D|S|P Planning & Development Viability Consultants

Mansfield District Council
Creating a District where People can Succeed

Mansfield Local Plan: Viability Assessment

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Draft Report *(Client issue 4 – DSP v.14)*

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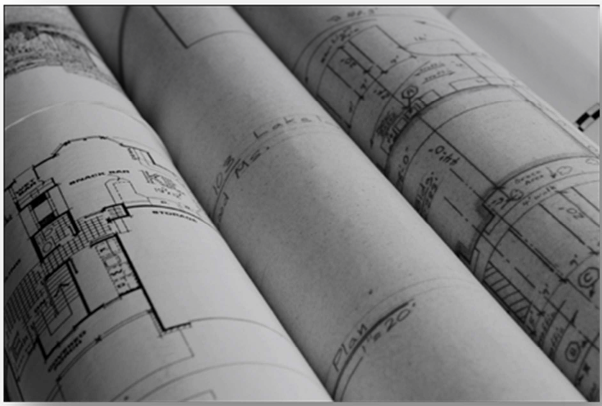
Dixon Searle LLP
The Old Hayloft
28C Headley Road
Grayshott
Hindhead
GU26 6LD

www.dixonsearle.co.uk



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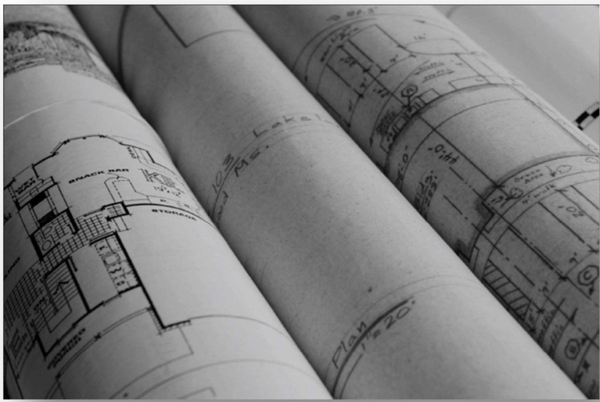

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Executive Summary

1. Flowing from the requirements of the National Planning Policy Framework (NPPF), in preparing their Local Plans to guide the provision of new housing and other development in their area, planning authorities need to take into account development viability.

2. In this sense viability means the financial health of a development; considering whether or not the value created by a completed scheme will be sufficient to meet a range of essential ingredients including:

- Meeting all usual development costs – (in summary) site acquisition costs, build costs, professional fees, finance, property sales costs.
- Sufficient land value – to enable the release of the site from an existing use;
- Adequate profit – developer's risk-reward and needed to secure funding;
- Appropriate scope to meet planning obligations – as part of creating suitable, sustainable developments, contributing towards necessary infrastructure to mitigate the effects of the development and (so far as possible within the restrictions on the use of s.106) providing infrastructure to support the growth identified in the Local Plan. MDC is not currently pursuing the setting-up of a Community Infrastructure Levy (CIL) and at the current time this assessment findings suggest that there may not be scope for any meaningful fixed cost CIL charging without potentially prejudicing other policy objectives. Whilst s.106 offers more flexibility in circumstances such as these, the Council will, however, need to operate that within the CIL Regulations restrictions.

3. So reviewing viability involves assessing the strength of the relationship that is likely to be available between the development values and costs, including from expected national and Local Plan level policy requirements, across a range of development and site types representative of the emerging Local Plan.

4. Dixon Searle Partnership (DSP), a consultancy highly experienced in reviewing development viability for Local Authorities, has been appointed to support Mansfield DC (MDC) with this assessment. The assessment process, as set out in this report and further explained through the accompanying Appendices, is necessarily and appropriately made at a high-level, taking a district-wide overview related to considering the plan as a whole. At this stage, this does not mean that individual site-specific delivery level factors are fully taken

into account. There will continue to be a need for those delivery level considerations to be taken into account as sites come forward; this is about ensuring that the MDC policy costs will not add unduly to the collective development costs and therefore that development will come forward.

5. The viability assessment uses well-established residual land valuation principles to explore the level of development costs (including policy based costs) that may be supported by the local range of development (property sales) values. The Council's policy selections need not exactly follow the viability advice, since there is a wider range of other evidence also to be considered, but MDC should be able to show the assessment has informed policy development.

6. Not limited to Mansfield, but a generally applicable principle, aside from the influence of the operation of the economy and property market (taking both a wider / national and local view), affordable housing (AH) policies have the greatest viability impact; those are typically the most important factor for local authorities to consider. A balance is sought between doing all possible to secure the much needed affordable homes and ensuring that, because this planning-led supply of those relies largely on the market, developments come forward to provide the range of housing and other development uses relevant to the planned local delivery. Associated with this, affordable housing requirements should be set out as targets; operated with a practical and flexible approach as necessary – as viability and other delivery factors may vary from site to site.

7. For the Mansfield district the assessment finds that a range of viability outcomes will be seen; as reflects experience by MDC in the recent period. Overall, however, our assessment is that development viability in the district is generally quite finely balanced, so that typically both the policy requirements and land owners' expectations have to be carefully judged.

8. With this in mind, and the local market challenges acknowledged, we consider that MDC's proposed approach focussing largely on the use of urban greenfield and urban area fringe greenfield sites, combined with some use of identified PDL/mixed sites, is likely to offer the most scope to work with the market and support delivery; compared with an entirely or mostly PDL based strategy - given the local development values typically available to underpin that.

9. The same characteristics influence our findings and MDC's thinking on policy development. On balance, the viability assessment suggests that, overall, a continued 20%

affordable housing target would be appropriate as a headline. There are some circumstances, however, where we have suggested that MDC gives consideration to a reduced target; where the 20% target may well be deliverable less frequently and where, on balance, overall Plan delivery may be better served via a reduced target applicable for the foreseeable period. This could be at 10% AH, still necessarily operated as a target. This is suggested for consideration in respect of development on previously developed land (PDL); and particularly within Mansfield town / centre where the probable nature of developments combined with modest sales values appears likely to mean more flexibility on planning obligations in any event.

10. Looking at other potential policy requirements, although those will generally have a significantly smaller individual impact on the viability of schemes overall, owing to their potential effect on the collective costs of development we suggest that MDC considers avoiding a prescriptive / fixed approach to those (e.g. optional technical standards relating to accessibility) and looks at objectives / targets that should be met as fully as possible where the evidence for their need is in place and so far as the viability scope will permit.

11. This amounts to an approach parallel to that necessarily operated for the affordable housing; the policies should in our view be framed so as to set expectations (e.g. on the part of developers and landowners) as part of aiming for the best achievable development and planning obligations packages; but then also be adaptable as relevant in particular circumstances - including the appropriate location and scheme priorities / potential trade-offs according to those.

1 Introduction

1.1. Background to the Study – Local Plan

1.1.1 Mansfield District Council is currently preparing a new Local Plan to cover the period up to 2033 to replace the Mansfield District Local Plan which was adopted in 1998. Consultation on issues and options with regard to core strategic policies has been held and the Consultation Draft Local Plan which will include site specific allocations is currently being prepared with consultation programmed for early in 2016.

1.1.2 As part of the evidence gathering for the new Local Plan, consultation with key infrastructure providers to identify infrastructure requirements has taken place and work on the preparation of an Infrastructure Study and Delivery Plan is well advanced.

1.1.3 It is worth noting at this stage that the Mansfield District Council (MDC) does not intend currently to seek to introduce a Community Infrastructure Levy (CIL), but will continue to seek to secure the necessary infrastructure to make development acceptable through section 106 (s.106) planning agreements. Therefore this assessment does not explore viability for potential CIL charging rates; it considers the collective viability picture associated with potential Local Plan policies in combination with local characteristics and national level planning and development requirements.

1.2 Mansfield District Council Profile

1.2.1. Mansfield District lies within north Nottinghamshire in the East Midlands region. It includes the town of Mansfield which is one of the larger urban centres in the County outside of the City of Nottingham, and a large rural area on the edge of the Sherwood Forest.

1.2.2. Mansfield, including Mansfield Woodhouse, is a place of sub-regional significance where economic, social, and environmental regeneration is a priority. It acts as the focus for homes, jobs and services in the district and the wider sub-region stretching into North Derbyshire.

1.2.3. In addition, in the northern part of the District is the small rural town of Market Warsop. This urban area plays a more subservient role to Mansfield and acts as a local service centre to the surrounding rural area which includes the smaller settlements of Church Warsop, Warsop Vale, Meden Vale and Spion Kop.

1.2.4. The preferred development strategy of the Local Plan to meet the District's development needs is to direct additional development to sites within the existing built-up areas of Mansfield, and Market Warsop. Whilst the Plan's strategy is an 'urban concentration' approach, the Council is not starting with a blank canvass and about two thirds of the District's housing and employment development requirements are already met through existing planning commitments. Most notably the land supply includes two major mixed-use urban extensions to the south and west of Mansfield.

1.2.5. With regards to planned development, the urban area of Mansfield including Mansfield Woodhouse will accommodate a significant proportion of this additional development (providing an estimated 1,800 dwellings total) and play a major role in the regeneration of the district - with new housing development on a number of small to medium previously developed and underused urban greenfield sites. In addition, some new housing will be needed on sites outside the urban area in order to meet the district's objectively assessed housing need. During the course of this assessment, MDC's strategy has developed in this regard to also include an element of urban fringe development (on greenfield land) providing approximately 950 dwellings in all with (indicatively) up to around half of those being provided in the Warsop urban area fringe). Overall, this represents a broad distribution of around two thirds urban area development (mainly from 'urban greenfield' Sites) to one third 'urban fringe.' For a further insight, an overview of the latest housing requirements is included at the rear of Appendix I, being a current guide to the context at this stage (and subject to further review / finalising as the Council's work towards the new Plan strategy progresses). In terms of employment development, the focus of change and development will be at existing business parks and industrial estates together with a number of mixed-use regeneration opportunity sites in the Mansfield central area.

1.2.6. In the north of the District, the secondary urban area of Market Warsop, which acts as the local service centre to the settlements in Warsop Parish, is likely to be a focus for some additional development. Development in this part of the District will be of a much lesser scale than that at Mansfield – indicatively, four identified sites within Church Warsop and Market Warsop are together likely to provide a further 465 to 570 dwellings approximately, in total.

1.2.7. In response to updated information from the latest (2015) Joint Strategic Housing Market Assessment (SHMA) work and Employment Land Forecasting Study (ELFS), the development requirements for the area over the period up to 2033 are 7,520 dwellings, together with 26,000 sq. m office floorspace and 42 Ha of industrial land. However, much of this growth is already committed with planning permissions. There is a residual amount to plan for through the Local Plan of approximately 2,700 homes and 10 Ha of industrial land.

1.2.8. In terms of residential development, the portfolio of housing sites includes urban greenfield and, to a significantly lesser extent, brownfield land generally providing opportunities for development ranging from approximately 15 to 100 or so dwellings. There are 3 identified potential urban area sites of a slightly larger scale – with an estimated capacity of approximately 170-270 dwellings each. Major strategic urban extensions are already committed to the south and west of Mansfield (at Lindhurst & Penniment Farm) but, as noted at 1.2.5 above, some further housing growth outside the urban areas will be required to meet the district's overall housing needs. Those 'urban fringe' sites providing in the main circa 35 to approximately 220 dwellings, with a single slightly larger site proposed at Market Warsop (for circa 270 dwellings maximum) and a site at Radmanthwaite Road, Mansfield with an estimated capacity of up to a maximum of 375 dwellings.

1.3 Purpose of this Report

1.3.1 Viability testing is an important part of the plan-making process. The National Planning Policy Framework (NPPF) introduced a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. In addition, further guidance on this requirement is covered by the national Planning Practice Guidance (PPG) and other publications. In order to meet the requirements of the NPPF, MDC commissioned Dixon Searle Partnership (DSP) to carry out a Viability Assessment with the objectives including the following:

- Determine the impact on development viability of including the various relevant policy requirements of the Consultation Draft Local Plan.

- Ensure the emerging policy requirements set by the Council are realistic, and the Consultation Draft Local Plan is capable of being delivered taking account of the cumulative impact of policy requirements.

- Inform the detailed requirements, costs and funding mechanisms for the delivery of infrastructure needed to support growth including that which the Council may seek to viably secure through its approach to developer contributions in a forthcoming Supplementary Planning Document (SPD) on Planning Obligations.

1.3.2 The assessment involves the review of the financial viability of site typologies representing a range of typical site types likely to come forward across the Plan period based on the current stage emerging policies. A more site-specific level of viability assessment is also provided, representative of the type of development that could come forward based on emerging locations for development; as provided at this stage by the Council for the purposes of this viability assessment. The assessment takes into account the policies contained within the Consultation Draft Local Plan document including those relating to affordable housing and other housing standards. The assessment will provide the evidence base for the viability of the Local Plan policies, informing and supporting the deliverability of the plan overall.

1.3.3 This approach does not require a detailed viability appraisal of every site anticipated to come forward over the plan period but rather the testing of a range of appropriate site typologies reflecting the potential mix of sites likely to come forward. Neither does it require an appraisal of every likely policy but rather potential policies that are likely to have a close bearing on development costs.

1.3.4 To this end, the study requires the policies and proposals in the draft Local Plan to be brought together to consider their cumulative impact on development viability. This means taking account of the Consultation Draft Local Plan requirements such as design standards, infrastructure and services, affordable housing, local transport policies and sustainability measures as well as the cost impact of national policies and regulatory requirements.

1.3.5 One of the key areas, always having a key viability impact, will be the Council's approach to affordable housing. The adopted Affordable Housing Interim Planning

Guidance (2008) document sets out the following approach which although under review sets out the current policy:

- *'The threshold for contributions (whether on-site or through financial contributions) will be all sites of 15 or more dwellings (including flats).*

- *On site provision will be required on all developments which involve the construction of more than 30 dwellings, in order to help ensure the creation of mixed communities. This threshold applies to the Gross number of dwellings to be provided and includes conversions and change of use to residential.*

- *The level of provision will be:*
  20% Affordable dwellings based upon the gross number of dwellings provided on site.

- *The proportions of the tenure split between social rented and intermediate housing will be 66% 34% respectively.*

- *For developments of 15 to 30 dwellings, the authority will require provision to be made by way of financial contributions based upon an approximation of the equivalent cost of providing affordable housing on-site'*[1].

1.3.6 This study will review those policies (also taking into account recent government policy changes on the threshold above which affordable housing targets may be set)[2].

1.3.7 The assessment approach applies sensitivity testing to policy costs including a range of affordable housing proportions and at different thresholds (including a lower threshold for on-site provision of affordable housing) combined with varying levels of potential other s.106 costs (planning infrastructure obligations) – to provide information to inform the Council's ongoing approach.

1.3.8 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Whilst acknowledging that, this work

[1] Mansfield DC –Interim Planning Guidance Note 7 – Affordable Housing (April 2008)
[2] DCLG - Brandon Lewis Written Ministerial Statement (28th November 2014)

provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.

1.3.9 The approach used to inform the study applies the well-recognised methodology of residual land valuation. Put simply, the residual land value (RLV) produced by a potential development is calculated by subtracting the costs of achieving that development from the revenue (sales income) generated by the completed scheme (the gross development value – GDV).

1.3.10 The residual valuation technique has been used to run appraisals on sample residential, commercial and mixed-use scheme typologies representing development scenarios that are likely to come forward across the district under the emerging development strategy.

1.3.11 The study process produces a large range of results relating to the exploration of a range of potential affordable housing percentages as well as other variables. As with all such studies using these principles, an overview of the results and the trends seen across them is required - so that judgments can be made to inform the policy setting process.

1.3.12 The results of each of the appraisals are compared to a range of potential benchmark land values or other guides relevant to the particular development scenarios. These are necessary to determine both the overall viability of the scheme types tested and a potentially viable level affordable housing as it relates to development type and varying completed scheme value levels (GDVs). The results sets have been tabulated in summary form and those are included in Appendix II.

1.3.13 A key element of the viability overview process is the comparison of the RLVs generated by the development appraisals and the potential level of land value that may need to be reached to ensure development sites continue to come forward - so that development across the area is not put at risk owing to un realistic policy burdens in combination with other development cost factors. These comparisons are necessarily indicative but are usually linked to an appropriate site value or benchmark.

1.3.14 In considering the relationship between the RLV created by a scenario and some comparative level that might need to be reached, we have to acknowledge that in practice this is a dynamic one – land value levels and comparisons will be highly variable in practice. It is acknowledged in a range of similar studies, technical papers and guidance notes on the topic of considering and assessing development viability that this is not an exact science. Therefore, to inform our judgments in making this overview, our practice is to look at a range of potential land value levels that might need to be reached allied to the various scenarios tested.

1.3.15 This report then sets out findings and recommendations for the Council to consider in taking forward its further development work on the new Local Plan including on a reasonable and viable level of affordable housing to be sought on residential development schemes across the area.

1.4 Policy & Guidance

1.4.1 This study has been produced in the context of and with regard to the NPPF, CIL Regulations, CIL Guidance and other Guidance[3] applicable to studies of this nature. This study has also had regard to the relatively recently introduced national Planning Practice Guidance ('PPG' – an online resource live as of 6 March 2014) including as that has involved since its inception. Even in the event of a CIL not being pursued, the related guidance on that (as now incorporated within the PPG) affects the use of s.106 and it builds on the available guidance on the nature of strategic level viability assessments as well as other matters.

