 6.6 identifies that the four large settlements shall be the main recipients for development. Additionally, the Gillingham southern extension is of considerable importance for housing delivery, comprising a large proportion of the total anticipated provision. Conversely, rural locations, where as we have identified values are notably higher, are expected to deliver less of the future housing supply.

Table 6.6 Anticipated provision of development

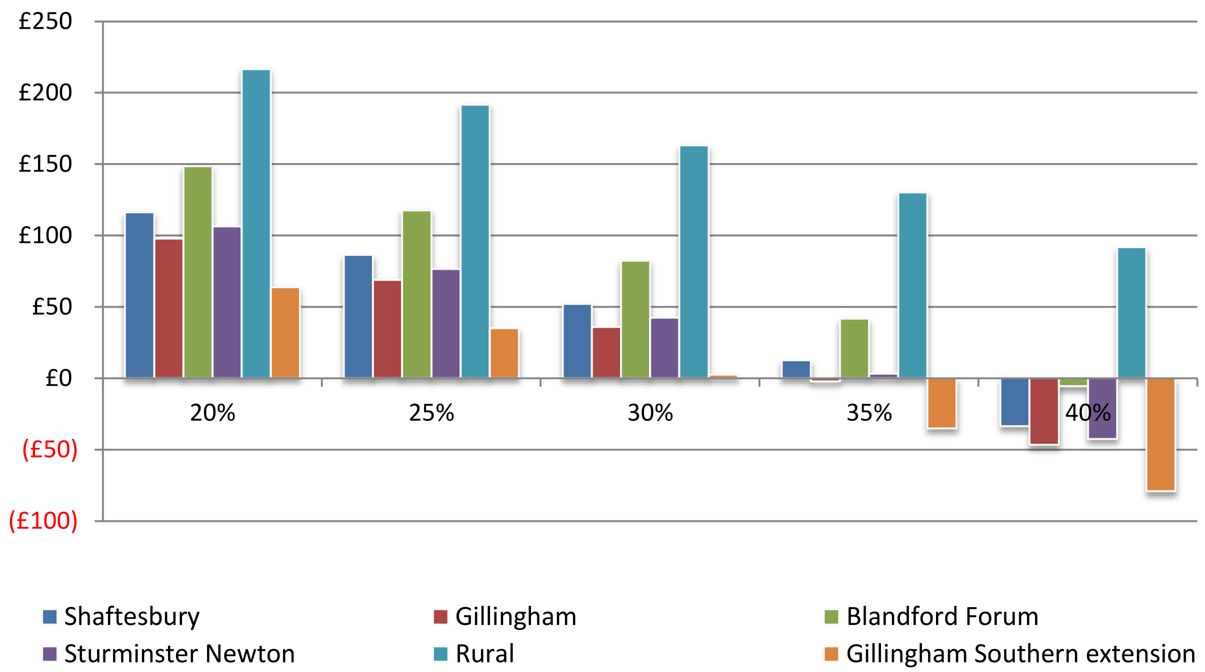
	Homes proposed 2011-26 (Approx.)	% of Total
Blandford	960	23%
Gillingham	1,490	35%
Shaftesbury	1,140	27%
Sturminster Newton	380	9%
Countryside (as a minimum)	230	6%

Source: North Dorset Local Plan

6.3 Residential recommendations

6.3.1 Our analysis, as summarised in figure 5.5, indicated that a 40% CIL could only be achieved in rural areas, whilst viability was appear hindered in considerably at rates higher than 30% for both Shaftesbury and Blandford, and at levels higher than 25% in Gillingham and Sturminster Newton. Figure 6.2 shows the total headroom available for CIL provision in each location. The average headroom for each is weighted according to volumes of dwellings and is based on the broad areas we have used for each individual typologies. As discussed in previous sections, affordable housing has a considerable effect on the level of headroom available and is greatly reduced at the highest affordable housing percentages.

Figure 6.2 Maximum CIL headroom at a range of affordable housing provisions



6.3.2 Our testing suggests to us to recommend an affordable policy of:

- 25% within the Gillingham and Sturminster Newton settlement areas
- 25% for the Gillingham southern extension
- 30% within the settlement areas of Shaftesbury and Blandford
- 40% elsewhere in the district

6.3.3 Taking these affordable housing rates into consideration, along with the average headroom, we have arrived at the recommended CIL rates set out in Table 6.7 below.

Table 6.7 Recommended affordable housing and CIL rates

Area/Use	Affordable housing rate	Average headroom (per sq.m)	Recommended CIL rate
Gillingham	25%	£69	£35
Blandford Forum	30%	£82	
Shaftesbury	30%	£52	
Sturminster Newton	25%	£76	
Rural	40%	£92	£45
Gillingham southern extension	25%	£35	£18

6.3.4 Importantly, the average headroom column in Table 6.7 effectively shows the maximum amount allowed for CIL. We have carefully considered the nature of the types of development likely to come forward in any particular area and taken a view on setting a recommended CIL rate so as to leave sufficient buffer and allow for the majority of development in that particular area to come forward. In terms of this table we have used around 50% buffer for all sites. There is no prescribed buffer in regulation and the Council may choose to alter its approach to the buffer dependant on their own knowledge in respect of future site supply, delivery rates and particular risks to delivery in respect of site specific infrastructure requirements. If the Council believes that delivery is not an issue in the District and that it requires more funding for infrastructure then it may wish to lower the buffer. If, for example it lowered the buffer to around 40% then the CIL rates in the four main towns would rise to £42 per sq. m, in the rural areas £55 per sq. m and for the strategic extension £21 p sq. m.

6.3.5 It was deemed that given the similarity between the four main towns, for simplicity, a common CIL rate could be required of £35. Conversely, in Rural areas, where sales values have been seen to be slightly higher, a higher rate of CIL can be sought which we recommend to be in the region of £45.

6.3.6 In terms of the Gillingham southern extension, our testing identifies that, given the larger infrastructure requirements, it is recommended that a lower rate of CIL is required. We would expect a rate of approximately £18 would be feasible for this site. However, if the Council was minded to seek a greater level of S106, than envisaged in this report or further unknown or higher infrastructure costs are likely then it could choose to lower the CIL rate further or seek a zero rate.

6.3.7 An alternative approach that the Council may want to consider is that as well as considering a geographical difference for their CIL it could also use scale of development. The guidance on applying a threshold for affordable housing at 11 dwellings does not apply to CIL. The effect of not seeking affordable housing for sites of 10 and under in urban and non-designated rural areas means that these sites are more viable. If the results set out in Table 6.3 for sites of 10 and under in the four main towns are averaged out, it shows that there would be a headroom of £83 per sq. m , suggesting a potential CIL of £41 per sq. m across the four towns for development of under 11 dwellings.

Housing for older people

Care homes

6.3.8 There has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. However, there have been concerns about the occupancy rates and the ability to sustain prices in some areas, although the general residential market in many areas in North Dorset is relatively strong.

6.3.9 As expected, the care home market shows weak prospects in terms of providing any affordable housing along with setting a positive CIL charge. As the figure in **Table 5.6** shows, even with zero affordable housing there is no scope for CIL as the viability shows negative headroom.

6.3.10 It is therefore recommended that the Council does not seek affordable housing or CIL from this type of development.

Retirement Homes and Extra Care (or Assisted living)

6.3.11 On the whole, the testing of Retirement homes is broadly similar to the testing of the standard residential properties tested in scenario 3.

6.3.12 As discussed previously, the North Dorset Local Plan considers that the large majority of new housing will take place within the four larger centres. Our testing revealed that the schemes are viable at both 25% and 30%. Further still, it is considered that both schemes could accommodate a £35 per square metre CIL as advised for the main settlement areas. Although it can be seen that at 30% affordable housing, a £35 per square metre CIL levy is only marginally viable, for our appraisal we used average values across the district. It is therefore considered that in higher value areas such as Shaftesbury and Blandford, where the higher rate of affordable housing would apply, higher sales values would increase the headroom.

6.3.13 Similarly in rural locations, where the North Dorset Local Plan anticipates there shall be much less development, we would expect the higher sales values and a consequential increased in headroom.

6.3.14 In terms of Extra Care units, our testing identifies that this typology is viable at all ranges of affordable housing rates. Furthermore, this can be accommodated leaving considerable levels of headroom. Although our testing identified that extra care units have a greater headroom than retirement homes it is considered that, for simplicity, a similar approach is taken. In doing this, it is envisaged that this would help prevent potential distortions between developments that could potentially arise.

6.4 Summary of all residential testing

6.4.1 In summary, it is considered that the current approach to affordable housing may potentially have an effect on the delivery of development and it is our view that this approach should be revised. Whilst the values in the vast majority of areas in North Dorset are reasonable enough to achieve both a considerable proportion of affordable housing and a CIL contribution, they are not sufficient to accommodate the currently sought policy requirements. It is our view that the District does not have a one size fits all approach to viability, and there is a noticeable difference between the four settlements that are likely to accommodate the majority of development compared to the rural areas elsewhere in the District. Furthermore, our viability testing suggests that the affordable housing requirements for both Gillingham and Sturminster should be lowered in order to ensure development in these key locations is viable. Similarly, the Gillingham southern extension could contribute similar levels of affordable housing as Gillingham, albeit at a reduced CIL rate.

6.4.2 Other forms of residential accommodation for older people are viable (although not care homes) and could accommodate affordable housing and CIL consistent with the policy advised for general housing in those specific locations.

