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# Local Plan Viability Assessment

## 2022 Refresh

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August 2022



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# 1. Introduction

## Scope

- 1.1 In May 2021, HDH Planning & Development Ltd (HDH) completed the *Local Plan Viability Assessment* (HDH, May 2021). Whilst this was marked as a Working Draft, it was a well-developed and complete report. This report now updates that report, refreshing the main inputs and assumptions. Whilst this is an update and refresh it is drafted, for the reader's convenience, as a standalone document.
- 1.2 At the time of the 2021 Viability Assessment, Stroud District Council (SDC / the Council) had undertaken a Local Plan Review that set out the future spatial strategy for the District and included sites for allocation. The 2021 Viability Assessment was commissioned to inform the development of the emerging Local Plan, specifically in connection with several matters:
  - a. Whole plan viability to consider all standards and policy requirements, including affordable housing and developer contributions.
  - b. To consider the scope to review Community Infrastructure Levy (CIL).
- 1.3 This report updates that assessment, taking into account changes in national policy, the refinement of the Council's policies, changes in costs and values and the latest information with regard to the costs of strategic infrastructure and mitigation measures. It sets out the methodology used and the key assumptions adopted. It contains an assessment of the effect of the policies in the draft Local Plan, in relation to the potential development sites to be allocated.
- 1.4 The 2021 Viability Assessment included a wide range of policy options and a possible review of CIL. This iteration of the report is more focused on the policies in the Draft Plan and does not consider CIL further. CIL is not reviewed at this stage due to the uncertainty around the future of the Levy and the fundamental reform of developer contributions being considered by the Government (see Chapter 2 below)
- 1.5 In July and August 2022, AECOM provided SDC with technical advice in relation to the transport requirements that may arise from new development, within in turn was assimilated into the wider infrastructure delivery work being carried out by Arup. These updated figures are used in this iteration of this report (see Chapter 7 below).
- 1.6 The initial iteration of this *Local Plan Viability Assessment* was substantially completed in April 2021 on the basis of the contents of the *Draft Plan for Consultation* (November 2019). Following the approval of the *Stroud Local Plan Pre-submission Draft Plan* in May 2021 the report was further updated in early May 2021 to reflect the changes to some of the strategic sites. The *Local Plan Viability Assessment* (HDH, May 2021) is further updated now.
- 1.7 A technical consultation to inform the 2021 Viability Assessment was undertaken during June and July 2020. Representatives of the main developers, development site landowners, 'call

for site' landowners, their agents, planning agents and consultants working in the area and housing providers were invited to comment on an early draft of this report.

- 1.8 In 2018 the Ministry of Housing Communities and Local Government (MHCLG) updated the National Planning Policy Framework, (2018 NPPF), and published new Planning Practice Guidance (PPG). In February 2019, and then July 2021, the NPPF was further, although these changes did not impact directly on viability. In May 2019, the viability sections of the PPG were updated again. In addition to these changes, the CIL Regulations and accompanying guidance (within the PPG) were also updated. The methodology used in this report is consistent with the 2021 NPPF, the CIL Regulations (as amended) and the updated PPG.
- 1.9 In the autumn of 2020, the Government published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The implications in relation to viability are set out in Chapter 2 below, but are not material to this report.
- 1.10 As this update was being undertaken in May 2022, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. The *Infrastructure Levy Regulations* have yet to be published. It will be necessary for the Council to monitor the progress of the Bill and to review this report when the Regulations are published.
- 1.11 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened by the cumulative impact of the policies.

## **COVID-19**

- 1.12 This project is being completed during the coronavirus pandemic. The coronavirus (COVID-19) was reported in China, in December 2019 and was declared a pandemic in March 2020. It is too early to predict what the impact on the economy, and therefore house prices, may be. There are real material uncertainties around the values of property and the costs of construction that are a direct result of the pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be.
- 1.13 Through the Summer 2020 consultation it was noted<sup>1</sup> that the uncertainty due to COVID-19 may mean the evidence needs to be revisited. This is agreed, hence this update.
- 1.14 The 2021 Viability Assessment was conducted at August 2020 costs and values. This update is carried out at July 2022 costs and values.