1.4.2 The National Planning Policy Framework (NPPF) was published in final form in March 2012 and supersedes previous Planning Policy Statements (PPSs). The NPPF sets out the overall approach to the preparation of Local Plans. It states that planning authorities should seek opportunities to achieve each of the economic, social and environmental dimensions of sustainable development, with net gains across all three. Significant adverse impacts on any of these dimensions should be avoided and, wherever possible, alternative options that reduce or eliminate such impacts should be pursued. The NPPF also states that Local Plans should be aspirational but realistic - that is, to balance aspirational objectives with realistic and deliverable policies.

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[3] Local Housing Delivery Group – Viability Testing Local Plans (June 2012) & Royal Institution of Chartered Surveyors (RICS) Guidance Note – Financial Viability in Planning (GN 94/2012).

1.4.3 The NPPF provides specific guidance on ensuring Local Plan viability and deliverability, in particular, paragraphs 173-174 state:

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

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle'[4].

1.4.4 Having regard to this guidance the council needs to ensure that the Local Plan, in delivering its overall policy requirements, can address the requirements of the NPPF.

1.4.5 Further guidance is set out in the Planning Practice Guidance which re-iterates these messages where it says '*Plan makers should consider the range of costs on development. This can include costs imposed through national and local standards, local policies and the Community Infrastructure Levy, as well as a realistic understanding of the likely cost of Section 106 planning obligations and Section 278 agreements for highways works. Their cumulative cost should not cause development types or strategic sites to be unviable. Emerging policy requirements may need to be adjusted to ensure that the plan is able to deliver sustainable development*'[5].

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[4] Communities & Local Government – National Planning Policy Framework (March 2012)
[5] Planning Practice Guidance (Ref. ID: 10-007-20140306).

1.4.6 In addition, relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' guidance). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the WPVA preparation.

1.4.7 Following consultation on the Housing Standards Review (August 2013), on 27th March 2015 in a written Ministerial Statement the Government formally announced a new approach to the setting of technical housing standards in England. This has been accompanied by a new set of streamlined standards. The DCLG statement said: '*From the date the Deregulation Bill 2015 is given Royal Assent, local planning authorities and qualifying bodies preparing neighbourhood plans should not set in their emerging Local Plans, neighbourhood plans, or supplementary planning documents, any additional local technical standards or requirements relating to the construction, internal layout or performance of new dwellings. This includes any policy requiring any level of the Code for Sustainable Homes to be achieved by new development; the government has now withdrawn the code… For the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill 2015. This is expected to happen alongside the introduction of zero carbon homes policy in late 2016. The government has stated that, from then, the energy performance requirements in Building Regulations will be set at a level equivalent to the (outgoing) Code for Sustainable Homes Level 4. Until the amendment is commenced, we would expect local planning authorities to take this statement of the government's intention into account in applying existing policies and not set conditions with requirements above a Code level 4 equivalent*'[6].

[6] DCLG - Rt Hon Eric Pickles Written Statement to Parliament "Steps the government are taking to streamline the planning system, protect the environment, support economic growth and assist locally-led decision-making".

1.4.8 The new approach introduces optional Building Regulations requirements. Alongside optional increased water efficiency standards, the 2015 edition of Building Regulations (dwellings) - Approved Document M (Access to and use of buildings) - takes effect on 1 October 2015 and contains updated guidance. In particular, it introduces three categories of dwellings:

- Category 1 - Visitable dwellings
- Category 2 - Accessible and adaptable dwellings
- Category 3 - Wheelchair user dwellings

(Note: Categories 2 and 3 apply only where required by planning permission – the optional element implementable by the Local Authority's approach subject to local justification as noted at 1.4.11 below).

1.4.9 In addition, a new security standard has now been included in the Building Regulations (Part Q).

1.4.10 The review also clarified statutory Building Regulations guidance on waste storage - to ensure that is properly considered in new housing development.

1.4.11 The effectively optional regulations and space standards can only be applied where there is a local plan policy based on evidenced local need for them; and where the viability of development is not unduly compromised as a result of their application.

1.4.12 At the point of the assessment getting underway, the technical housing standards had not been introduced. As these have come on stream, however, MDC has been considering whether it intends to introduce these optional standards (Building Regulations enhancements) to its policy set at the present time. Accordingly, the assessment gives consideration to these and the potential additional (collective costs) impact.

1.4.13 Also for context but in MDC's case having more relevance, at the same point in the assessment process, the Government had revised national policy on s.106 thresholds as follows (now superseded, but for information regarding the context in which the assessment scenarios were first devised):

- *'contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1000sqm (gross internal area).*

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

- *affordable housing and tariff-style contributions should not be sought from any development consisting only of the construction of a residential annex or extension to an existing home.*

Additionally local planning authorities should not seek section 106 affordable housing contributions, including any tariff-based contributions to general infrastructure pots, from developments of Starter Homes. Local planning authorities will still be able to seek other section 106 contributions to mitigate the impact of development to make it acceptable in planning terms, including addressing any necessary infrastructure'[7].

1.4.14 Those (now rescinded) national level policy changes related to the above also included a 'vacant building credit' which became included with the PPG section on planning obligations, as noted above. This was intended to incentivise the use of brownfield (previously developed) land, and in many cases it would have had a positive effect on viability in such cases by reducing the affordable housing target through a credit based on the floor area of any existing vacant buildings. Whilst in operation, the effect was found to be variable and above all entirely site-specific.

1.4.15 We there provided sensitivity testing to reflect potential MDC variations to affordable housing thresholds, so that the Council has a complete set of information from which to draw on as it reviews and develops its Plan policies. Since developing the assessment, it will be noted that the measures outlined at 1.4.13 to 1.4.14 above have been removed from national policy (following a successful challenge in the High Court). The option for a lower (5 units or less) threshold related to the limited scope referred to above (second bullet point at 1.4.13) did not apply to any area within

[7] Planning Practice Guidance (PPG) – Planning Obligations – Former Para 012

Mansfield District but in any event, and as in all other areas, MDC may now again set policy according to local needs, characteristics and viability rather than being necessarily restricted by a national minimum AH threshold at sites providing 11 dwellings or more (or more than 1,000 sq. m new floorspace). The restoration of the position prior to the 28th November 2014 Ministerial Statement and resulting PPG amendments now means that (subject to local factors including viability) MDC can use this assessment information in a more flexible way – e.g. by considering an AH threshold at say 10 dwellings (it is no longer limited to a position of 11 dwellings as the lowest allowable nationally). In our view the acknowledgement of this policy movement is also relevant to keep on local authorities' radar as wider information available to inform any further policy adjustments, because longer term it is possible that we could see legislation introduced to reinstate the national minimum AH threshold type thinking or similar in some way. We have therefore retained the full information set with this assessment at this stage and other assessment references to these matters are to be considered in the context set out here at 1.4.13 to 1.4.15.

1.4.16 Also in terms of national policy context, within the 'Viability' section of the PPG it is set out that:

'…….Where an applicant is able to demonstrate to the satisfaction of the local planning authority that the planning obligation would cause the development to be unviable, the local planning authority should be flexible in seeking planning obligations. This is particularly relevant for affordable housing contributions which are often the largest single item sought on housing developments. These contributions should not be sought without regard to individual scheme viability. The financial viability of the individual scheme should be carefully considered in line with the principles in this guidance. Assessing viability should lead to an understanding of the scale of planning obligations which are appropriate. However, the *NPPF* is clear that where safeguards are necessary to make particular development acceptable in planning terms, and these safeguards cannot be secured, planning permission should not be granted for unacceptable development.'

1.4.17 So, there is a balance to be considered. However, our interpretation and experience of the above is that, in MDC's case and particularly with no CIL effectively top-slicing development proceeds as a fixed charge, the securing of any essential development mitigation requirements on particular sites (under s.106) will have to be considered a first priority – to unlock development - and may well be a key aspect involved in then determining the affordable housing (AH) level achievable given the strength of the development value to cost relationship in particular cases; regardless of where the reasonable AH % target is set.

1.5 Notes and Limitations

1.5.1 This assessment has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development - including whole plan viability, affordable housing and CIL economic viability. However, in no way does this study provide formal valuation advice. It should not be relied on for other purposes.

1.5.2 In order to carry out this type of study a large quantity of data is reviewed and a range of assumptions are required. It is acknowledged that these rarely fit all eventualities - small changes in assumptions can have a significant individual or cumulative effect on the residual land value generated and / or the value of the affordable housing or other planning obligation potential (the surplus after land value comparisons).

1.5.3 It should be noted that in practice every scheme is different and no study of this nature can reflect all the variances seen in site-specific cases. The study is not intended to prescribe assumptions or outcomes for specific cases.

1.5.4 Specific assumptions and values applied for our schemes are unlikely to be appropriate for all developments and a degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and informing the Council's work on its Local Plan policies.

2 Assessment Methodology

2.1 Residual valuation principles

2.1.1 Collectively this study investigates the potential viability and, therefore, deliverability of the Local Plan and its policies including the review of various potential affordable housing proportions (target percentages - %s) and the thresholds above which affordable housing may be sought.

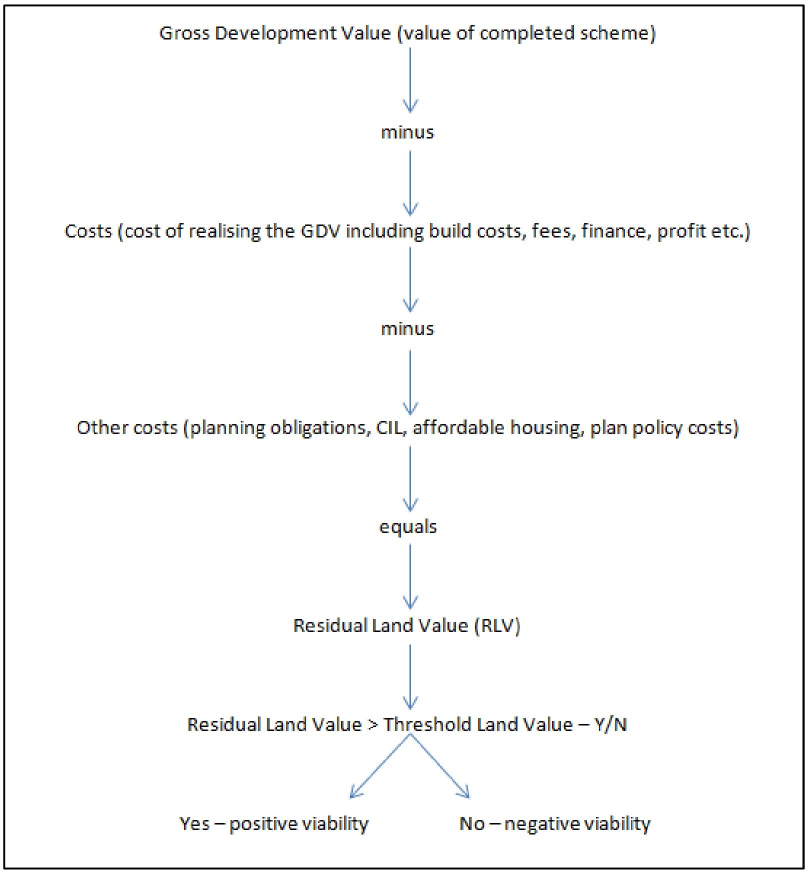
2.1.2 There will be a number of policies coming through the emerging Local Plan that may have an impact on the viability of development. In running this study, we have had regard to typical policy costs based on those likely to come forward through the emerging Local Plan and, for assumptions building, combined as necessary with those as set out in the adopted Local Plan (where the approach is likely to be continued but the emerging policy set is still evolving). By doing so we are able to investigate and consider how the cost of these obligations interact and therefore estimate the collective impact on viability. This is in accordance with established practice on reviewing development viability at this strategic level, and consistent with requirements of the NPPF. In this context, a development generally provides a fixed amount of value (the gross development value – GDV) from which to meet all necessary costs and obligations.

2.1.3 Prior to fixing assumptions, necessarily at a point in time, and running appraisals using those (as outlined in the following paragraphs) we undertake an extensive information review, property market research, development industry stakeholders' survey. As a part of this, we undertake a review of the established or, as in this case, emerging policy proposals – enabling an assessment of which are considered likely to have a particular development cost impact, or additional cost implications over and above the costs information used from established sources such as the Building Cost Information Service of the RICS (BCIS). More information is included as we discuss the assumptions. Appendix I, where we provide a quick reference assumptions outline, also includes (following the assumptions overview sheets) a policy review schedule indicating the view taken with respect to investigating the impacts of the proposed policies so far as those are known at the time of this assessment.

2.1.4 In carrying out this study we have run development appraisals using the well-recognised principles of residual valuation on a number of scheme types, both residential and non-residential / commercial.

2.1.5 Residual valuation, as the term suggests, provides a "residual" value from the gross development value (GDV) of a scheme after all other costs are taken into account. The diagram below (Figure 1) shows the basic principles behind residual valuation, in simplified form:

Figure 1: Simplified Residual Land Valuation Principles



2.1.6 Having allowed for the costs of acquisition, development, finance, profit and sale, the resulting figure indicates the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).

2.1.7 In order to guide on a range of likely viability outcomes the assessment process also requires a benchmark, or range of benchmarks of some form, against which to compare the RLV - such as an indication of current or alternative land use values, site value relevant to the site and locality; including any potential uplift that may be required to encourage a site to be released for development (which might be termed a premium, over-bid, incentive or similar). Essentially this means reviewing the potential level(s) that the land value (i.e. the scheme related RLV) may need to reach in order to drive varying prospects of schemes being viable.

2.1.8 The level of land value sufficient to encourage the release of a site for development is, in practice, a site specific and highly subjective matter. It often relates to a range of factors including the actual site characteristics and/or the specific requirements or circumstances of the landowner. Any available indications of land values using sources such as from the Valuation Office Agency (VOA) reporting, previous and current evidence held by the Council and its immediate neighbours and any available sales, or other evidence on value, are used for this purpose in making our assessment. Recently there has been a low level of activity on land deals and consequently there has been very little to use in terms of comparables. In any event, any available land sale comparables need to be treated with caution in their use directly; the detailed circumstances associated with a particular level of land value need to be understood. As such a range of information as mentioned above has to be relied upon to inform our assumptions and judgments.

2.1.9 The results show trends indicating deteriorating residual land values (RLVs) and, therefore, reduced viability as scheme value (GDV) decreases and / or development costs rise – e.g. potentially through adding / increasing affordable housing, increases in other costs and / or increasing planning obligation levels.

2.1.10 The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I and III. They reflect the local markets through research on local values, costs and types of provision, etc. At key project stages we consulted with the Council's officers and sought soundings as far as were available from a range of local development industry stakeholders as we considered our assumptions. This included issuing a stakeholder questionnaire / pro-forma to key stakeholders (developers, house builders, landowners, agents, Registered Providers etc.) alongside e-mail exchanges and telephone discussions through which DSP sought to get feedback on study assumptions and to provide the opportunity for engagement and for provision of information to help inform the assessment. Appendix III provides more details. On the whole, the process is informed as far as practically possible by the review of available information and making an overview from that. This approach reflects the expectations of the guidance.

2.2 Scheme Development Scenarios

2.2.1 Appraisals using the principles outlined above have been carried out to review the viability of different types of development. The scenarios were settled and discussed with the Council following a review of the information it provided. Information included adopted and emerging Local Plan documents, Strategic Housing Land Availability Assessment (SHLAA), Employment Land Review, Retail Study, a list of potential site allocations and other information.

Residential Development Scenarios

2.2.2 For residential schemes, numerous scenario types were tested with the following mix of dwellings and including sensitivity testing on affordable housing provision and other policy cost areas including sustainable design and construction standards (see Figure 2 below, and Appendix I provides more detail):

Figure 2: Residential Scheme Types

Scheme / Typology	Overall Scheme Mix
5 Houses	1 x 2BH, 2 x 3BH, 1 x 4BH, 1 x 5BH
10 Houses	2 x 2BH, 3 x 3BH, 3 x 4BH, 2 x 5BH
11 Houses	3 x 2BH, 3 x 3BH, 3 x 4BH, 2 x 5BH
15 Houses	3 x 2BH, 4 x 3BH, 4 x 4BH, 4 x 5BH
30 Houses	6 x 2BH, 9 x 3BH, 8 x 4BH, 7 x 5BH
30 Flats	10 x 1BF, 20 x 2BF
30 Flats (Sheltered)	22 x 1BF, 8 x 2BF
50 Houses	10 x 2BH, 15 x 3BH, 13 x 4BH, 12 x 5BH
100 Mixed	5 x 1BF, 5 x 2BF, 10 x 2BH, 30 x 3BH, 25 x 4BH, 25 x 5BH
350 Mixed	17 x 1BF, 18 x 2BF, 35 x 2BH, 105 x 3BH, 87 x 4BH, 88 x 5BH

Note: BH = bed house; BF = bed flat; Mixed = mix of houses and flats.