7 Non-residential Market and Viability

7.1 Assumptions

7.1.1 None of the North Dorset Local Plan policies considered in Chapter 4 are seen to significantly burden the viability for delivering non-residential uses in the Plan period. Therefore, this section sets out the assumptions used for the non-residential viability testing work to scope solely the potential for collecting CIL.

7.1.2 The initial appraisals make no allowance for either CIL or S106 contributions to establish if there is scope to charge CIL.

7.2 Site typologies

7.2.1 The testing has been conducted on a hypothetical typical site basis. This is because it is impossible for this study to consider viability on a site-specific basis at this stage, given that there is currently insufficient data on site-specific costs and values. Site-specific testing would also be considering detail on purely speculative/assumed scenarios, producing results that would be of little use for a study for strategic consideration.

Site coverage and floorspace

7.2.2 As the viability testing in some circumstances is being undertaken on a 'per net developable hectare' basis, it is important to consider the density of development proposed. The following table sets out the assumed net developable site area for each development type, the amount of floorspace this is likely to support within North Dorset.

Table 7.1 Non-residential uses – rent and yields

Use	Net site area (ha)	Floorspace (GIA sq.m)
1: Town centre office	0.030	250
2: Business park	0.280	2,500
3: Industrial	0.100	750
4: Warehouse	0.250	1,500
5: Local convenience	0.150	1,000
6: Supermarket	0.380	2,500
7: Retail warehouse	0.380	2,000
8: Town centre retail	0.020	200
9: Hotel (60 beds)	0.300	2,100
10: Small local convenience	0.038	280

Source: PBA research

7.3 Establishing Gross Development Value (GDV)

7.3.1 In establishing the GDV for non-residential uses, this report has also considered historical comparable evidence to inform new values on a local and for some uses, national, level.

7.3.2 The following table illustrates the values established for a variety of non-residential uses, expressed in sq. m of net rentable floorspace and yield. The table is based on our knowledge of the market and analysis of comparable transaction data. The data has then been corroborated through a discussion with local stakeholders and through the Viability Workshop.

Table 7.2 Non-residential uses – rent and yields

Use	Rent	Yield
1: Town centre office	£130	9.00%
2: Business park	£110	9.00%
3: Industrial	£68	10.00%
4: Warehouse	£57	8.50%
5: Local convenience	£178	6.50%
6: Supermarket	£185	5.00%
7: Retail warehouse	£145	7.50%
8: Town centre retail	£148	8.00%
9: Hotel (60 beds)	£4,800	6.50%
10: Small local convenience	£178	6.50%

Source: PBA research

7.4 Costs

7.4.1 Like in the residential uses testing, once a GDV has been established the cost of development (including developer profit) is then deducted. For the purposes of viability testing, the following costs and variables are some of the key inputs used within the assessment:

- build costs
- professional fees and overheads
- marketing fees
- legal fees and land Stamp Duty tax
- finance costs
- developer profit

Build costs

7.4.2 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS) at values set at the time of this study (current build cost values) and rebased (by BCIS) to North Dorset prices. The build costs adopted are based on the BCIS median values shown in **Table 7.3**.

Table 7.3 Non-residential uses – build costs

Use	Build cost per sq.m
1: Town centre office	£1,256
2: Business park	£1,384

3: Industrial	£714
4: Warehouse	£538
5: Local convenience	£1,175
6: Supermarket	£1,464
7: Retail warehouse	£682
8: Town centre retail	£951
9: Hotel (60 beds)	£1,581
10: Small local convenience	£1,175

Sources: BCIS

External works

7.4.3 Plot externals relate to costs for internal access roads, car parking and hard and soft landscaping within the site.

7.4.4 This input incorporates all additional external costs to the developer, and we set external works a rate of 15% of build cost.

Other development costs

Professional fees

7.4.5 This input incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing, etc. at 10% of build cost plus externals.

Contingency

7.4.6 It is normal to build in contingency based on the risk associated with each site and in line with industry standards we have applied it at 4% of build cost plus externals.

Acquisition fees and Land Tax

7.4.7 This input represents the fees associated with the land purchase and are based upon the following industry standards: Surveyor – 1% and Legals – 0.75% of residual land value.

7.4.8 A Stamp Duty Land Tax is payable by a developer when acquiring development land. We have therefore applied the standard variable rates set out by HMRC as a percentage cost of the residual land value.

Developer profit

7.4.9 The developer’s profit is the reasonable level of return a private developer can expect to achieve from a development scheme. This figure is based a 20% profit margin of the total Gross Development Value (GDV) of the development.

Finance

7.4.10 We have used a monthly cashflow based on a finance cost of 7% throughout the sites appraisals. This is higher than the used in the residential appraisals because borrowing is more expensive for commercial development due to the greater risks. This accounts for the cost of borrowing and the risk associated within the current economic climate and short term outlook. It is also a suitable rate for the types of development we are testing in this report.

Land for non-residential uses

7.4.11 After systematically removing the various costs and variables detailed above from the GDV of a scheme, the result is the residual land value. This is measured against a benchmark/threshold value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.

7.4.12 Establishing the existing use value (EUV) of land and in setting a benchmark/threshold at which a landowner is prepared to sell to enable a consideration of viability can be a complex process. There is a wide range of site specific variables which affect land sales (e.g. position of the landowner – are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.

7.4.13 In terms of other land values in and surrounding Dorset, VOA data from 2009 suggests that typical industrial land values for Poole and Bournemouth would likely be in the region of £800,000 per hectare, £575,000 in Weymouth and £675,000 in Yeovil.

7.4.14 Analysis of plots currently on the market indicates that a 17.5 acre site with planning permission for B1, B2 and B8 uses within Shaftesbury town centre has a guide price of £150,000 per acre (£370,500 per hectare) whilst another site of 1.7 hectares just outside the district, in nearby Wincanton, which also has permission for B1, B2 and B8 uses, has a guide price of £700,000 per hectare. From discussions with agents active in the commercial sector, and an analysis of recent transactional data, we consider a benchmark/threshold figure of £700,000 is appropriate in the current market for higher value uses, such as town centre offices, whilst industrial and warehouses which typically have a lower value, to be slightly lower.

7.4.15 Discussions with agents, and knowledge gathered from previous studies, indicates that the values achieved for retail units are considerably higher than for industrial units. Similarly, this figure is both higher for units in town centre locations and varies depending on type of development, but can be as high as £3,000,000 per hectare in prime locations for high value uses, such as supermarkets.

7.4.16 We have therefore concluded that these figures provide a suitable range of benchmark/threshold figures which can be adjusted on the basis of location and applied according to use. So, for example, a town site will be at the upper end of this range existing use value as it will already have a comparatively high existing use value and if the potential use is retail then it will also have a higher uplift value as the developer's expectation of a return will be higher.

7.5 Non-residential assessment outputs

7.5.1 This section sets out the assessment of non-residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution. The tables below summarise the detailed assessments, and represent the net value per sq. m, the net costs per sq. m (including an allowance for land cost) and the balance between the two.

7.5.2 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant, (i.e. speculatively). However there will also be bespoke development that is undertaken for specific commercial operators either as owners or pre-lets.

Retail uses

7.5.3 The appraisal summary shown in **Table 7.4** is for all retail development. There is scope for charging CIL, to various degrees, on all types of retail uses in out of centre locations.

7.5.4 Our testing shows that residual values for all types of tested retail development within the Borough are viable, with the exception of Town Centre comparison. Given that all the out of centre typologies are viable and these reflect what is most likely to happen over the plan period, the Council, in the spirit of the CIL Regulations and statutory guidance, could opt for a simple approach and set a flat rate of CIL that applies to all out of centre retail development.

7.5.5 Any rate setting should take into account that site specific S106/278 impacts have not been included as there is only limited evidence of what these may include. Therefore we recommend that large headroom of around 50% is included to allow for any required contributions beyond the CIL rate.

Table 7.4 Summary of retail uses viability (headroom per sq. m)

Use	Retail – Town centre comparison	Retail – Out of centre comparison	Supermarket	Local convenience	Small Local convenience
CIL headroom	-£15	£213	£177	£140	£231

Source: PBA research

B-class uses

7.5.6 In line with other areas of the country, our analysis suggests that for commercial B-class development it is not currently viable to charge a CIL in North Dorset. Whilst there is variance for different types of B-use classes, essentially none of them generate sufficient value to justify a CIL charge.

7.5.7 As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market. Importantly, this viability assessment relates to speculative build for rent – we do expect that there will be bespoke development to accommodate specific users and this will based on the profitability of the occupier's core business activities rather than the market values of the development.

Table 7.5 Summary of B-class uses development viability (headroom per sq. m)

Use	Town centre office	Out of centre offices	Industrial factories	Warehouse/ storage
CIL headroom	-£788	-£1,061	-£990	-£779

Source: PBA research

Hotel development

7.5.8 The rapid expansion in the sector at the end of the last decade was in part fuelled by a preference for management contracts or franchise operations over traditional lease contracts. Outside London, which has shown remarkable resilience to the recession, hotel development is being strongly driven by the budget operators delivering new projects through traditional leasehold arrangements with institutional investors.