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<sup>1</sup> ██████████ Hawkins Watton for various (un-named) clients.

## Report Structure

1.15 This report follows the following format:

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

### **HDH Planning & Development Ltd (HDH)**

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

- a. District wide and site-specific viability analysis.
- b. Community Infrastructure Levy.
- c. Housing Market Assessments.

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

#### *Caveat and Material Uncertainty*

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

- 1.19 The outbreak of COVID-19 was declared by the World Health Organisation as a 'Global Pandemic' in March 2020 and continues to impact on daily life and the global economy. Some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented and remain in some countries. In some cases, lockdowns have been applied to varying degrees and to reflect further 'waves' of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.
- 1.20 At the time of this report (May 2022) property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Having said this, in respect of the development sectors, we continue to be faced with an unprecedented set of circumstances caused by COVID-19. Consequently, in respect of this report, the assessment of viability is less certain so a higher degree of caution should be attached to our findings than would normally be the case.
- 1.21 For the avoidance of doubt this does not mean that the report cannot be relied upon. Rather, this note has been included to ensure transparency and to provide further insight as to the market context under which the report was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of keeping the findings under review as the plan-making process continues. We recommend that the Council keeps the assessment under frequent review.

#### *Compliance*

- 1.22 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1<sup>st</sup> Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).
- 1.23 *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published in May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that the May 2019 Guidance has been followed in full.
- a. HDH confirms that in preparing this report the firm has acted with objectivity, impartially and without interference and with reference to all appropriate available sources of information.
  - b. HDH is appointed by Stroud District Council and has followed a collaborative approach involving the LPA, developers, landowners and other interested parties. There has not been agreement on all points by all parties, it has therefore been necessary to make a judgment when making assumptions in this report.

- c. The tender specification under which this project is undertaken is included as **Appendix 1** of this report. The project, as specified, could not be undertaken in the proposed timetable (due to the Coronavirus pandemic) so the timetable was subsequently altered.
- d. HDH confirms it has no conflicts of interest in undertaking this project. HDH confirms that, in preparing this report, no performance-related or contingent fees have been agreed.
- e. The presumption is that a viability assessment should be published in full. HDH has prepared this report on the assumption that it will be published in full.
- f. HDH confirms that a non-technical summary has been provided (in the form of Chapter 12). Viability in the plan-making process is a technical exercise that is undertaken specifically to demonstrate compliance (or otherwise) with the NPPF and PPG. It is firmly recommended that this report only be published and read in full.
- g. HDH confirms that adequate time has been taken to allow engagement with stakeholders through this project. The time for engagement with the industry was initially to be for the period from the 9<sup>th</sup> June to the 26<sup>th</sup> June 2020. This was extended to the 10<sup>th</sup> July, at the request of consultees, due to the restrictions introduced as a result of the Coronavirus pandemic. Three parties<sup>2 3 4</sup> did express a concern that the time allowed (over 4 weeks) was inadequate.
- h. This assessment includes appropriate sensitivity testing in Chapter 10. This includes the effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change.
- i. The Guidance includes a requirement that, '*all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm*'. Much of the information that informed this Viability Assessment was provided by SDC or its consultants. This information was not provided in a subcontractor role and, in accordance with HDH's instructions, this information has not been challenged nor independently verified.

### **Metric or Imperial**

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

1m = 3.28ft (3' and 3.37")      1ft = 0.30m

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<sup>2</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<sup>3</sup> HBF.

<sup>4</sup> ██████████ Pioneer for Robert Hitchins.

1m <sup>2</sup>	=	10.76 sqft	1sqft	=	0.0929m <sup>2</sup>
1ha	=	2.471acres	1acre	=	0.405ha

1.25 A useful broad rule of thumb to convert m<sup>2</sup> to sqft is simply to add a final zero.



## 2. Viability Testing

- 2.1 Viability testing is a core part of the planning process. The requirement to assess viability forms part of the NPPF. Over several years in the run up to this report, various updates have been made to how viability is considered within planning. These are considered in this chapter.