2.2.3 The residential development scenarios were also supplemented by aligning the results from a number of the site typologies above with a list of potential site allocations provided to DSP by the Council in the later stages of the study process. These allowed us to test the potential viability of those sites, at a high level, whilst testing various combinations of affordable housing proportion and s106 requirements. The results of these appraisals are discussed in Chapter 3 of this study and also shown in Appendix II.

2.2.4 In addition to the above, further trial appraisals were undertaken reflecting mixed use typologies as likely to come forward as part of town centre / edge of centre regeneration projects.

2.2.5 The assumed dwelling mixes are based on the range of information reviewed, combined with a likely market led mix. They reflect a range of different types of development that could come forward across the district so as to ensure that viability has been tested with reference to the potential housing supply characteristics. Each of the above main scheme types was also tested over a range of value levels (VLs) representing varying residential values as seen currently across the district by scheme location / type whilst and also allowing us to consider the impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) and by scale of development.

2.2.6 The scheme mixes are not exhaustive – many other types and variations may be seen, including larger or smaller dwelling types in different combinations according to particular site characteristics.

2.2.7 The residential scenarios were chosen to reflect and further test viability across a broad range of scenarios whilst also allowing us to test a range of potential affordable housing policy thresholds. In all cases it should be noted that a "best fit" of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility within small scheme numbers particularly. The affordable housing numbers (content) assumed within each scheme scenario can be seen at Appendix I – Assumptions overview spreadsheet.

2.2.8 The dwelling sizes assumed for the purposes of this study are as follows (see figure 3 below):

Figure 3: Residential Unit Sizes

Dwelling type	Dwelling size assumption (sq. m)	
	Affordable	**Private (market)**
1-bed flat	50	45
2-bed flat	67	60
2-bed house	75	75
3-bed house	85	95
4-bed house	110	125
5-bed house	125	150

2.2.9 As with many other assumptions there will be a variety of dwelling sizes coming forward in practice, varying by scheme and location. These could also be influenced by the introduction of any space standards based on the new nationally described space standards introduced by the Government in March 2015[8] (after the detailed appraisals running stage of this assessment was completed). If dwelling space standards are to be introduced by Mansfield DC within the emerging Local Plan, that can only happen by reference to the nationally described space standards; and then only where there is a proven need to do so and also on the basis that viability considerations are taken into account. However, since there is a relationship between dwelling size, value and build costs, it is the levels of those that are most important for the purposes of this study (i.e. expressed in £ sq. m terms); rather than the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Values Levels' ('VL's) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. The approach to focus on values and costs per sq. m also fits with the way developers tend to assess, compare and price schemes. It provides a more relevant context for considering the potential viability scope.

2.2.10 The dwelling sizes indicated are expressed in terms of gross internal floor areas (GIAs). They are reasonably representative of the type of units coming forward within the scheme types likely to be seen most frequently providing on-site integrated affordable housing. All will vary, and from scheme to scheme. However, our research suggests that the values (£ sales values) applicable to larger house types would generally exceed those produced by our dwelling size assumptions but usually would

[8] DCLG – Technical housing standards – nationally described space standard

be similarly priced in terms of the relevant analysis – i.e. looking at the range of £ per sq. m 'Value levels' basis. In summary on this point, it is always necessary to consider the size of new build accommodation in looking at its price; rather than its price alone. The range of prices expressed in £s per square metre is the therefore the key measure used in considering the research, working up the range of values levels for testing; and in reviewing the results.

Commercial / Non-Residential Development Scenarios

2.2.11 In the same way, the commercial scheme scenarios reviewed were developed through the review of information supplied by, and through consultation with, the Council; following the basis issued in its brief. This was supplemented with and checked against wider information including the local commercial market offer – existing development and any new schemes / proposals. Figure 4 sets out the various scheme types appraised for this study, covering a range of uses in order to test the potential viability of different types of commercial development considered potentially relevant in the district.

2.2.12 In essence, the commercial / non-residential aspects of this study consider the relationship between values and costs associated with different scheme types. Figure 4 below summarises the scenarios appraised through a full residual land value approach; again Appendix I provides more information.

Figure 4: Commercial / Non-residential Development Types Reviewed – Overview

Development Type	Example Scheme Type(s) and potential occurrence	GIA (m^2)	Site Coverage	Site Size (Ha)
Large Retail	Large Supermarket - out of town	4000	35%	1.14
Large Retail	Retail warehouse	1000	40%	0.25
Town Centre Retail / Restaurant	Comparison shops (general / non-shopping centre)	3000	75%	0.40
Small Retail	Convenience Store - various locations	300	60%	0.05
A3 Restaurant	Town centre	300	60%	0.05
Business - Offices - Town Centre	Office Building	1000	200%	0.05
Business - Offices - Out of town centre /Business Park	Office Building	3000	40%	0.75
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	250	40%	0.06
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	3000	40%	0.75
Hotel (budget)***	Hotel - edge of town centre / edge of town	3000	50%	0.60
C2 - Residential Institution	Nursing Home	2100	60%	0.35

Note: 300 sq. m retail ('small retail') scenarios representative of smaller shop types also permitting Sunday Trading Act related trading hours (see also subsequent information in this report).

2.2.13 Although highly variable in practice, these types and sizes of schemes are thought to be reasonably representative of a range of commercial or non-residential scheme scenarios that could potentially come forward in the district. As in respect of the assumptions for the residential scenarios, a variety of sources were researched and considered for guides or examples in support of our assumptions making process; including on values, land values and other development appraisal assumptions. DSP used information sourced from Estates Gazette Interactive (EGi), the VOA Rating List and other web-based review. We also received some additional indications through our process of seeking local soundings. Additional information included articles and development industry features sourced from a variety of construction related publications; and in some cases property marketing details. Collectively, our research enabled us to apply a level of "sense check" to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. Further information is provided within Appendix III to this report.

2.3 Gross Development Value (Scheme Value) - Residential

2.3.1 For the residential scheme types modelled in this study a range of (sales) value levels (VLs) have been applied to each scenario. This is in order to test the sensitivity of scheme viability to geographical values variations and / or with changing values as may be seen with further market variations). In the case of Mansfield and given the values variations seen in different parts of the district through the initial research stages, the value levels covered typical residential market values over the range £1,500 to £2,250/sq. m (£139 to £209/sq. ft.) at £150/sq. m (£14/sq. ft.) intervals. These are set out within Appendix I – described as VLs 1 to 6.

2.3.2 We carried out a range of our own research on residential values across the Council's area (see Appendix III). It is always preferable to consider information from a range of sources to inform the assumptions setting and review of results stages. Therefore, we also considered existing information contained within previous research documents including previous viability studies; from sources such as the Land Registry, Valuation Office Agency (VOA) and a range of property websites. Our practice is to consider all available sources to inform our up to date independent overview, not just historic data or particular scheme comparables.

2.3.3 A framework needs to be established for gathering and reviewing property values data. Research was based on wards and settlement areas within the District (38 in total). The Mansfield main urban area (comprising Mansfield and Mansfield Woodhouse) were researched by ward area and the secondary urban area (Market Worsop) and villages have been searched on a 'settlement' basis. This provided the best and most reflective, appropriate framework for gathering information and then for reviewing the implications of the variations seen linked to the likely provision of development across the district. It was considered that this would also enable a view on how the values patterns compare with the areas in which the most significant new housing provision is expected to come forward.

2.3.4 The purpose of the settlement hierarchy is to identify the current role and function of settlements based on the number and type of facilities and services they provide, to inform the spatial strategy of the Local Plan. As discussed earlier, the preferred strategic policy directs major new development and economic policy to the Mansfield urban area in order to promote sustainable patterns of development. Appropriate development of a lesser scale will be directed towards Market Warsop with very limited development in the villages.

2.3.5 Our desktop research considered the current marketing prices of properties across the district and Land Registry House Prices Index trends; together with a review of new build housing schemes of various types. This information was further supplemented by a review of Land Registry information, on-line property search engines and new build data where available. Together, this informed a district-wide view of values appropriate to this level of review and for considering the sensitivity of viability to the values varying. This research is set out at Appendix III.

2.3.6 Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any clear variations between settlements or other areas where significant development may be occurring in the context of the future district development strategy. It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the data-set for a given location at the point of gathering the information. In some cases, small numbers of properties in particular data samples (limited house price information) produce inconsistent results. This is not specific to Mansfield District. However these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between the settlements and localities, given the varying characteristics of the district; as set out in these sections and as is suitable for the consideration of Local Plan viability and deliverability.

2.3.7 The values that are assumed (as being available to support development) affect the consideration of viability of plan policies across the district. As will be outlined in Chapter 3, this process informed a developing view of how to most appropriately describe and cater for the values and viability levels seen through varying property values. Through on-going discussion and consideration of the various data sources, this evolved to a settled, evidenced view of the key characteristics of the district - to inform potential options for an appropriate local approach to Local Plan policy.

2.3.8 Importantly, in addition to the market housing, the development appraisals also assume a requirement for affordable housing. As this study seeks to test the viability of Local Plan policies holistically, we have tested and reviewed a range of potential affordable housing policies from 0% to 30% in 5% increments (as closely as will fit according to the scheme size under review). For the affordable housing, we have assumed that approximately 66% is affordable rented tenure and 34% is 'intermediate' in the form of shared ownership (although again it should be noted that this tenure mix was accommodated as far as best fits the overall scheme mixes and affordable housing proportion in each scenario). Within this wider review scope, a proportion of 20% affordable housing and the tenure mix indicated above form the base position – reflecting that set out within the Council's Affordable Housing Interim Planning Guidance.

2.3.9 In practice many tenure mix variations could be possible; as well as many differing of rent levels derived from the affordable rented (AR) tenure approach - as affected by local markets and by affordability. The same applies to the intermediate (assumed shared ownership) affordable housing element in that the setting of the initial purchase share percentage, the rental level charged on the Registered Provider's (RP's - i.e. Housing Association or similar) retained equity and the interaction of these two would usually be scheme specific considerations. Shared ownership (SO) is sometimes referred to as a form of 'low cost home ownership' (LCHO). Assumptions need to be made for the study purpose.

2.3.10 For the on-site affordable housing, the revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (affordable rent) or capitalised net rental stream and capital value of retained equity (in the case of shared ownership tenure). Currently the Homes and Communities Agency (HCA) expects affordable housing of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input. At the very least this should be the starting assumption pending any review of viability and later funding support for specific scenarios / programmes. We have therefore made no allowance for grant or other public subsidy / equivalent.

2.3.11 The value of the affordable housing (level of revenue received for it by the developer) is variable by its very nature. This may be described as the 'payment to developer', 'RP payment price', 'transfer payment' or similar. These revenue assumptions were reviewed based on our extensive experience in dealing with affordable housing policy development and site-specific viability issues (including specific work on SPDs, affordable rents, financial contributions and other aspects for other authorities). The affordable housing revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of rental income after deduction for management and maintenance costs, voids allowances and the like). We considered the affordable rented revenue levels associated with potential variations in the proportion (%) of market rent (MR); up to the maximum allowed by the Government of 80% MR including service charge.

2.3.12 In broad terms, the transfer price assumed in this study varies between approximately 30% and 75% of market value (MV) dependent on tenure, unit type and value level. For affordable rented properties we introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) levels will act as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the Local Housing Allowance (LHA) rate. The LHA rate for the North Nottingham Broad Rental Market Area (BRMA) that covers Mansfield District for the varying unit types was used as our cap for the affordable rental level assumptions.

2.3.13 In practice, as above, the affordable housing revenues generated would be dependent on property size and other factors including an RP's own development strategies, and therefore could well vary significantly from case to case when looking at site specifics. The RP may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme dependent and variable and so has not been factored in here.

2.4 Gross Development Value – Commercial / Non-residential

2.4.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. In order to consider the viability of various commercial development types, a range of assumptions needs to be made with regard to the rental values and yields that would drive the levels of the completed scheme values that would be compared with the various development costs to be applied within each commercial scheme appraisal. The strength of the relationship between the GDV and the development costs was then considered – as per the principles used in the review of residential development viability. This was through residual valuation techniques very similar to those used in the residential appraisals.

2.4.2 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was from a range of sources including the VOA, EGi, property consultancies and a range of development industry publications, features and web-sites. As with the residential information, Appendix III sets out more detail on the assumptions background for the commercial scheme tests.

2.4.3 Figure 5 below shows the range of annual rental values assumed for each scheme type. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme dependent on the combination of yield and rental values applied.

2.4.4 The rental values were tested at three levels representative of low, medium and high values relevant to each commercial / non-residential scheme type in the district. This enables us to assess the sensitivity of the viability findings to varying values. They are necessarily estimates and based on the assumption of new build development. In many cases, however, limited or no new build information for use of comparables exists, particularly given recent and current market circumstances. Therefore, views have had to be formed largely from local prevailing rents / prices and information on existing property and past research carried out on behalf of the Council. In any event, the amount and depth of available information varied considerably by development type. Once again, this is not a Mansfield only factor and it does not detract from the necessary viability overview process that is appropriate for this type of assessment.

2.4.5 These varying rental levels were capitalised by applying yields of between 5.5% and 7.5% (varying dependent on scheme type). This envisages good quality new development, rather than relating to mostly older accommodation which the vast majority of the marketing / transactional evidence provides. As with rents, varying the yields enabled us to explore the sensitivity of the results given that in practice a wide variety of rental and yields could be seen. We settled our view that the medium level rental assumptions combined with 7.5% base yield (5.5% - 6.5% for large retail formats and hotels) were appropriate in providing context for reviewing results and considering viability outcomes. Taking this approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could deteriorate whilst still supporting the collective development costs.

2.4.6 It is important to note here that small variations can have a significant impact on the GDV that is available to support the development costs (and thus the viability of a scheme).

2.4.7 As with other study elements, particular assumptions used will not necessarily match scheme specifics and therefore we need to look instead at whether / how frequently local scenarios are likely to fall within the potentially viable areas of the results (including as values vary). This is explained further in Chapter 3.

Figure 5: Rental Value for Commercial Schemes

Development Type		**Value Level (Annual Rental Indication £/sq. m)**		
		Low	Medium	High
Large Retail	Large Supermarket - out of town	£200	£225	£250
Large Retail	Retail warehouse	£100	£150	£200
Town Centre Retail / Restaurant	Comparison shops (general/non shopping centre)	£100	£150	£200
Small Retail	Convenience Store - various locations*	£100	£130	£160
A3 Restaurant	Town centre	£100	£350	£500
Business - Offices - Town Centre	Office Building	£125	£150	£175
Business - Offices - Out of town centre /Business Park	Office Building	£125	£150	£175
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£60	£70	£80
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£50	£60	£70
Hotel (budget)**	Hotel - edge of town centre / edge of town	£3,000	£4,000	£5,000
C2 - Residential Institution	Nursing Home	£110	£130	£150

* Convenience stores with sales area of less than 3,000 sq. ft. (280 sq. m), assuming longer opening hours.

**per room per annum

Economic and market conditions

2.4.8 This viability study has been undertaken during a period in which generally housing market stability and values growth has been seen (nationally), following a significant period of recession. At the point of closing-off this part of the study, there continues to be mixed economic and therefore property market messages, with parts of the Eurozone still in difficulty whilst the UK economy, as a whole, gradually picks up.

2.4.9 Many areas that saw steep house price growth up to around mid-2014 are now seeing house price growth slowing from the rapid growth levels experienced to earlier in 2014. Looking more locally, however, Nottinghamshire as a whole has shown only modest growth compared to the national picture - with residential values in particular still significantly below their 2006/2007 peak levels (as were seen leading up to the credit crunch in 2009) in the main.

2.4.10 However, balanced with this - for a current and forward looking market perspective, some forecasts (for example by Savills) continue to indicate the prospects for house price inflation of up to around 19-20% by the end of 2019 or so in the East Midlands (5 year forecast)[9].

2.4.11 The RICS Commercial Market Survey for Q1 of 2015 stated:

'*The Q1 2015 RICS UK Commercial Property Market Survey results show no sign of momentum easing on either the occupier or investment sides of the commercial market. In fact, relative to the previous quarter, the pace at which conditions are improving accelerated. This is driving strong expectations for continued widespread capital value and rental gains in the near term and beyond.*

Focusing on the occupier market, demand for leasable space increased at the all-sector level for a tenth quarter in succession. This now represents the longest period of uninterrupted demand growth since the survey was launched back in 1998. Moreover, the rate of improvement quickened within all areas of the market in the first quarter of the year.

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[9] Savills – Residential Property Focus (2015 Issue 1); similar tone of forecasting continued in Savills' latest (Issue 2 2015) Residential Property Focus

Alongside this, available space continued to fall right across the board. Indeed, while decline in the retail sector was more modest, both the industrial and office segments experienced a steep fall in availability. Anecdotal evidence from contributors frequently highlights lack of supply as an issue, especially in the office sector, where conversion of units into residential property has reduced stock significantly.
These increasingly tight market conditions are driving strong rental expectations, which edged back up during Q1 to equal the highest reading on record (at the headline level). Within this, near term rental projections are strongest in the office and industrial sectors, while retail continues to lag behind (although still in positive territory). However, feedback regarding the twelve month outlook for retail rents is much more upbeat, particularly for prime assets. Nonetheless, the office sector is projected to post the sharpest rental growth over the year ahead and to continue to do so over the next three years.

