Braintree District Council Affordable Housing Viability Study

Final Report

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Chapters **Page**

CHAPTER 1 – INTRODUCTION

Overview and objectives

1.1 Andrew Golland Associates have been appointed to carry out an Affordable Housing Viability Study for the District of Braintree.

1.2 Affordable Housing Viability Studies generally address the following key questions and issues:

- Whether a split in the Affordable Housing policy can be justified?
- Whether the current threshold or 'trigger point' is appropriate?
- What the impacts of other Section 106 requirements will be for Affordable Housing delivery?
- Whether large sites (which have specific infrastructure requirements) can deliver Affordable Housing percentages as set out in the local planning policy.

1.3 This study covers the following main activities:

1) Updating the High Level Testing;
2) Testing a number of key sites that will cover a significant amount of supply over the Plan period;
3) Commentary on small site delivery and Affordable Housing

1.4 The Council are currently in the process of reviewing the Local Plan. To support the new Plan it is important to have an up-to-date evidence base.

Background for this study

1.5 This study takes place against a backdrop of significant political and economic change. Two impacts appear to have been significant – Brexit and Covid. We are now largely beyond the physical effects of Covid, although it has made a significant dent in the public finances as a consequence of the furlough scheme and the cost of mitigating

health impacts. Brexit also appears to be having a major impact on falling living standards, rising interest rates and the general ability of households to meet their outgoings. It has further had specific negative impacts, particularly on the primary industries – farming, fishing and manufacturing, but as well as on export trade and has had further impacts on the knowledge, research and cultural industries.

1.6 Against this backdrop it might be expected that the housing market would be in a state of collapse. This is not the case for a number or reasons. Perhaps the most important has been a lack of supply, particularly of new build housing. The incoming Labour Government of July (2024) has set out an ambition to increase housing supply in particular via the release of green field land. On these sites it is envisaged 50% Affordable Housing can be delivered.

1.7 A revised NPPF is expected, although the consultation paper has apparently generated a huge response, presumably not all of it in support of changes. The key to delivering Section 106 would appear to lie in 'joining the dots' between land supply and the premium implicit in the definition of Land Value Benchmark ('EUV Plus'). This means understanding that premiums are likley to be higher where land supply is tight, and lower where there is more land in the planning pipeline. Whether this point is going to be addressed in viability guidance remains to be seen.

1.8 An additional important point is that for the development industry, the price of raw materials, often imported from the EU, has risen and this is tending to squeeze margins, assuming that inflation costs cannot be passed on to land owners. Rising costs against fixed or falling gross development values mean tighter residual values.

1.9 In conjunction the trend in lending rates has risen over the past few months, reflecting uncertainty in the financial markets and the wider macro-economy. Whether this trend continues is uncertain, and there is also the issue that smaller developers are likely to be charged higher rates than larger ones.

Policy background

National Planning Policy

1.10 The National Planning Policy Framework (November 2024) states:

'56. Planning conditions should be kept to a minimum and only imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects.

1.11 Agreeing conditions early is beneficial to all parties involved in the process and can speed up decision making. Conditions that are required to be discharged before development commences should be avoided, unless there is a clear justification.

Further:

57. Planning obligations must only be sought where they meet all of the following tests:

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

b) directly related to the development; and

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

1.12 58. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

1.13 The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.'

1.14 National Planning Policy Guidance (last updated 24th February 2024) on viability states:

1.15 'The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.

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

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

1.18 It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan. Landowners and site purchasers should consider this when agreeing land transactions.'

Local planning policy – Braintree DC

1.19 The recent adopted Local Plan (2022) states in relation to Affordable Housing:

Policy LPP 31

Affordable Housing

Affordable housing will be directly provided by the developer within housing schemes at the targets set out below.

A requirement of 30% of the total number of dwellings on sites located in the main towns of Braintree (including Great Notley, Bocking and High Garrett), Witham, Halstead, Sible Hedingham and development sites directly adjacent to these areas.

A requirement of 40% of the total dwellings sites in all other areas.

A threshold of 15 dwellings or 0.5ha will apply in the main towns of Braintree (including Great Notley, Bocking and High Garrett), Witham and Halstead.

A threshold of 10 dwellings or more or where a site area is 0.5 hectares or more will apply in all other areas of the District.

Where it is impractical to achieve on-site or off-site provision, a financial contribution in lieu of broadly equivalent value, may be accepted.

A mix of units to reflect the current local need will be required to be delivered on the site.

If the affordable housing targets set out in the policy cannot be met then the applicant must provide a viability appraisal which will be independently verified and the affordable housing contribution will be set at the maximum viable level.

And:

Policy LPP 32

Affordable Housing in Rural Areas

In rural areas, schemes to provide affordable housing will be permitted, providing that all the following criteria are met:

a. The development is adjacent to a development boundary with reasonable access to services and facilities

b. The site is located within an area designated as a rural area by the Secretary of State under the Housing Act 1996 (or any successor legislation)

c. A proven local need for affordable housing must exist to the satisfaction of the local planning authority, which cannot be met within the development boundary

d. Market housing should be provided at the minimum level to support viability and at no more than 30%

e. The development should be for less than 15 dwellings.

1.20 The Council's SPD on Affordable Housing (2006) states:

'Where the provision of affordable housing on site is not appropriate, and the developer cannot offer an alternative site, a commuted payment would be sought from the developer to enable the Council, in conjunction with a registered social landlord, to provide the affordable housing. The level of payment required will be based on

the level of subsidy that would be required to permit a registered social landlord to purchase units on the open market. The assessment of the level of the payment will be based on properties in the same settlement as the proposed development and will reflect the tenure split and mix that the Council would have normally required on the development site. Any payments received this way, through Section 106 contributions, must be spent within Braintree District.'

1.21 The methodology has been used consistently since adoption of the Affordable Housing SPD, which followed from a process of consultation.

Further policies

1.22 Policies which can impact on viability include:

Policy SP2 – RAMS;

SP4 Meeting Housing Need;

SP6 – Infrastructure and Connectivity;

SP7 Place Shaping Principles;

LPP16 – Housing Provision and Delivery;

LPP33 Specialist Housing;

LPP35 – Housing Mix, Density and Accessibility;

LPP42 – Sustainable Transport;

LPP43 – Parking Provision;

LPP45 – New Road Infrastructure;

LPP46 – Broadband;

LPP48 – An inclusive Environment;

LPP49 – Health and Wellbeing Impact Assessment;

LPP50 – Provision for Open Space, Sport and Recreation;

LPP52 – Layout and Design of Development;

LPP53 – Conservation Areas;

LPP 61 – Local Community Services and Facilities;

LPP63 – Natural Environment and Green Infrastructure;

LPP66 – Protection, Enhancement, Management and Monitoring of Biodiversity;

LPP71 – Climate Change;

LPP72 – Resource Efficiency, Energy Generation and Energy Efficiency;

LPP74 – Flooding Risk and Surface Water Drainage;

LPP75 – Surface Water Management Plan;

LPP76 – Sustainable Urban Drainage Systems, and

LPP78 – Infrastructure Delivery and Impact Mitigation

1.23 For the purposes of viability assessment, many of these policy impacts are caught by using the latest industry standard build costs; others are less quantifiable. I have set out how these policy impacts are dealt with in Chapter 3 of this report.

General approach

1.24 This study relates broadly to Whole Plan Testing (WPT). This is not specifically defined although viability testing should cover all aspects of policy.

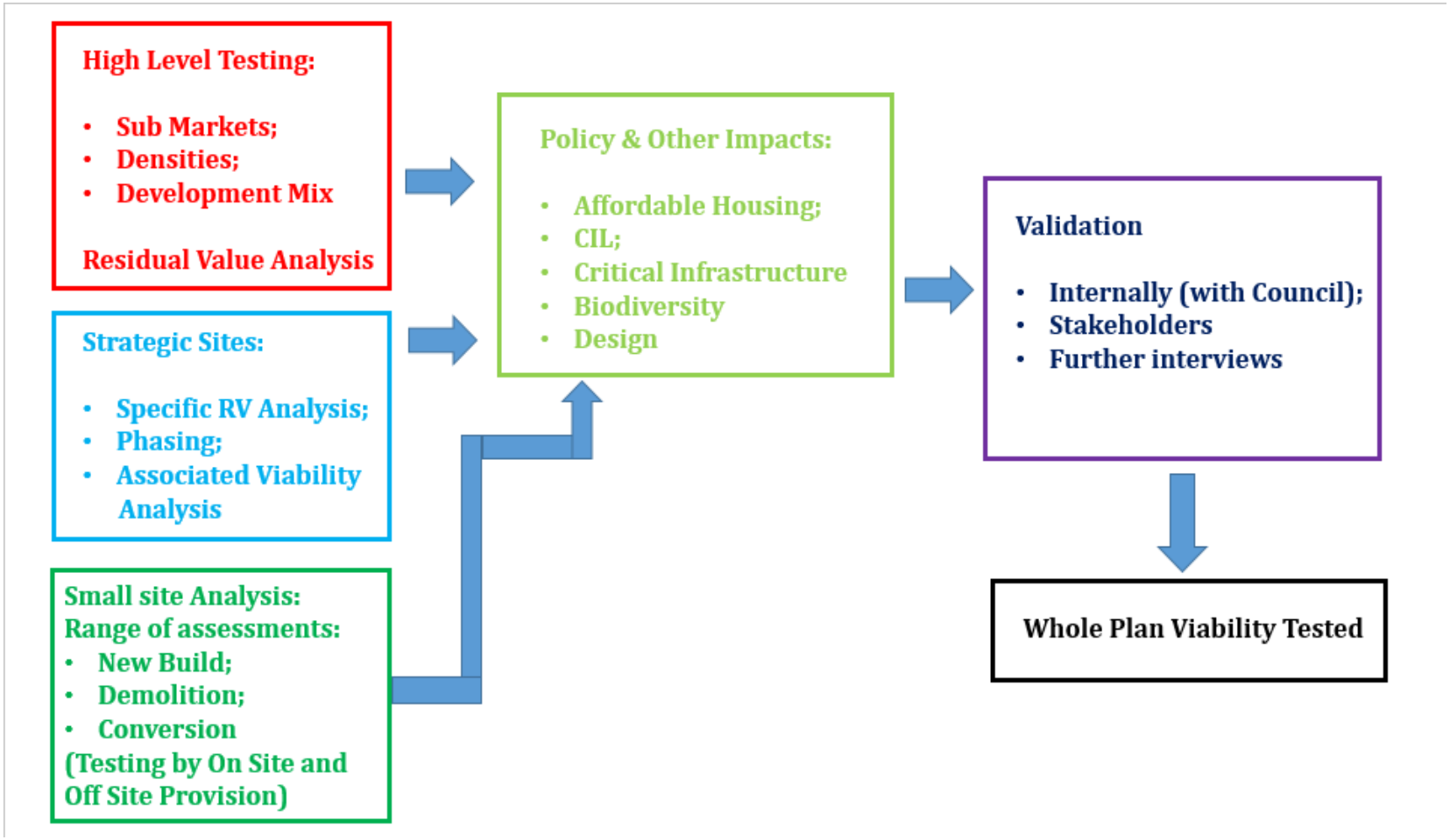
1.25 The Planning Inspectorate have set out the following principles for WPT
http://www.pas.gov.uk/documents/332612/6363137/Pages+from+

FINAL+PAS+Good+Plan+Making+-10.pdf/06519013-bb1d-4676-a005 6832ab6253f8) and have stated that:

'Evidence for viability can be gathered from a variety of sources including local agents, mystery shopping exercises, the internet, previous planning applications (it can be helpful to record this information over time), and Inspectors' reports on plans and CIL. However, if you are relying on more than one set of viability evidence (perhaps commissioned for different purposes CIL or affordable housing and or by different consultancies). This can result in inconsistencies in methodology and assumptions. It is important to understand and to be able to reconcile these differences, through discussion with the consultants, to enable them to use the evidence in relation to whole-plan viability'.

1.26 Set out below is the approach adopted in this study, which involves High Level Testing (HLT), testing major and strategic sites and testing small sites.

Figure 1.1: Viability testing approach



Source: Dr A Golland, based on a range of projects for local authorities

Research undertaken for this study

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

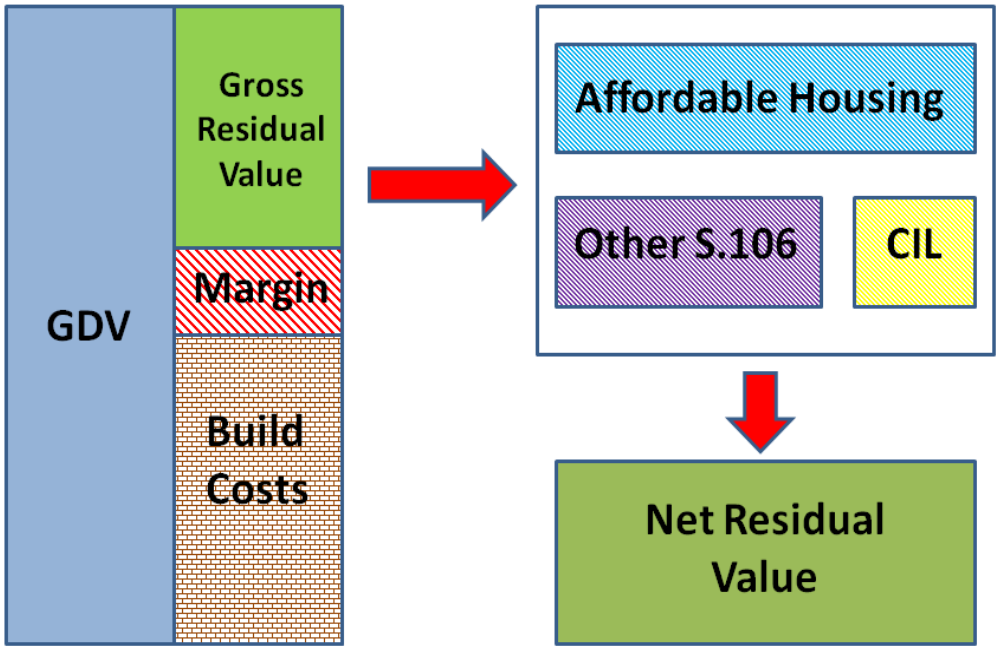
- Discussions with a project group of officers from the Council to help inform the structure of the research approach;
- Analysis of information held by the authority, including that which described the types of sites coming forward;
- Use of the Development Appraisal Toolkit to carry out High Level Testing and to analyse scheme viability;
- Consultation with local developers, housing associations and land owners;
- Reporting on the viability of the Plan and its various policy impacts.