### National Planning Policy Framework

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

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

- 2.3 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The changes made in July 2021, do touch on matters where viability will be a factor:

*Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.*

2021 NPPF, Paragraph 22

*To ensure faster delivery of other public service infrastructure such as further education colleges, hospitals and criminal justice accommodation, local planning authorities should also work proactively and positively with promoters, delivery partners and statutory bodies to plan for required facilities and resolve key planning issues before applications are submitted.*

2021 NPPF, Paragraph 96

- 2.4 The Council will need to continue to engage with the promoters of the potential strategic sites and service and infrastructure providers.
- 2.5 The NPPF does not include detail on the viability process, rather stresses the importance of viability. The main change is a shift of viability testing from the development management stage to the plan-making stage.

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

*making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.*

*2021 NPPF Paragraph 58*

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

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

***Deliverable:*** *To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*

- a) *sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).*
- b) *where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.*

*2021 NPPF Glossary*

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

*Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:*

- a) *specific, deliverable sites for years one to five of the plan period; and*
- b) *specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.*

*2021 NPPF Paragraph 68*

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

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

*2021 NPPF Paragraph 121*

2.10 The 2021 NPPF does not include technical guidance on undertaking viability work. This is included within the PPG.



## Planning Practice Guidance

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

*173 ... To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.*

*174 ... the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle...*

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

*... ensure policy compliance and optimal public benefits through economic cycles...*

*PPG 10-009-20190509*

*and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*

*PPG 10-010-20180724*

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

- 2.14 The core requirement to consider viability links to paragraph 58 of the 2019 NPPF:

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

*PPG 23b-005-20190315*

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

- 2.16 The updated PPG includes 4 main sections:

*Section 1 - Viability and plan making*

- 2.17 The overall requirement is that:

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

*PPG 10-001-20190509*

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

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

*PPG 10-002-20190509*

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

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

*PPG 10-002-20190509*

- 2.20 Consultation has formed part of this Assessment.

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

*PPG 10-002-20190509*

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

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

*PPG 10-002-20190509*

- 2.22 The potential strategic sites have been identified, the details of which were updated in May 2021 (see Chapter 9 below) and remain unchanged. These are to be tested individually, and in due course, SDC will specifically engage with the sites' promoters.

- 2.23 The modelling in this assessment is based on preferred allocation sites. Through the consultation it was suggested that the assessment would evolve through the plan-period<sup>5</sup>. This is not the case. The purpose of this Viability Assessment is to ensure the deliverability of the overall Plan from the outset. Once it is completed and the new Plan adopted, this Viability Assessment will then become the reference point for the consideration of viability at the development management stage.

*Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*

PPG 10-003-20180724

- 2.24 This study is based on typologies<sup>6</sup> that have been developed by having regard to the proposed development sites that are most likely to be identified through the emerging Plan.

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

PPG 10-004-20190509

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

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

PPG 10-005-20180724

- 2.26 The potential strategic sites are considered individually.

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

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<sup>5</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>6</sup> The PPG provides further detail at 10-004-20190509:

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

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

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

*PPG 10-006-20190509*

- 2.27 Consultation has formed part of the preparation of this study. This Assessment specifically considers the total cumulative cost of all relevant policies (local and national).