When viewed at the regional level, expectations for rental growth remain more elevated in London than all other parts of the country, at each time horizon. Even so, rents are still anticipated to increase in all four broad regional groupings, across all sectors, in 2015 (albeit growth looks set to remain marginal in some secondary retail markets).

Turning to the investment market, enquiries increased significantly in each sector, lengthening the continuous run of rising demand which dates back to the end of 2012. Interest from overseas buyers also picked up at a solid rate, with the improvement spread fairly evenly across all areas of the market. At the same time, the supply of property for sale continued to contract and actually gathered pace during Q1. Despite this, developments starts were only reported to have increased in the industrial sector, while remaining broadly unchanged in both retail and office segments.

With strong demand growth heavily outweighing that of supply, capital values are anticipated to rise at a robust pace in the near term and throughout the year. Looking at the sector breakdown, near term price expectations are exceptionally buoyant for office and industrial property and a little more modest across retail units. Further out, growth in retail sector values is expected to catch up with that of industrial at the national level.

Again, RICS members are forecasting the strongest price gains to come in London (led by prime retail and secondary office growth), with the North of the country expected to see the most modest, but still solid, increases.

Interestingly, throughout the UK as a whole (excluding London), 75% of respondents believe that current market valuations are at fair value. This compares with just 4% who consider them as expensive and 21% who feel they are cheap. The figures for the London look quite different, however. Indeed, while 45% of contributors believe valuations in the capital are around fair value, an equal proportion are suggesting the market is expensive. This could in part explain expectations for stronger growth in secondary rather than prime office space.'

2.4.12 As with the residential market considerations, however, it is also necessary to consider and more important to focus on and the local commercial property market / development potential context – as seen from information gathered at the time of assessment, as noted above. Broadly reflecting the local residential market picture in terms of market strength relative to other more buoyant areas, we have found an environment within the district that currently and in the forseeable future appears unlikely to support any significant level of speculative commercial property development, particularly in terms of business (employment) space and especially offices. Providing the Local Plan supports and promotes appropriate development in the most suitable and attractive locations, it is likely to be the case that the most the Council can do is to seek to work with and encourage investment as and when proposals are brought forward by the market or potential owner occupiers.

2.4.13 Largely, the relevant influences are likely to be market related, so the Council's role is more of a facilitating one where possible – in-line with what we believe to be its current approach. Recent years have seen very low levels of commercial development in the district, even though more activity has been seen in better connected adjoining local authority areas such as Ashfield.

2.4.14 As can be seen, there is variety in terms of values within and between the localities of the district. However, the variation was less pronounced than we sometimes see. There were tones of values which informed our rental and other assumptions for the commercial scenario appraisals, based on the upper end rental indications seen for business uses (offices and industrial / warehousing) as appropriate for high quality new build schemes and on the variety of indications seen for retail. In both cases these were taken from a combination of the VOA Rating List, EGi and other sources as far as were available whilst keeping the review depth proportionate and economic in the study overview context. In respect of other commercial / non-residential development types again a district-wide overview was considered appropriate.

2.5 Development Costs – General

2.5.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, assumptions have to be fixed to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site specific cases can be. As with the scheme scenario building, an overview of the various available data sources is required and is appropriate.

2.5.2 Each area of the development cost assumptions is informed by data - from sources such as the RICS Building Cost Information Service (BCIS), any locally available soundings and scheme examples, professional experience and other research.

2.5.3 For this overview, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review. Contingency allowances have however been made within all appraisals. This is another factor that should be kept in mind in looking at the viability of the Local Plan and the cumulative effect of local policies in combination with national requirements; helping to ensure that the former are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.6 Development Costs – Build Costs

2.6.1 The base build cost levels shown below are taken from the BCIS. In each case the figure has been rebased using the Mansfield location index (currently 100, as per the national base). Costs assumed for each development type (residential and commercial) are provided in Appendix I. Figure 6 below summarises these:

Figure 6: Build Cost Data (BCIS Median Average, Mansfield location factor relevant at time of research)

Development use	Example property type	BCIS Build Cost (£/sq. m)*
Residential (C3)	Houses - mixed development	£897
	Estate housing (generally)	£871
	Flats - generally	£1,026
	Flats - Sheltered housing	£1,058
Large Retail	Large Supermarket - out of town	£1,202
Large Retail	Retail warehouse	£661
Town Centre Retail / Restaurant	Comparison shops (general/non shopping centre)	£1,013
Small Retail	Convenience Store - various locations	£810
A3 Restaurant	Town centre	£1,994
Business - Offices - Town Centre	Office Building	£1,471
Business - Offices - Out of town centre /Business Park	Office Building	£1,345
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£995
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£995
Hotel (budget)**	Hotel - edge of town centre / edge of town	£1,532
C2 - Residential Institution	Nursing / Care Home	£1,562

*includes external works cost addition by DSP, but excludes contingencies (contingencies added by separate allowance)
**all-in cost – range from budget to 4*+

2.6.2 Unless stated, the above build cost levels do not include contingencies or professional fees. An allowance for externals has been included on a variable basis depending on the scheme type (typically between 5% and 20% of base build cost). These are based on a range of information sources and cost models and generally pitched at a level above standard levels in order to ensure sufficient allowance for the potentially variable nature of site works. The resultant build costs assumptions (after adding to the above for external works allowances but before contingencies and fees) are included at the tables in Appendix I.

2.6.3 For this broad test of viability it is not possible to test all potential variations to additional costs. There will always be a range of data and opinions on, and methods of describing, build costs. In our view, we have made reasonable assumptions which lie within the range of figures we generally see for typical new build schemes (rather than high specification or particularly complex schemes which might require particular construction techniques or materials). As with many aspects there is no single appropriate figure in reality, so judgments on these assumptions (as with others) are necessary. As with any appraisal input of course, in practice this will be highly site specific. In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.6.4 In all cases further allowances have been added to the total build cost in respect of achieving higher sustainable design and construction standards (either in relation to building regulations or equivalent requirements). In the residential scenarios, this was applied to all dwellings assuming that construction standards will need to meet the equivalent requirements for the Code for Sustainable Homes enhancement to level 4 (CfSH L4) for energy as met through compliance with Building Regulations. We have utilised information within the DCLG Housing Standards Review Impact Assessment[10] and Zero Carbon Hub respectively[11]. In the case of commercial / non-residential scenarios, all build costs were increased by 5% to represent potential costs associated with achieving BREEAM (Building Research Establishment Environmental Assessment Method) or equivalent / similar standards reflecting carbon reduction objectives. Appendix I provides more detail.

2.6.5 An allowance of 5% of build cost, effectively a further contingency, has also been added in all cases, to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard assumption in our recent experience. We have seen variations, again, either side of this level in practice.

2.6.6 Survey and normal site costs have been allowed for on a notional basis (£4,500 per unit for smaller residential scenarios; variable allowances within the larger residential and commercial scenarios).

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[10] DCLG – Housing Standards Review Consultation Impact Assessment August 2013 / EC Harris – Housing Standards Review – Potential Cost Impacts – Summary (June 2013)

[11] Zero Carbon Hub / Sweett Group – Cost Analysis: Meeting the Zero Carbon Standard (February 2014)

2.6.7 It is important to bear in mind that the base build cost levels may vary over time. In the recent past recessionary period we saw build costs fall, but moving ahead they have in many cases risen relatively sharply – seen readjustment - in the recent period and will continue to rise (although more gradually) according to current BCIS forecasts.

2.6.8 At the time of reporting the latest available BCIS briefing (March 2015) stated on build cost trends:

'Currently our data is showing that tender prices fell by 0.8% in 3rd quarter 2014 compared with the previous quarter, but rose by 6.8% compared with a year earlier.

The General Building Cost Index remains unchanged at 319 in 3rd quarter 2014, rising by an annual 1.9%.

The Office for National Statistics (ONS) report that the total volume of construction orders in Great Britain rose by 5% in 3rd quarter 2014 compared with the previous quarter, and by an annual 3%.

Total construction output fell by 2% in 4th quarter 2014 compared with the previous quarter, according to the ONS, but rose by 5% compared with the same quarter in 2013. Total construction output also rose by 7% in 2014 as a whole compared with 2013.

Based on the latest data received, the forecast of building cost has been revised downward a little over the first year of the forecast, but remains virtually unchanged over the remainder of the forecast period. BCIS will be keeping a close eye on the effect of oil price changes on construction materials prices over the upcoming quarters and may need to adjust the forecast accordingly.'[12]

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[12] BCIS Quarterly Briefing - Five Year Forecast of Building Costs and Tender Prices (April 2014)

Annual % Change	4Q12 to 4Q13	4Q13 to 4Q14	4Q14 to 4Q15	4Q15 to 4Q16	4Q16 to 4Q17	4Q17 to 4Q18	4Q18 to 4Q19
Tender Prices	+6.3%	+7.1%	+4.3%	+4.5%	+5.4%	+5.5%	+4.9%
Building Costs	+1.3%	+1.6%	+1.3%	+3.4%	+3.6%	+3.8%	+3.9%
Nationally Agreed Wage Awards	+1.1%	+2.3%	+2.8%	+3.3%	+3.9%	+3.9%	+3.9%
Materials Prices	+0.4%	+1.1%	+0.4%	+2.6%	+3.3%	+3.6%	+4.1%
Retail Prices	+2.7%	+1.9%	+1.5%	+2.9%	+3.5%	+3.4%	+3.6%
Construction New Work output*	+0.7%	+7.5%	+6.1%	+4.6%	+2.7%	+3.7%	+4.4%
* Year on Year (4Q12 to 4Q13 = 2012 to 2013)							

Source: BCIS

2.7 Development Costs – Fees, Finance & Profit (Residential)

2.7.1 The following costs have been assumed for the purposes of this study alongside those noted within section 2.6 above and vary slightly depending on the scale and type of development (residential or commercial). Other key development cost allowances for residential scenarios are as follows - *<u>for the purposes of this assessment only</u>* (Note: Appendix I also provides a summary):

<u>Professional fees</u>:	*Total of 10% of build cost*
<u>Site Acquisition Fees</u>:	*1.5% agent's fees* *0.75% legal fees* *Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT).*
<u>Finance</u>:	6.5% p.a. interest rate *(assumes scheme is debt funded)* *Arrangement fee variable – basis 1-2% of loan*
<u>Marketing costs</u>:	*3.0% - 6.0% sales fees* *£750 per unit legal fees*
<u>Developer Profit</u>:	*Open Market Housing – 20% GDV* *Affordable Housing – 6% of GDV (affordable housing revenue).*

2.8 Development Costs – Fees, Finance & Profit (Commercial)

2.8.1 Other development cost allowances for the commercial development scenarios are as follows *(for the purposes of this assessment only)*:

Professional and other fees:	*12% of build cost*
Site Acquisition Fees:	*1.5% agent's fees* *0.75% legal fees* *Standard rate (HMRC scale) for Stamp Duty land Tax (SDLT)*
Finance:	*6.5% p.a. interest rate (assumes scheme is debt funded)* *Arrangement fee variable – 1-2% loan cost*
Marketing / other costs:	*(Cost allowances – scheme circumstances will vary)* *1% promotion / other costs (% of annual income)* *10% letting / management / other fees (% of assumed annual rental income)* *5.75% purchasers costs – where applicable*
Developer Profit:	*20% of GDV*

2.9 Build Period

2.9.1 The build period assumed for each development scenario has been based on BCIS data (using its Construction Duration calculator - by entering the specific scheme types modelled in this study) alongside professional experience and informed by examples where available. The following build periods have therefore been assumed. Note that this is for the build only; lead-in and extended sales periods have also been allowed-for on a variable basis according to scheme type and size, having the effect of increasing the periods over which finance costs are applied (see Figure 7 below):

Figure 7: Build Period

Development Use Type	Scheme Type	Build Period (months)
Residential (C3)	5 Houses	6
	10 Houses	9
	11 Houses	9
	15 Houses	12
	30 Houses	12
	30 Flats	18
	30 Flats (Sheltered)	18
	50 Houses	18
	100 Mixed	24
	350 Mixed	60*
Large Retail	Large Supermarket - out of town	12
Large Retail	Retail warehouse	7
Town Centre Retail / Restaurant	Comparison shops (general/non shopping centre)	6
Small Retail	Convenience Store - various locations	6
A3 Restaurant	Town centre	6
Business - Offices - Town Centre	Office Building	6
Business - Offices - Out of town centre /Business Park	Office Building	12
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	6
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	6
Hotel (budget)***	Hotel - edge of town centre / edge of town	9
C2 - Residential Institution	Nursing Home	14

*Larger scheme types – potential involvement by multiple house-builders

2.10 Other planning obligations - Section 106 ('s.106') Planning Agreement Costs

2.10.1 At this stage, and based on its own overview of the local circumstances and development market including relativities with adjoining areas (e.g. West of Newark & Sherwood with a nil CIL charging rate), MDC has decided for the time being that it does not intend currently to seek to introduce a Community Infrastructure Levy (CIL). However, it will need to continue to seek to secure the necessary infrastructure to make development acceptable through s.106 agreements. As part of this study, sensitivity testing was carried out to test the level of s.106 (on a £ per dwelling basis) that could be potentially viable alongside the testing of varying levels of affordable housing (as target %s). The appraisals and subsequent results therefore show the relationship between affordable housing and other s.106 potential costs as both are changed. For this study we have tested s.106 planning obligations levels from £0 to £5,000 per dwelling. It is important to note that this does not preclude higher levels of planning obligations being necessary or achievable in some circumstances; these are purely assessment assumptions to add to MDC's information bases and inform its ongoing policy development work.

2.10.2 As of 6th April 2015, there are now restrictions in place nationally on the pooling of planning obligations – through the CIL Regulations. Now, local authorities can no longer pool more than 5 no. s.106 obligations (e.g. financial contributions) together to pay for a single infrastructure project or type of infrastructure. This restriction applies retrospectively too and so includes any obligations dating back to March 2010. In practice this means that MDC and other planning authorities that do not have a CIL in place will be restricted to site-specific mitigation in the planning obligations that can be sought. They should not be used for generic / general infrastructure fund payments to the local planning authority (LPA).

2.11 Indicative land value comparisons and related discussion

2.11.1 Land value in any given situation should reflect the specifics on existing use, planning potential and status / risk, development potential (usually subject to planning) and constraints, site conditions and necessary works, costs and obligations. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value; as has been recognised by Local Plan and CIL Examiners as well as Planning Inspectors.

2.11.2 As discussed previously, in order to consider the likely viability of any development scheme relevant to the Local Plan and its policies, the outturn results of the development appraisals (the RLVs viewed in £/ha terms) need to be somehow measured against a comparative level of land value. This is a key part of the context for reviewing the strength of the results as those change across the range of assumptions on sales values (GDVs), s.106 costs and other sensitivity tests (crucially including the effect of affordable housing policy targets applied fully in the case of the residential tests).

2.11.3 This comparison process is, as with much of strategic level viability assessment, not an exact science. It involves judgements and the well-established acknowledgements that, as with other appraisal aspects, land value circumstances and requirements will in practice vary from scheme to scheme as well as being dependent to some extent on timing in relation to market conditions and other wider influences such as Government policy. The levels of land values selected for this comparison context are often known as 'benchmark' land values, 'viability tests' or similar (as referred to in our results tables – Appendix II and within the following report Chapter 3). They are not fixed in terms of creating definite cut-offs or steps in viability, but in our experience they serve well in terms of adding a layer of filtering to the results, to help enable the review of those; they help to highlight the tone of the RLV results and therefore the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change – with key relevant assumptions (variables) in this case being the GDV level (value level – VL), affordable housing (AH) % and, to a lesser extent, the s.106 level included for scheme specific mitigation in addition .

2.11.4 As suitable context for a high level review of this nature, DSP's practice is to compare the wide range of appraisal RLV results with a variety of potential land value comparisons in this way. This allows us to consider a wide range of potential scenarios and outcomes and the viability trends across those. This approach reflects the land supply picture that the Council expects to see.

2.11.5 The local housing requirement and Local Plan Consultation Draft emerging strategy for growth that is responsive to that (see 1.2.5 to 1.2.8 above, together with Appendices I and IId for further information) features a predominant overall supply role for a range of suitable urban and urban fringe greenfield sites. The 'urban greenfield' scenarios are likely to include former allotment sites, under-used or redundant amenity land and former school playing fields and the like. The 'urban fringe' sites, using predominantly agricultural land, are also likely to be of a relatively modest scale – again as was noted at 1.2.5 to 1.2.8 above. In addition, it is likely that a range of typically smaller schemes will continue to come forward and support the overall supply picture (although this will tend to be in a diminishing way over the Local Plan timescale) from previously developed former commercial / employment land, non-conforming uses as well as in some cases reuse and intensification of existing residential sites and garden areas.

2.11.6 The scale of the difference between the RLV and comparative land value level (i.e. surplus after all costs (including policy costs), profit and likely land value expectations have been met) in any particular example, and as that changes between scenarios, allows us to judge the potential scope across the various development circumstances to meet other policy costs / requirements. It follows that, in the event of little or no surplus or a negative outcome (deficit), we can see a poor viability relationship and vice versa.