7.5.9 The market for higher standard hotels remains difficult outside central London with the lack of access to finance curtailing development opportunities at the same time that land values for potential sites are likely to be increasing because of the stimulus of positive growth in the rest of the economy. However, it was considered during the viability workshop that it may be prudent to test this use class, particularly in terms of smaller, tourist hotels that may be brought forward.

7.5.10 As can be seen in **Table 7.6**, hotel development in North Dorset does not appear to be particularly viable. As with our analysis of office units, it is considered that the situation may improve in future, in line with an improvement in the wider economy; however, at present it is considered that a CIL rate would hinder viability further.

Table 7.6 Summary of Hotel viability (headroom per sq.m)

Use	Hotels
CIL headroom	-£282

Source: PBA research

Public Service and Community Facilities

7.5.11 The North Dorset Local Plan states that the Council want to ensure that the provision of schools, pre-schools and other education and training facilities are sufficient in quality and quantity to meet the needs of residents. The Council may therefore identify new sites for educational and community uses if the need arises.

7.5.12 We see this category as including but not necessarily being limited to:

- Schools, including free schools;
- Medical facilities;
- Emergency services facilities; and
- Community halls, community arts centres and libraries.

7.5.13 A number of these facilities may be delivered in the district over the plan period. They fall into three broad categories, which may overlap:

- Some, like independent schools, will be provided by organisations which have charitable status. They would be exempt from CIL in any case.
- Others, probably the largest category, will be developed, commissioned or subsidised by the public sector. These projects by definition do not deliver a financial return, rather, they make a loss, which is paid for by the public purse. In general they will not produce a commercial land value either, because the land they use will be in public ownership at the outset. Consequently, in most cases there will not be an overage, or betterment, on which

CIL can be charged. In those instances where land for public facilities is purchased by the public sector provider in the open market, an overage may be generated; but we have no evidence on which to estimate this and we do not believe it to be significant.

- Thirdly, some facilities will be provided on a commercial basis. The main instance of this is primary care premises occupied by GPs. There is a commercial market for properties of this sort. We have analysed the price paid for completed investments across the country by specialist investors. We have found that the sites used are usually sourced on a preferential basis and the surplus land values they generate are not significant in most cases. It is possible that privately-funded BUPA-type health provision might be developed, but this is likely to be de-minimis.

7.5.14 We conclude that the development of public service and community facilities should not be subject to CIL, because generally speaking they are not commercially ‘viable’ in the normal sense.

7.6 Non-residential recommendations

7.6.1 Our testing indicates that only retail uses are currently viable enough to contribute to CIL. In particular, we recommend that only ‘Out of town comparison retail’ (i.e. large retail warehouses), Supermarkets, and local convenience stores should be liable for a CIL payment.

7.6.2 The exact level to charge is ultimately the Council’s decision and should be aligned to wider ambitions for town centres and retail that the District may have. However, applying the same buffer of around 50% we would conclude that a contribution of £70 per sq. m would be reasonable across all retail units. Again, there is scope to vary the CIL charge across different retail units

8 Conclusions and findings

8.1 Viability findings

8.1.1 The assessment indicates that the Local Plan policies most likely to impact on the residential viability are affordable housing and the costs of infrastructure (wide ranging).

8.1.2 An important study finding is that North Dorset has distinct value residential areas both rural and urban and between the main towns. Thus it is considered, based on the evidence, that there are effectively five value zones but for the purposes of a simple set of charging zones this is reduced to three. The broader value areas were agreed by the stakeholder consultations and supported by the research on sales values.

8.2 Is the Local Plan deliverable?

8.2.1 The final stage of this viability assessment is to draw broad conclusions on whether the submitted Local Plan is deliverable in terms of viability and to provide recommendations for any review of approach.

8.2.2 Chapter 5 shows that most of the residential development scenarios relevant to the planned trajectory are currently viable without any policy costs added. However, once affordable housing and infrastructure policy costs are included, the viability of schemes varies further depending on the scale of policy obligation.

8.2.3 Where development is marginal, some policy trade-off will be required between affordable housing and infrastructure (as outlined below). The Council will need to carefully consider the requirements set out in their Infrastructure Delivery Plan and the Strategic Housing Market Assessment to arrive at an appropriate balance.

8.2.4 It is clear from the emerging work on housing need that North Dorset will have to support a higher rate of delivery than has been achieved in most of the past 5 years. Achieving this step change is going to be difficult. Current delivery is behind the Council’s targets, despite the flexibility offered by current policy, especially towards affordable housing. The viability assessments show that the largest site that could contribute towards this housing need, the southern extension at Gillingham, will be not be able to accommodate the suggested levels of affordable housing set out in the submitted Local Plan. Also, it is noteworthy that the Government’s unevidenced threshold policy means that the levels of affordable housing which could have been sought from smaller sites will not be possible should the Council wish to endorse the Government’s policy through the Local Plan.

8.2.5 The viability assessment has been tested at current costs and current values. There has not been a need to test the impact of longer term variations in assumptions, as we have demonstrated that the broad aims of the current Local Plan are viable if sites come forward as anticipated, based on current values and with the inclusion of a sensible mix of policies.

8.2.6 With regard to non-residential element of the planned development, the delivery of schemes taking place is less affected by the impact of 'policy burdens' and more sensitive to wider economic market conditions of demand and supply for such development. The viability assessment assessed a range of speculative development scenarios, without the imposition of any planning obligations and found the schemes most likely to take place are those that have an identified client requiring specific development requirements rather than speculative delivery.

The study findings for affordable housing policy and infrastructure

8.2.7 The whole plan viability assessment and emerging options for affordable housing policy and infrastructure (in the form of CIL and S106) are set out in chapter 5 and 6. The main findings and policy trade-off to inform the recommendation options are as follows:

- The appraisal findings demonstrate that residential viability does vary across the District and that different policy approaches may be required for different areas
- The towns of Gillingham and Sturminster Newton have the lowest headroom for residential viability
- Development within Shaftesbury and Blandford Forum has a greater headroom than the other two main towns and the rural areas has the greatest headroom in the District, suggesting greatest scope for affordable housing contributions (in percentage terms) and to charge a levy
- The strategic site at Gillingham is viable, although caution should be exercised in setting affordable housing requirements and a CIL rate in order to allow for the site specific S106 costs.
- The non-residential viability assessment indicates that very little speculative development is viable at present apart from retail development. It would be prudent to err on the side of caution to avoid charging at the margins of viability, and therefore a figure of around £70 sq.m may be appropriate for retail uses
- There is also potential for a levy on some forms of housing for older people and also potential for affordable housing

Study recommendations

8.2.8 The viability appraisal findings demonstrate that policy trade-off decisions are required between the need to deliver infrastructure to support the delivery of growth and meeting the affordable housing need, if the overall delivery of the Local Plan is to remain viable. These decisions will be informed in part by the requirement to meet housing need, infrastructure need and political priorities.

8.2.9 Our recommendations for changes to the submitted Local Plan policies and CIL are set out in Table 8.1. We also recommend for ease of application that the affordable housing areas and CIL charging zones coincide.

Table 8.1 Policy and CIL recommendations

Policy position	Recommendations
Affordable housing percentage	To be suggested as amendments to the submitted Local Plan policy: 40% affordable housing target in rural areas 30% Shaftesbury and Blandford Forum 25% Sturminster Newton, Gillingham and Gillingham Southern Extension Rates set out above to also apply to older person housing (retirement and extra care)

	0% affordable housing target care homes
Housing tenure	To be included within the Local Plan's supporting text: An indicative target seeking a range of tenures around 70% Affordable rent and 30% Intermediate housing to allow flexibility, where schemes are marginal.
CIL	Based on the affordable housing percentages and housing tenure above the following residential (including retirement and assisted living) CIL rates could be set: Gillingham, Blandford Forum, Shaftsbury, Sturminster Newton - £35 p. sq. m Gillingham southern extension – £18 p. sq. m (subject to more detailed consideration of site specific S106 costs) Rural areas beyond the towns and southern extension boundaries - £45 p. sq.m Brownfield strategic sites - £30 per sq.m CIL <u>On non-residential development CIL could be set at:</u> All retail floorspace outside the town centre - £70 per sq.m CIL All other forms of liable floorspace - £0 per sq.m CIL

Appendix A Viability assumptions

Residential

Assumption	Source	ID	Notes
Scenarios			
Residential development typology	Consultation with client		This mix of schemes was selected in discussion with the client group,