*Section 2 - Viability and decision taking*

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

*Section 3 - Standardised inputs to viability assessment*

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

*Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return...*

*... Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.*

*In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*

*PPG 10-010-20180724*

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

*Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.*

*For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields,*

*disregarding outliers in the data. For housing, historic information about delivery rates can be informative.*

*PPG 10-011-20180724*

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

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

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

2.33 All these costs are taken into account.

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

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

*PPG 10-013-20190509*

2.35 The PPG goes on to set out:

*Benchmark land value should:*

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*

- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees

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

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

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

*PPG 10-014-20190509*

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

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

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

*PPG 10-015-20190509*

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

- 2.38 The PPG sets out an approach to the developers’ return:

*Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*

*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*

*PPG 10-018-20190509*

- 2.39 As set out in Chapter 7 below, this approach is followed.
- 2.40 Through the summer 2020 consultation it was observed<sup>7</sup> that *'calculations for Section 106, CIL and Affordable should be based upon the uplift from the EUV .... rather than being based upon the GDV and percentage thereof'*. Whilst it is agreed, under the extant guidance, that s106, CIL and affordable should not be a simple proportion of the Gross Development Value (GDV), the requirement is that the Residual Value is sufficiently above the EUV to generate an adequate developer's return. It is relevant to note that the Levelling Up Bill (May 2022) includes enabling legislation for a new national Infrastructure Levy.

#### *Section 4 - Accountability*

- 2.41 This section in the PPG sets out requirements on reporting. These are covered, by the Council, outside this report.
- 2.42 In line with paragraph 10-020-20180724 of the PPG that says that *'practitioners should ensure that the findings of a viability assessment are presented clearly. An executive summary should be used to set out key findings of a viability assessment in a clear way'*, Chapter 12 of this report is written as a standalone non-technical summary that brings the evidence together.

#### **Community Infrastructure Levy Regulations and Guidance**

- 2.43 The Council has adopted CIL, and this study considers where there is scope to review CIL, although does not extend to recommending new rates. The CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking any plan-wide viability assessment and considering the deliverability of development.
- 2.44 The CIL Regulations have been subject to several subsequent amendments<sup>8</sup>. CIL Regulation 14 (as amended) sets out the core principle for setting CIL.

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<sup>7</sup> ██████████ Hawkins Watton for various (un-named) clients.

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

*Setting rates*

- (1) *In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between—*
  - (a) *the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
  - (b) *the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.*
- (2) *In setting rates ...*

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

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

*PPG 25-019-20190901*

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

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

- a. necessary to make the development acceptable in planning terms;
- b. directly related to the development; and
- c. fairly and reasonably related in scale and kind to the development.

2.48 A local authority which wishes to introduce CIL must set out in a Charging Schedule the types of development to be charged (and any exceptions) and the rates of charge to be applied. CIL, once introduced, is mandatory on all developments within the categories and areas where the levy applies. This is unlike s106 agreements (including Affordable Housing) which are negotiated with developers on a site-by-site basis (subject to the restrictions in CIL Regulation

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<sup>9</sup> CIL Regulations 123(3)



122 and within paragraphs 10-007 and 10-008 of the PPG). This means that CIL must not prejudice the viability of most sites.

### **Wider Changes Impacting on Viability**

- 2.49 There have been a number of changes at a national level since SDC's existing viability work. Paragraph 64 of the NPPF now sets out national thresholds for the provision of affordable housing:

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

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

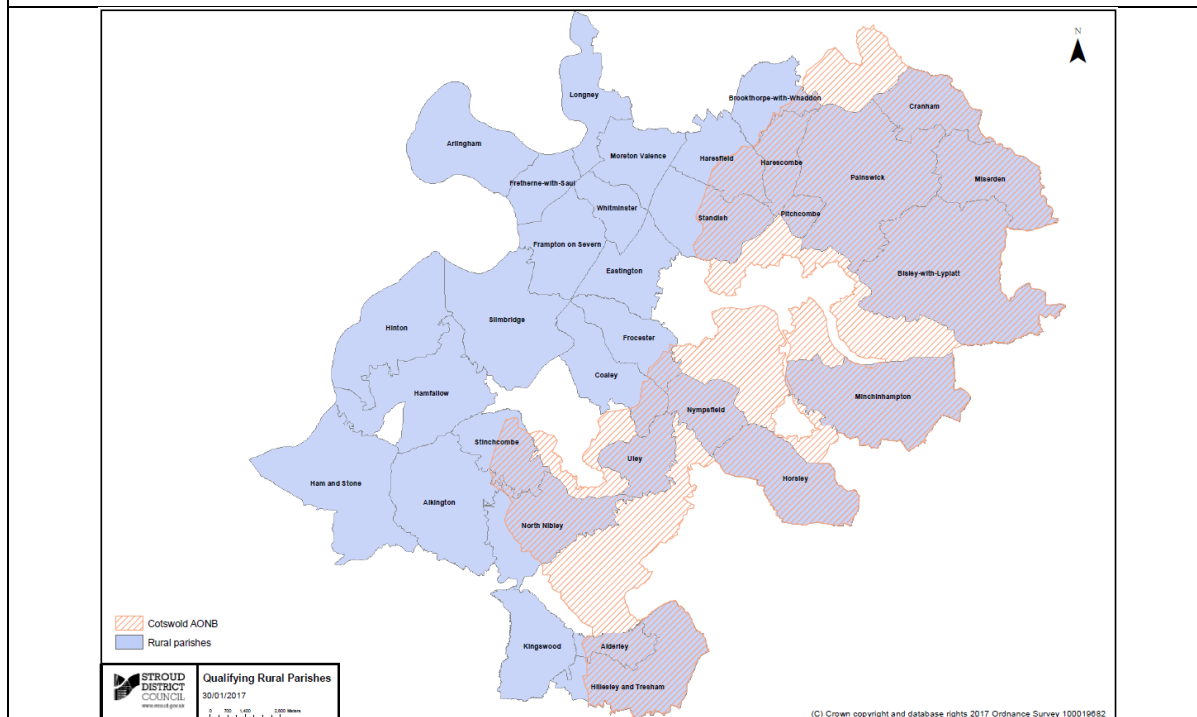
**Major development:** *For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m<sup>2</sup> or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

- 2.51 SDC includes a number of parishes<sup>10</sup> that are defined as being within a Designated Rural Area.

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

**Figure 2.1 Designated Rural Area (for Affordable Housing)**



Source: SDC, HOUSING COMMITTEE (21 FEBRUARY 2017)

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

#### *Affordable Home Ownership*

- 2.53 The NPPF sets out a policy for a minimum of 10% affordable home ownership units on larger sites.

*Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*

- a) provides solely for Build to Rent homes;*
- b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
- c) is proposed to be developed by people who wish to build or commission their own homes; or*
- d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*

*Paragraph 65, 2021 NPPF*

- 2.54 The 10% relates to all the homes on a site and is assumed to apply.

### *First Homes*

- 2.55 This is an area of policy change since the 2021 Viability Assessment. In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021.

#### *What is a First Home?*

*First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*

- a. must be discounted by a minimum of 30% against the market value;*
- b. are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c. on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d. after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

*First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*

PPG: 70-001-21210524

- 2.56 The Council does not consider First Homes to be affordable so these are not included in the base mix.

### *Environmental Standards*

- 2.57 Early in October 2019, the Government launched a consultation on 'The Future Homes Standard'<sup>11</sup>. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring the policy options in this regard. A housebuilder<sup>12</sup> suggested that the Future Homes Standard should be incorporated into the base appraisals as it has been subject to national consultation and that this may be a requirement. This has now been confirmed and it is assumed that new development will be to the Future Homes Standard Option 2 (31% CO<sub>2</sub> saving) and is considered in Chapter 8 below.

### *Biodiversity*

- 2.58 National policy has moved on in this area. The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type

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<sup>11</sup> [https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm\\_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm\\_medium=email&utm\\_campaign=govuk-notifications&utm\\_content=immediate](https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate)

<sup>12</sup> [REDACTED] for Persimmon.

of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

- 2.59 It is anticipated that each development will make provision for biodiversity improvements on-site, however, an element of off-site Biodiversity Net Gain to meet wider nature recovery objectives may be appropriate. This requirement is considered in Chapter 8 below.