2.11.7 The land value comparison levels are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. In our experience, sites will obviously come forward based on very site specific circumstances – including in some cases beneath the levels assumed for this purpose.

2.11.8 In order to inform these land value comparisons or benchmarks we sought to find examples of recent land transactions locally. Limited evidence of such was available from the various soundings we took and sources we explored. In the usual and appropriate way for such a study, we reviewed information sourced as far as possible from the VOA, previous research / local studies / advice provided by the Council, through seeking local soundings, EGi; and from a range of property and land marketing web-sites. Details, so far as available, are provided in Appendix III.

2.11.9 In terms of the VOA, data available for comparison has reduced significantly since the July 2009 publication of its Property Market Report (PMR), with data provided only on a limited regional basis in the later reporting. The VOA now no longer produces a PMR and suggests that caution should be used when viewing or using its data. Nevertheless in areas where it is available, the data can provide useful indicators, certainly in terms of trends.

2.11.10 As can be seen in Appendix II (residential and commercial scenarios results), we have made indicative comparisons focussing on land value levels in a range between £0.25m/ha and £0.75m/ha so that we can see where our RLVs fall in relation to these levels (including both above and below) and the overall range between them.

2.11.11 These benchmarks are based on a review of available information. In this case the approach was informed primarily by some the principle of using a range of benchmarks (in common with DSP's usual and established practice) as per previous work undertaken locally together with any information from site specific reviews and, as noted, any further information gathered through our exercise of seeking local soundings (stakeholders' survey – as outlined in Appendix III).

2.11.12 The figure that we consider to represent the minimum land value likely to incentivise release for development under any circumstances in the Mansfield context is around £250,000 to £350,000/ha based on net developable site area. However we have used the higher end of this range as a key benchmark at £350,000/ha owing to the amount of development that we understand to be coming forward on greenfield land both within an urban setting and in the urban fringe context (as noted at 2.11.5 above). Land values at those levels are likely to be relevant to development on smaller through to larger scale greenfield land (or enhancement to amenity land value) and therefore potentially relatively commonly occurring across the district. It is important to note that at these levels and all levels indicated by the RLV results being compared with them (see the tables at Appendix II), the land values shown indicate the receipts available to landowners after allowing within the RLV appraisals for all development costs. This is to ensure no potential overlapping / double counting of development costs that might flow from assuming land values at levels associated with serviced / ready for development land with planning permission, etc. The RLVs and the indicative comparison levels ('viability tests') represent a "raw material" look at the land, with all development costs falling to the prospective developer (usually the site purchaser).

2.11.13 So this approach (as relates to all land values) assumes all deductions from the GDV covered by the development costs assumptions. At this level it could be relevant for consideration as the lowest base point for enhancement to greenfield land values (with agricultural land reported by the VOA and a range of other sources to be valued at circa £20,000 - £25,000/ha in existing use). The HCA issued a transparent assumptions document which referred to guide parameters of an uplift of 10 to 20 times agricultural land value. This sort of level of land value could also be relevant to a range of less attractive locations or land for improvement. This is not to say that land value expectations in such scenarios would not go beyond these levels – they could well do in a range of circumstances.

2.11.14 Land value judgements for the assessment purpose are based on seeking to ensure a competitive return to a willing landowner, as is recognised through the RICS guidance on 'Financial Viability in Planning' (RICS GN 94/2012 – as noted below), the NPPF requirements and other papers on viability assessment.

2.11.15 The consideration of land value – whether in the RICS' terms (see below) or more generally for this context, involves looking at any available examples ('comparables') to inform a view on market value and may well also involve considering land value relating to an existing or alternative use ('EUV' or 'AUV'). A similar concept to existing use value may also be referred to as 'CUV' (i.e. current use value). In addition, there may be an element of premium (an over-bid or incentive) over 'EUV' or similar required to enable the release of land for development – i.e. to take a site out of its current use, but not necessarily applicable where a site has become redundant for that use.

2.11.16 The HCA's draft document 'Transparent Viability Assumptions' that accompanies its Area Wide Viability Model suggested that '*the rationale of the development appraisal process is to assess the residual land value that is likely to be generated by the proposed development and to compare it with a benchmark that represents the value required for the land to come forward for development*'. This benchmark is referred to as threshold land value in that example: '*Threshold land value is commonly described as existing use value plus a premium, but there is not an authoritative definition of that premium, largely because land market circumstances vary widely*'. Further it goes on to say that '*There is some practitioner convention on the required premium above EUV, but this is some way short of consensus and the views of Planning Inspectors at Examination of Core Strategy have varied*'.

2.11.17 RICS Guidance[13] refers to site value in the following '*Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan… The residual land value (ignoring any planning obligations and assuming planning permission is in place) and current use value represent the parameters within which to assess the level of any planning obligations'.*

2.11.18 In the Local Housing Delivery Group report[14] chaired by Sir John Harman, it is noted that '*Consideration of an appropriate Threshold Land Value needs to take account of the fact that future plan policy requirements will have an impact on land values and*

[13] Financial Viability in planning – RICS Guidance note (August 2012)
[14] Local Housing Delivery Group – Viability Testing Local Plans (June 2012)

landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.

We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values'.

2.11.19 These types of acknowledgements of the variables involved in practice align to our thinking on the potential range of scenarios likely to be seen. As further acknowledged later, this is one of a number of factors to be kept in mind in setting suitable rates which balance viability factors with the infrastructure needs side.

2.11.20 We would stress here that any overbid level of land value (i.e. incentive or uplifted level of land value) would be dependent on a ready market for the existing or other use that could be continued or considered as an alternative to pursuing the redevelopment option being assumed. The influences of existing / alternative uses on site value need to be carefully considered. At a time of a low demand through depressed commercial property market circumstances, for example, we would not expect to see inappropriate levels of benchmarks or land price expectations being set for opportunities created from those sites. Just as other scheme specifics and appropriate appraisal inputs vary, so will landowner expectation.

2.12 Consideration of other potential development costs and criteria

Enhanced (optional) technical standards – over Building Regulations base requirements

2.12.1 Our understanding is that the only area in which MDC is considering incorporating the optional Building Regulations enhancements into its policies is on 'Specialist Housing' (Consultation Draft Local Plan Policy S6) and access to dwellings. This was referred to at 1.4.8 above - Approved Document M (Access to and use of buildings). Here we outline the current cost estimates associated with Categories (2) and (3), sourced from DCLG's Housing Standards Review Cost Impact (Report by EC Harris) - indicating average extra-over costs to be as follows:

- Category 2 - Accessible and adaptable dwellings:
  - Flats £1,646/unit; Houses £2,447/unit;
- Category 3 - Wheelchair user dwellings:
  - Flats – additional space cost - £15,691/unit; houses – additional space cost - £26,816/unit.

2.12.2 As was noted, Categories (2) and (3) apply only where required by planning permission – the optional element implementable by the Local Authority's approach subject to local justification as noted at 1.4.11 above. We will revisit this in section 3 below.

Custom and Self-Build Dwellings

2.12.3 Consultation Draft Policy S7 refers to supporting prospective custom builders, whereby provisionally 5% of dwelling plots on sites of 10 or more dwellings are to be made available to custom builders.

2.12.4 To DSP's knowledge at the time of reporting there is no particular detail around MDC's requirements on this – e.g. in terms of plot size / type, value, any preparatory and servicing requirements etc. A market-led approach is envisaged, except that a form of cascade arrangement is proposed in the draft policy to ensure that these plots do not quickly revert to additional developer promoted market sale homes.

2.12.5 This aspect is picked up again at 3.8.26 below.

3 Findings and Recommendations

3.1 Local property market backdrop – general development viability conditions – focussing first on residential development viability prospects

3.1.1 The following report sections 3.1 to 3.4 provide:

- An overview of the main themes identified from the research and viability testing, and;

- A guide to reviewing and using the results tables at Appendices IIa to c.

3.1.2 From section 3.5 below, further detail is then added through discussing more specifically the trends seen from an overview of the tables and reviewing example results in order to further explain the outcomes; linking later on to our recommendations / potential options for MDC's consideration.

3.1.3 It is not necessary or appropriate to discuss all or even significant numbers of individual results. Judgements are informed by an overview of the trends seen and then a closer look at particular scenarios with the most relevant current value levels and expected site types, etc., in mind.

3.1.4 A very large number of appraisals were carried out (each RLV with the Appendices tables being generated from a DSP appraisal). Purely to give a feel for the assessment process, the reported final results sets included in the report Appendices relied on just over 2,300 no. appraisals, including approximately 100 no. looking at commercial / mixed-use scenarios and with the vast majority focussing on the residential ones. This all amounts to extensive sensitivity testing and followed earlier appraisal sets superseded / updated as the assessment progressed and as part of building-up, review and further testing the early stages, draft and then final findings.

3.1.5 Included as a further Appendix to this report – Appendix IId – is a table summarising potential outcomes (combinations of affordable housing (%) and s.106 (approx. £/dwelling) and this gives a good overview guide based on a list of emerging potential allocations sites supplied to DSP by MDC – sites under consideration for allocation to provide the planned new housing growth to be promoted by the new Local Plan.

3.1.6 The sites / locations noted there are provisional and to be confirmed in terms of their actual status and relevance, but it was considered that this served as a very useful exercise and a form of overlay to the results, again to help interpretation and to provide examples. The Council can use these or the wider results information to read-off and consider the various potential “trade-offs” between affordable housing and other matters; and the impact of the market sales values changing either by location or over time. In this way, the results sets can also be used to consider different combinations and scenarios that provide similar RLV results and therefore similar viability prospects providing that the site types / schemes that are being viewed together are broadly comparable. In the same way, key differences between (influences on) the results can also be considered.

3.1.7 The Appendix IId table is based, for this appropriate overview purpose, on a land value of £350,000 being attained or bettered in each case. However, as the full results tables at Appendix IIa show, many scenarios will support land value levels beyond that – if necessary, but also noting the importance of realistic expectations on land value as reflected by the general level of appraisal RLVs produced based on the assessment assumptions as tailored for Mansfield District.

3.1.8 Overall, the assessment findings – range of appraisal outcomes and the viability indications from those - are probably best described as mixed.

3.1.9 The wide range of scenario tests and RLV results (tabled within Appendices IIa, IIb and IIc) are in our view indicative of localities and schemes where, in general terms, some flexibility on the part of the landowner, developer and the Council is likely to be needed compared with probable starting aspirations on values, profitability and scope to support a wide set of planning obligations.

3.1.10 Looking across the assessment outcomes, in terms of key Local Plan relevance there are relatively few scenarios that appear to provide genuinely strong viability prospects offering significantly more scope to support planning obligations (s.106, including affordable housing) than are generally sought under the Council’s existing arrangements and approach.

3.1.11 In our view the impact from the effective constraints of the local market conditions is the overriding factor in this district. So whilst there is a limit to what the Council can reasonably do to effect the overall market picture positively, overall, the balance between viability and suitable development supporting (and supported by) affordable housing and infrastructure is going to need to be considered carefully in firming-up the development strategy and policies.

3.1.12 This is not a unique or entirely negative picture however. There is a range of signals and a balance to consider. However, from discussions with officers, we have found this picture to be recognised at the Council, as it is by others involved locally.

3.1.13 Essentially, the range of results seen (indicating poor to marginal and then some improved levels of viability in the higher sales values levels scenarios) are reflective of the new-build residential sales values in many instances being at around the level which we consider to be the "cusp" of viability. This is prior to considering fully applied planning obligations (which we calculate would amount to an overall average of approximately £8,000 per dwelling based on current MDC requirements in combination with the existing 20% affordable housing policy headline. By in large, therefore, the RLV indications also tend to be highly sensitive to (i.e. deteriorate from potentially viable levels with) added development cost.

3.1.14 Consideration of the findings involves recognising the tensions between robust viability assessment assumptions of the type needed for a Local Plan viability or similar strategic level assessment, and "on the ground" experience – looking at how those come together; where they overlap. A strategic assessment like this cannot used negotiated / value-engineered appraisal inputs on development costs (e.g. build and associated costs, profits and land values) that are likely to be necessary at least some of the time on in order to secure an improved level of viability.

3.1.15 Both our assessment findings and on the ground position suggest than in bringing forward developments locally it is often necessary for landowners' and developers' positions to be flexible in comparison with wider "market norm" type assumptions; at least some of the time. Similarly, whilst we can be positive on sales values reflecting the different offer provided by new build over most existing stock, and developers' skills at optimising values for a given location, we cannot rely on future growth. However, it is relevant to consider the picture over the 'economic cycle' and so as the strength of the relationship between development values and costs may vary with time, and not just by location.

3.1.16 A key point related to this, in our opinion, is that at the point the local market drivers support viable development based on particular opportunities, it will usually begin to support an improved level of planning obligations (affordable housing and other). It appears that in the main any viability issues are likely to be inherent in the local market conditions as affects particular sites.

3.1.17 Whilst potentially the impact of that key influence may be contributed to by planning policy requirements for affordable housing or other matters, it is unlikely to be caused by those. In our experience, developers will look to get involved and bring proposals forward where they consider there to be reasonable prospects for saleable, profitable development and the market is really the determinant of this; for example an affordable housing policy target set as MDC's at 20% and operated practically would not normally be viewed as a deterrent to development. Where necessary for scheme delivery, typically we see that developers and others will come forward but then seek to negotiate as far as necessary on matters such as affordable housing; an approach that MDC has facilitated.

3.1.18 Viewed overall based on the current market feel, the general tone of the results essentially verifies recent and current local experience whereby a number of sites are lying dormant or at least not attracting significant interest.

3.1.19 Generally, it might be said that there are relatively low levels of demand for development opportunities and that there are limited opportunities to progress schemes purely reliant on market processes; and especially in terms of securing full levels of planning obligations.

3.1.20 This undoubtedly presents a range of challenges to schemes progressing quickly in significant numbers, and to securing appropriate development and infrastructure, as the Council is only too well aware. This is considered to be inherent in the local market circumstances, as above, rather than a direct consequence of the existing or any likely levels for new policy targets, which we do not consider to be over-ambitious.

3.1.21 In balance with the above, however, our findings are mixed and also include a range of more positive signs. Therefore, our reporting messages are necessarily mixed too, and it will be for MDC to consider this assessment as part of its developing wider evidence base; and how this all comes together to inform and support appropriate local planning priorities and the delivery approach moving forward.

3.1.22 From review of the results, we can see that the RLVs increase significantly with rising house price (sales value level – VL). Following on from the observations made above, e.g. at 3.1.15, it will be the case that even with increased costs and fully met policy requirements assumed, a large number of the scenarios move clearly into positive viability even when considered alongside much higher land value levels if those begin to become supportable.

3.1.23 Overall, bearing in mind the local context as overviewed here, we do not consider that lowered AH targets would by themselves ensure a turn-around. Given the level of housing needs, the continuation of an appropriately worded and flexibly applied policy target (% AH) would be just as likely to succeed in our view, and would still provide a key planning policy tool for securing AH so far as possible against that.

3.2 Commercial property development

3.2.1 In general terms the local market conditions and their influence on activity in respect of commercial development prospects are broadly equivalent to those outlined above. Again, more information is provided below (as well as at Appendices IIb and III). Consistent with the local market observations noted at 2.4.8 to 2.4.9 above, at the current time most development forms other than certain types of retail are unlikely to be clearly viable; particularly as speculative schemes and especially when considering most employment use (Business ('B') Class) developments.

3.2.2 There is an important difference from the residential findings, however. It should be noted that the commercial / non-residential viability results generated are similar in terms of their general poor overall tone, to those seen in most other local authority areas that we have studied. The improvement in commercial property market and development conditions, especially for speculative development, has been mainly limited to the best connected and established locations, as well as for renewed activity in certain sectors. So certain commercial property requirements are picking up, with investment responding, but in our experience so far that is not being seen to any great extent outside the prime locations and sectors. This appears to apply to Mansfield.

3.2.3 All in all, we consider that there will be less scope for MDC to influence viability and deliverability outcomes for commercial development schemes, compared with the potential for at least some degree of influence over residential development prospects (although on the residential side the influencing scope is limited relative to the impacts felt from local market conditions, as noted above).

3.3 Starting to think about strategy and policy implications

3.3.1 Above all, what it is likely to mean is, for the time being at least, continuing a practical view - working with the market as it permits and with parties exploring and promoting appropriate development opportunities.