CHAPTER 2 – APPROACH TO VIABILITY DEFINITION

2.1 The Development Appraisal Model (DAT) is used to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates (scheme revenue) and what it costs to develop (build costs and developer margin). The model can take into account the impact on scheme residual value of affordable housing and other Section 106 contributions or CIL where this is being tested.

2.2 Figure 2.1 below shows diagrammatically the underlying principles of the approach. Scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme costs assume a profit margin to the developer and the 'build costs' as shown in the diagram include such items as professional fees, finance costs, marketing fees and any overheads borne by the development company.

Figure 2.1 Viability, CIL and Affordable Housing



Source: Dr A Golland, based on best practice and a range of projects for local authorities

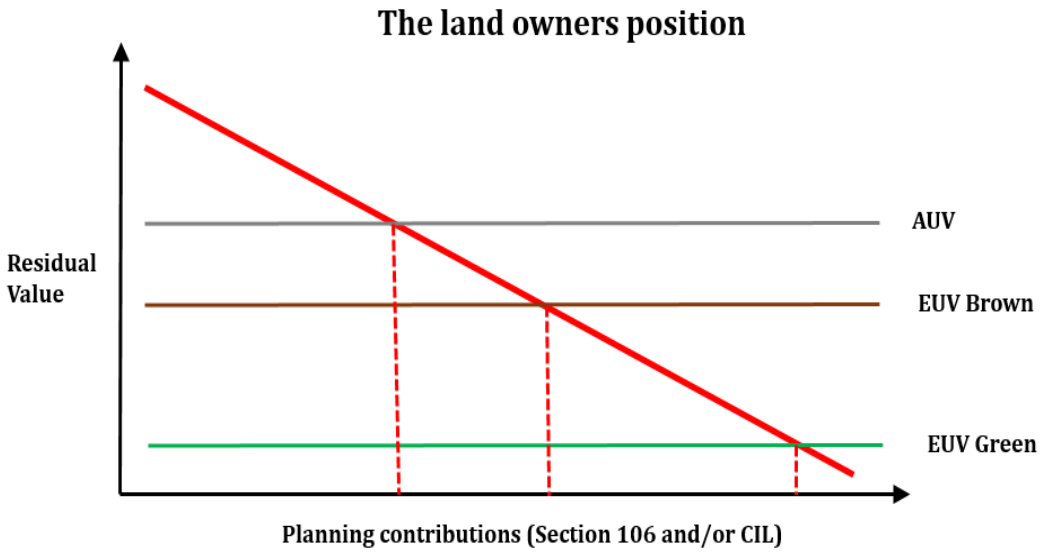
2.3 The gross residual value is the starting point for negotiations about the level and scope of Section 106 or CIL contribution. The contribution will normally be greatest in the form of affordable housing but other Section 106 items or CIL will also reduce the gross residual value of the site. Once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

2.4 Calculating what is likely to be the value of a site given a specific planning permission, is only one factor in deciding what is viable.

2.5 A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The Existing Use Value (EUV) of the site, or indeed a realistic alternative use value for a site will also play a role in the mind of the land owner in bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing or any other use.

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

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



Source: Dr A Golland, based on best practice and a range of projects for local authorities.

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

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

2.9 How affordable housing targets or CIL charges are set will be a function of a number of factors including the nature of land supply, residual value, comparable authority policies and the broader land supply situation. There is no specific 'equation' which specifies how a particular policy should be derived.

Approach and best practice

2.10 This approach follows that set out in the GLA's Viability Toolkit Guidance (2001) which was the forerunner to the current National Planning Policy Guidance. I was the author of the Toolkit and its guidance notes and, in conjunction with two members of Three Dragons, have been instrumental in framing national planning policy guidance.

2.11 The approach set out above is robust for:

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

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

2.13 The approach has never been rejected.

CHAPTER 3 – VIABILITY ANALYSIS: HIGH LEVEL TESTING

Introduction

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

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

Sub Market areas

3.3 The analysis is based on sub markets. These have been aggregated from postcode sectors. This approach is driven by viability (house prices).

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

3.5 The house price data draws on a full three and a half years of (HM Land Registry) sales – 2021, 2022, 2023 and 2024. The premium is varied by dwelling type according to the evidence for new build sales.

3.6 Table 3.1 below sets out the sub markets.

Sub Markets	Main Settlements/Areas	Other Settlements/Areas	PCSs
High Value Eastern Settlements	Kelvedon		CO5 9
	Coggeshall		CO6 1
	The Colnes	Earls; White; Engaine	CO6 2
	Hatfield Peverel	Terling	CM3 2
Notleys & Rayne	Black Notley, Cressing & Stisted		CM77 8
	Great Notley		CM77 7
	Rayne		CM77 6
Northern Rural	North West Rural	The Yeldhams; Ridgewell	CO9 4
	North West Rural - Hamlets		CO10 8
	Rural NW Braintree	Panfield	CM7 5
	Rural West	Gt Bardfield; Wethersfield; Finchingfield	CM7 4
	North West Rural	The Bumpsteads	CB9 7
	North West Rural - Hamlets		CO10 7
	Rural East -Hamlets		CO8 5
Witham	South Witham	White Notley	CM8 1
	North Witham		CM8 2
	Rivenhall & Silver End		CM8 3
Braintree Town	NE Braintree Town		CM7 9
	S Braintree		CM7 1
	SE Braintree Town		CM7 3
	W Braintree Town		CM7 2
Halstead & Sible Hedingham	Halstead North	NE Rural; the Belchamps	CO9 2
	Halstead South		CO9 1
	Sible Hedingham		CO9 3

3.7 The range of indicative new build house prices are shown in the table below (3.2):

Table 3.2 Sub Markets and Dwelling Prices

Sub Markets	Main Settlements/Areas	Other Settlements/Areas	PCSs	Detached			Semis	Terraced		Flats	
				5 Bed	4 Bed	3 Bed	3 Bed	3 Bed	2 Bed	2 Bed	1 Bed
High Value Eastern Settlements	Kelvedon		CO5 9	£686,000	£624,000	£475,000	£427,000	£418,000	£363,000	£294,000	£196,000
	Coggeshall		CO6 1								
	The Colnes	Earls; White; Engaine	CO6 2								
	Hatfield Peverel	Terling	CM3 2								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,900	£5,200	£5,000	£5,272	£5,291	£5,338	£4,594	£4,356
Notleys & Rayne	Black Notley, Cressing & Stisted		CM77 8	£665,000	£604,800	£484,000	£414,000	£405,000	£352,000	£285,000	£190,000
	Great Notley		CM77 7								
	Rayne		CM77 6								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,750	£5,040	£5,095	£5,111	£5,127	£5,176	£4,453	£4,222
Northern Rural	North West Rural	The Yeldhams; Ridgewell	CO9 4	£621,000	£565,000	£452,000	£386,000	£378,000	£329,000	£266,000	£178,000
	North West Rural - Hamlets		CO10 8								
	Rural NW Braintree	Panfield	CM7 5								
	Rural West	Gt Bardfield; Wethersfield; Finchingfield	CM7 4								
	North West Rural	The Bumpsteads	CB9 7								
	North West Rural - Hamlets		CO10 7								
	Rural East -Hamlets		CO8 5								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,436	£4,708	£4,758	£4,765	£4,785	£4,838	£4,156	£3,956
Witham	South Witham	White Notley	CM8 1	£610,000	£554,000	£443,000	£380,000	£372,000	£323,000	£262,000	£175,000
	North Witham		CM8 2								
	Rivenhall & Silver End		CM8 3								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,357	£4,617	£4,663	£4,691	£4,709	£4,750	£4,094	£3,889
Braintree Town	NE Braintree Town		CM7 9	£571,000	£519,000	£415,000	£355,000	£348,000	£302,000	£245,000	£163,000
	S Braintree		CM7 1								
	SE Braintree Town		CM7 3								
	W Braintree Town		CM7 2								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,079	£4,325	£4,368	£4,383	£4,405	£4,441	£3,828	£3,622
Halstead & Sible Hedingham	Halstead North	NE Rural; the Belchamps	CO9 2	£566,000	£515,000	£412,000	£352,000	£346,000	£300,000	£242,000	£161,000
	Halstead South		CO9 1								
	Sible Hedingham		CO9 3								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,043	£4,292	£4,337	£4,346	£4,380	£4,412	£3,781	£3,578

3.8 The analysis is based on a range of policy tests. Specifically, affordable housing targets of 0% through to 50%, including 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45% and 50%.

3.9 Residual values have been generated for a notional one hectare site that reflect a range of Affordable Housing percentages.

3.10 A full range of schemes are tested here. Densities of 30 dph, 40 dph and 50 dph have been tested for all (six) sub markets.

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

- Affordable Housing across a range of Affordable elements – Social Rent, Affordable Rent and assuming Social Rent at £100,000, Affordable Rent at 57.5% of open market value and Shared Ownership at 65% of open market value. These assumptions came from stakeholder feedback.
- Equivalent 20% developer margin on Market element of schemes;
- 6% return on the Affordable element of schemes;
- 3% marketing fees.

3.12 The Council recognise a set of policies which may impact on viability. I explain below how these are dealt with:

- SP4 Meeting Housing Need: This is taken account of via the consultation where the mix of Affordable Housing is reflected in the assessment process;
- SP6 – Infrastructure and Connectivity: costs here are reflected in the testing process;
- SP7 Place Shaping Principles: this will be down to individual site specific circumstances;

- LPP35 – Housing Mix, Density and Accessibility: this is reflected via the consultation process and the housing mixes and densities that have been tested;

- LPP42 – Sustainable Transport: a total allowances of £14,491 has been made for all Section 106 items other than Affordable Housing;

- LPP43 – Parking Provision: a total allowances of £14,491 has been made for all Section 106 items other than Affordable Housing;

- LPP45 – New Road Infrastructure: a total allowances of £14,491 has been made for all Section 106 items other than Affordable Housing;

- LPP46 – Broadband: costed within the industry standard costs

- LPP50 – Provision for Open Space, Sport and Recreation; a total allowances of £14,491 has been made for all Section 106 items other than Affordable Housing;

- LPP 61 – Local Community Services and Facilities; a total allowances of £14,491 has been made for all Section 106 items other than Affordable Housing;

- LPP63 – Natural Environment and Green Infrastructure: a total allowances of £14,491 has been made for all Section 106 items other than Affordable Housing;

- LPP66 – Protection, Enhancement, Management and Monitoring of Biodiversity: a total allowances of £14,491 has been made for all Section 106 items other than Affordable Housing;

- LPP71 – Climate Change: picked up the industry standard current costs;

- LPP72 – Resource Efficiency, Energy Generation and Energy Efficiency: picked up the industry standard current costs;
- LPP74 – Flooding Risk and Surface Water Drainage: picked up the industry standard current costs;
- LPP75 – Surface Water Management Plan: picked up the industry standard current costs;
- LPP76 – Sustainable Urban Drainage Systems: picked up the industry standard current costs;
- LPP78 – Infrastructure Delivery and Impact Mitigation: picked up the industry standard current costs;

Residual values at 30 dph

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

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

	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
High Value Eastern Settlements	£3.39	£3.19	£2.99	£2.80	£2.61	£2.41	£2.21	£2.02	£1.83	£1.63	£1.44
Notleys & Rayne	£3.10	£2.91	£2.72	£2.54	£2.35	£2.16	£1.97	£1.79	£1.59	£1.41	£1.22
Northern Rural	£2.50	£2.32	£2.15	£1.97	£1.80	£1.63	£1.45	£1.28	£1.10	£0.93	£0.76
Witham	£2.34	£2.17	£2.10	£1.83	£1.66	£1.49	£1.32	£1.15	£0.98	£0.81	£0.64
Braintree Town	£1.80	£1.64	£1.49	£1.33	£1.17	£1.01	£0.86	£0.70	£0.54	£0.39	£0.23
Halstead & Sible Hedingham	£1.74	£1.59	£1.43	£1.28	£1.12	£0.96	£0.81	£0.65	£0.50	£0.34	£0.19