Ref	Typology	Settlement	Description	Land type	Gross area (ha)	Net area (ha)	Nr units	dwph
1	Shaftesbury (1 house)	Shaftesbury	Shaftesbury	Brownfield	0.03	0.03	1	37
2	Shaftesbury (4 houses)	Shaftesbury	Shaftesbury	Brownfield	0.12	0.10	4	39
3	Shaftesbury (9 houses)	Shaftesbury	Shaftesbury	Brownfield	0.28	0.23	9	38
4	Shaftesbury (12 houses)	Shaftesbury	Shaftesbury	Brownfield	0.40	0.33	12	37
5	Shaftesbury (20 houses)	Shaftesbury	Shaftesbury	Greenfield	0.65	0.51	20	39
6	Shaftesbury (150 mixed)	Shaftesbury	Shaftesbury	Greenfield	5.00	3.35	150	45
7	Gillingham (1 house)	Gillingham	Gillingham	Brownfield	0.03	0.03	1	37
8	Gillingham (4 houses)	Gillingham	Gillingham	Brownfield	0.12	0.10	4	39
9	Gillingham (9 houses)	Gillingham	Gillingham	Brownfield	0.28	0.23	9	38
10	Gillingham (12 houses)	Gillingham	Gillingham	Brownfield	0.40	0.33	12	37
11	Gillingham (20 houses)	Gillingham	Gillingham	Greenfield	0.65	0.51	20	39
12	Gillingham (50 mixed)	Gillingham	Gillingham	Greenfield	1.80	1.32	50	38
13	Gillingham (150 mixed)	Gillingham	Gillingham	Greenfield	5.00	3.35	150	45
14	Blandford Forum (1 house)	Blandford Forum	Blandford Forum	Brownfield	0.03	0.03	1	37
15	Blandford Forum (4 houses)	Blandford Forum	Blandford Forum	Brownfield	0.12	0.10	4	39
16	Blandford Forum (9 houses)	Blandford Forum	Blandford Forum	Brownfield	0.28	0.23	9	38
17	Blandford Forum (12 houses)	Blandford Forum	Blandford Forum	Brownfield	0.40	0.33	12	37
18	Blandford Forum (20 houses)	Blandford Forum	Blandford Forum	Greenfield	0.65	0.51	20	39
19	Blandford Forum (50 mixed)	Blandford Forum	Blandford Forum	Greenfield	1.80	1.32	50	38
20	Blandford Forum (150 mixed)	Blandford Forum	Blandford Forum	Greenfield	5.00	3.35	150	45
21	Sturminster Newton (1 house)	Sturminster Newton	Sturminster Newton	Brownfield	0.03	0.03	1	37
22	Sturminster Newton (4 houses)	Sturminster Newton	Sturminster Newton	Brownfield	0.12	0.10	4	39
23	Sturminster Newton (9 houses)	Sturminster Newton	Sturminster Newton	Brownfield	0.28	0.23	9	38
24	Sturminster Newton (12 houses)	Sturminster Newton	Sturminster Newton	Brownfield	0.40	0.33	12	37
25	Sturminster Newton (50 mixed)	Sturminster Newton	Sturminster Newton	Greenfield	1.80	1.32	50	38
26	Sturminster Newton (150 mixed)	Sturminster Newton	Sturminster Newton	Greenfield	5.00	3.35	150	45
27	Rural areas (1 house)	Rural	Rural (small)	Greenfield	0.03	0.03	1	37
28	Rural areas (4 houses)	Rural	Rural (small)	Greenfield	0.12	0.10	4	39
29	Rural areas (9 houses)	Rural	Rural (small)	Greenfield	0.28	0.23	9	38
30	Rural areas (12 houses)	Rural	Rural (small)	Greenfield	0.40	0.33	12	37
31	Rural areas (20 houses)	Rural	Rural (small)	Greenfield	0.65	0.51	20	39
32	Rural areas (50 mixed)	Rural	Rural (small)	Greenfield	1.80	1.32	50	38
33	Rural areas (150 mixed)	Rural	Rural (small)	Greenfield	5.00	3.35	150	45
34	Rural exception	Rural	Rural (exception)	Greenfield	0.28	0.23	9	38
35	Gillingham (southern extension)	Gillingham	Gillingham (Strategic)	Greenfield	96.33	52.89	1,800	34
36	Care Home	Care Home	Care & Retirement	Brownfield	0.40	0.31	20	64
37	Extra care	Extra care	Care & Retirement	Brownfield	0.40	0.30	30	98
38	Blandford Forum (150 Brownfield)	Blandford Forum	Blandford Forum	Brownfield	3.00	2.01	150	75
39	Retirement home	Retirement home	Care & Retirement	Brownfield	0.50	0.37	45	122
Averages						**71%**		**42**

Assumption	Source
Mix type	Assumed

		OM dwelling type (%)				AH dwelling type (%)			
		1-2 bed Flats	2 bed house	3 bed house	4+ bed house	1-2 bed Flats	2 bed house	3 bed house	4+ bed house
Ref	***Typology***	***20%***	***20.0%***	***30.0%***	***30%***	***30.0%***	***30.0%***	***20.0%***	***20.0%***
1	Shaftesbury (1 house)	0%	0%	0%	100%	0%	60%	40%	0%
2	Shaftesbury (4 houses)	0%	0%	50%	50%	0%	60%	40%	0%
3	Shaftesbury (9 houses)	0%	33%	33%	33%	0%	60%	40%	0%
4	Shaftesbury (12 houses)	0%	40%	30%	30%	30%	30%	30%	10%
5	Shaftesbury (20 houses)	0%	40%	30%	30%	30%	30%	30%	10%
6	Shaftesbury (150 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
7	Gillingham (1 house)	0%	0%	0%	100%	0%	60%	40%	0%
8	Gillingham (4 houses)	0%	0%	50%	50%	0%	60%	40%	0%
9	Gillingham (9 houses)	0%	33%	33%	33%	0%	60%	40%	0%
10	Gillingham (12 houses)	0%	40%	30%	30%	30%	30%	30%	10%
11	Gillingham (20 houses)	0%	40%	30%	30%	30%	30%	30%	10%
12	Gillingham (50 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
13	Gillingham (150 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
14	Blandford Forum (1 house)	0%	0%	0%	100%	0%	60%	40%	0%
15	Blandford Forum (4 houses)	0%	0%	50%	50%	0%	60%	40%	0%
16	Blandford Forum (9 houses)	0%	33%	33%	33%	0%	60%	40%	0%
17	Blandford Forum (12 houses)	0%	40%	30%	30%	30%	30%	30%	10%
18	Blandford Forum (20 houses)	0%	40%	30%	30%	30%	30%	30%	10%
19	Blandford Forum (50 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
20	Blandford Forum (150 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
21	Sturminster Newton (1 house)	0%	0%	0%	100%	0%	0%	0%	100%
22	Sturminster Newton (4 houses)	0%	0%	50%	50%	0%	0%	100%	0%
23	Sturminster Newton (9 houses)	0%	33%	33%	33%	0%	60%	40%	0%
24	Sturminster Newton (12 houses)	0%	40%	30%	30%	30%	30%	30%	10%
25	Sturminster Newton (50 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
26	Sturminster Newton (150 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
27	Rural areas (1 house)	0%	0%	0%	100%	0%	60%	40%	0%
28	Rural areas (4 houses)	0%	0%	50%	50%	0%	60%	40%	0%
29	Rural areas (9 houses)	0%	33%	33%	33%	0%	60%	40%	0%
30	Rural areas (12 houses)	0%	40%	30%	30%	30%	30%	30%	10%
31	Rural areas (20 houses)	0%	40%	30%	30%	30%	30%	30%	10%
32	Rural areas (50 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
33	Rural areas (150 mixed)	0%	40%	30%	30%	30%	30%	30%	10%
34	Rural exception	0%	33%	33%	33%	0%	60%	40%	0%
35	Gillingham (southern extension)	0%	40%	30%	30%	30%	30%	30%	10%
36	Care Home	100%	0%	0%	0%	100%	0%	0%	0%
37	Extra care	100%	0%	0%	0%	100%	0%	0%	0%
38	Blandford Forum (150 Brownfield)	30%	30%	30%	10%	30%	30%	30%	10%
39	Retirement home	100%	0%	0%	0%	100%	0%	0%	0%

Unit sizes — Industry standard

Residential floorspace is based on Govt Housing Standards review consultation lvl2 August 2013 and/or industry standards of new build schemes. Two floor areas are displayed for flatted schemes: The Gross Internal Area (GIA) is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue. For the small housing sites (up to 5 units) larger dwellings are delivered in the borough, with medium and larger sites delivering more 'standard' unit sizes, we have therefore applied two unit sizes within our viability analysis.

Private unit sizes are based on average size for new units by type within the study area. Affordable unit sizes are assumed to mirror OM units standards. Unit sizes are set out as follows:

Private		
Private sale	Flats (NIA)	59 sq m
Private sale	Flats (GIA)	62 sq m
Private sale	2 bed house	77 sq.m
Private sale	3 bed house	95 sq.m
Private sale	4+ bed house	116 sq m
Affordable units		
Social rent	Flats (NIA)	59 sq m
Social rent	Flats (GIA)	62 sq m
Social rent	2 bed house	77 sq.m
Social rent	3 bed house	95 sq m
Social rent	4+ bed house	116 sq m
Affordable rent	Flats (NIA)	59 sq m
Affordable rent	Flats (GIA)	62 sq m
Affordable rent	2 bed house	77 sq m
Affordable rent	3 bed house	95 sq m
Affordable rent	4+ bed house	116 sq m
Intermediate	Flats (NIA)	59 sq m
Intermediate	Flats (GIA)	62 sq m
Intermediate	2 bed house	77 sq m
Intermediate	3 bed house	95 sq m
Intermediate	4+ bed house	116 sq m

	NIA	GIA	
Retirement Home	63	75	(Weighted on a 50:50 split 1bed to 2bed)
Extra Care	71	96	(Weighted on a 60:40 split 1bed to 2bed)
Care Home	71	96	

Residential scenarios — Council policy

Threshold (greater than x dwellings)