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

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

**Assessments of housing need, viability and environmental impacts are too complex and opaque:** *Land supply decisions are based on projections of household and business ‘need’ typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environmental improvements nor ensure sites are brought forward and delivered;*

**Local Plans should be subject to a single statutory “sustainable development” test,** *and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished. This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*

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

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

*Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision*

- 2.62 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report (June 2022) a viability assessment is a requirement.

*NPPF and National Model Design Code: consultation proposals*

- 2.63 The Government published the *National Model Design Code* in July 2021<sup>13</sup>. This links with the 2021 NPPF:

*128. To provide maximum clarity about design expectations at an early stage, all local planning authorities should prepare design guides or codes consistent with the principles set out in the National Design Guide and National Model Design Code, and which reflect local character and design preferences. Design guides and codes provide a local framework for creating beautiful and distinctive places with a consistent and high quality standard of design.*

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<sup>13</sup> [National Model Design Code - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/national-model-design-code)

*Their geographic coverage, level of detail and degree of prescription should be tailored to the circumstances and scale of change in each place, and should allow a suitable degree of variety.*

*129. Design guides and codes can be prepared at an area-wide, neighbourhood or site-specific scale, and to carry weight in decision-making should be produced either as part of a plan or as supplementary planning documents. Landowners and developers may contribute to these exercises, but may also choose to prepare design codes in support of a planning application for sites they wish to develop. Whoever prepares them, all guides and codes should be based on effective community engagement and reflect local aspirations for the development of their area, taking into account the guidance contained in the National Design Guide and the National Model Design Code. These national documents should be used to guide decisions on applications in the absence of locally produced design guides or design codes.*

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

### **Queen's Speech 2021 and 2022**

- 2.65 A range of planning reforms were outlined in the papers supporting the 2021 Queen's Speech. For the purpose of this assessment, the key points are as follows:

*Planning Bill "Laws to modernise the planning system, so that more homes can be built, will be brought forward..."*

*The purpose of the Bill is to:*

- *Create a simpler, faster and more modern planning system to replace the current one ...*
- *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*

*The main benefits of the Bill would be:*

- *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*

*The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.*

- 2.66 In the late summer of 2021, as part of the Government reshuffle, the Ministry of Housing Communities and Local Government was renamed as the Department for Levelling Up, Housing and Communities (DLUHC). Various ministers have commented about revisiting some of the subjects that had been consulted on, however, beyond statements that Housebuilding remains a priority, no further details have been released.
- 2.67 The Government's further thinking was set out in the 2022 Queen's Speech which included the following:

*“A bill will be brought forward to drive local growth, empowering local leaders to regenerate their areas, and ensuring everyone can share in the United Kingdom’s success. The planning system will be reformed to give residents more involvement in local development.”*

The main benefits of the Bill would be:

- *Laying the foundations for all of England to have the opportunity to benefit from a devolution deal by 2030 – giving local leaders the powers they need to drive real improvement in their communities.*
- *Improving outcomes for our natural environment by introducing a new approach to environmental assessment in our planning system. This benefit of Brexit will mean the environment is further prioritised in planning decisions.*
- *Capturing more of the financial value created by development with a locally set, non-negotiable levy to deliver the infrastructure that communities need, such as housing, schools, GPs and new roads.*
- *Simplifying and standardising the process for local plans so that they are produced more quickly and are easier for communities to influence.*

### *Levelling-up and Regeneration Bill*

- 2.68 In May 2022, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* has yet to be published.
- 2.69 It will be necessary for the Council to monitor the progress of the Bill and to review this report, as and when the Levy Regulations are published.