Source: Dr A Golland viability testing

3.14 The table shows residual values (£ million) on a per hectare basis.

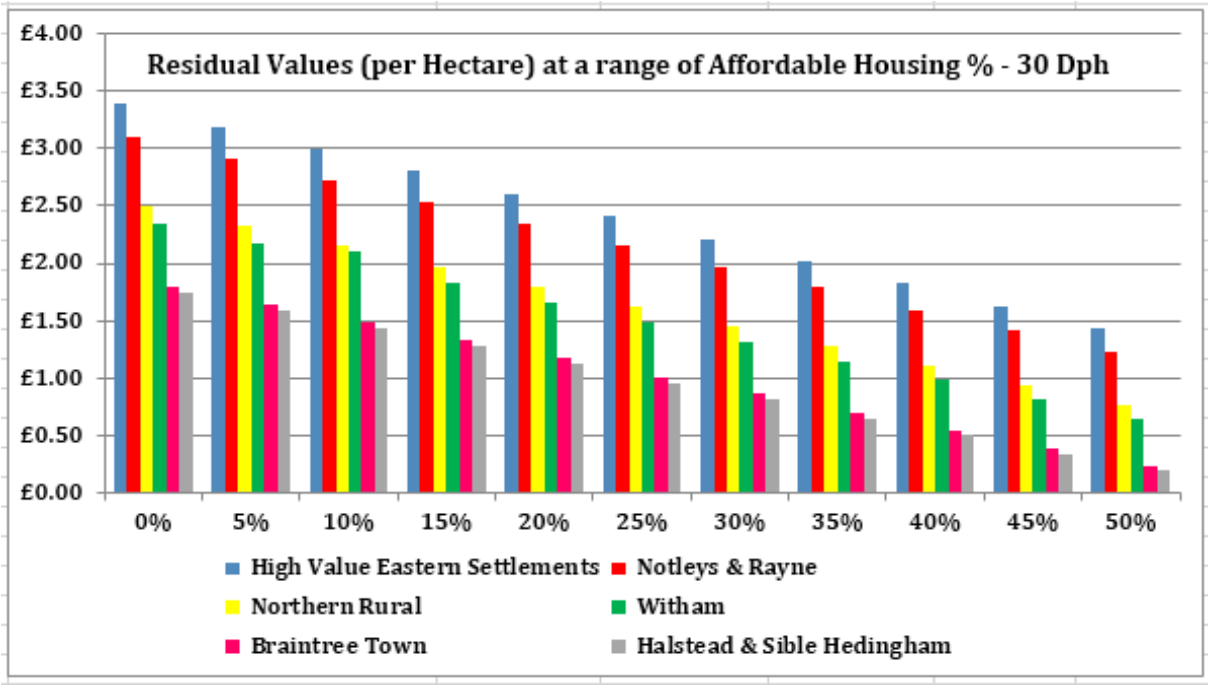
3.15 These are largely robust and strong residual values although there is clearly a wide range between the highest and lowest value sub

markets. For example, a scheme with 50% Affordable Housing in the High Value Eastern Settlements generates a higher residual value (£1.44 million) than one at 10% Affordable Housing in the Halstead and Sible Hedingham sub market.

3.16 There are therefore significant differences between the localities, which has (across all densities) a case for varying the Affordable Housing target in its emerging policy. It however also important to state that within high value areas there will be 'cold' spots and within lower value areas there will be 'hot' spots. This means some flexibility is needed in approach on a scheme by scheme level.

3.17 Figure 3.1 below shows the range of residual values at 30 dwellings per hectare in bar chart form:

Figure 3.1 Residual values (£ million per hectare) at 30 Dwellings per Hectare



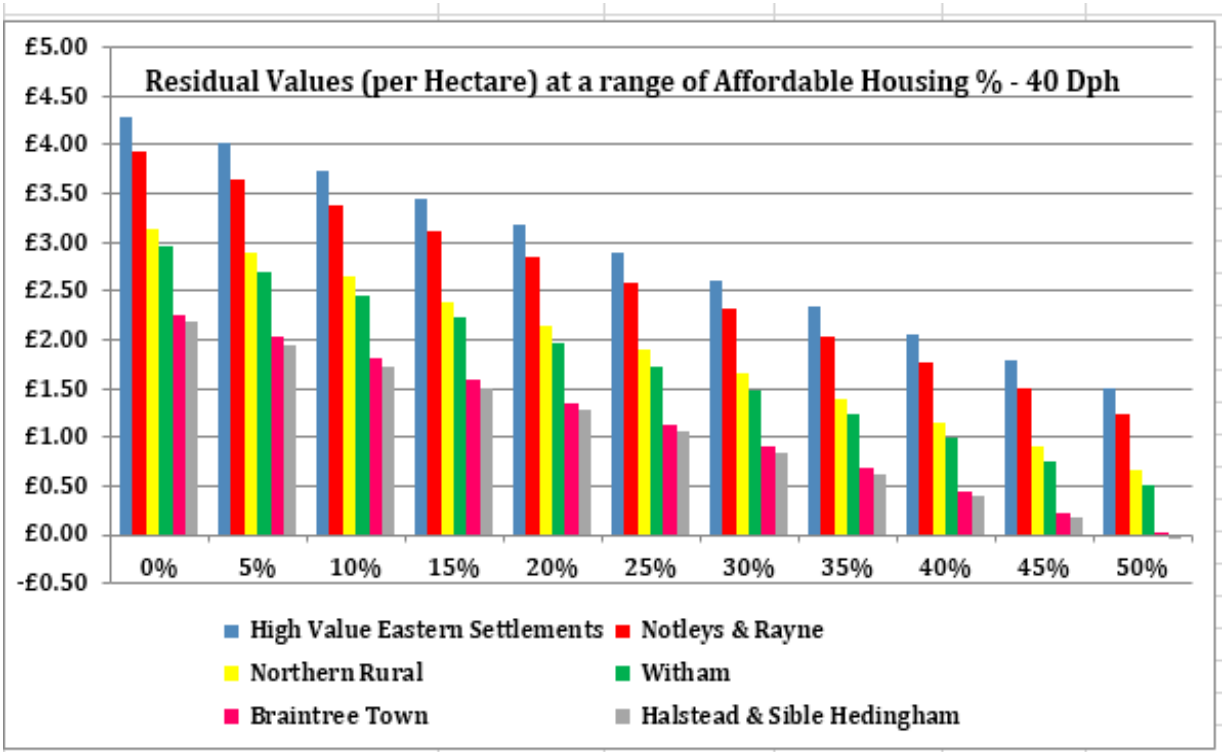
Source: Dr A Golland viability testing

3.18 The chart emphasis the large range of residual values and illustrates how strong the values are in particular at the top end of the Braintree housing market.

Residual values at 40 dph

3.19 Figure 3.2 shows residual values at 40 dph. This illustrates in bar chart form the geographical differences.

Figure 3.2 Residual values (£ million per hectare) at 40 Dwellings per Hectare



Source: Dr A Golland viability testing

3.20 At 40 dph residual values are positive in all sub markets and at all Affordable Housing percentages with the exception of 50% Affordable Housing in the lowest value sub market (Halstead and Sible Hedingham).

3.21 The wider Braintree housing market is split three ways:

- High Value Eastern Settlements and Notleys and Rayne;
- Northern Rural and Witham;
- Braintree Town and Halstead and Sible Hedingham

3.22 In terms of viability, RVs exceed green field existing use values by a very significant margin in most scenarios. As examples (20% Affordable Housing):

High Value Eastern Settlements x 158

Notleys and Rayne x 142

Northern Rural x 108

Witham x 99

Braintree Town x 68

Halstead and Sible Hedingham x 64

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

3.23 They are useful yardsticks which shows the very substantial uplift received by land owners of green field land.

3.24 Increasing density from 30 dph to 40 dph increases residual value generally. At lower percentages of Affordable Housing this is around 20%, and a mid range (20% to 30%) residual value increases by around 10% to 15%. At lower percentages of Affordable Housing however there are only marginal increases in residual value and in the lower value sub markets, residual value actually falls. This is because the scheme includes a higher proportion of lower value more costly (to build) dwellings.

Residual values at 50 dph

3.25 It is important to test higher densities to understand the impact on residual values. Development mix changes with changes in density.

3.26 Table 3.3 sets out the residual values (RVs) for all sub markets at 50 dph.

Table 3.3 Residual values (£ million per hectare) at 50 dph

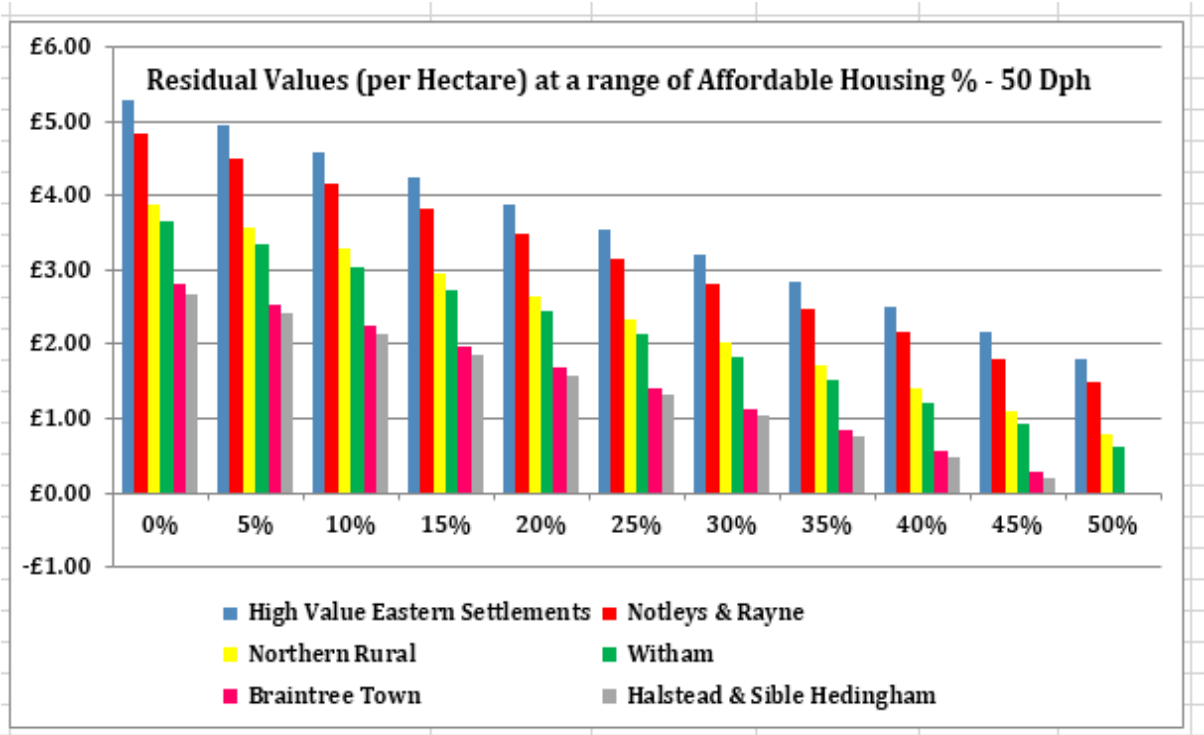
50 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
High Value Eastern Settlements	£5.29	£4.94	£4.59	£4.24	£3.89	£3.55	£3.20	£2.85	£2.51	£2.16	£1.81
Notleys & Rayne	£4.84	£4.50	£4.17	£3.83	£3.49	£3.16	£2.82	£2.48	£2.16	£1.81	£1.48
Northern Rural	£3.89	£3.58	£3.28	£2.96	£2.65	£2.34	£2.03	£1.72	£1.41	£1.09	£0.79
Witham	£3.65	£3.35	£3.04	£2.74	£2.44	£2.13	£1.83	£1.52	£1.22	£0.92	£0.61
Braintree Town	£2.80	£2.54	£2.24	£1.96	£1.68	£1.40	£1.12	£0.84	£0.56	£0.28	£0.00
Halstead & Sible Hedingham	£2.68	£2.41	£2.15	£1.87	£1.59	£1.32	£1.04	£0.76	£0.49	£0.21	-£0.01

Source: Dr A Golland viability testing

3.27 These are schemes obviously including smaller dwelling types.

Figure 3.3 shows the results of Table 3.3 in bar chart form:

Figure 3.3 Residual values (£ million per hectare) at 50 Dwellings per Hectare



Source: Dr A Golland viability testing

3.28 Increasing density generally increases residual value. In comparing a scheme of 30 dph and 50 dph, residual values increase up to around

25% Affordable Housing by around 40%. Thereon residual values increase by around 20% up to 40% Affordable Housing.

3.29 However the effect is not uniform across all sub markets. In doing the same comparison (30 dph versus 50 dph), higher density leads to lower residual values in the weaker sub markets at higher Affordable Housing percentages.

3.30 This means that the Council should consider carefully density and mix options for sites where a case against Affordable Housing is being made.

3.31 In terms of precise increases in residual value (50 dph compared with 30 dph), the following percentages apply (40% Affordable Housing in the scheme):

High Value Eastern Settlements – 37%

Notleys and Rayne – 35%

Northern Rural – 28%

Witham – 25%

Braintree Town – 3%

Halstead and Sible Hedingham – minus 2%

3.32 The above demonstrates how the impact of increased density plays out at a higher percentage of Affordable Housing across the sub market areas.