Urban	10
Rural	10

			Type		Affordable tenure split		
			Private	Affordable	Social rent	Affordable rent	Intermediate
Ref	***Typology***		***60%***	***40%***	***0%***	***70%***	***30%***
1	Shaftesbury (1 house)	1 Units	100%	0%	0%	70%	30%
2	Shaftesbury (4 houses)	4 Units	100%	0%	0%	70%	30%
3	Shaftesbury (9 houses)	9 Units	100%	0%	0%	70%	30%
4	Shaftesbury (12 houses)	12 Units	60%	40%	0%	70%	30%
5	Shaftesbury (20 houses)	20 Units	60%	40%	0%	70%	30%
6	Shaftesbury (150 mixed)	150 Units	60%	40%	0%	70%	30%
7	Gillingham (1 house)	1 Units	100%	0%	0%	70%	30%
8	Gillingham (4 houses)	4 Units	100%	0%	0%	70%	30%
9	Gillingham (9 houses)	9 Units	100%	0%	0%	70%	30%
10	Gillingham (12 houses)	12 Units	60%	40%	0%	70%	30%
11	Gillingham (20 houses)	20 Units	60%	40%	0%	70%	30%
12	Gillingham (50 mixed)	50 Units	60%	40%	0%	70%	30%
13	Gillingham (150 mixed)	150 Units	60%	40%	0%	70%	30%
14	Blandford Forum (1 house)	1 Units	100%	0%	0%	70%	30%
15	Blandford Forum (4 houses)	4 Units	100%	0%	0%	70%	30%
16	Blandford Forum (9 houses)	9 Units	100%	0%	0%	70%	30%
17	Blandford Forum (12 houses)	12 Units	60%	40%	0%	70%	30%
18	Blandford Forum (20 houses)	20 Units	60%	40%	0%	70%	30%
19	Blandford Forum (50 mixed)	50 Units	60%	40%	0%	70%	30%
20	Blandford Forum (150 mixed)	150 Units	60%	40%	0%	70%	30%
21	Sturminster Newton (1 house)	1 Units	100%	0%	0%	70%	30%
22	Sturminster Newton (4 houses)	4 Units	100%	0%	0%	70%	30%
23	Sturminster Newton (9 houses)	9 Units	100%	0%	0%	70%	30%
24	Sturminster Newton (12 houses)	12 Units	60%	40%	0%	70%	30%
25	Sturminster Newton (50 mixed)	50 Units	60%	40%	0%	70%	30%
26	Sturminster Newton (150 mixed)	150 Units	60%	40%	0%	70%	30%
27	Rural areas (1 house)	1 Units	100%	0%	0%	70%	30%
28	Rural areas (4 houses)	4 Units	100%	0%	0%	70%	30%
29	Rural areas (9 houses)	9 Units	75%	25%	0%	70%	30%
30	Rural areas (12 houses)	12 Units	60%	40%	0%	70%	30%
31	Rural areas (20 houses)	20 Units	60%	40%	0%	70%	30%
32	Rural areas (50 mixed)	50 Units	60%	40%	0%	70%	30%
33	Rural areas (150 mixed)	150 Units	60%	40%	0%	70%	30%
34	Rural exception	9 Units	33%	67%	0%	70%	30%
35	Gillingham (southern extension)	1,800 Units	60%	40%	0%	70%	30%
36	Care Home	20 Units	60%	40%	0%	70%	30%
37	Extra care	30 Units	60%	40%	0%	70%	30%
38	Blandford Forum (150 Brownfield)	150 Units	60%	40%	0%	70%	30%
39	Retirement home	45 Units	60%	40%	0%	70%	30%

Revenue

Sales value of completed scheme — Source: Land Registry/Rightmove Brochures

Property values are derived from different sources, depending on land use.
For housing, Land Registry and Rightmove data forms a basis for analysis. This provides a full record of all individual transactions. Values used are as follows:

		House	Flats
Private sale	Shaftesbury	£2,527	£2,200 sqm
Private sale	Gillingham	£2,378	£2,100 sqm
Private sale	Blandford Forum	£2,583	£2,050 sqm
Private sale	Sturminster Newton	£2,447	£2,100 sqm
Private sale	Rural	£2,700	£2,800 sqm
Private sale	Care Home	-	£3,000 sqm
Private sale	Extra care	-	£3,781 sqm
Private sale	Retirement home	-	£3,025 sqm

Affordable housing (Section 106) — Source: Industry standards

Transfer value		***33%***	
Social rent	Shaftesbury	£834	£726 sqm
Social rent	Gillingham	£785	£693 sqm
Social rent	Blandford Forum	£852	£677 sqm
Social rent	Sturminster Newton	£808	£693 sqm
Social rent	Rural	£891	£924 sqm
Social rent	Care Home	-	£990 sqm
Social rent	Extra care	-	£1,248 sqm
Social rent	Retirement home	-	£998 sqm
Transfer value		***55%***	
Affordable rent	Shaftesbury	£1,390	£1,210 sqm
Affordable rent	Gillingham	£1,308	£1,155 sqm
Affordable rent	Blandford Forum	£1,421	£1,128 sqm
Affordable rent	Sturminster Newton	£1,346	£1,155 sqm
Affordable rent	Rural	£1,485	£1,540 sqm
Affordable rent	Care Home	-	£1,650 sqm
Affordable rent	Extra care	-	£2,080 sqm
Affordable rent	Retirement home	-	£1,664 sqm
Transfer value		***65%***	
Intermediate	Shaftesbury	£1,643	£1,430 sqm
Intermediate	Gillingham	£1,546	£1,365 sqm
Intermediate	Blandford Forum	£1,679	£1,333 sqm
Intermediate	Sturminster Newton	£1,591	£1,365 sqm
Intermediate	Rural	£1,755	£1,820 sqm
Intermediate	Care Home	-	£1,950 sqm
Intermediate	Extra care	-	£2,458 sqm
Intermediate	Retirement home	-	£1,966 sqm

Construction Costs

Build costs — Source: BCIS Quarterly Review of Building Prices online version accessed September 2014. Prices rebased to the district.

Residential build costs are based upon industry data from the Build Cost Information Service (BCIS) which is published by the Royal Institution of Chartered Surveyors (RICS). The data is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification.

The following median build costs used are derived from recent data of actual prices in the marketplace. As early as 2009, the market across the UK was building at round Code for Sustainable Homes Level 3 for private and Level 4 for affordable housing.

	Small housebuilder	Medium housebuilder	Large house builder
	< 3	14	dwgs
Private			
Flats	£1,091	£1,091	£1,091 sqm
Houses (general estate)	£1,095	£1,027	£959 sqm
Affordable			
Flats	£1,091	£1,091	£1,091 sqm
Houses (general estate)	£1,095	£1,027	£959 sqm

Care Home	£1,250
Extra care	£1,182
Retirement home	£1,140

Plot external	Industry standards	Plot externals relate to costs for internal access roads, hard and soft landscaping. This will vary from site to site, but we have allowed for this at the following rate: 10% on build cost
Site abnormals		Developing greenfield, brownfield and mixed sites represent different risk and costs. These costs can vary significantly depending on the site's specific characteristics. To reflect additional costs associated with site development for residential purposes (i.e. demolition and opening costs), allowance for Land Type have been set at: **Land type** Brownfield £200,000 per net ha Mixed £100,000 per net ha Greenfield £0 per net ha
Opening-up costs	Infrastructure study	**Generic sites** < 200 £5,000 per unit < 500 £10,000 per unit over 500 £17,000 per unit
Professional fees	Industry standards	Professional fees relate to the costs incurred to bring the development forward and cover items such as; surveys, architects, quantity surveyors, etc. Professional fees are based on accepted industry standards and are calculated as a percentage of build costs at 10% on build costs (incl: externals)
Contingency	Industry standards	Contingency is based upon the risk associated with each site and has been calculated as a percentage of build costs at 5% on build costs (incl: externals)
Sale costs	Industry standards	Sale costs relate to the costs incurred for disposing the completed residential units, including legal, agents and marketing fees. These are based on industry accepted scales at the following rates: 3% on OM GDV
Finance costs	Industry standards	When testing for development viability it is common practice to assume development is 100% debt financed (Viability Testing Local Plans - Advice for planning practitioners and RICS Financial viability in planning guidance note GN94/2012. Within our cashflow we used a finance rate based upon market rates of interest as follows: 6% on net costs
Professional fees on land purchase	Industry standards	In addition to SDLT the purchaser of land will incur professional fees relating to the purchase. Fees associated with the land purchase are based upon the following industry standards: Surveyor - 1.00% Legals - 0.75%
Stamp duty on land purchase	HMRC	Stamp Duty Land Tax (SDLT) is generally payable on the purchase or transfer of property or land in the UK where the amount paid is above a certain threshold. The SDLT rates are by Treasury, the following rates current rates have been applied: <= £150,000 0.00% > £150,000 1.00% > £250,000 3.00% > £500,000 4.00%
Profit		
Developer's return	Industry standards	A developer's return is based upon their attitude to risk. A developer's attitude to risk will depend on many factors that include but not exclusive to, development type (e.g. Greenfield, Brownfield, refurbishment, new build etc), development proposal (uses, mix and quantum), credit worthiness of developer, and current market conditions. The Harmen Report states that "residential developer margin expressed as a percentage of GDV - should be the default methodology" and E.2.3.8.1 of the RICS Financial viability in planning report states "The residential sector seeks a return on the GDV". We have applied a rate that is acceptable to both developers and financial institutions in the current market. The developer return is a Gross Margin and therefore includes overheads. The developer return is calculated as a percentage of Gross Development Value at the following rate: Developer return on market housing 20.0% on OM GDV Return on affordable housing 6% on AH transfer value A lower margin has been applied to the affordable units as these represent less development risk as the end user is known at point of construction. This approach is also typical with industry standards. The Homes and Community Agency (HCA) state 'Conventional practice is to allow for developer's margin at a lower rate for affordable housing developed as part of a Section 106 agreement, as the risks are low relative to development of open market housing. The user manual for the Economic Appraisal Tool states that a typical figure may be in the region of 6% of affordable housing value on a nil grant basis'.
Time-scales		
Build rate units/per annum	Industry standards	House builders typical build to sale. Therefore build rates are determined by market conditions of how many units can be sold on a monthly basis as developers do not want to be holding onto stock as this impacts their cashflow. **Construction Start** **Building growth rate** **Sales delay (mths)** 1/9/15 0.65 6
Benchmark land value per ha		
Residential land values	Land Registry & UK Land Directory website	Residential values Shaftesbury £1,450,000 per ha Residential values Gillingham £1,100,000 per ha Residential values Gillingham (Strategic) £400,000 per ha Residential values Blandford Forum £1,450,000 per ha Residential values Sturminster Newton £1,250,000 per ha Residential values Care & Retirement £1,350,000 per ha Residential values Rural (small) £1,600,000 per ha Residential values Rural (exception) £160,000 per ha