3.3.2 In terms of general findings / themes, this is also likely to involve:

i. Continuing to progress a development strategy that offers a range of deliverable sites to the market. From our assessment, the MDC proposal in general to allocate some PDL but a larger proportion of under-used / disused greenfield land within the urban area together with urban fringe greenfield land (in an approximate two thirds urban / one third urban fringe ratio) appears to have the potential to boost the delivery prospects; compared with a greater reliance on PDL sites in the context of the relatively local sales values available to support collective development costs. The urban and urban fringe greenfield sites should come with realistic land value expectations, where mostly there will not be significant existing / competing land use prospects, and we consider that this will be a key factor in delivery and in ensuring the best achievable planning obligations packages.

ii. This emerging largely “urban and urban fringe greenfield” based approach looks set to be combined with a necessary re-use of some significant PDL sites, but those do not dominate the supply pipeline. The Council may wish or need to consider some policy differentiation for the PDL scenarios, as part of underpinning their potential deliverability, and more will follow on this below.

iii. Associated with this emerging strategy, we understand that around half of the sites under consideration within the urban area are publicly owned – by MDC, Nottinghamshire County Council (NCC) or both. In our view this local authority ownership angle on a significant number of the sites should present good opportunities for careful consideration of and more influence over the balance between land vale expectations and optimal achievable planning obligations packages (AH and development mitigation infrastructure secured via s.106).

iv. Operating clear policies – to aid the setting of realistic expectations on land values and other matters, and to provide clarity for developers and others reviewing opportunities. This will be relevant on all sites, including those “windfall” developments that are not specifically part of the planned supply.

v. To continue operating an “open door” type approach to development enquiries, and practical, flexible application of policies impacting potentially significantly on development viability – such as affordable housing – although with consideration of the collective policy and site costs impacts being most important rather than necessarily focusing on individual areas of the requirements.

vi. Intervention and addition to national requirements likely to be kept to a minimum. This means the Local Plan policy set being considered carefully so that, in from a viability perspective, the Council should consider an overall approach that restricts policy interventions and requirements to those needed to guide and create appropriate development.

vii. From an overview of the findings, it is likely that often compromise will be needed relative to the full set of s.106 requirements currently sought. However, the recently introduced restrictions on the use of tariff style planning obligations may well act similarly on the scope for requirements, so that a focus on site-specific development mitigation matters as is now required should still mean that essential s.106 items can be secured to support appropriate developments.

viii. At the delivery level, a realistic assessment will be needed of achievable development and therefore land value, and also regarding the community infrastructure (planning obligations) provision / contributions that will be supported from what is effectively a fixed "pot" of that development value.

ix. Overall, there are options for setting affordable housing (AH) targets as will continue effect market-led housing developments, but these will not exceed 20% under any circumstances in this district in our view. The impact of affordable housing on residential development viability is significant and usually secondary only to the market (as affects values on a particular site and therefore the underlying strength of the relationship between development values and costs that is the key to viability).

3.3.3 As included in the introduction at 1.1.3, at inception stage it was noted that currently MDC is not pursuing proposals for the introduction of a CIL. Having carried out our independent high level review of viability locally, using the same principles and approach also appropriate to CIL viability assessment, we are also able to comment that continued use of s.106 is likely to offer better and more adaptable prospects for securing necessary infrastructure works / contributions.

3.3.4 This is because CIL charges are non-negotiable. Therefore, as a fixed top-slice from the limited development "pot", as mentioned above, we consider it unlikely that at present there would be sufficient clear viability headroom for a meaningful level of CIL charging in the district. This is not a formal finding or recommendation of DSP in this case, since we were not asked to look at CIL. However, this may be considered as a verification of the Council's current stance on the "s.106 versus CIL as the key source of planning-led infrastructure funds" debate that many Councils are weighing-up in respect of their local circumstances. This s.106 based position does come with a series of challenges to work through though, with pooling of obligations for an infrastructure project restricted to collecting from 5 no. s.106 agreements entered into since 2010, as has been noted above. From a practical point of view, the strategy around and the use of s.106 monies / works obligations will need be carefully planned so that obligations from now on are likely to be more specifically directed.

3.3.5 Clearly the local market should be monitored so that, as with all other Local Plan delivery aspects, this could be kept under review and potentially revisited in future.

3.4 More detail on results review

General – guide to the results tables at Appendices IIa (residential), IIb (commercial) and IIc (mixed – residential with commercial) scenario tests

3.4.1 Results summaries are included within the tables at the Appendices to the rear of this report, as follows:

- Appendix IIa (Residential results – tables 1a to 1i);
- Appendix IIb (Commercial / non-residential results – tables 2a to 2e);
- Appendix IIc (Mixed use trial results – tables 3a and 3b)
- Appendix IId – table of potential outcomes / viable obligations combinations aligned to MDC potential site allocations (basis and detail as per this report text).

3.4.2 In each case these reflect the scenarios explained in Chapter 2 and summarised at Appendix I.

3.4.3 Within Appendices IIa, IIb and IIc the tables refer to the potential (indicative) relevance / occurrence of the test scenarios, on an overview basis and bearing in mind that in practice each site will be different. More may be drawn from this as the assessment process informs the Council's building-up of its development strategy allied to the new Local Plan. With that in mind and as noted at 3.1.5 to 3.1.7 above, a further development of this assessment work included the consideration of results alongside MDC's list of potential (emerging) site allocations – see Appendix IId. The process included consideration of the varying site types relevant to schemes on greenfield land (aligned to sites mainly within and adjoining the Mansfield town urban area but also within Warsop Parish) and to a lesser extent previously developed land (PDL) of varying types (e.g. redundant or underused commercial or community use sites). On a windfall rather than planned basis, many of the smaller development scenarios considered at this stage could also occur on host sites with a variety of characteristics.

Residential results tables

3.4.4 In summary the Appendix IIa tables include:

i. Left side – 2 grey shaded columns: Scheme scenario. This summarises the dwelling numbers / scheme type (houses / flats) and the assumed affordable housing policy requirement (AH%) i.e. sensitivity variation tested.

ii. Across the top grey shaded row (column headings): Other assumptions headings on Market (*housing*) Floor Area, housing density, Value Level (VL) and corresponding figure in £/sq. m. (see the columns below those for the relevant figures applicable to each RLV result). To the right, we show the increasing s.106 level sensitivity test levels so that again the RLVs below relate to those assumptions – from 'Base' (i.e. £0 – nil – s.106) to £5,000/dwelling s.106. So there is a range of s.106 levels tested in combination with varying AH moving across (to the right) and down each table respectively. To the far right side of each table, the last 2 columns refer to sensitivity testing relating to added cost assumptions associated with zero carbon construction, with both 'Base' (nil) s.106 and £3,000/dwelling s.106 tested (the latter being the approximate level, on average, that our overview of MDC's information suggested has been collected from developments in recent years).

iii. Within the Appendix IIa table section for each residential scenario type and affordable housing assumption variation, the increasing market sales value level (VLs 1 to 6) used to test the sensitivity of the outcomes to varying values. Overall, this covers values from £1,500 to £2,250/sq. m (approximately £139 to £209/sq. ft.). This range enables us to consider viability as influenced by location and by the market (e.g. including values falling or rising from current typical levels). This provides full context for considering the potential for the varying value levels to support viable developments with reference to the delivery of the emerging Plan development strategy.

iv. The assessment of the viability impact of potential affordable housing and other planning policies and planning obligations (s.106) is based on the running of sensitivity tests. Each of these corresponds with an individual row of figures (the DSP RLV appraisal outputs) within each coloured section of the Appendix IIa tables. Each of these tables shows the results of the development appraisals as both a RLV in £s (white/un-coloured table rows at the top of each scenario section) and an equivalent RLV calculated on a £/ha basis (the results within the graduated white to green coloured lower sections in each AH scenario table).

v. The affordable housing assumed within the scenarios is necessarily on a "best fit" basis according to the total number of dwellings within the scenario and the assumed market mix. In some circumstances, on the smallest sites tested with on-site AH (previously potentially relevant only at 11+ dwellings but with a lower threshold now possible) in particular, we have rounded up or down the assumed AH content to the nearest whole number of dwellings. This can have an effect on the result. This would need to be considered closely in the event of MDC also setting-up policy to that sought to "capture" AH contributions from the smallest schemes possible following the rescinding of the national threshold approach (as per the context at 1.4.13 to 1.4.15 above). In our view were MDC to look at a threshold of lower than say 10 dwellings, which position we consider could be appropriate, in such very small development cases it would most likely to be appropriate to consider a financial contributions approach rather than look rigidly for direct on-site provision. Previously the Council has adopted a practical approach and has not necessarily expected on-site provision but now anticipates having a firmer position seeking direct provision on-site wherever possible – aligned to a newly assessed threshold.

vi. The exploration of the impact of affordable housing percentage variation are shown moving from top to bottom (increasing AH% test) within each results overview table at Appendix IIa.

Residential (sales) values

3.4.5 In terms of residential values, although in practice values patterns will not usually respect boundaries as such (values tend to vary very locally, influenced by schools, views, proximity to amenities and facilities, road/transport networks, etc.), we can indicate the relevance of the Values Levels (VLs) to the market levels for new builds (as far as seen at the time of research) and the district's main localities.

3.4.6 This allows us to consider the sensitivity of outcomes to this key input varying and to consider a suitably localised view of the influence of values on viability; and therefore on the potential need for this to be reflected in MDC's planning policy response through the new Plan. Where the values and viability implications relevant to new build housing vary considerably, this can mean varying policy treatments by area.

3.4.7 However, we found relatively little variation in values as are likely to be relevant to new housing in the district; and for the study purpose particularly looking at the main Mansfield "urban area greenfield" emphasis currently under consideration by MDC – i.e. the emerging next set of planned supply locations, where allocations or planning permissions are not yet confirmed. Through our discussions with MDC officers and reviewing information such as the emerging list of potential site allocations (e.g. see Appendix IId) combined with our research, we were able to take a view on the most relevant areas of the values range (VLs) that we have used for sensitivity testing.

3.4.8 As the Council progresses its development strategy work, it will need to check the relevance of the various localities (and therefore VLs) and scenario tests to the expected distribution of housing growth (i.e. their relevance to overall plan delivery). This will directly affect the final selection of the policy set (particularly with regard to affordable housing). DSP can advise further on this if the picture changes significantly from that envisaged under the emerging largely "urban and urban fringe greenfield" based approach, involving sites with an indicative capacity not exceeding around 375 dwellings maximum but in the main providing fewer than 100 dwellings and with a smaller number providing not more than around 200.

3.4.9 Figure 8 below provides a brief summary of the general relevance of the VLs used for the sensitivity testing – considering the influence of values on viability across the district. A similar table is also provided at Appendix I – overview of assumptions.

Figure 8: Indicative relevance of value levels (VLs).

Market (sale) Value	VL1	VL2	VL3	VL4	VL5	VL6
Location (range) / Sensitivity test		Overall Range of new build values across the District				
		North & West Mansfield District				
			South & East Mansfield District			
	Lower End Sensitivity Test		Typical New Build Values Range			Upper End Sensitivity Test
1 Bed Flat*	£67,500	£74,250	£81,000	£87,750	£94,500	£101,250
2 Bed Flat*	£90,000	£99,000	£108,000	£117,000	£126,000	£135,000
2 Bed House*	£112,500	£123,750	£135,000	£146,250	£157,500	£168,750
3 Bed House*	£142,500	£156,750	£171,000	£185,250	£199,500	£213,750
4 Bed House*	£187,500	£206,250	£225,000	£243,750	£262,500	£281,250
5 Bed House*	£225,000	£247,500	£270,000	£292,500	£315,000	£337,500
Value (£/sq. m)	**£1,500**	**£1,650**	**£1,800**	**£1,950**	**£2,100**	**£2,250**
Value (£/sq. ft.)	£139	£153	£167	£181	£195	£209

* Values indicated for all dwelling types are based on the dwelling size assumptions (as at Appendix I and 2.28 above – Figure 3)

(Source: DSP 2015)

3.4.10 Summarising the use of the VLs range and drawn from Appendix III, the general themes that we observed on values, and that have informed our thinking, are:

i. The overall range of new-build values currently relevant is represented by VLs 2 to 6 (£1,650 to £2,250/sq. m);

ii. Within this, at the current time and bearing in mind the stabilising and potentially upward looking market, the most relevant part of that range is considered to be VLs 3 to 4 (£1,800 to £1,950/sq. m) and at the point of research the most relevant single VL to be VL3 (£1,800/sq. m);

iii. Whilst the research indicated a tendency to see marginally higher values moving south / east in the district, the variations relevant to the emerging development strategy sites are considered to be relatively small and mostly based on site-specifics rather than wider / general area variations. Developers' skills and experience will most often see prevailing levels of values (for resale property) exceeded owing to the different offer that will usually be presented by new build schemes.

iv. There was no clear evidence to suggest notably higher values moving outside the Mansfield town (main) urban area to either Warsop or other areas / smaller settlements. The non-urban area of the district does not include high value villages that are typical in many other rural areas, and does not include smaller settlements that are going to be relevant to the planned supply of new housing overall.

v. In fact, if anything, owing to the facilities and greater variety on offer, Mansfield urban area values for new builds are unlikely to be significantly exceeded and will often be amongst the best achieved looking at the district as a whole. Combined with the relevance of the urban area based development strategy that is under review, these observations support the view that at present a relatively narrow band of values is relevant to considering the new Plan.

vi. Continued variation is expected to be seen within all areas at a street-by-street level and according to local facilities, schooling and the like; all usual factors creating values differentiation. Both smaller more individual developments and larger scale sites may well set their own value levels at higher than prevailing market levels, depending on the particular offer created, the location and proximity to facilities, etc.

vii. The Council cannot reply on values growth to underpin strategies or policy positions or, but the wider context of the market trends may be included in the consideration of how planning policies set now might perform with rising values, as are currently predicted, moving ahead through the next few years at least.

Land values – indicative measuring of the RLV results

3.4.11 To recap on this area, following our information gathering (as included at Appendix III) and reviewing of available evidence in accordance with the guidance as related to plan-level strategic viability assessment, judgements need to be made about the placing of land value comparisons or targets / indications (often referred to as 'benchmarks', 'thresholds' or similar) against which the assessment RLV appraisal results will be measured; as a guide to seeing whether the RLVs are likely to be strong enough to support the combination of values assumptions, policy and development cost impacts being tested each time.

3.4.12 To recap, the significant role of what might be described as 'urban greenfield' land, being former or under-used allotments, amenity land, playing fields and similar is considered a key factor. There is also a small number of sites of a mixed nature (mixed PDL and urban greenfield) and we have noted a very significant potential role for MDC / other publicly owned land.

3.4.13 Given these site types look to be of most relevance to the plan delivery (currently based on the emerging development strategy), a 'benchmark' of £350,000/ha is the most relevant measure to use, overall. In practical terms land values will vary, and potentially they will do so widely as in reality the site value is a product of the specific opportunities and constraints posed by the actual location, site conditions, etc. So this part of the high-level viability study good practice - the use of a benchmark or benchmarks – does need to be viewed in the context of the assessment purpose and being realistic about how that may interact with the delivery level specifics. It is not in any way intended to set, restrict or increase land values from levels considered site-specifically.

3.4.14 With the range of results viewed in this way, the possibility that higher or lower land values may be relevant over the course of delivering the various sites, must be acknowledged. As can be seen from Appendices IIa, IIb, IIc and IId, there is a wider range of RLV results so the use of benchmarks does not constrain those or mean that results below or above the benchmarks are not relevant or cannot be considered; the range remains important and therefore we do not use the £350,000/ha (or any other benchmark / viability test) as a firm cut-off. These are factors that apply with all assessments of this type (for local plan and where relevant for CIL viability purposes), not just in Mansfield.

3.4.15 Looking at Mansfield, we are of the view that whilst some site values might exceed the £350,000/ha benchmark, from the available information they are unlikely to exceed £500,000/ha on a regular basis. Nevertheless, higher viability tests are shown within our Appendix II tables – to help filter the results and gain a feel for trends of strengthening or reducing viability as the appraisal scenarios and assumptions change. The following sections draw on this thinking. The filtering of results is used to provide a gauge of their likely viability in different circumstances relating to the land values context set out at 2.11 and directly above. Further information on land values is also provided at Appendix III.

Review of results – trends and example outcomes from the scenario testing

3.4.16 In the following sections we will run through the trends seen and example findings from our testing – as may be viewed at **Appendix IIa (residential scenarios)**. We refer here to land value comparisons (benchmarks) and s.106 (£ per dwelling) in '£k' terms, meaning £000.

3.4.17 **Table 1a – 5 houses.** These scenarios contain no AH. We can see that:

i. At the lowest value (VL1 – sensitivity test only) no scenarios appear workable, even with nil s.106.

ii. At VL2, low-end new-build values, a £350k/ha land value is reached with £4k per unit s.106. £500k/ha equivalent is not reached with nil s.106.

iii. However, bearing in mind that smaller land parcels may tend to cost more when viewed on a £/ha basis and that the actual (£ sum) RLV will need to be sufficient to buy the plots, and potentially out of an existing use, it is likely that the RLVs generated by VL3+ are going to be most relevant. At VL3, all RLVs exceed £500k/ha equivalent and they exceed a higher benchmark of £750k/ha equivalent with up to £2k/unit s.106.

iv. As expected, at VL4+ the RLVs become significantly stronger and indicate capacity to support a full range of s.106 costs – up to £5k/unit or more.