Conclusions

3.33 The foregoing analysis shows that:

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

- Marginal changes in house prices have disproportionate impacts on residual value. This means that policy should be set sensitively, reflecting the differences, however reflecting the fact that hot spots and cold spots exist in all sub markets;

- The housing market across the District area is split broadly three ways between:

  - High Value Eastern Settlements and Notleys and Rayne;

  - Northern Rural and Witham;

  - Braintree Town and Halstead and Sible Hedingham

3.34 In terms of viability, RVs exceed green field existing use values by a very significant margin in most scenarios. As examples (20% Affordable Housing):

High Value Eastern Settlements x 158

Notleys and Rayne x 142

Northern Rural x 108

Witham x 99

Braintree Town x 68

Halstead and Sible Hedingham x 64

3.35 These are very healthy residual values which are far above existing use value for green field land and allow the Council to set Affordable Housing targets ambitiously.

3.36 Development density and mix are very important in driving viability. Generally when a scheme becomes denser it generates higher residual value, but the percentage of Affordable Housing included needs to be taken into account. At higher densities and at higher percentages of Affordable Housing residual value can fall; and this happens primarily in the lower value sub markets;

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

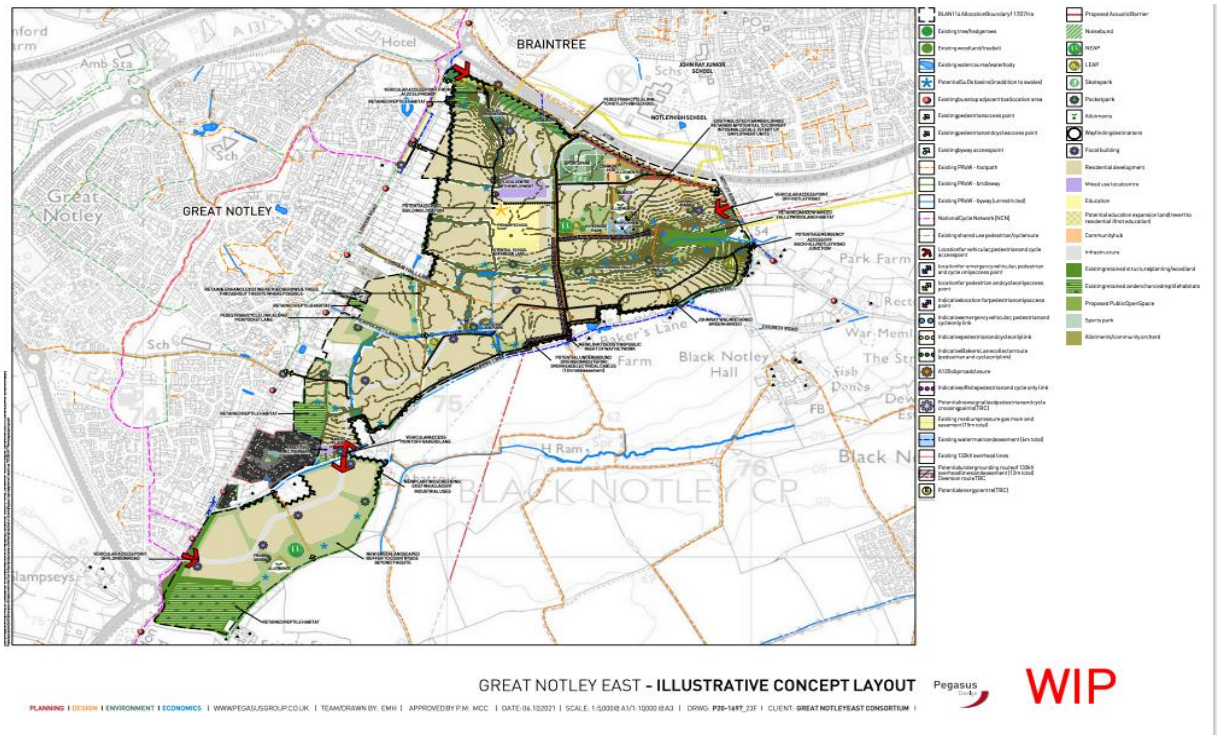
3.38 It is also important at the development control level to recognise that within each of the sub markets there will be hot and cold spots where viability make make it either easier or more difficult to deliver Section 106. The Council should ideally monitor where this is happening so that future analysis can take account.

CHAPTER 4 – LARGE SITE ANALYSIS

4.1 The Council has several key sites being promoted through the Plan. As an example, the major site at Great Notley (known as 'Great Notley East') is taken as an illustrative example of the range of issues and requirements that affect larger sites.

4.2 The site location is shown below – Figure 4.1. The scheme will incorporate circa 1,750 new dwellings.

Figure 4.1 – the site



4.3 The Site spans an area of approximately 140 hectares close to an urban area – Great Notley. Around 75% of the land is in agricultural use with some existing residential. The site is mainly flat with an altitude of around 70m.

4.4 Ownership of the Site includes several subdivisions under private ownership, freehold tenures, and specific addresses mainly concentrated at the southwest part of the Site, with a few located in the northwest, east, northeast, and west parts. Significant land parcels are owned by private individuals, Bloor Homes Limited, Nigel

Brand Builders Limited, MW Trustees Ltd, Chelmer Housing Partnership Limited, Crest Nicholson Operations Limited, and Lynderswood Park Limited, among others.

4.5 The nearest hospital is Braintree Community Hospital located around a mile to the north, John Ray Junior School (nearest primary school) to the northeast, Notley High School (nearest secondary school) to the northeast, and Felsted School (nearest non-state primary and secondary school) is around 3 miles to the west.

4.6 With respect to transport links, there is Braintree Bus Interchange, along with 4 railway stations including Braintree Freeport, Braintree, Cressing, and White Notley all within 3 miles. Halstead and Witham can be reached by roads A131 and B1018 respectively, within proximity to the Site.

4.7 The site has 12 on-site public rights of way and 5 adjacent public rights of way, indicating a number of access routes crossing the site.

4.8 The planning obligation requirement includes:

- Affordable housing as per the Council's requirements – 30% with 70/30 split. Market housing mix will be expected in accordance with SHMA;
- Appropriate employment uses to support a major new community;
- A new primary school with co-located 56 early years and childcare (D1 use) on 2.7 hectares of land as required by the Local Education Authority through S106 Planning Obligations;
- Two new 56 place stand-along early years and childcare nursery (D1 use) each on 0.13 hectares of land as required by the Local Education Authority through S106 Planning Obligations;
- Financial contributions to secondary education provision as required by the Local Education Authority through S106 Planning Obligations;
- Community facilities including a contribution to or location for NHS facilities;
- Local retail and food outlets as part of a village centre;
- Public open space, and informal and formal recreation;

- Provision of a Gypsy and Traveller site or financial contribution.

4.9 It is difficult to cost out these requirements precisely, although I have made the following assumptions:

4.10 Mix and Affordable Housing tenure to follow the High Level Testing. This was based on feedback from stakeholders.

4.11 Employment uses. These are as yet unspecified so have been assumed on a cost neutral basis. In practice there is likely to be some land value which can be negotiated for at the time of full application.

4.12 The cost of schools varies by type although there are indicative average figures from sources such as:

- https://www.checkatrade.com/blog/cost-guides/cost-building-school/
- https://www.statista.com/statistics/1330345/primary-secondary-education-building-construction-costs-uk-by-city/
- https://documents.hants.gov.uk/property-services/NationalSchoolDeliveryBenchmarkingreport.pdf

This indicates a capital cost of circa £25,000 per pupil.

4.13 There are 56 places needed for primary education. This gives an indicative cost of £1.4 million. There is a further requirement for Early Years and Nursery (56 x 2) = 112 x say £15,000 a child = £1,680,000.

4.14 The total is around therefore £3 million. It should be noted:

https://www.gov.uk/government/publications/new-homes-fact-sheet-5-new-homes-and-school-places/fact-sheet-5-new-homes-and-school-places

that provision of primary school places for this scale of development is around 440 places. It is therefore assumed that there is existing capacity in the surrounding schools.

4.15 I have allowed for two (c.800 square metre) community centres at £1.5 million each. Again this is broad brush, but actual costs can be brought to bear as more information becomes available at planning application.

4.16 Otherwise, I have allowed £3,000 per dwelling for open space provision. This equates to £5.25 million across the whole scheme.

Asuumptions

4.17 I have taken the house prices for the Notleys and Rayne sub market as per the High Level Testing:

2 Bed Terraces - £352,000;

3 Bed Terraces - £405,000;

3 Bed Semis - £414,000;

3 Bed Detached - £484,000;

4 Bed Detached - £604,800;

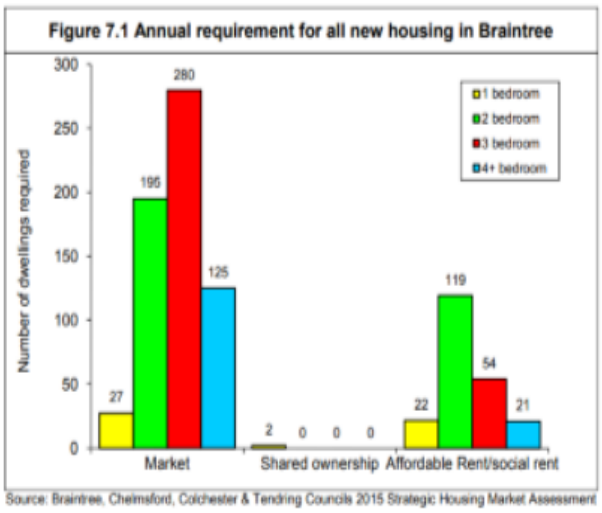
5 Bed Detached - £665,000;

It is possible that because this is a large site it will create its own market and selling prices. However, for the purposes of this assessment the HLT figures should prove robust.

4.18 The mix and density for the scheme are set out below in Figure 4.2:

Figure 4.2 Mix and density

Dwelling Types	Dwellings per Hectare		
	30	40	50
1 Bed Flats			5
2 Bed Flats		15	15
2 Bed Terraces	35	25	20
3 Bed Terraces	15	15	20
3 Bed Semis	20	15	10
3 Bed Detached	10	10	10
4 Bed Detached	15	20	20
5 Bed Detached	5		
Percentages	100	100	100



The mix is based on an indicative density of 30 dwellings per hectare and the mix is based on housing needs evidence.

4.19 The construction costs are set out below in Figure 4.3:

Figure 4.3 Construction costs

Category	Baseline	Externals at 15%	Gross to Nett	Sub Total	Contingency at 5%
Two Storey Estate Housing	£1,401	£210	£0	£1,611	£1,692
Flats 1-2 Storey	£1,534	£230	£265	£2,029	£2,130

Category	Rounded
Two Storey Estate Housing	£1,700
Flats 1-2 Storey	£2,150

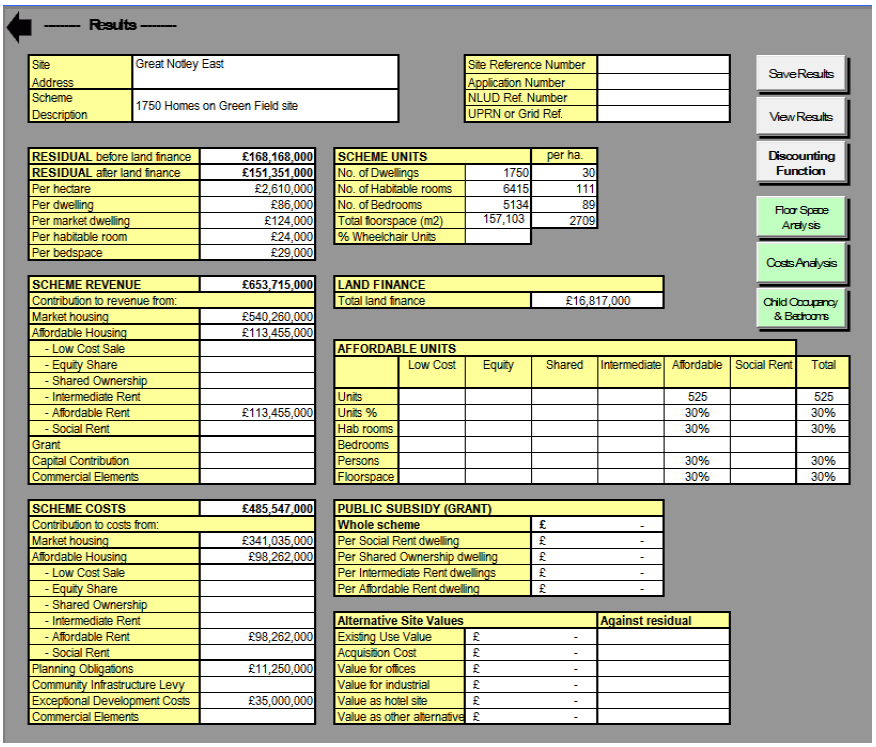
4.20 I have allowed an additional £20,000 per dwelling for green field infrastructure. This is based on comparable information.