Non-residential typology unit types

Assumption	Source	Notes
Costs		
		Through the course of the development plan period the Council envisages commercial development to occur. We have reflected future commercial development through testing the following commercial uses and unit sizes:

Use	GIA sq.m	NIA sq.m
1: Town centre office	250	213
2: Business park	2,500	2,125
3: Industrial	750	750
4: Warehouse	1,500	1,500
5: Local convenience	1,000	900
6: Supermarket	2,500	2,250
7: Retail warehouse	2,000	1,900
8: Town centre retail	200	200
9: Hotel (60 beds)	2,100	60
10: Small local convenience	280	260

Net to gross site developable area — Source: PBA & developer workshop

We have assumed the following net to gross site development percentages to allow for roads, SuDs, landscape and open space:

Use	Net site area (ha)
1: Town centre office	0.030
2: Business park	0.280
3: Industrial	0.100
4: Warehouse	0.250
5: Local convenience	0.150
6: Supermarket	0.380
7: Retail warehouse	0.380
8: Town centre retail	0.020
9: Hotel (60 beds)	0.300
10: Small local convenience	0.038

Build Costs — Source: BCIS Quarterly Review of Building Prices Issue (January 2014)

Use	£/Sqm
1: Town centre office	£1,256
2: Business park	£1,384
3: Industrial	£714
4: Warehouse	£538
5: Local convenience	£1,175
6: Supermarket	£1,464
7: Retail warehouse	£682
8: Town centre retail	£951
9: Hotel (60 beds)	£1,581
10: Small local convenience	£1,175

Plot external — Source: Industry standards

These covers external build costs for site preparation and includes items such as internal access roads, car parking, landscaping, drainage, utilities and services within the site. We have allowed the following percentage of build costs for these items.

15%

These exclude abnormal site development costs and exceptional offsite infrastructure.

Professional Fees	Industry standards	Professional fees are based upon accepted industry standards and has been calculated as a percentage of build costs at **10%**
Contingency	Industry standard & developer workshop	Contingency is based upon the risk associated with each site and has been calculated as a percentage of construction costs at **4%**
Sale costs	Industry standards	These rates are based on industry accepted scales at the following rates: Legals, surveyors, marketing etc **3.5%** Gross development value
Finance costs	Industry standards	Based upon the likely cost of development finance we have used current market rates of interest. 7.0%
Stamp Duty on Land Purchase	HMRC	These are the current rates set by Treasury at the following rates: up to £150,000 0.00% Over £150,000 to £250,000 1.00% Over £250,000 to £500,000 3.00% Over £500,000 4.00%
Professional fees on Land Purchase	Industry standards	Fees associated with the land purchase are based upon the following industry standards: Surveyor - 1.00% Legals - 0.75%
Profit	Industry standards	Gross development profit (includes overheads) taken as a percentage of total development costs **20%**
Time-scales - build rate units/per annum	Consultations	Build rate time-scales reflect solely the construction period of the commercial unit itself and assumes a cleared service site free of abnormals. The build rates for each of the commercial uses are set out as follows:

	Start	Finish	Length in months
1: Town centre office	01 October 2014	01 October 2015	12
2: Business park	01 October 2014	01 October 2015	12
3: Industrial	01 October 2014	01 April 2015	9
4: Warehouse	01 October 2014	01 April 2015	9
5: Local convenience	01 October 2014	01 July 2015	9
6: Supermarket	01 October 2014	01 October 2015	12
7: Retail warehouse	01 October 2014	01 July 2015	9
8: Town centre retail	01 October 2014	01 July 2015	9
9: Hotel (60 beds)	01 October 2014	01 July 2015	9
10: Small local convenience	01 October 2014	01 July 2015	9

Revenue

Capital values (rents, yields, and tenant incentives)	CoStar/Focus & consultations	We have assumed that the completed commercial unit is sold on practical completion as an investment sale. The income on the investment sale will be deferred depending on the length of rent free period required to attract a tenant. The rent free period is therefore the tenants incentive. Rents, yield and rent free periods are based upon market evidence and are set out as follows:

	Rent	Yield	Rent free (months)
1: Town centre office	£130	9.00%	9.00
2: Business park	£110	9.00%	9.00
3: Industrial	£68	10.00%	9.00
4: Warehouse	£57	8.50%	9.00
5: Local convenience	£178	6.50%	6.00
6: Supermarket	£185	5.00%	6.00
7: Retail warehouse	£145	7.50%	6.00
8: Town centre retail	£148	8.00%	6.00
9: Hotel (60 beds)	£4,800	6.50%	6.00
10: Small local convenience	£178	6.50%	6.00

Benchmark land value per ha

	CoStar/Focus & consultations	Our estimates of benchmark land values are based on market comparables derived through consultation with stakeholders and analysis of published data on CoStar. At this current point in the economic cycle there is much uncertainty surrounding land values due to the small number of transactions occurring.

1: Town centre office	£750,000
2: Business park	£500,000
3: Industrial	£500,000
4: Warehouse	£500,000
5: Local convenience	£1,500,000
6: Supermarket	£3,000,000
7: Retail warehouse	£1,500,000
8: Town centre retail	£2,000,000
9: Hotel (60 beds)	£1,000,000
10: Small local convenience	£1,500,000

Appendix B Example appraisals

Residential

Shaftesbury (1 hc	Shaftesbury		1 Units				
ITEM							
			Residual Value				
Net Site Area	0.03	Brownfield	£1,690,559	per net ha			
	Private	Affordable	Social r	Affordable rent	Intermediate		
Nr of units	1.00	0.00	0.00	0.00	0.00		
1.0	**Development Value**						
1.1	Private units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats (NIA)	0.00	59	0	£2,200	£0
		2 bed house	0.00	77	0	£2,527	£0
		3 bed house	0.00	95	0	£2,527	£0
		4+ bed house	1.00	116	116	£2,527	£293,132
			1.0		116		
1.2	Social rent		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats (NIA)	0.00	59	0	£726	£0
		2 bed house	0.00	77	0	£834	£0
		3 bed house	0.00	95	0	£834	£0
		4+ bed house	0.00	116	0	£834	£0
			-		-		
1.3	Affordable rent		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats (NIA)	0.00	59	0	£1,210	£0
		2 bed house	0.00	77	0	£1,390	£0
		3 bed house	0.00	95	0	£1,390	£0
		4+ bed house	0.00	116	0	£1,390	£0
			-		-		
1.3	Intermediate		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats (NIA)	0.00	59	0	£1,430	£0
		2 bed house	0.00	77	0	£1,643	£0
		3 bed house	0.00	95	0	£1,643	£0
		4+ bed house	0.00	116	0	£1,643	£0
			-		-		
	Gross Development value						£293,132
2.0	**Development Costs**						
2.1	Site Acquisition						
2.1.1	Net site value (residual land value)						£45,645
							£0.00
					Purchaser Costs		1.75%
	Gross site costs						£46,444
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Total sq.m	Cost per sq.m	Total Costs
		Flats (GIA)	0.00	62	0	£1,091	£0
		2 bed house	0.00	77	0	£1,095	£0
		3 bed house	0.00	95	0	£1,095	£0
		4+ bed house	1.00	116	116	£1,095	£127,059
			1		116		
2.3.2	Affordable units		No. of units	Size sq.m	Total sq.m	Cost per sq.m	Total Costs
		Flats (GIA)	0.00	62	0	£1,091	£0
		2 bed house	0.00	77	0	£1,095	£0
		3 bed house	0.00	95	0	£1,095	£0
		4+ bed house	0.00	116	0	£1,095	£0
			-		-		
			1.00				£127,059
2.4	Extra over construction costs						
2.4.1	Externals			10%	on build cost		£12,706
2.4.2	Site abnormals (remediation/demolition)			£200,000	per net ha		£5,400
2.4.2	Site opening up costs			£5,000	per unit		£5,000
							£23,106
2.5	Professional Fees						
2.5.1				10%	on build costs (incl: externals)		£13,976.45
							£13,976
2.6	Contingency						
2.6.1				5%	on build costs (incl: externals)		£6,988.23
							£6,988
2.7	Developer contributions						
2.7.1	Lifetime homes			£0	per unit		£0
2.7.2	Samms (Houses)			£0	per unit		£0
2.7.3	Samms (Flats)			£0	per sqm		£0
2.7.4	Affordable housing contribution			£0	per unit		£0
2.7.5	Cil			£0	per sq.m		£0
							£0
2.8	Sale cost						
2.8.1	Private units only			3.00%	on OM GDV		£8,794
							£8,794
	TOTAL DEVELOPMENT COSTS (including land)						£226,367
3.0	**Developer's Profit**						
3.1	Private units			20%	on OM GDV		£58,626
3.2	Affordable units			6%	on AH transfer value		£0
							£58,626
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£284,993
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£8,139
4.0	**Finance Costs**						
				APR		PCM	
4.1	Finance			6.00%	on net costs	0.487%	-£8,139
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£293,132

This appraisal has been prepared by Peter Brett Associates for the Council. The appraisal has been prepared in line with the RICS valuation guidance. The purpose of the appraisal is to inform the Council about the impact of planning policy has on viability at a strategic level. This appraisal is not a formal 'Red Book' (RICS Valuation – Professional Standards January 2014) valuation and should not be relied upon as such.