3.4.18 **Table 1b – 10 houses.** Following the rescindment of the national policy changes that came from the 28th November Ministerial Statement and the removal of the 11 dwellings minimum threshold, this results set in our view represents the minimum point at which MDC could consider seeking on-site affordable housing. We see that:

i. As in the case of the 5 houses scenarios, the values at VL1 are insufficient to support viability with the other assumptions used.

ii. Again as above, VL2 values start to support potentially viable development with no on-site AH and nil. s106 if £500/k for land is to be attained. Although it is perhaps unlikely to be workable in practice, if £350/k equivalent were sufficient as a land value then up to around £3k/unit s.106 could be supportable.

iii. The VL3+, and certainly VL4+, scenarios are the ones much more likely to support viable development once we bear in mind potential land value requirements as above; but at those levels the values should support a range of s.106 requirements if applicable – up to £5k/unit or perhaps more depending on circumstances.

iv. As above, wider review of these results (i.e. scenarios including AH) has now potentially become more relevant since MDC is no longer restricted to considering developments of 11 dwellings as a minimum threshold for AH policy. At the present time, DSP is not developing the theme of potential AH contributions (e.g. by way of financial contributions) as we write-up our findings because, overall, the infrequent nature of smaller higher value schemes and the mixed strength of viability relevant to the more typical value levels in the district suggests that this is not likely to be a key policy area for development in MDC's case. As with other aspects, however, this could be kept under review.

3.4.19 **Table 1c – 11 houses.** This information has been kept in place as it represented the first point at which an MDC AH policy (threshold) could be placed whilst national policy dictated so. As national policy has developed over the review period, these provide as expected a similar picture to that seen through the 10 dwellings scenario. So using the detail, developed under the previous national policy regime but now applicable to sites of 10 or 11 dwellings, we note the following:

i. Again the VL1 lowest sensitivity test scenarios look clearly unviable with 10% assumed. Higher AH %s removed any very small RLVs and produce results all negative results.

ii. VL2 is essentially seen as unlikely to be sufficient to support viable development with affordable housing in most cases too. Only with 10% AH and £0 to 1k/unit s.106 might there be some marginal viability, but restricted to low land value cases with the RLVs reaching £335k/ha equivalent at best (and again noting the actual £ sums likely to be needed for site release, not only the £/ha indications).

iii. The signs are that VL3 could begin to support viable development more regularly; particularly with 10% AH but also at up to 20% affordable housing. A combination of 20% AH and £2k/unit s.106 supports a land value of £500k/ha. At VL3 a combination of 20% AH and more than £5k/unit s.106 supports a land value equivalent to £350k/ha.

iv. At VL4+ the indications are that in excess of 20% AH (e.g. up to 30%) might be achievable in some cases, and especially in combination with not more than around £2k/unit s.106. Alternatively, this may be viewed as potentially capable of supporting 20% AH along with £5k/unit or more s.106. However, as we look at it now, this would apply to a relatively limited range of circumstances so far as we can see. In addition, it is worth noting that with higher house prices tends to come higher land value expectations and justifications – to a large extent land values are driven by house prices, at least before site-specific constraints are considered.

3.4.20 **Table 1d – 15 houses.** Here we see a very similar tone and range of results to those at Table 1c. The VL1 tests are all showing negative outcomes and VL2 struggling for marginal viability at their best (i.e. as assumed, with 10% and nil s.106). At VL3, the s.106 scope looks to be slightly lower here in combination with 20% AH.

3.4.21 Overall, these scenarios suggest that a 20% AH, continued to be applied practically, would be appropriate in our view. A lowered target would not guarantee full or fuller AH delivery in any event.

3.4.22 **Table 1e – 30 houses.** Through these scenarios we see the same trends continued, and again the indications are that a 20% AH target looks more appropriate than other options, especially bearing in mind the "urban and urban fringe greenfield" based approach being worked up by MDC and that, allied to that, realistic land value should not exceed the range £350 to 500k/ha at most. The indications are that with VL3 values, the £350k/Ha land value is just cleared with £5k/unit s.106 and 20% AH; at VL4 the potential s.106 capacity alongside the 20% AH increases beyond £5k/unit (with a capacity also to meet a significantly higher land value if warranted).

3.4.23 **Table 1f – 30 flats.** During discussions with MDC officers and through our research it was noted that apartments development had not featured significantly within what has been delivered in the district, and looking ahead to the next few years at least the same trend of a bias towards houses seems set to continue. This may be in part due to the local offer overall and the fact that typical houses may be regarded as relatively affordable, especially in the case of resale an older property; there may be more options for those on a budget that might not reach to a house in many other areas. In any event, our findings show the limited viability of outright flatted development locally, unless supported by nominal or very low land values even in the district context. Aside from (although not unrelated to) any local demand issues, more generally we find through our work that viable apartments development needs to be supported by stronger sales values that improve the development value to cost relationship. That relationship is often more challenging with apartments owing to a range of factors including typically higher build costs and sales usually being secured at a later point once whole blocks (rather than individual units) are substantially complete.

3.4.24 It appears that the possibility of viability at sufficient levels to see schemes delivered is seen only at the highest VLs tested (5 and 6) with up to 10% AH; potentially beyond 10% AH, but not more than 20% at VL6. Overall we can see that the highest achievable values for the district are likely to be needed to support reliable delivery. Therefore it is apparent that it will not be possible to treat AH provision as a priority for such schemes; as are most likely to occur on more difficult PDL and town centre sites should the market support them being brought forward. MDC may well need to consider priorities around regeneration / bringing sites back into viable use rather than on these supporting significant AH provision.

3.4.25 In our view this is a pointer towards MDC considering, as an option, a lowered AH target % in respect of town centre PDL sites (to say 10% maximum), where lower density housing more typical for the district is unlikely to be appropriate in the same way.

3.4.26 In general there could also be a role for financial contributions in-lieu of directly provided on-site AH, which we will come back to (more on this below).

3.4.27 **Tables 1g and 1ga (added for finer-grained exploration of the key area of the VLs range, AH % variation and looking also at an adjusted dwelling mix) – 50 houses.** These scenarios further reinforce the findings as noted at 3.4.19 to 3.4.22 above in respect of smaller development of housing – we have no further comments to add.

3.4.28 **Tables 1h and 1ha – 100 houses.** To avoid repetition of broadly the same key themes and findings, again our overview is as above (i.e. as per 3.4.28 and the earlier paragraphs referred to). On balance, and so as to have some scope for essential planning obligations (subject to the recently revised national now more restricted approach under s.106) we consider that a 20% AH target would be appropriate for continuation by MDC – on the basis noted at 3.4.22.

3.4.29 **Table 1i – 350 dwellings (mixed).** This results set shows reduced RLV outcomes owing to the greater costs of development assumed and carried over a longer cashflow. The mixed nature of the assumed scenario (a mix of houses and flats) also indicates reduced viability compared with an all houses scenario owing to the increased build costs and slower sales profiles for flats; which again it seems are not frequently going to be fully supported by the levels of sales values seen typically in the district. In all cases we see reduced results - following the same general patterns as noted above, but with broadly similar outcomes at approximately one VL higher in this case.

3.4.30 So looking more closely at this results set, we see that development at VLs 1 and 2 with all other assumptions used for the assessment, looks unlikely to be sufficiently viable; and that is before AH or s.106 is considered. Largely the same appears to apply to VL3, which may be marginally viable on greenfield land with 10% AH and probably not more than around £1k/unit s.106.

3.4.31 In this case, VL4 shows the first signs of consistent looking viability prospects (as were found more generally from VL3 on the smaller schemes). 20% AH in combination with approx. £3k/unit s.106 should be viable with land at £350k/ha exceeded at those levels; increased s.106 could also be supportable. In theory it looks as though more than 20% AH might be sought in some cases, but we can see that

that would more than likely have the effect of further limiting the other s.106 scope for necessary development mitigation.

3.4.32 Once again, bearing in mind the emerging MDC development strategy, we feel the findings overall support a 20% AH headline target at least as an option for the Council to consider; as would mostly be applicable to greenfield based development.

3.5 Housing site types within MDC's emerging LP development strategy

3.5.1 We have noted above that the Council's emerging approach to sites allocation is currently favouring a significant reliance on "urban and urban fringe greenfield" land. A provisional list of sites, as supplied by MDC, is included in our table at Appendix IId.

3.5.2 Using our scenario testing, as discussed above, there we have included brief commentary and similar viability indications (on levels of AH and s.106) to those provided in this section on our scenario testing. We will not repeat those indications here, but note that the 20% headline as a key option is reiterated through that route; as is our view that a lower AH target (suggested at not more than say 10%) would be better suited to PDL based developments and that a further differentiated target (to 0% - nil AH) could well be appropriate for PDL sites in the town centre where land costs/assembly, development densities/type (e.g. potentially including apartments, mixed uses) and costs look likely to come together to need a further level of response from a viability viewpoint. We suggest considering the latter (0% to 10% in certain circumstances) as part of a responsive approach to ease the collective costs of development so far as MDC is able to, thereby helping to incentivise the delivery of such schemes and working to encourage market engagement once the values support development on particular sites.

Thinking about potential AH thresholds

3.5.3 The Council has operated its existing policy in a way that typically AH has not been sought and obtained on sites of fewer than approximately 30 dwellings; on smaller qualifying sites (i.e. at 15+ dwellings) the MDC approach was planned to secure financial contributions in-lieu of on-site provision (MDC Interim Planning Guidance Note no. 7; effective from April 2008).

3.5.4 This type of approach could be continued if it ties-up well with the nature of the larger / allocated sites coming forward and their ownership (more on this to follow) whereby there may be opportunities to focus the available subsidies on the most achievable / appropriate sites for AH and / or bring forward additional AH developments using the Council's own housing company. We consider that affordable housing contributions have a potential ongoing enabling role here.

3.5.5 In the Mansfield District context, following the rescindment of the November 2014 government policy changes, affordable housing policies may now be operated at threshold levels appropriate to the local circumstances and needs. If there is an MDC led wish to do so, the new policies could be set up with this in mind – i.e. with a view to reducing the AH threshold from the existing (adopted) policy. However, if the policy is to extend to smaller sites (and sites beneath a higher point than 10 dwellings could be used to define those), DSP would recommend respecting "sliding-scale" type principles and the consideration of a target beneath the headline level if that is to be set at 20% (i.e. potentially at not exceeding say 10% equivalent to effect the smallest sites; whether by way of on-site AH provision or payment in-lieu). This is because a higher level could have significant viability impacts but also significantly limit the scope for any necessary other s.106.

3.5.6 Actual threshold positioning is somewhat arbitrary unless schemes of particular, relevant sizes (around potential policy thresholds) dominate the proposed supply. So far as we could see there was no particular science behind the former national minimum of 11 dwellings. A reasonable substitute in MDC's case could now be 10 dwellings, and, as an alternative, a higher switch-point of say 15 (as existing MDC policy) or 20 dwellings or similar could be also used. A higher threshold and / or a sliding scale from say 10 dwellings would be no less arbitrary and would, in the MDC context, be more "viability friendly".

3.6 Commercial development scenarios - outcomes

3.6.1 In a very general sense the commercial development scenario outcomes echo those noted for the mixed residential picture discussed above. The commercial property market also suffered a very steep downturn and has been slow and very patchy in recovering; a process which is very much underway and uncertain still in many areas, with only certain sectors, prime locations and property returning to viability. There is still relatively little speculative commercial development; in most cases it would need to be occupier-led.

3.6.2 Whilst not explored to the level that is necessary when developing a Community Infrastructure Levy (CIL), based on the high-level testing undertaken but also from a review of local values and activity, we can see that aside from certain types of retail development (including restaurants and especially in larger formats such as supermarkets and retail warehousing – being the only forms showing clear viability potential) with relevant assumptions applied, developments for business use (B – offices and industrial), hotels and others are generally marginally viable at best. Using what we consider to be realistic assumptions for the assessment purpose (see Appendix I Commercial Assumptions Sheet and report section 2 above), we view other forms of development to have limited prospects of viability for now.

3.6.3 Looking at the results detail behind this (see Appendix IIb - Tables 2a to 2e) and echoing the "on the ground" experiences here, we can see the following:

i. With the 5% and 6% yield trials (tables 2a and 2b respectively), as are usually most appropriate for them, supermarket and retail warehousing development is expected to be viable locally if pursued further; and have amongst the best viability prospects from all the scenarios considered (including residential);

ii. The same appears to be the case, or potentially, with restaurant developments and with town centre shopping (comparison based) as well as smaller convenience stores. These scheme types are more highly variable according to specifics, however. Their prospects may well be more mixed if pursued because for these we also need to look at less positive yields, perhaps moving out to 7 or 8% or higher. At 7% we see, at best, likely marginal viability – so in practice the viability of such developments may be quite precarious at the current time and in the foreseeable future at least.

iii. Even with what are most likely overly positive yield and / or rental assumptions, we can see (moving down each table within Appendix IIb) lacking viability – mostly negative RLV results were generated. At the more realistic end of the yields range for the B and other uses there (7 - 8% (+)) the results are all clearly negative; very different assumptions are needed to show positive viability on this basis.

3.6.4 It is important to note that these types of findings are not just specific to Mansfield District; in our experience of studying a range of locations they are relatively common.

3.6.5 Aside from working with the market, making opportunities available and looking at the most appropriate locations, in our experience, and unlike with residential development, generally there is relatively little that a local authority can do directly to influence the viability of market development through plan policy setting alone.

3.6.6 In the event of continuing in the short-term to not pursue a CIL, and continuing to steer away from policies that add cost to development over and above national level requirements (i.e. through usual development management criteria and building standards, etc.), in our view MDC is really doing all it can in terms of avoiding undue development viability impacts on commercial and other non-residential schemes.

3.6.7 Aside from this, and bearing in mind that the operation of the market will in our opinion be the key factor, MDC will however need to continue to consider how best to encourage investment in appropriate development. These influences are beyond the scope of viability assessment alone, but will no doubt involve MDC by looking at its corporate and economic regeneration strategies, working with other land owners, developers, neighbouring LAs and other partners / agencies with a view to making available the most attractive and best located site opportunities for the market to respond to and providing assistance in any way possible within the LA's remit to stimulating and securing investment.

3.7 Mixed use trials – residential-led, with commercial

3.7.1 These (see Appendix IIc – Tables 3a and 3b) were added to the main scenario testing sets to enable further consideration of the likely viability prospects for town centre / edge of centre mixed-use developments.

3.7.2 Based on the assessment assumptions, the indications are that an element of retail use has the potential to improve the overall viability of a town centre flatted (e.g. 40 flats) scheme at VL3, given the poor viability of an apartments only scenario at typical expected Mansfield sales values as a starting point (even before AH is considered). So this is a relative outcome rather than a clearly or highly positive one. While very positive (low – i.e. at 5% or lower) yield assumptions that may have limited relevance are needed to create positive overall viability (to overcome the negative RLV related to the flats only), with more realistic looking yield % assumptions used to capitalise the estimated retail rents (at say 7.5 to 8%) it still appears possible to create an outcome which is less negative than for flats only.

3.7.3 In any event, this suggests that a nil (0%) AH approach for town centre redevelopment scenarios (envisaging higher density / apartments based PDL development) could well be positive and necessary for regeneration including residential / mixed uses at the current time; amongst the options to be considered, we suggest.

3.7.4 We also looked at a scenario of 60 houses combined with “office park” style offices, assuming an edge of town centre or suburban location. Prior to adding the office element, the housing at VL3 with 0% AH produces an RLV of £446k/ha i.e. approaching the higher of the main benchmarks and so looks to have the potential to support AH (at 10-20% but dependent on site type and land value) as well as s.106 to around the average typical recent level of approximately £3k/unit.

3.7.5 Only by making what we consider to be over-optimistic rental yield assumptions can we maintain or improve on this outcome. For example with the 7.5% yield trial the RLV falls to beneath £350k/ha (to £300k/ha equivalent) so overall we can see the negative viability impact likely to be seen from the office element once the assumptions are placed more realistically. Whilst with improved commercial market assumptions this scenario would not necessarily be ruled out through lack of viability, again it appears to be one where a significant compromise on affordable housing (relative to a 20% target) and potentially other obligations might be needed; or could be considered at a site-specific level on this occasion.

3.8 Key findings and recommendations / policy options – Brief summary

3.8.1 The MDC emerging development strategy (for new housing) based largely on urban and edge of urban area greenfield land allocations for a mix of varying sized developments in our view gives amongst the best possible opportunities in the local circumstances for securing appropriate development in the coming years. Through seeking to provide a different and more dispersed offer in comparison, this follows and compliments the continued progression of the strategic scale development principles that are broadly settled through the planning stage reached to date.

3.8.2 The sales values supported by the local market, and the relatively fine balance between those and development costs, are the largest driver in limiting the viability of development. This is a key point, as we consider the underlying strength of the relationship between development values and costs to be the key factor behind the variable results which are often seen to be around the “cusp of viability”, as we put it; base outcomes that are often highly sensitive to reduced revenue or added cost.

3.8.3 Typically, affordable housing creates a development cost and therefore a viability impact that is second only to the market in its scale of influence. In the MDC context, therefore, there is quite a difficult balance between affordable housing needs and viability to be considered.

3.8.4 20% (but not a higher proportion) is considered suitable as a continued <u>headline target</u> for seeking AH.

3.8.5 The term target, as used throughout this report, is important. A target may be and should be challenging where driven by high affordable housing needs, but should also be practically set out (e.g. with the relevance of viability and other matters acknowledged) and flexibly operated as needed in response to site-specific issues.

3.8.6 We have considered potential alternatives, given a 20% headline as the recommended maximum placing of the policy position.

3.8.7 We consider that setting a 10% or other sub-20% district-wide target would risk “under-shooting” achievable AH levels in at least some circumstances and would not be going far enough in the balance between viability and housing needs.