4.21 I have taken the Section 106 items set out above.

Results

4.22 The results are shown in Figure 4.4:

Figure 4.4 Results



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

Site Address	Great Notley East
Scheme Description	1750 Homes on Green Field site

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

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

RESIDUAL before land finance	**£168,168,000**
RESIDUAL after land finance	**£151,351,000**
Per hectare	£2,610,000
Per dwelling	£86,000
Per market dwelling	£124,000
Per habitable room	£24,000
Per bedspace	£29,000

SCHEME UNITS		per ha.
No. of Dwellings	1750	30
No. of Habitable rooms	6415	111
No. of Bedrooms	5134	89
Total floorspace (m2)	157,103	2709
% Wheelchair Units		

SCHEME REVENUE	**£653,715,000**
Contribution to revenue from:	
Market housing	£540,260,000
Affordable Housing	£113,455,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£113,455,000
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	

LAND FINANCE	
Total land finance	£16,817,000

AFFORDABLE UNITS	Low Cost	Equity	Shared	Intermediate	Affordable	Social Rent	Total
Units					525		525
Units %					30%		30%
Hab rooms					30%		30%
Bedrooms							
Persons					30%		30%
Floorspace					30%		30%

SCHEME COSTS	**£485,547,000**
Contribution to costs from:	
Market housing	£341,035,000
Affordable Housing	£98,262,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£98,262,000
- Social Rent	
Planning Obligations	£11,250,000
Community Infrastructure Levy	
Exceptional Development Costs	£35,000,000
Commercial Elements	

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

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

The screenshot shows a residual value of £151,351,000. This reflects a range of policy compliant outcomes including 30% Affordable Housing, open space, education and community facility provision and a 20% margin to the developer/promoter. The latter amounts to circa £113 million.

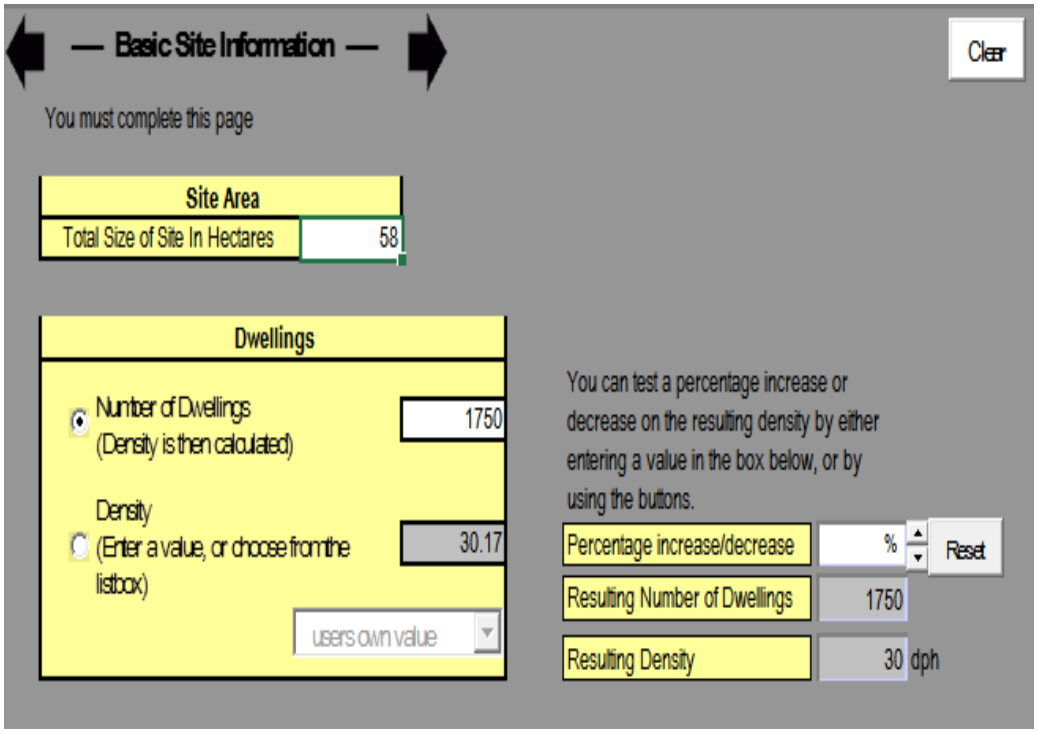
Land Value Benchmark (LVB)

4.23 The LVB for the site, in line with NPPG is Existing Use Value Plus. The 'Plus' element reflects a land owner return. This is considered in more detail further in the report.

4.24 The Existing Use Value is taken at agricultural value, which currently is around £20,000 per hectare. This means the existing use value for the site is £2,800,000.

4.25 The premium from EUV to residual value is huge. It is a multiple of 54. This is a very robust return and the site looks very viable.

4.26 The full appraisal is shown below:



Unit Types & Details

Clear

Enter the details for each type of unit in the cells below. You can specify up to 40 types of unit, one per row. Each row must be either fully completed or left fully blank. Note: For wheelchair units; the Toolkit uses the size of the unit as entered by the user. Build costs for wheelchair and non-wheelchair units are the same.

Ref.	Description of Unit Type (for the users reference only)	Number of Bed - rooms	Person Occupancy		Habitable Rooms		Wheel-chair Unit?	Is a Flat?	No. Of Storeys (1-99)	Size in sq m
			Bench - mark	User value	Bench - mark	User value				
1										
2										
3	2 Bed Terraces	2	3		3		NO	NO	n/a	70
4	3 Bed Terraces	3	4		4		NO	NO	n/a	84
5	3 Bed Semis	3	4		4		NO	NO	n/a	88
6	3 Bed Detached	3	4		4		NO	NO	n/a	95
7	4 Bed Detached	4	6		6		NO	NO	n/a	120
8	5 Bed Detached	5					NO	NO	n/a	140
9										
10										
11										
12										

Tenure Mix

Clear

You can distribute units across the tenures in two ways:

(•) Input by Percentages

( ) Input by Quantity

		Affordable Units						
	Sale	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	Units allocated
Total units to enter: 1750	70%					30%		100%
Total units entered: 1750	1225.0					525.0		1750.0

Ref.	Description	Units							
1									
2									
3	2 Bed Terraces	583	408.1					174.9		583.0
4	3 Bed Terraces	292	204.4					87.6		292.0
5	3 Bed Semis	350	245.0					105.0		350.0
6	3 Bed Detached	175	122.5					52.5		175.0
7	4 Bed Detached	233	163.1					69.9		233.0
8	5 Bed Detached	117	81.9					35.1		117.0

Market Values

Ensure you enter market values for all unit types in the scheme under the Sale Tenure.

Ref.	Description of Unit Type	Sale: Total Units	Sale: User Market Value	Sale: Adjusted Market Value
1				£ -
2				£ -
3	2 Bed Terraces	408	£ 352,000	£ 352,000
4	3 Bed Terraces	204	£ 405,000	£ 405,000
5	3 Bed Semis	245	£ 414,000	£ 414,000
6	3 Bed Detached	123	£ 484,000	£ 484,000
7	4 Bed Detached	163	£ 604,800	£ 604,800
8	5 Bed Detached	82	£ 665,000	£ 665,000

Sale: You can adjust all market values by entering a percentage in the box to the right (this affects other tenures): 100%

Development Costs

Clear

Toolkit values will be used unless you enter your own value in the white cells. The CSH level is for reference purposes only.

Build Costs per sq m: Building Type	Toolkit Values	User Values
Flats (40+ storeys)	£3,739	
Flats (16-40 storeys)	£3,001	
Flats (6-15 storeys)	£2,331	
Flats (5 & less storeys)	£1,713	£2,130.00
Houses <= 75m2	£1,274	£1,692.00
Houses > 75m2	£1,116	£1,692.00
Code for Sustainable Homes level (3-6)		

Other Development Costs: Additional Cost	Toolkit Values	User Values	
Professional Fees %	12.0%		of build costs
Interest rate (Market)	6.75%	9.0%	of build costs (Sale, Equity Share and Low Cost Sale units)
Interest Rate (Affordable Hous	6.75%	9.0%	of build costs Rental tenures and Shared Ownership)
Marketing Fees	3.0%		of market value
Developers Return	20.0%		of market value applies to market housing
Contractors Return	6.0%		of development costs (excl finance) (affordable housing)
Construction Period (1+ Years)		1.00	

Exceptional Development Costs	
Total For Scheme	
Cost per dwelling	
Cost per hectare	
Cost per habitable room	No Info

You may also enter SCHEME totals for other exceptional costs. Enter the name of the cost in the left hand cells and the SCHEME value in the right hand cell

Costs incurred for Sustainable homes level of 3,4, 5 or 6	£ -
Green Field Infrastructure Costs	£ 35,000,000
Enabling Works	£ -
<Enter cost description>	£ -

— Planning Obligations —

Clear

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

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked	Input by Total		Input by Unit							Calculated Total (Affordable and Sale)
				Affordable						
	Enter Total?	User Total	Sale	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	
Education Contribution	☑	£3,000,000								£3,000,000
Highway works	☐									£0
Contribution to public transport	☐									£0
Contribution to community facilities	☑	£3,000,000								£3,000,000
Provision for open space	☑	£5,250,000								£5,250,000
Contribution to public art	☐									£0
Environmental improvements	☐									£0
Town centre improvements	☐									£0
Waterfront improvements	☐									£0
Support for employment development	☐									£0
Employment related training	☐									£0
Other	☐									£0

Does CIL apply on this scheme?	Yes	Please select Yes or No

Total for Scheme	£11,250,000
Total for Scheme per hectare	£193,966
Total for Scheme divided by total number of units	£6,429
Total for Scheme divided by number of sale units	£9,184

— Known Payments for — – Affordable Housing –

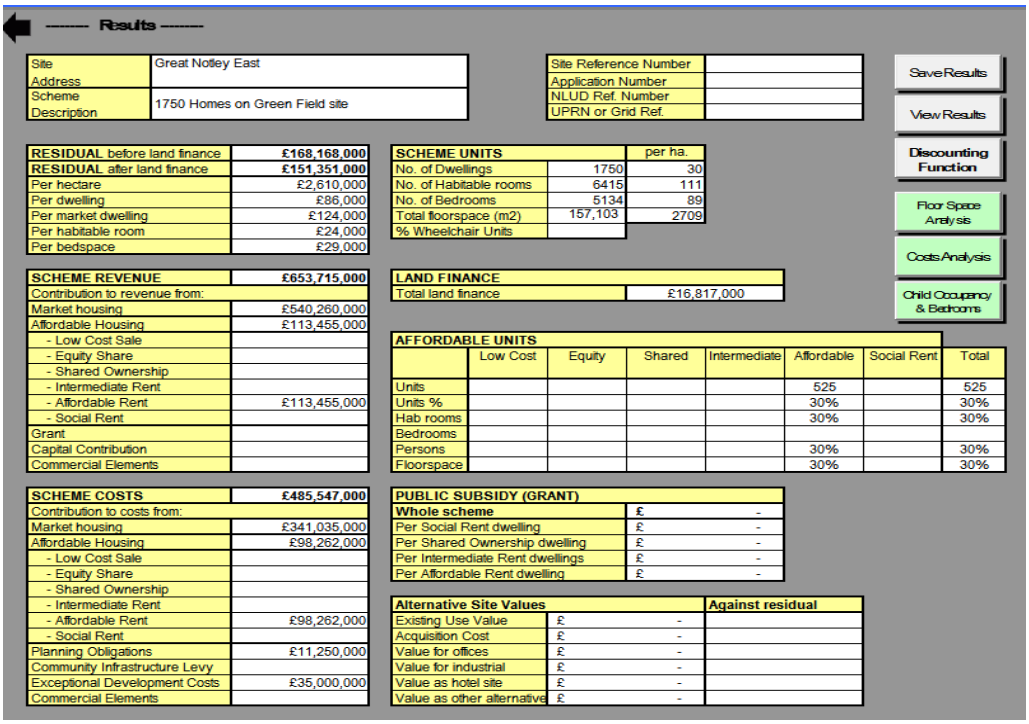
Clear

Enter the fixed payments for each tenure below.

	Affordable Housing Tenures						Total
	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	No. Of Affordable Units
Number of units	0.0	0.0	0.0	0.0	525.0	0.0	525
Payment By Unit					£ 216105		
Or Payment By Tenure							
Or Scheme Total	Enter a lump sum payment for all Affordable Housing Tenures						
Tenure Total	£	£	£	£	########		
Method by which Affordable Housing Revenue is calculated	N/A	N/A	N/A	N/A	By Unit	N/A	
Total Known Payment for Affordable Housing	########						

Please select one of the below options;

- (•) There is no grant, or it is included in the above values (in which case grant will not be shown separately on the results page)
- ( ) Grant is included in the above value and I would like to show it separately on the Results page for information (Total revenue for the tenure will use figures in table above, grant shown on the next page will not be added)



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

Site Address	Great Notley East
Scheme Description	1750 Homes on Green Field site

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

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

RESIDUAL before land finance	**£168,168,000**
RESIDUAL after land finance	**£151,351,000**
Per hectare	£2,610,000
Per dwelling	£86,000
Per market dwelling	£124,000
Per habitable room	£24,000
Per bedspace	£29,000

SCHEME UNITS		per ha.
No. of Dwellings	1750	30
No. of Habitable rooms	6415	111
No. of Bedrooms	5134	89
Total floorspace (m2)	157,103	2709
% Wheelchair Units		

SCHEME REVENUE	**£653,715,000**
Contribution to revenue from:	
Market housing	£540,260,000
Affordable Housing	£113,455,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£113,455,000
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	

LAND FINANCE	
Total land finance	£16,817,000

AFFORDABLE UNITS

	Low Cost	Equity	Shared	Intermediate	Affordable	Social Rent	Total
Units					525		525
Units %					30%		30%
Hab rooms					30%		30%
Bedrooms							
Persons					30%		30%
Floorspace					30%		30%

SCHEME COSTS	**£485,547,000**
Contribution to costs from:	
Market housing	£341,035,000
Affordable Housing	£98,262,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	£98,262,000
- Social Rent	
Planning Obligations	£11,250,000
Community Infrastructure Levy	
Exceptional Development Costs	£35,000,000
Commercial Elements	

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

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

Extrapolation to additional large sites

4.27 The Council can take confidence in the assessment of this large site. It proves very viable despite heavy infrastructure loading; and it would deliver a higher Affordable Housing contribution than is currently set out in the extant Plan.