Non-residential

	1: Town centre office						
ITEM							
		Residual value					
Net Site Area	0.03	-£5,820,510.13	**per ha**				
1.0	**Development Value**						
		No. of units	**Size sq.m**	**Rent**	**Yield**	**Value per unit**	**Capital Value**
1.1	1: Town centre office	1	213	130	9.00%	£307,667	£307,666.67
						Rent free period	**Adjusted for rent free**
					No. of months	9	£288,410
	Total development value						**£288,410**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						-£174,615
			Purchaser costs				1.75%
							-£177,671.07
2.2	**Build Costs**						
		No. of units	**Size sq.m**	**Cost per sq.m**			**Total Costs**
2.2.1	1: Town centre office	1	250	£1,256			£314,000
							£314,000
2.3	**Externals**						
2.3.1	external works as a percentage of build costs		15.0%				£47,100
							£47,100
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		10%				£36,110
							£36,110
2.5	**Total construction costs**						**£397,210**
3.0	**Contingency**						
3.1.1	as a percentage of total construction costs		4%				£15,888.40
							£15,888
	TOTAL DEVELOPMENT COSTS (including land payment)						**£235,427**
4.0	**Developers' Profit**						
			Rate				
4.1	as percentage of total development costs		20%				£47,085
							£47,085
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£282,513**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£5,897
5.00	**Finance Costs**		APR			PCM	
			7.00%			0.565%	-£5,897
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£288,410

This appraisal has been prepared by Peter Brett Associates on behalf of the Council. The appraisal has been prepared in line with the RICS valuation guidance. The purpose of the appraisal is to inform Council as to the impact of planning policy has on viability at a strategic borough level. This appraisal is not a formal 'Red Book' (RICS Valuation – Professional Standards January 2014) valuation and should not be relied upon as such.

Appendix C Viability Workshop notes

Meeting Title: Agents and Developers Forum regarding Development Viability in North Dorset

Attendees:

Peter Brett Associates

Mark Felgate (MF)

Tom Marshall (TM)

North Dorset District Council (NDDC)

Trevor Warrick

Ian Smith

Sarah How

Participants

Nigel Jones	Chesterton
Richard Bagnall	
Paul Newman	Land & Planning Consultant
Steve Briggs	Smithsgore
Simon Rutter	Proctor Watts Cole Rutter
Paul Bedford	Charles Church Developments
Tim Hoskinson	Savills
Paul Spong	Savills

Date of Meeting: 13th Oct 2014

Item	Subject
Introduction from Trevor Warrick, Planning Policy Manager at North Dorset DC.	
Presentation to the group from Mark Felgate (PBA) who firstly discussed the aims of the workshop, the rationale for testing plan viability, and a brief context for the study.	
MF also presented, and chaired a discussion of the various assumptions to be used in the model. MF highlighted that the study is high level and is aimed at the district as a whole rather than site-specific; although specific evidence of schemes is useful to shape the overall picture. The following points summarise the main discussion points arising from the workshop.	
Non Residential Assumptions	
1.	**Non Residential Typologies** MF presented a list of standard typologies to be tested. There appeared to be that there was no disagreement regarding the typologies to be tested, or regarding the

	presented sizes of units to be tested.
2.	**Non Residential Land Values** Little initial disagreement with land values, however some commented that they would like to look at these in further detail at a later date as they did not have the figures in front of them. *Post meeting note – please review and feedback*
3.	**Non Residential rents and yields** Retail: There was a suggestion that the four towns demonstrated dissimilar retail environments and the rents would likely vary between the locations. For instance, it was suggested that retail rents in Sturminster Newton would be lower than Blandford Forum. Industrial: No disagreement with the presented values, although again there were questions raised regarding variances across the district. Offices: No disagreement with the presented values, a view was reiterated that there was little supply of new office space and therefore little comparable data was available. *Post meeting note - PBA will investigate any differences in rental values between the towns to see if there is a large discrepancy in values.*
4.	**Build costs** There were no comments on the adopted build costs. External works was considered to be higher, with one response suggesting a figure closer to 20%, due to higher preliminary costs.
5.	**Other Non-residential Costs** Contingency was deemed to be higher, particularly due to poor demand and therefore higher risk in selling.
Residential Assumptions	
6.	**Residential Typologies** MF discussed with the group that PBA would be testing a range of affordable housing amounts and thresholds, particularly concerning Government ideas of implementing a 10+ threshold in the future. MF discussed the range of typologies. Missing from the presentation was 200 dwellings *(post meeting note – this is now shown in amended presentation, shared with this note)* There was feedback that PBA also should also test a 20 houses scheme and that there should be testing in the rural areas as well as the towns reflecting the size of sites put forward in the SHLAA. PBA were advised that the Gillingham southern extension should be tested at 1,800 dwellings rather than the range of 1,200 and 1,800.

	Density should be tested at between 30 and 35 dwellings per hectare reflecting the market preference for lower density development. It was also deemed by a number of participants that housebuilders appeared reluctant in building flats. For mixed schemes it was deemed that the proportion of houses should be around 90% rather than 75%.
7.	**Residential Land values** MF presented a figure of £1.5m per hectare for residential land, which was used in the Three Dragons report for Affordable housing testing in 2009. This figure was presented as relating to a clean, ready-to-go site. MF asked if the figure was suitable to use across all sites or whether it should be varied by size and location. General consensus was that it should be varied however no feedback was given on what figures should be used. Similar to the non-residential land values, respondents wished to double check the PBA figure against their own figures after the workshop, and provide feedback afterwards. *Post meeting note – please feedback information on land values suitable for use as threshold benchmarks for testing*
8.	**Residential property prices** Respondents felt that the upper values of £278 p sqf were high for any location in the district with the exception of the rural areas and perhaps Shaftsbury. One suggested that values of £225 should be seen as a maximum for Gillingham, with the maximum for Blandford Forum and Shaftesbury considered as slightly higher than this. Conversely, the maximum figure for Sturminster Newton was expected as slightly lower than the figure of £225 given for Gillingham. It was also commentated that there is little premium for new builds in North Dorset as much of the existing stock is as desirable and attractive to market. *Post meeting note - Respondents requested a breakdown of the figures by town which is shown below – please comment on these figure, providing any evidence from recent or soon to be promoted sites:*

	Sq.m	*Sq.ft*
BLANDFORD FORUM	*£2,583*	*£240*
GILLINGHAM	*£2,368*	*£220*
SHAFTESBURY	*£2,507*	*£233*
STURMINSTER NEWTON	*£2,347*	*£218*

9.	**Residential – Extra over land costs** One respondent questioned PBA's figures that the site abnormals for brownfield sites being the same as those for greenfield. *Post meeting note – there is no abnormal costs associated with greenfield sites*

although an allowance has been made for general opening up costs. On the larger sites there will also be allowance for S106 costs once these have been established with the council.

10\. **Build Costs**

MF explained that build costs are taken from the latest BCIS data rebased to North Dorset. There appeared little disagreement at the time with the values presented.

11\. **Residential: other costs**

It was suggested that the presented external costs should be 20% rather than 10%.

No comments were offered on cost of finance.

Developer return was considered as at least 25% on GDV rather than the presented figure. It was also stated that profit on affordable housing should be a blended rate with the market housing and not separate.

Post meeting note – evidence will need to be provided to consider a move away from these assumptions.

12\. **Residential: other variables**

MF presented details regarding the testing of Affordable Housing. It was deemed that the transfer values for Affordable rent and intermediate were correct (55%of Market Value (MV) and 65% of MV respectively. However it was considered that the transfer value for Social rented was more likely to be 0.33% of MV rather than 45% as suggested in the presentation.

One respondent suggested there was little point in testing Social rented affordable housing as this was not included in the planning policy and would therefore not be considered by housebuilders.

13\. **Sales and build rates**

MF was also queried regarding build and sales rates in our viability analysis, as we were instructed that some appraisals did not include this and this had a large impact on viability, particularly in regards to financing and cashflows.

Although we did not have a slide to discuss this, MF confirmed that the model does take sales and build rates into consideration.