3.8.8 Whilst the alternatives include lowering the AH target across the district, given the greenfield biased nature of the proposed LP housing supply our view is that in the circumstances a continued 20% headline applicable to most sites and areas will better fit the balance between housing need and viability than a fixed / widely applicable lower proportion.

3.8.9 Affordable housing is expected to remain a priority of MDC. Across most of the sites relevant to the overall supply we do not consider that a 10% target would adequately address the needs side, bearing in mind that as the market supports deliverable schemes they should be able to provide up to 20% AH in combination with any other essential development mitigation contributions / works via a suitable planning obligations (s.106) package.

3.8.10 Given the “urban and urban fringe greenfield” based emerging MDC development strategy (and therefore the relatively limited occurrence of other scenarios within the overall supply picture), it might be argued that a continued 20% target applicable to all site types and localities would serve as well as any alternative. This is especially bearing in mind that wherever an AH % is set it has to be regarded as a target and operated as such (as noted at 3.8.5 above).

3.8.11 However, we also consider that there are circumstances which we recommend will warrant the Council’s consideration of a revised policy approach as an alternative (i.e. where AH might be sought at a level or levels beneath a 20% headline, owing to likely viability pressures on a more consistent basis – related to certain localities and site types / scheme characteristics – particularly the smallest sites where some form of AH sliding scale or reduced AH % might be considered). However, no lower AH% or other policy position can guarantee to secure viability owing to inherent factors in the development value to cost relationship in some cases. MDC might therefore take the view that, with an appropriate target in place and practical operation of that, a sliding scale may not be necessary; particularly if the settled view of the housing supply is underpinned by sites typically providing more than say 10 to 15 dwellings (and not in any event relying on smaller sites still).

3.8.12 Above all, and regardless of scheme size, we suggest that these reduced AH % scenarios are most likely to involve development on PDL – brownfield sites – and we consider that there could be two "grades" of these potentially requiring different treatment. So, for the Council's consideration, we put forward the possibility of:

i. PDL sites in general – AH target of 10% owing to the probable combination of additional site costs (abnormals) combined with established use values, and, potentially;

ii. Town centre area / regeneration (mixed use / employment generating) sites – AH target not exceeding 10% in any event, but with 0% also recommended for consideration by MDC – reflecting the general PDL characteristics as above but also combined with the likely higher density / necessarily apartments led basis of some schemes and the likely negative to at best fairly neutral influence on viability coming from employment generating uses and in fact most forms of commercial development. This will be for MDC to consider, but in our view it appears possible that overall objectives may be best served through a more viability responsive approach in terms of affordable housing impacts on such schemes. It appears to be the case that some significant compromises may well need to be made in order for some of these scheme types to come forward. Whilst the plan delivery, overall, may not hinge on these, we put this forward for the Council's consideration in looking at its wider policies and town centre strategies, etc., and how all of the objectives and their costs come together.

3.8.13 We believe the above type of approach would be consistent with the NPPF and PPG, particularly when considered alongside the relevant local characteristics; i.e. the interaction of the values levels available to support viability, the site and potential types forming the planned housing growth supply, etc.

3.8.14 The PPG position on the importance of essential planning obligations will be a key consideration too. These will be highly variable from site to site, but must be considered a priority. So, in addressing overall priorities and seeking to achieve a mix of objectives as far as the delivery circumstances will permit, vital development mitigation measures (i.e. without which a scheme would not be acceptable; could not be permitted) will in some cases have to come above affordable housing in terms of what the available funds from the development can support. Given the mixed viability assessment results overall, this in our view also points towards MDC considering a more varied approach to AH requirements – according to development characteristics.

3.8.15 A lowering or graduating of the AH % targets across the district in a more complex manner could also be an option. However, we are of the view that such an approach would probably not provide landowners, developers and others with sufficient clarity. Also it might not provide the tools to respond adequately to affordable housing needs where developments are sufficiently viable to be pursued by the market; and as with any approach necessarily operated as a target would still not come with any guarantee of full delivery to levels. These principles are usually relevant to consider - not just applicable to the Mansfield District.

3.8.16 Consideration of these points is particularly relevant here as there is little room for downward adjustment from a relatively modest 20% target whilst still retaining a meaningful policy, bearing in mind that the universal experience (not just in MDC's case) is of negotiation to and not beyond any target.

3.8.17 On balance, and the for the Council's consideration (i.e. to keep under review as the strategy develops), retaining a meaningful policy tool but then ensuring its flexible operation might well represent a better approach than too much differentiation in the circumstances. If considered in this way, the approach should not preclude adapting policy for more specific circumstances where the viability / regeneration drivers are clearer, for example. As options, potential alternatives or combined with a maintained district-wide headline target / starting point, we are of the view that the following could be taken into MDC's considerations:

i. Potential lower placing of an AH target for PDL sites at say 10% noting, however, that those appear relatively limited in relevance to the Consultation Draft Local Plan strategy overall; and that a continued 20% target would not preclude negotiation to / delivery at a lower level if / as necessary;

ii. Potential need for site-specific review acknowledged on strategic scale schemes or other larger sites where site-specific mitigation matters are significant and unavoidably squeeze the available surplus for planning obligations; compromises / prioritisation may be necessary. Strategic scale development is not considered in this assessment because in MDC's case proposals are already confirmed and well-established – regarding the Penniment Farm and Lindhurst urban extension schemes to the west and south of Mansfield town respectively. Of the larger sites within the range being considered (up to approximately 375 dwellings maximum), our understanding is that MDC does not expect those to carry particularly significant infrastructure burdens. A continuation of the 20% AH policy usage should form an appropriate basis in most instances.

Other aspects – implementation (residential / affordable housing)

- Optional technical standards – Accessibility - Specialist housing (S6)

3.8.18 Applied to 10% of the dwellings, or as a potential alternative to including 10% as bungalows, we consider that Category (2) currently estimated costs as outlined above are unlikely to be prohibitive or to tip otherwise viable schemes into non-viability when viewed in isolation. However, the collective costs of development need to be considered and we comment on this further below. Category (3) costs, as currently estimated and applied even to 10% of dwellings could in our view be difficult to support in MDC's case as a reliable and regular component of all developments over 10 or more dwellings.

3.8.19 We suggest that given the current development economics in the district and potential practicalities associated with smaller site layout and designs, that MDC gives consideration as to how it sets and how rigidly it applies any policies requiring development standards / specifications that go beyond the Building Regulations base levels into the effectively optional areas of the national standards – e.g. including in the area of access to dwellings under Part M4 categories (2) and (3).

3.8.20 Consultation Draft Local Plan Policy S6 'Specialist Housing' refers to 'specially adapted housing' and we consider that it will not necessarily be possible to accommodate 10% as bungalows on all sites; and the same may apply to the 10% category (2) or (3) additional dwellings that MDC proposed to seek through an early working version draft of this policy that was shared with DSP. A practical i.e. targeted or more qualified approach may be more appropriate at the current stage in our view. On this point, we think it a positive point within the policy development on this to date that MDC proposes to refer to the inclusion of bungalows or *(our emphasis)* specially adapted housing for the elderly or vulnerable groups. Also positive is an indication that MDC is considering an overlap between this policy area and the affordable housing "quota" on site, whereby the AH could also meet the accessibility requirements. In that case, the requirement for particular forms of housing might not be as significant as is first apparent in relation to the market-led provision.

3.8.21 Nevertheless, we refer back to the current costs estimates (£ per dwelling indicative costs, flats and houses) associated with the optional enhanced accessibility measures, as were mentioned at 2.12.1 above. Although those are current indications and are extra-over costs allowances for the applicable proportion of dwellings only, the contribution to cumulative development costs could be significant and particularly if the scope for supporting s.106 requirements is under pressure through inherent difficulties on scheme viability (e.g. potentially associated with the market or particular site constraints / costs, and before the subject planning policies are taken into account).

3.8.22 In addition to viability evidence, local authorities must also demonstrate the need for implementing optional elements of the national standards – such as these. Overall, with viability relatively finely balanced in many local circumstances, we consider that adding to the collective costs of development in a way that is prescriptive could place the scope for supporting planning obligations under further pressure. We suggest therefore that such policies, if pursued at the next stage, might be worded so as to set expectations that the measures (with respect to M4(2)) are to be provided or alternative accessible provision provided through the inclusion of bungalows where needed; and where practical and viable to do so. We appreciate that this potentially means an aim or aspiration rather than a fixed requirement, but added to other costs and obligations we consider that some impact on the scope to support those might well be felt. Under normal circumstances, M4(3) level added costs are unlikely to be supportable in most cases in the district – without subsidy or potentially through RP-led provision. On the latter point, MDC may wish to consider how the accessibility related policies / aims might dovetail with the affordable housing provision.

3.8.23 Bungalows may well have a local role to play within scheme mixes or on small sites in an area where land is generally not at a premium. Generally bungalows will only be viable where the sales values outweigh the increased build cost; their inclusion within schemes would usually be a largely market-led process as is the case for dwelling types and mixes generally – i.e. where demand is sufficient to support a level of sales at prices that underpin but also contribute to optimising the scheme viability. On £/sq. m basis, bungalows are likely to be around 10% more costly to build, based on BCIS figures for single-storey housing. However, this scenario is likely to be supported in the local market on some occasions so far as we can see – developers will determine when this is the case. In our view the scope to provide bungalows as a potential route to securing greater levels of accessibility / housing suitable for the elderly and other vulnerable groups is a positive scenario. Again, in our view any policy on the inclusion of bungalows should not be too prescriptive, however, because it may not make the best use of the site area and it is unlikely to be practical or viable to secure these on some sites. Looking ahead to delivery, and as applies to the accessibility aims of the policies direction more generally, it could also be possible to explore at a site-specific level whether, depending on particular needs, bungalows may be relevant within the affordable housing element or as part of retirement housing or other specialist housing proposals on individual sites.

3.8.24 From a trial appraisal using a housing scheme as a starting point for adjustment, and based on modest 2-bed accessible bungalows having a gross internal floor area of approximately 75 sq. m (very similar to that of the assumed 2-bed house), we found indications that to cover the circa 10% increased build cost (on a £/sq. m basis), depending also on other assumptions, up to 2 value level (VL) increases could be needed to produce a similar RLV. If increased sales value was not available, pro-rata, the indications are that the bungalow scheme viability would be dependent on a lower land value expectation than that created by a housing scheme of the same number of units.

3.8.25 Using consistent information sources, looking at this dwelling for dwelling, unless the demand (or perhaps some subsidy in the case of affordable properties) supports values to out-weigh the costs, bungalow developments appear less viable than houses. Compared with the extra-over costs currently understood to be typically associated with achieving optional Building Reg.s standard M4(2) – as noted at 2.12.1 above – it appears that the additional costs per £/sq. m required for bungalow construction are likely to be up to around twice that of the M4(2) current cost estimates for houses. We consider it likely, therefore, that on most occasions the M4(2) potential route to accessibility would provide more cost effective than switching units to bungalows. The same would not apply in respect of M4(3).

- Custom-build dwellings (Draft Policy S7)

3.8.26 At 2.12.4 we referred to the Council's emerging largely market-led approach to this, including cascade type arrangement in the event no sale to a custom-builder is secured. Purely as an observation, in practice, and particularly on small site, a developer may have relatively limited interest in returning to a site to add a single property or very small number of properties for example. In addition a developer will, we expect, probably seek to ensure that certain criteria are set out on construction type / design and timing etc. since otherwise they make take the view on a small site that their own construction and marketing could be impacted, or at least uncertainty created. Such influences along with cash flow may act as incentives to secure a prompt sale to a custom-builder. Potentially, depending on the nature of the site and the parties (and on any Council guidance etc. issued in due course), from a practical point of view it seems that this could develop into a construction arrangement between the site developer and plot purchaser.

3.8.27 In general this type of policy is a new area for local authorities, following various government initiatives to support self-builders, and it may take a while to be explored and bed-in. This may be a topic for guidance by Councils dependent on their local relevance and how it fits best and works in their local areas. However, we understand that MDC currently has no intention of issuing further guidance or amplifying the detail on this; instead the proposal at this stage is the leave the site-by site resolution of the policy aim to the market and developers' dealings with custom-build plot purchasers.

3.8.28 Whilst, so far as we can see to date, overall viability impacts will not be significant, in our view it is likely to be relevant for local authorities to consider the effect of such polices together with others – e.g. by providing affordable and / or accessible housing as well as custom-build plot(s), the level of market-led drivers for a development might be seen to reduce on a small site and especially where development viability may be inherently challenging in some instances.

3.8.29 Having said this, from DSP's experience of considering custom/self-build to date (albeit limited to early stages exploratory work on viability) we consider that the provision of plots for custom-build has the potential to be a sufficiently profitable activity so as not to prove a significant drag on overall site viability. Broadly, from review work undertaken so far we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details – as with other aspects of the development process. Although its effect in practice will need to be monitored, if implemented in a non-prescriptive / flexible way as proposed by MDC at this stage, we consider that it should prove workable alongside the affordable housing and necessary s.106 items.

3.8.30 We would envisage the developer obtaining at least outline planning, providing a means of access and utility services to the boundaries and potentially preparing the site for construction through clearance and any other preparatory works where relevant; perhaps including levelling, drainage and other facilitating works. The developer would expect to recoup these costs and see some level of profit as a result of these land value enhancements.

3.8.31 Alternatively, perhaps the custom-build plot(s) could be sold on at a lower price but with less investment in readying for development.

3.8.32 In any event, we assume that as envisaged in this district the approach is likely to lend itself most detached house plots although those could be for modest family dwellings.

3.8.33 It is likely that developers would market the plot(s) at an early stage of their site development progression, probably through agents and using similar processes to those used for their scheme marketing (house sales); marketing and legal costs would be incurred. The sales receipt most likely would be the serviced land value, with savings made on the housebuilding costs and a portion of the site/external works plus the fees and finance associated with those; but on the flip-side profit sums reduced to those available through the land only deal rather than based on the full completed property value. Overall the market risks (associated with pricing, time to sell etc.) are probably broadly similar compared with the full development process, though the investment exposure considerably reduced.

- Public land ownership

3.8.34 The large proportion of MDC or other publicly owned land appears potentially highly relevant in terms of the viability scenarios and outcomes considered. MDC and its partners have the potential ability to consider land value / effective subsidy according to circumstances; and possibly to look at joint ventures, involvement by the MDC housing company or similar dependent on the circumstances. Certainly there would seem to be an opportunity to work creatively as part of aiming to kick-start developments bring forward housing of mixed tenure overall.

- AH tenure (and "low cost sale")

3.8.35 DSP's appraisals have been run using an assumed affordable housing tenure mix of 66% rented (input as affordable rent) / 34% intermediate (assumed as shared ownership). Subject to verification of housing needs and of course to site-specific discussions about an existing locality's tenure balance, scheme affordability and suitability, we consider that from a viability viewpoint this is likely to be a suitable overall starting point.

3.8.36 At the point of finalising the draft reporting stage assessment work, a number of emerging Government initiatives are in the early stages of consideration of a local authority level. In addition to the relatively new areas on self/custom-build and more emphasis and specialist housing, many providers of affordable housing are currently revisiting their business plans and, at a site delivery level, the sums they can justify paying for homes for affordable rent. With rent restrictions now in place, meaning reducing affordable rents over the next 4 years, we are seeing this having an impact on affordable rented provision. So far a typical outcome where this impacts may be a need to switch to a greater proportion of shared ownership or similar within the affordable element. This will need to be monitored and, again, whilst a practical and flexible approach will be needed by local authorities and developers, in itself this should not be a reason for reducing AH % targets.

3.8.37 In a similar mode to the Government's 'Starter Homes' initiative, with a focus more on steps towards home ownership, we are starting to see cases where planning application stage affordable housing provision / viability review discussions include potential options around an element of "low cost sale" or "discounted sale" where homes are purchased at say 80% full market sale value. Early indications from our experience are that although affordability may be an issue with this, it has the potential to make a significant positive impact on viability relative to that from affordable rented tenure. If this gathers momentum it will mean that greater unit numbers of a wider definition of affordable housing may be provided

- AH Financial contributions

3.8.38 The use or part use of financial contributions for affordable housing (in-lieu of direct on-site provision) may well be relevant in some cases – for example funding RP-led or MDC Housing Company developments on other / MDC or publicly owned sites, supporting increased proportions of AH on particular suitable sites; taking more of an overview on flexible use of the various resources and tools (land, equivalent funding / subsidy, policy tools, local area kick-starting, etc.);

- S.106

3.8.39 Regardless of the AH policy and other positions, the Council is going to have to give detailed consideration to the impact on the s.106 pooling restrictions that have taken effect from April 2015. It will no longer be possible to seek contributions for non-site-specific mitigation matters unless it can be shown that fewer than 5 contributions have already been pooled for a particular element if infrastructure provision. This is an important consideration which will impact on the Council's approach and, whilst a CIL is not being pursued at the current time so that "double dipping" type concerns should not arise, the s.106 strategy aligned to the planned growth infrastructure needs will need to be developed alongside the Local Plan.

3.8.40 DSP will be happy to advise and assist further – feeding into MDC's development of its new Local Plan and associated strategies and supporting documents.

Draft report ends – DSP working version 14

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