4.28 As most of the large sites are likely to be green field then existing use values are low meaning that the uplift will give a fair split between developer, land owner and local authority.

4.29 Clearly the assessment of large sites is a moving feast; it involves collboration with the relevant stakeholders. It is not enough to project from a Call for Sites where land owners are simply pushing forward their land to get it into the Plan. Viability needs testing particularly around mix and Affordable Housing tenure. It may also be the case that an Affordable Housing contribution will be agreed off site, or indeed agreed as a part payment and part on site.

4.30 The viability software for the Great Notley East site is provided for the Council to update that appraisal as it progresses through

planning. Further Toolkits can be developed for any other major sites as time progresses.

CHAPTER 5 – SMALL SITES AND THE AFFORDABLE HOUSING THRESHOLD

5.1 The current policy on Affordable Housing is that on sites in the main towns – Braintree, Great Notley, Bocking, High Garrett, Witham, Halstead and Sible Hedingham, a threshold of 15 dwellings (0.5 hectare) applies. Therefore on sites in these locations schemes of less than 15 dwellings will not be required to provide Affordable Housing. In the rural and other areas, the threshold is 10 dwellings therefore a scheme of 9 units or less will not be required to deliver Affordable Housing.

5.2 There are several reasons for having an Affordable Housing threshold. These broadly encompass national policy which currently sets thresholds at 10 units. Also, there is often the idea that smaller land owners and developers should not be caught by Section 106 and that this is best borne by larger and volume house builders. There is also the practical issue of having an increased number of negotiations on viability for smaller sites which is time consuming and resource intensive for the local planning authority and Housing officers.

5.3 Some local authorities have however scrapped their Affordable Housing thresholds so that contributions (usually in money) are sought from schemes of one unit and above. In some instances, an Affordable Housing contribution is sought from no net gain; for example where there is a replacement dwelling. The case for this approach is that viability is driven not by scale of development but by location. It is no surprise to find that lower or nil threshold exist for local authorities in London and the South of England.

5.4 It is valuable to look at the potential for Affordable Housing contributions from smaller sites in a locality such as Braintree because there is significant additional supply from smaller sites; and,

in some instances (typically larger brown field) there can be viability issues despite a large development being proposed.

5.5 Typically small schemes (across most local authorities of the nature of Braintree) comprise:

- Single dwellings on garden or back land;
- Two dwellings replacing a demolish (often older) dwelling;
- Conversions – two to four flats with a commercial building (often upper floors);
- Schemes of 3 to 10 dwellings on brown field land (vacant sites or functioning commercial buildings);
- Schemes of 3 to 10 dwellings on green field in rural areas on village infill sites.

5.6 I have run here some illustrative numbers to show how the economics work for these types of schemes. I have not run the numbers for schemes of 11 to 15 as if the smaller sites are viable then so will these be.

Single dwellings on garden land

5.7 The economics of developing garden land are set out below. The plot values (residuals) are taken from the High Level Testing at 30% Affordable Housing. I have then assumed a loss to the retained dwelling at 20% of the existing house. I have then calculated the plot values at schemes of two, three, four and five units:

Table 5.1 Economics of garden development

Sub Market	30%	Single Plot Value	3 Bed Detached	At 20% Devaluation	2 Plots	3 Plots	4 Plots	5 Plots
High Value Eastern Settlements	£2.61	£87,000	£475,000	£95,000	£174,000	£261,000	£348,000	£435,000
Notleys & Rayne	£2.31	£77,000	£484,000	£96,800	£154,000	£231,000	£308,000	£385,000
Northern Rural	£1.65	£55,000	£452,000	£90,400	£110,000	£165,000	£220,000	£275,000
Witham	£1.49	£49,667	£443,000	£88,600	£99,333	£149,000	£198,667	£248,333
Braintree Town	£0.91	£30,333	£415,000	£83,000	£60,667	£91,000	£121,333	£151,667
Halstead & Sible Hedingham	£0.84	£28,000	£412,000	£82,400	£56,000	£84,000	£112,000	£140,000

5.8 Where the plot value/s are lower than the devaluation figure then the position is unviable (red); where within £20,000, marginal (amber) and where viable, green.

5.9 The overall pattern suggests that contributions should not be sought on single plots (although they could work in higher value sub markets at say 10% or 20% Affordable Housing. At between two and three dwellings, Affordable Housing contributions could be sought at 30% Affordable Housing in the higher and middle valued sub markets and at four and five dwellings schemes should certainly deliver viable outcomes.

5.10 The Council could look at its potential supply from this source with a view to maximizing Affordable Housing delivery.

Sites involving the demolition of an existing dwelling

5.11 In some cases an existing dwelling will be demolished in order to develop new housing. Set out below are residual values for 2 plots through to 10 plots:

Table 5.2 Economics of demolitions

Sub Market	30%	Single Plot Value	3 Bed Detached	2 Plots	3 Plots	4 Plots	5 Plots	7 Plots	10 Plots
High Value Eastern Settlements	£2.61	£87,000	£475,000	£174,000	£261,000	£348,000	£435,000	£609,000	£870,000
Notleys & Rayne	£2.31	£77,000	£484,000	£154,000	£231,000	£308,000	£385,000	£539,000	£770,000
Northern Rural	£1.65	£55,000	£452,000	£110,000	£165,000	£220,000	£275,000	£385,000	£550,000
Witham	£1.49	£49,667	£443,000	£99,333	£149,000	£198,667	£248,333	£347,667	£496,667
Braintree Town	£0.91	£30,333	£415,000	£60,667	£91,000	£121,333	£151,667	£212,333	£303,333
Halstead & Sible Hedingham	£0.84	£28,000	£412,000	£56,000	£84,000	£112,000	£140,000	£196,000	£280,000

5.12 This suggests that knocking down an existing dwelling (say a detached house) and replacing it with an increase (nett gain) then several dwellings will be needed to make the scheme work. This will largely be in higher value areas and for schemes in excess of five dwellings.

Sites with commercial existing use

5.13 It is helpful to look at the economics of developing industrial sites and the impact of Affordable Housing. This is set out in Table 5.3

Table 5.3 Developing industrial land for housing

Sub Market	30%	Industrial land values - 0.15 Ha	5 Plots
High Value Eastern Settlements	£2.61	£225,000	£435,000
Notleys & Rayne	£2.31	£225,000	£385,000
Northern Rural	£1.65	£225,000	£275,000
Witham	£1.49	£225,000	£248,333
Braintree Town	£0.91	£225,000	£151,667
Halstead & Sible Hedingham	£0.84	£225,000	£140,000

https://www.carterjonas.co.uk/commercial/research/industrial-overview/mar-2023

5.14 This shows that in the higher value areas the change of use will deliver viable housing development including Affordable Housing. However, in the lower value locations this will prove more challenging – and it is of course likely that these sites will be in lower value urban locations.

5.15 From these examples with varying different existing land uses, it can be seen that there is potential in lowering the thresholds from their current status to maximise Affordable Housing delivery. Certainly very small plots can deliver Affordable homes where the existing use value is low (e.g. garden land). It is also the case that residential generally delivers higher residual values than commercial and as such, there is further potential here.

5.16 There are clear instances where however exemptions should be made to a lower threshold. One example is demolitions. Here existing use value is very high and a much larger number of plots are required (7-10 is probably a fair 'marker').

5.17 From experience, conversions fall broadly into the same 'more difficult' bracket. This is because existing use is normally high value and it's often challenging.

Commuted sums

5.18 If the Council decides to lower the Affordable Housing threshold/s then it is likely that for many small sites, a financial payment in lieu of on-site development will be the adopted approach.

5.19 The main problem faced by local authorities is often that developers mistakenly think that a commuted sum should in some way be less onerous than the 'cost' of on site provision. This is incorrect. The principle of 'equivalence' (the idea that the 'hit' should be the same whether on or off site) was embedded as long ago as PPG3. The 'hit' should be same and it should principally impact on land owners, not developers.

5.20 Further issues are raised by local authorities who assert that by taking Affordable Housing 'out' of a development (and having a commuted sum) the value of the Market dwellings will be raised. There is little evidence to show this although if there is, then it is likely to show most evidently with very small developments. Since most authorities exempt small sites from Affordable Housing, this does not surface.

5.21 Another more subtle issue is that by moving the Affordable Housing contribution from on to off site, the mechanics of the development appraisal change. This is most important with respect to the margins adopted. With a policy compliant development (say 30% Affordable Housing) the margin will be say 20% on the 70% of the scheme which is Market Housing and 6% on the 30% that is Affordable. This leads to a blended rate of 15.8% margin. Once the Affordable Housing is removed from the on-site provision then a margin of 20% is applied across the site. This leads to a perverse outcome that the more Market Housing there is in the scheme, the less Affordable Housing is viable.

5.22 A further difficulty is that the assumed mix of Affordable Housing can 'mutate' between on site development and off site provision. For example it may be agreed, in line with local needs, that the on site Affordable element should be say 50% Social Rent and 50% Intermediate Affordable, whereas the commuted sum may be calculated on the basis of say 25% Social Rent and 75% say Shared Ownership. This change means the viability of the scheme is not an equivalent calculation.

Main formulaic approaches

5.23 There are several approaches ranging in varying levels of complexity and detail. I summarise them here.

There are three main ones:

- Value driven approaches;
- Gap funding approaches;
- Residual value approaches

Value driven approaches

5.24 Value driven approaches adopt mainly gross development value (GDV) of schemes as a way of determining the level of commuted sum payable. These approaches tend to be used more in the North and the Midlands.

5.25 However, market value or GDV, is rarely used solely as a driver within a formula or spreadsheet. It is usually combined with another variable to work out the commuted sum payable.

5.26 For example, the commuted sum is based on the difference between the market value of units and the value of Affordable units. This approach assumes that costs are neutral between both tenures and that profit margin doesn't feature as a critical factor. This approach is relatively straightforward, once the values are established for all tenures.

5.27 Alternatively market value still effectively drives the calculation of a commuted sum, but it does so in combination with land value, which is taken as a fixed percentage of market value and which then (land value) provides an indicative commuted sum. This approach is used by a number of authorities (largely) in the South of England.

Gap funding approaches

5.28 These are a more complex approach to determining commuted sums. From experience, they appear to be used more extensively in the South of England and in Greater London.

5.29 This model takes into account market value, Affordable Housing revenue and developer profit. It seeks, by using relatively few of the main variables affecting viability, to generate a commuted sum on the basis of the financial difference between market value, less the developer margin, and, on the other hand, the value of the Affordable Housing element.

5.30 It is worth noting that with this type of approach, it is very important that the tenure of Affordable Housing is agreed, along with the assumptions driving the value of the Affordable Housing – as the commuted sum is highly sensitive to these figures.

Residual value approaches

5.31 These approaches are without question the 'purest' type of commuted sum calculation in that, if adopted comprehensively, they catch all the variables in the viability equation, and deliver a sum that will put the land owner in the same financial position whether there is an on, or, off site Affordable Housing contribution.

5.32 The mechanics of the calculation are set out in the approach below.

The commuted sum is calculated as follows:

Step 1 Calculate scheme Residual Value assuming no Affordable Housing;

Step 2 Calculate scheme Residual Value assuming an Affordable Housing contribution is made;

Step 3 Calculate the difference between the figures produced at Step 1 and Step 2.

Example:

RV with affordable housing	£2.0 million
RV with no affordable housing	£2.5 million
Commuted sum (difference between the two)	£500,000

This approach can be worked up into, for example, a commuted sum per unit, or commuted sum per square metre (as with the Community Infrastructure Levy).

Practical issues

5.33 The main practical issue which normally arises is the extent to which the formula adopted by the LPA is accepted by the developer as a way of achieving a fair solution to the question of how to provide off site Affordable Housing. It tends to be an issue as officers are

concerned to meet housing needs whilst developers are concerned to get a fair deal reflecting the real economics of the site.

5.34 In practice there is no fairer way of sorting out a commuted sum than by using the residual approach (as this puts all parties in the same financial position irrespective of whether on or off site provision).

5.35 Second is the question of the extent to which the sum generated under the LPA's formula is accepted. Where the sums are small, then applicants may simply say it's not worth the hassle and just pay what is requested, even if the sum is relatively onerous. However on larger sites this is far less likely to happen as clearly much more is at stake. This is going to be an issue in the light of government policy which now seeks 50% Affordable Housing on large green field sites. In these instances LPAs are going to have to make sure their approach is robust if they are not going to see sites fail to materialise.

5.36 Perhaps the most difficult issue of all is understanding the relationship between the commuted sum formula and national planning policy. The formula is simply a calculation intended to provide a sum of money towards Affordable Housing off site, whereas national planning policy determines that the amount paid is subject to viability testing.

5.37 This is where the LVB (Land Value Benchmark) comes into play. If the LVB is in excess of the commuted sum sought then the sum should be reduced to a viable level.

The diagram below sets out the issue:

			Residual Value	
		RV at 100% Market Housing	£1,000,000	
				Viable Commuted Sum at £250,000
			£900,000	
			£800,000	
		Land Value Benchmark	£750,000	
			£700,000	Unviable Commuted Sum
			£600,000	
		RV at 35% Affordable Housing	£500,000	
			£400,000	
			£300,000	
			£200,000	
			£100,000	

5.38 In the diagram (residual value being used here to calculate the commuted sum) the theoretical commuted sum is £500,000, which is the difference between residual value at (say) 30% Affordable Housing and residual value with no Affordable Housing.