Post meeting note - Rather than a standard build rate across the residential scenarios, the model includes a range of build rates that varies with the amount of houses to be built in the scenario. This is to acknowledge that small house builders would likely have a lower build rate than for the larger strategic sites, where there would likely be a range of housebuilders on site. Similarly, sales rates follow these build rates however with a six month lag. The proposed rates are set out below:

Number of units	*1 unit*	*10 units*	*100 units*	*1,000 units*
Build rate (approx)	*6 months*	*15 months*	*30 months*	*100 months*

14\. **Further information:**

MF gave out email addresses to direct any further responses to should attendees want

	to discuss the assumptions or the work further. MF stated that copies of the presentation would be sent to participants as well as a copy of the notes taken during the workshop. He urged participants to review assumptions and respond, with evidence, if changes are proposed.

Appendix D Glossary

Affordable Housing

Housing provided for sale, rent or shared equity at prices in perpetuity below the current market rate, which people in housing need are able to afford

Affordable Rent

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable).

Allocated

Land which has been identified for a specific use in the current development

Brownfield Land, Brownfield Site

Land or site that has been subject to previous development

Charging Authority

The charging authority is the local planning authority, although it may distribute the received levy to other infrastructure providers such as the county council in two tier authorities

Charging Schedule

The Charging Schedule sets out the charges the Charging Authority proposes to adopt for new development

Code for Sustainable Homes

The Code for Sustainable Homes is an environmental assessment method for rating and certifying the performance of new homes. It is a national standard for use in the design and construction of new homes with a view to encouraging continuous improvement in sustainable home building

Convenience Goods

Widely distributed and relatively inexpensive goods which are purchased frequently and with minimum of effort, such as newspapers and food.

Comparison Goods

Household or personal items which are more expensive and are usually purchased after comparing alternative models/types/styles and price of the item (e.g. clothes, furniture, electrical appliances). Such goods generally are used for some time

Development

Defined in planning law as ‘the carrying out of building, engineering, mining or other operations in, on, over, or under land, or the making of a material change of use of any building or land’

Infrastructure

The network of services to which it is usual for most buildings or activities to be connected. It includes physical services serving the particular development (e.g. gas, electricity and water supply; telephones, sewerage) and also includes networks of roads, public transport routes, footpaths etc. as well as community facilities and green infrastructure

Intermediate Housing

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing. Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

Low Carbon

To minimise carbon dioxide emissions from a human activity

New Homes Bonus

The New Homes Bonus is a government funding scheme to ensure that the economic benefits of growth are returned to the local area. It commenced in April 2011, and will match fund the additional council tax raised for new homes and properties brought back into use, with an additional amount for affordable homes, for the following six years

Planning Obligations

Legal agreements between a planning authority and a developer, or undertakings offered unilaterally by a developer to ensure that specific works are carried out, payments made or other actions undertaken which would otherwise be outside the scope of the planning permission. Often called Section 106 (S106) obligations or contributions. The term legal agreements may embrace S106.

Renewable Energy

Energy generated from sources which are non-finite or can be replenished. Includes solar power, wind energy, power generated from waste, biomass etc.

Residual Land Value

The amount remaining once the gross development cost of a scheme is deducted from its gross development value and an appropriate return has been deducted

Rural exception sites

Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable units without grant funding.

Section 106 (S106) Contributions

See Planning Obligations

Social Rent

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Threshold land value

Landowners have an important role in deciding whether a project goes ahead on the basis of return from the value of their land. The threshold land value, or the benchmark land value, refers to the minimum value of the land that is likely to trigger the land owner to sell the land.

Use Classes and 'Use'

The Town and Country Planning (Use Classes) Order, 1987, a statutory order made under planning legislation, which groups land uses into different categories (called use classes). Change of within a use class and some changes between classes do not require planning permission. Please note that the definition of 'use' within the CIL regulations is meant in its wider sense and not in terms of the use classes e.g. whilst a supermarket and a shop selling clothes are the same use in terms of the use class system i.e. A1 – they are clearly a different use in terms of the CIL regulations as a store selling only clothes is different from a store selling predominantly food.

Appendix E Properties currently on the market

Settlement	Scheme	Type	Approx size	number of beds	Price	Price per square metre	Housebuilder
Shaftesbury	Chilmark Glade	The Colehill	58	2bed	£154,995	£2,672	Persimmon
		The Colehill	58	2bed	£157,995	£2,724	
		The Bridport	81	3bed	£174,995	£2,160	
		The Bridport	81	3bed	£179,995	£2,222	
		The Bridport	81	3bed	£179,995	£2,222	
		The Parkstone	85	3bed	£212,995	£2,506	
		The Parkstone	85	3bed	£229,995	£2,706	
		The Sandford	106	4bed	£223,995	£2,113	
		The Tisbury	118	4bed	£249,995	£2,119	
Blandford Forum	Badbury Heights	The Kingston	61	2bed	£151,960	£2,491	Persimmon
		The Exford	74	3bed	£214,950	£2,905	
		The Hutton	78	3bed	£219,950	£2,820	
		The Warndon	70	3bed	£191,960	£2,742	
		The Wimbourne	66	3bed	£136,465	£2,068	
		The Abbotsbury	110	4bed	£249,950	£2,272	
Blandford Forum	Beaumont Place, Diamond way	The Purbeck	112	4bed	£280,000	£2,500	Charles Church
Shaftesbury	Abbey Meadow	The Cheney	108	4bed	£227,995	£2,111	Bovis Homes
		The Eliot	115	4bed	£310,005	£2,696	
		The Hardy	81	3bed	£204,995	£2,531	
		The Barden	72	3bed	£189,995	£2,639	

		The Wheatley	95	3bed	£229,995	£2,421	
Sturminster Newton	Ingrams	Busters Leap	73	2bed	£179,995	£2,466	RB Snook ltd
Shaftesbury	Salisbury Road	The Cadnam	52	2bed	£159,995	£3,077	Charles Church
		The Midford	87	3bed	£204,995	£2,356	
		The Meon	88	3bed	£177,995	£2,023	
		The Meon	88	3bed	£182,995	£2,079	
		The Meon	88	3bed	£189,995	£2,159	
		The Meon	88	3bed	£192,995	£2,193	
Sturminster Newton	New Street, Marnhull	4 bed detached	128	4bed	£375,000	£2,930	
Gillingham	Royal Lodge, Newbury	Retirement Property		2bed	£210,950		Churchill Retirement homes
				1bed	£139,950		
				1bed	£173,950		
				2bed	£230,950		
				2bed	£206,950		
				1bed	£183,950		
				1bed	£180,950		
				1bed	£176,950		

Appendix F Assumptions for retirement units

Density and Size assumptions

We have based our assumptions regarding assisted living and retirement scheme on the following: For assisted living schemes, densities and sizes have been derived from the below sample. The average density for assisted living schemes was found to be 100 dwellings per hectare:

Scheme	# of units	Site area	Density
4 Rowlands Hill, 18 Cuthburga Road & Garden House, Wimborne, Dorset BH21 1AN	49	0.62	79
Ellisfield Court, Taunton	58	0.73	79
Horton Mill Court, Droitwich	61	0.76	80
Cartwright Court, Malvern	54	0.66	82
Archbishop Wake First School, Fairfield Road, Blandford Forum, Dorset DT11 7AB	40	0.48	83
Wilton Court, Kenilworth	50	0.59	85
Briar Croft, Alcester Rd, Stratford on Avon	64		98
Wardington Court, Northampton	56	0.57	98
Barnhill Court, Chipping Sodbury	60	0.55	109
Jenners Court, Cheltenham	66	0.6	110
Bowles Court, Chippenham	58	0.51	114
21 Barnes Wallis Court, Charles Briggs Avenue, Howden	39		116
Glen Parva	65	0.54	120
2 Gloucester Road, Cheltenham, Gloucestershire	56	0.44	129

Sales values

For sales values, there are many more retirement schemes than extra care (or assisted living) properties developed within North Dorset. We have therefore used a sales rate per square metre for retirement homes based on the below 'new' properties built in recent years. In the absence of sufficient evidence regarding extra care schemes we have therefore used RHG's assumption that extra care schemes are "25% more expensive than sheltered"[36]. For instance, the average sales price for retirement properties is approximately £228,500, therefore it is assumed that extra care properties could sell for values in the region of £285,500.

Name	# of beds	Approximate size per unit	Average sales value	Average sales value per sq.m
Royal Lodge, Newbury,Gillingham,Dorset,SP8 4WG	1bed	55	£180,950	£3,290
	1bed	55	£183,950	£3,345
	1bed	55	£170,000	£3,091
	1bed	55	£173,950	£3,163
	2bed	75	£210,950	£2,813
	2bed	75	£240,000	£3,200
	2bed	75	£230,950	£3,079
	2bed	75	£206,500	£2,753
Motcombe Grange, Shaftesbury	2 bed	83	£297,000	£3,578
	2 bed	99	£275,000	£3,578
	2 bed	73	£225,000	£2,778
	2 bed	75	£185,000	£3,082
Home Farm, Iwerne Minster, Blandford Forum	2 bed	109	£285,000	£2,615
Castle Gardens, Bimport, Shaftesbury	2 bed	85	£335,000	£3,932

[36] Three Dragons; Community Infrastructure Levy and Sheltered Housing / Extracare Developments; A briefing note on Viability prepared for Retirement Housing Group by Three Dragons; (May, 2013)