5.39 However the LVB is £750,000, which means that instead of the commuted sum being £500,000, it is only viable to be paid at £250,000.

5.40 In these cases, the importance of the real economics need to be understood by all parties.

Commuted sums – responding to the challenge of Affordable Housing delivery

5.41 If the press stories hold water then commuted sums are going to become a very significant part of the Affordable Housing delivery process.

5.42 The reality however is that this is a potentially difficult process and made much more complex by the range of commuted sum formulae that are around.

5.43 It needs to be recognised that many local authorities are under resourced and wish to have indicative commuted sums as a ready option for applicants to sign up to, rather than having to argue the toss on viability in every case. This may work on smaller sites but where larger schemes are concerned, developers are likely to want to challenge a commuted sum by way of a full blown viability assessment.

5.44 Above all it is important that Planning and Housing officers, as well as applicants fully understand the process and there is support in making sure Affordable Housing that would have been provided on site, is otherwise delivered via payments-in-lieu.

5.45 There is a long way to go and government should support an improved and more transparent and efficient process.

CHAPTER 6 – BENCHMARKING AND VIABILITY

Background

The Revised NPPG

6.1 The Revised NPPG is very clear that the land value benchmark should be based on existing use value (EUV). It states:

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

The guidance goes on to state:

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

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

Wider Benchmarks

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

6.4 The feedback from the consultation on this study suggested a range of multiplier between 10 and 20 fold dependent on the type of site, with smaller sites towards the higher end.

6.5 Ultimately what matters is the 'Plus' element; and this will be, for the purposes of the Braintree market, the multiplier above agricultural value.

6.6 Table 6.1 sets out the residual value multiplier above existing of value (here agricultural):

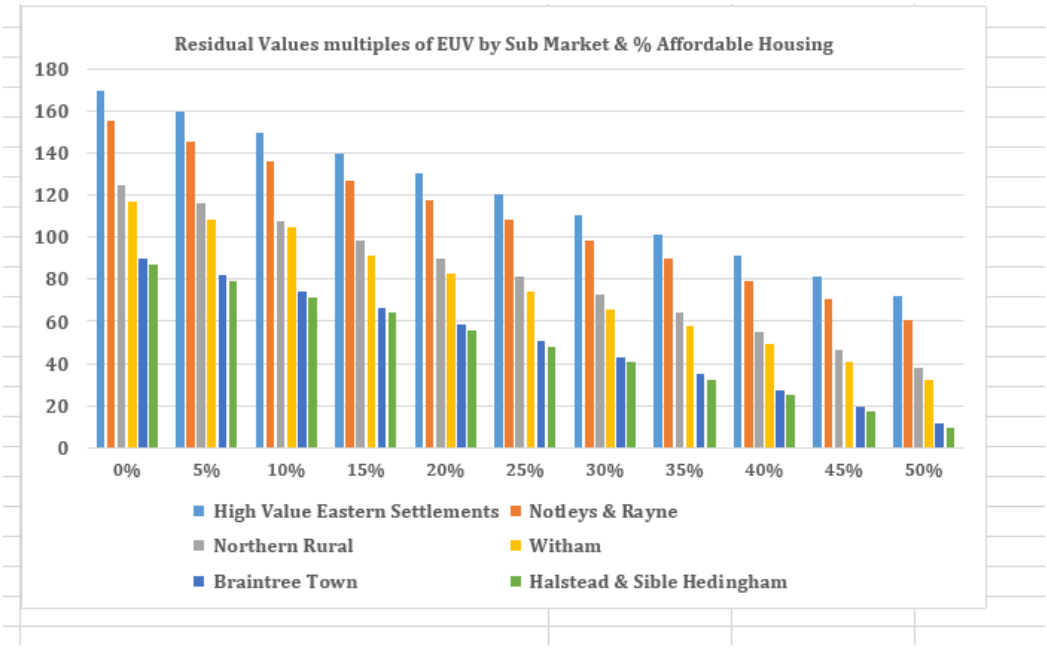
Table 6.1 Residual value multipliers of existing use value

	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
High Value Eastern Settlements	170	160	150	140	131	121	111	101	92	82	72
Notleys & Rayne	155	146	136	127	118	108	99	90	80	71	61
Northern Rural	125	116	108	99	90	82	73	64	55	47	38
Witham	117	109	105	92	83	75	66	58	49	41	32
Braintree Town	90	82	75	67	59	51	43	35	27	20	12
Halstead & Sible Hedingham	87	80	72	64	56	48	41	33	25	17	10

6.7 This (above) shows for example at 50% Affordable Housing, the land owner of a site in the High Value Eastern Settlements will receive a 72fold increase from agricultural value. In the Halstead and Sible Hedingham sub market, there will be a 10 fold increase.

6.8 The chart below (Figure 6.1) shows the numerical increases in chart form:

Figure 6.1 Residual Value multiples of EUV by Sub Market and % of Affordable Housing



6.9 The analysis suggests very high return for land owners obtaining planning consent. If the upper end of the multiples are taken – at say a multiple of 20, then the following Affordable Housing percentages (Table 6.2) should be achievable:

Table 6.2 Viable Affordable Housing percentages

	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
High Value Eastern Settlements	170	160	150	140	131	121	111	101	92	82	72
Notleys & Rayne	155	146	136	127	118	108	99	90	80	71	61
Northern Rural	125	116	108	99	90	82	73	64	55	47	38
Witham	117	109	105	92	83	75	66	58	49	41	32
Braintree Town	90	82	75	67	59	51	43	35	27	20	12
Halstead & Sible Hedingham	87	80	72	64	56	48	41	33	25	17	10

6.10 This suggests very robust Affordable Housing targets across the District. The Council may however, if taking these positions, want to monitor sites in particular in the towns as these are likely to be mainly brown field, in which case the 'multiplier' approach may be less appropriate that starting from a commercial use. In that case, the approach is usually commercial use plus a 20% land owner return.

CHAPTER 7 The impending NPPG changes – land supply, LVBs and Affordable Housing

7.1 The updated NPPF (July 2024) attempts to get local planning authorities, developers and others involved in delivering housing focused more on land value benchmarks. As a starting point for testing viability, LVBs are key since they provide a sense check on whether a site will come forward or not. Where they exceed the residual value of a scheme then it can be expected that the scheme will not progress and where residual value is higher than the LVB then it will, potentially with Section 106 contributions.

7.2 The government doesn't seem overly concerned with the issue of LVBs for brown field sites. This is sensible since value is much more mechanically determined. For example, by the open market value of

commercial property being re-developed for housing, by the replacement of existing homes with (usually) more housing and/or by the conversion of existing property. For this source of supply it looks likely that the current approach to negotiating and resolving viability disputes will continue.

The bespoke focus – LVBs for green field

7.3 The focus here does seem logical in so far that the main aim of planning policy over this parliament will be to increase housing supply through larger sites (whether these be 'green' or 'grey').

7.4 If government can influence the land values at which housing is expected to come forward then it is only a case of making rules about what happens when the LVB is exceeded or not. On this basis housing numbers are significantly easier to estimate. Paragraph 29a of the revised NPPF states:

'Government could set indicative benchmark land values for land released from the Green Belt through national policy, to inform the policies developed on benchmark land value by local planning authorities. These should be set at a fair level, allowing for a premium above the existing use, but reflecting the need for policy delivery against the golden rules.'

The problem as ever, is with the premium to be allowed.

Annex Four XXXX

7.5 The new NPPF has an additional annex (4). This relates to 'Viability in relation to Green Belt release'. It states:

'For the purposes of plan making and decision taking, it is considered that a benchmark land value of [XXXX] allows an appropriate premium for landowners'

7.6 Therein lies the (Four XXXX) problem.

Government is at this stage floating the idea that LVBs for green field can be set centrally and nationally, on the basis that research shows that a 'multiplier' can be applied to agricultural land as a way of

establishing green field LVB. Paragraph 30 cites several reports and it is fair to say that these multipliers have proven helpful in sorting out viability disputes in the past.

How green field LVBs might be set centrally

7.7 It is possible to set LVBs centrally, but I think only by reference to land supply. Given that another key aspect of the new NPPF is land supply, buffers and targets, there would seem to be scope for determining benchmarks centrally, yet locally based on variations in the land supply position.

7.8 This makes sense since the land owner premium (the missing XXXXs in Annex 4) are likely to vary according to how much land supply slack there is locally.

7.9 LPAs with more supply could set green field LVBs higher, whilst those with less supply could set LVBs lower.

Land supply, land value and LVBs

7.10 Indeed, the key to setting LVBs lies in understanding the relationship between land supply and its impact on land value formation.

7.11 I have tried to sketch this out in the diagram below.

This paints a picture of three local situations:

- A 'Baseline', where increases in land supply are met with a reasonably commensurate reduction in land value. In other words here, changing planning makes a difference in terms of land values. This could be a local authority where house building has recently been making some inroads to meeting local housing needs and the LPA has a reasonably robust five year land supply;
- A 'LV inelastic' scenario where very large increase in land supply are met with only nominal reductions in land value – land value being 'inelastic' to land supply. This could be a local authority where the local housing market is driven largely by a huge existing stock which has barely been increased by new build in recent years. Or simply, where a local authority has a large

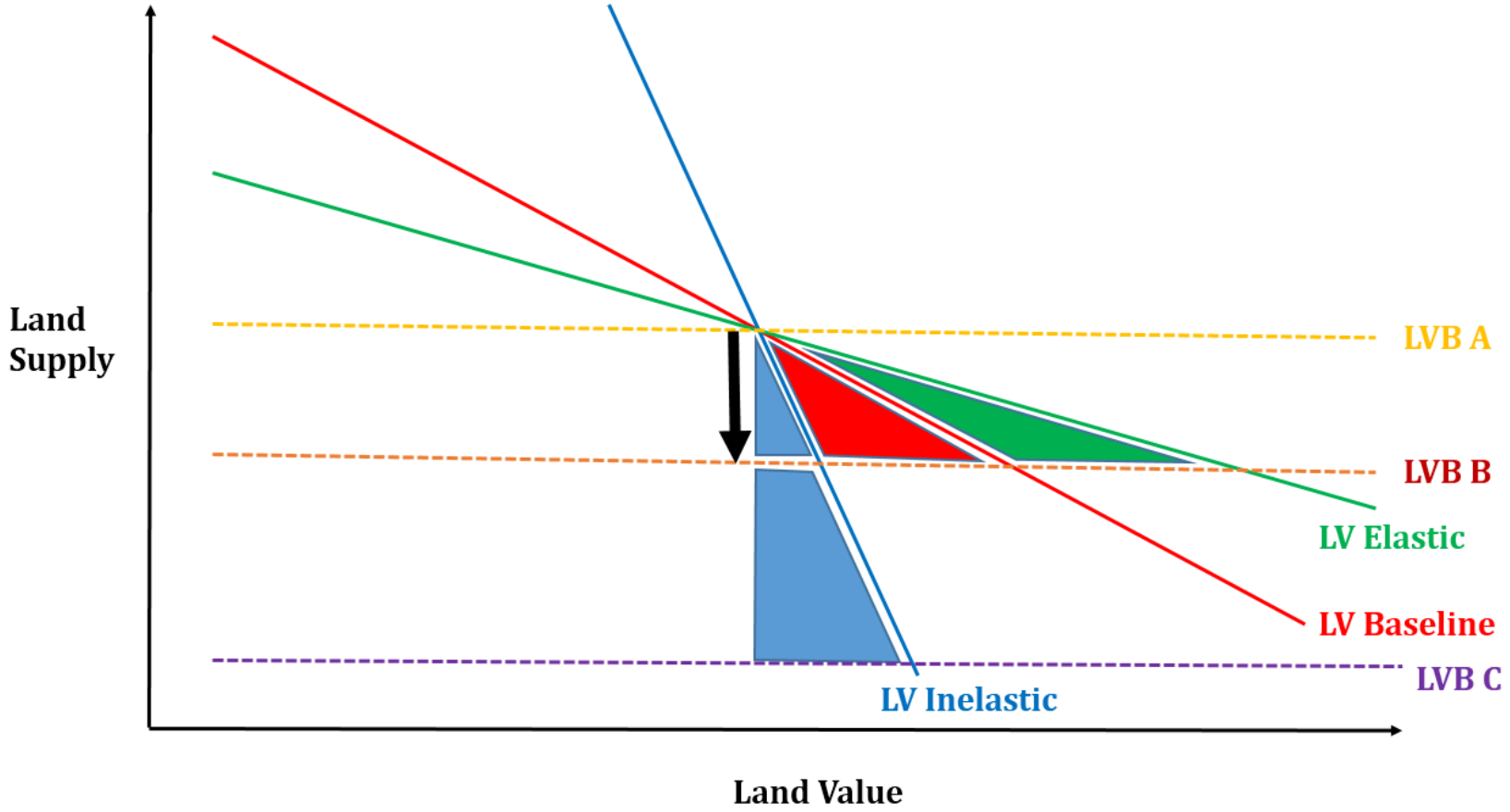
shortfall in housing land. Increasing land supply will help but will hardly change land values;

- A 'LV elastic' scenario where relatively small increases in land supply are met with large reductions in land value. In the recent UK context this is harder to imagine but it is probable this is where government wants to take us. Here, we are looking at a local housing and land market where new build has recently been instrumental in price formation; i.e. new build has been adding to the local stock at a rate of say 2% to 3% per annum; and of course, has a significant land buffer in place.

The diagram (Figure 7.1) shows 3 LVBs.

LVB A is set at a level where LVB equals land value.

LVB B assumes policy (whether by government or LPA) wants to increase community benefits by adopting a lower LVB. The thick black arrow shows this downward direction.


Land Supply
LVB A
LVB B
LV Elastic
LV Baseline
LVB C
LV Inelastic
Land Value

7.12 The key point is that where land value is inelastic to land supply, then very few benefits are gained by reducing the benchmark from LVB A to LVB B.

7.13 However, when reducing the LVB A to LVB B when considering a more elastic land market situation, significant additional Section 106 can be gained. This is shown in the red and green triangles. In practice the total amount gained at the 'LV Elastic' scenario, will be the addition of all three triangles added together – blue, red and green.

7.14 There is one additional LVB C here added. This is to show how low the LVB would have to be set in an inelastic land market to get anywhere near the level of contributions, all other things of course equal, to those achievable in a much more elastic market; in this the total area of blue approximates to the total area of blue (small triangle, red and green).

7.15 The land owner premium is very much set and influenced by the nature of the local land market and the extent of elasticity of land values to land supply.

Affordable Housing

7.16 There are a number of other viability related issues raised by the updated NPPF. The most significant of these appear to relate to Affordable Housing.

7.17 First, there appears to be a definite rolling back of the trend in making low cost homes ownership 'Affordable Housing'. It seems now that the focus will be on rented homes including perhaps a greater proportion of Social Rented homes within new developments.

7.18 From a viability perspective this may have significant implications as Social Rent has the lowest revenue of all forms of Affordable. Shared Ownership often covers land value and build costs and Affordable Rent covers at least land value in many areas. The same cannot be said for Social Rent. This will mean new schemes having to nail down with the local Housing department, the tenure mix, and indeed the development mix.

7.19 Further, Paragraph 24 of the revised NPPF sets out a proposal for 50% Affordable Housing on land released from the Green Belt for residential development.

7.20 This is not unachievable although as previously discussed, it will depend on location and the way the local land market is structured.

7.21 Some local authorities are looking at 'Affordable-led' sites by which they mean sites with more than 50% Affordable Housing. It is assumed that in some cases these sites will be brought forward at nominal plot values. This of itself begs the question as to how many land owners there are out there willing to do this. The same may apply if government assumes that sites with 50% Affordable Housing are going to come forward at very low site benchmarks

CHAPTER 8 – MAIN FINDINGS AND CONCLUSIONS

Main objectives

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

8.2 The analysis carried out here is comprehensive and covers high level testing for residential development as well as smaller residential development opportunities.

Analysis – residential High Level Testing

8.3 High Level Testing is critical to policy development as it provides a starting point for understanding what might be viable from any site being brought forward through planning. It provides a template for understanding the results from the large sites as well as for smaller and windfall sites.

8.4 The District has largely robust and strong residual values although there is clearly a wide range between the highest and lowest value sub markets. For example, a scheme with 50% Affordable Housing in

the High Value Eastern Settlements generates a higher residual value (£1.44 million) than one at 10% Affordable Housing in the Halstead and Sible Hedingham sub market.

8.5 Residual values exceed green field existing use values by a very significant margin in most scenarios. As examples (20% Affordable Housing):

High Value Eastern Settlements x 158

Notleys and Rayne x 142

Northern Rural x 108

Witham x 99

Braintree Town x 68

Halstead and Sible Hedingham x 64

8.6 The wider Braintree housing market is split three ways:

- High Value Eastern Settlements and Notleys and Rayne;
- Northern Rural and Witham;
- Braintree Town and Halstead and Sible Hedingham

8.7 The conclusions support, as with previous studies, a split target approach reflecting the differential viability.

Strategic site allocations

8.7 Strategic and larger sites are going to play an important role in the delivery of housing supply in the District. There are particular challenges on larger sites in terms of infrastructure loading and site servicing. On the other hand the larger sites are usually on green field which have low existing use value.

8.8 As an example there is (Chapter 4) an assessment of the Great Notley East scheme. This scheme proves viable in the current market circumstances and the development should provide the land owner/s with returns of circa x 50 existing use value.

8.9 Admittedly this site is within a relatively high value area of the District, although agricultural land values remain low and hence larger sites in other areas should be deliverable even with substantial infrastructure requirements.

Small sites and the Affordable Housing threshold

8.10 Normally Affordable Housing thresholds are defined by scale of development. This is over simplistic and never possible because viability is driven more by location than by scale of development. Nationally there are large schemes that do not stack up, whilst smaller schemes in higher value locations are viable.

8.11 Currently, the Council has a split threshold, at 10 for the urban areas and at 15 for the rural areas. This means that potentially a lot of Affordable Housing is being missed by the policy.

8.12 The analysis (Chapter 5) suggests that there are opportunities to deliver Affordable Housing, mainly through commuted sums. There are in the form of garden land, small green field in villages and vacant land in urban areas. However, some types of smaller site are more difficult including where demolition is involved or where conversion is the major part of the scheme.

8.13 The Council currently has a formal approach to commuted sums, although this may need review if the threshold is dropped as a result of further evidence.

Affordable Housing targets

8.14 Recommending Affordable Housing targets for development sites is a key remit of this report. In this respect, the current approach which adopts split targets appears correct.

8.15 Table 8.1 sets out the viable positions by reference to the High Level Testing which should also apply to the strategic sites.

Table 8.1 Viable potential Affordable Housing policy positions

	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
High Value Eastern Settlements	170	160	150	140	131	121	111	101	92	82	72
Notleys & Rayne	155	146	136	127	118	108	99	90	80	71	61
Northern Rural	125	116	108	99	90	82	73	64	55	47	38
Witham	117	109	105	92	83	75	66	58	49	41	32
Braintree Town	90	82	75	67	59	51	43	35	27	20	12
Halstead & Sible Hedingham	87	80	72	64	56	48	41	33	25	17	10

8.16 The table shows the multiples from existing use value (green field). These are ambitious viability positions, but one which are close to the aspirations for the government in the new NPPF (December 2024).

8.17 Clearly not all the supply of new homes are from green field and it is recommended that these potential policy positions be reviewed in the light of the portfolio of sites and plots likely to come forward. One question is the extent to which green field (say at 50% Affordable Housing) can deliver at a level which compensates for delivery from some of the more difficult brown field sites.

8.18 A wider analysis of this issue is desirable.

Appendix A Results High Level Testing

30 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
High Value Eastern Settlements	£3.39	£3.19	£2.99	£2.80	£2.61	£2.41	£2.21	£2.02	£1.83	£1.63	£1.44
Notleys & Rayne	£3.10	£2.91	£2.72	£2.54	£2.35	£2.16	£1.97	£1.79	£1.59	£1.41	£1.22
Northern Rural	£2.50	£2.32	£2.15	£1.97	£1.80	£1.63	£1.45	£1.28	£1.10	£0.93	£0.76
Witham	£2.34	£2.17	£2.10	£1.83	£1.66	£1.49	£1.32	£1.15	£0.98	£0.81	£0.64
Braintree Town	£1.80	£1.64	£1.49	£1.33	£1.17	£1.01	£0.86	£0.70	£0.54	£0.39	£0.23
Halstead & Sible Hedingham	£1.74	£1.59	£1.43	£1.28	£1.12	£0.96	£0.81	£0.65	£0.50	£0.34	£0.19

40 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
High Value Eastern Settlements	£4.29	£4.01	£3.73	£3.45	£3.17	£2.89	£2.61	£2.34	£2.06	£1.78	£1.50
Notleys & Rayne	£3.92	£3.65	£3.38	£3.11	£2.84	£2.58	£2.31	£2.04	£1.77	£1.50	£1.23
Northern Rural	£3.14	£2.89	£2.64	£2.39	£2.15	£1.89	£1.65	£1.40	£1.15	£0.91	£0.66
Witham	£2.95	£2.70	£2.46	£2.22	£1.97	£1.73	£1.49	£1.24	£1.00	£0.76	£0.51
Braintree Town	£2.25	£2.03	£1.80	£1.58	£1.35	£1.13	£0.91	£0.68	£0.45	£0.23	£0.01
Halstead & Sible Hedingham	£2.18	£1.95	£1.73	£1.51	£1.28	£1.06	£0.84	£0.62	£0.39	£0.17	-£0.05

50 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
High Value Eastern Settlements	£5.29	£4.94	£4.59	£4.24	£3.89	£3.55	£3.20	£2.85	£2.51	£2.16	£1.81
Notleys & Rayne	£4.84	£4.50	£4.17	£3.83	£3.49	£3.16	£2.82	£2.48	£2.16	£1.81	£1.48
Northern Rural	£3.89	£3.58	£3.28	£2.96	£2.65	£2.34	£2.03	£1.72	£1.41	£1.09	£0.79
Witham	£3.65	£3.35	£3.04	£2.74	£2.44	£2.13	£1.83	£1.52	£1.22	£0.92	£0.61
Braintree Town	£2.80	£2.54	£2.24	£1.96	£1.68	£1.40	£1.12	£0.84	£0.56	£0.28	£0.00
Halstead & Sible Hedingham	£2.68	£2.41	£2.15	£1.87	£1.59	£1.32	£1.04	£0.76	£0.49	£0.21	-£0.01

Appendix B Development Appraisal Toolkit (DAT)

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

The Toolkit compares the potential revenue from a site with the potential costs of development before a payment for land is made. In estimating the potential revenue, the income from selling dwellings in the market and the income from producing specific forms of affordable housing are considered. The estimates involve (1) assumptions about how the development process and the subsidy system operate and (2) assumptions about the values for specific inputs such as house prices and building costs.

These assumptions are made explicit in the guidance notes. If the user has reason to believe that reality in specific cases differs from the assumptions used, the user may either take account of this in interpreting the results or may use different assumptions.

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

Appendix C Indicative new build house prices

Sub Markets	Main Settlements/Areas	Other Settlements/Areas	PCSs	Detached			Semis	Terraced		Flats	
				5 Bed	4 Bed	3 Bed	3 Bed	3 Bed	2 Bed	2 Bed	1 Bed
High Value Eastern Settlements	Kelvedon		CO5 9	£686,000	£624,000	£475,000	£427,000	£418,000	£363,000	£294,000	£196,000
	Coggeshall		CO6 1								
	The Colnes	Earls; White; Engaine	CO6 2								
	Hatfield Peverel	Terling	CM3 2								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,900	£5,200	£5,000	£5,272	£5,291	£5,338	£4,594	£4,356
Notleys & Rayne	Black Notley, Cressing & Stisted		CM77 8	£665,000	£604,800	£484,000	£414,000	£405,000	£352,000	£285,000	£190,000
	Great Notley		CM77 7								
	Rayne		CM77 6								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,750	£5,040	£5,095	£5,111	£5,127	£5,176	£4,453	£4,222
Northern Rural	North West Rural	The Yeldhams; Ridgewell	CO9 4	£621,000	£565,000	£452,000	£386,000	£378,000	£329,000	£266,000	£178,000
	North West Rural - Hamlets		CO10 8								
	Rural NW Braintree	Panfield	CM7 5								
	Rural West	Gt Bardfield; Wethersfield; Finchingfield	CM7 4								
	North West Rural	The Bumpsteads	CB9 7								
	North West Rural - Hamlets		CO10 7								
	Rural East -Hamlets		CO8 5								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,436	£4,708	£4,758	£4,765	£4,785	£4,838	£4,156	£3,956
Witham	South Witham	White Notley	CM8 1	£610,000	£554,000	£443,000	£380,000	£372,000	£323,000	£262,000	£175,000
	North Witham		CM8 2								
	Rivenhall & Silver End		CM8 3								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,357	£4,617	£4,663	£4,691	£4,709	£4,750	£4,094	£3,889
Braintree Town	NE Braintree Town		CM7 9	£571,000	£519,000	£415,000	£355,000	£348,000	£302,000	£245,000	£163,000
	S Braintree		CM7 1								
	SE Braintree Town		CM7 3								
	W Braintree Town		CM7 2								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,079	£4,325	£4,368	£4,383	£4,405	£4,441	£3,828	£3,622
Halstead & Sible Hedingham	Halstead North	NE Rural; the Belchamps	CO9 2	£566,000	£515,000	£412,000	£352,000	£346,000	£300,000	£242,000	£161,000
	Halstead South		CO9 1								
	Sible Hedingham		CO9 3								
Sq M				140	120	95	81	79	68	64	45
Value per Sq M				£4,043	£4,292	£4,337	£4,346	£4,380	£4,412	£3,781	£3,578

Appendix D Construction and development costs

Category	Baseline	Externals at 15%	Gross to Nett	Sub Total	Contingency at 5%
Two Storey Estate Housing	£1,401	£210	£0	£1,611	£1,692
Flats 1-2 Storey	£1,534	£230	£265	£2,029	£2,130

Category	Rounded
Two Storey Estate Housing	£1,700
Flats 1-2 Storey	£2,150

GLOSSARY OF TERMS

A

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

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

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

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

B

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

C

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

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

D

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

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

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

E

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

F

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

G

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

I

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

L

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

M

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

P

Planning Obligation: a contribution, either in kind or in financial terms which is necessary to mitigate the impacts of the proposed development.

Affordable housing is a planning obligation as are, for example, education and open space contributions. (See Section 106)

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

R

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

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

Registered Provider: a housing association or a not for profit company which provides affordable housing

S

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

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

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

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

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

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

T

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

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

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

V

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