### **Viability Guidance**

- 2.70 There is no specific technical guidance on how to test viability in the 2021 NPPF or the updated PPG, although the updated PPG includes detailed guidance in a number of specific areas. There are several sources of guidance and appeal decisions<sup>14</sup> that support the methodology HDH has developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012<sup>15</sup> (known as the **Harman Guidance**).
- 2.71 The planning appeal decisions and the HCA good practice publication<sup>16</sup> suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over

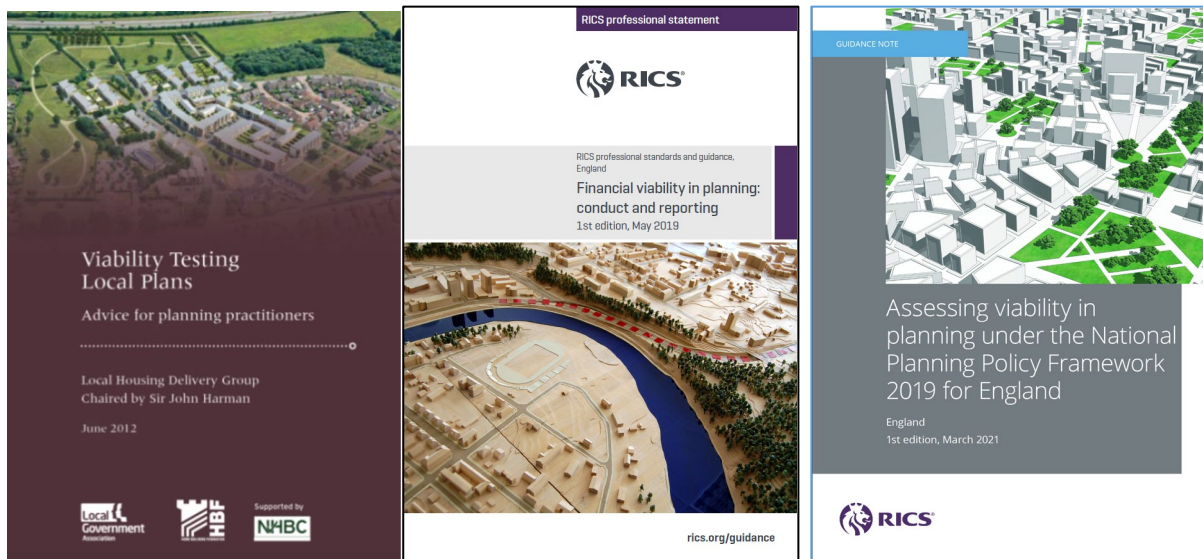
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<sup>14</sup> Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve: APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338, Former Territorial Army Centre, Parkhurst Road, Islington APP/V5570/W/16/3151698, Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437.

<sup>15</sup> Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

<sup>16</sup> *Good Practice Guide*. Homes and Communities Agency (July 2009).

and above the EUV being set at a level to provide the landowner with an inducement to sell. This approach is now specified in the PPG. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities that supports this approach.



- 2.72 As set out at the start of this report, there are two principal pieces of relevant RICS guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England* (1<sup>st</sup> Edition, May 2019) and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021). Neither of these specify a step-by-step approach, rather they make reference to the NPPF and provide interpretation on implementation.
- 2.73 In line with the updated PPG, this Assessment follows the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the value of the land both with and without the benefit of planning consent. This approach is in line with that recommended in the Harman Guidance.
- 2.74 In September 2019, the House Builders Federation (HBF) produced further guidance in the form of *HBF Local Plan Viability Guide* (Version 1.2: Sept 2019). This guidance draws on the Harman Guidance and the 2012 RICS Guidance, (which the RICS is updating as it is out of date), but not the more recent May 2019 RICS Guidance. This HBF guidance stresses the importance of following the guidance in the PPG and of consultation, both of which this report has done. We do have some concerns around this guidance as it does not reflect *'the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission'* as set out in paragraph 10-009-20190509 of the PPG. The HBF Guidance raises several 'common concerns'. Regard has been had to these under the appropriate headings through this report.

2.75 Both the HBF and a land promoter<sup>17</sup> referenced the HBF guidance through the summer 2020 consultation.

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<sup>17</sup> [REDACTED] Savills – for L&Q Estates, re Whaddon.



# 3. Methodology

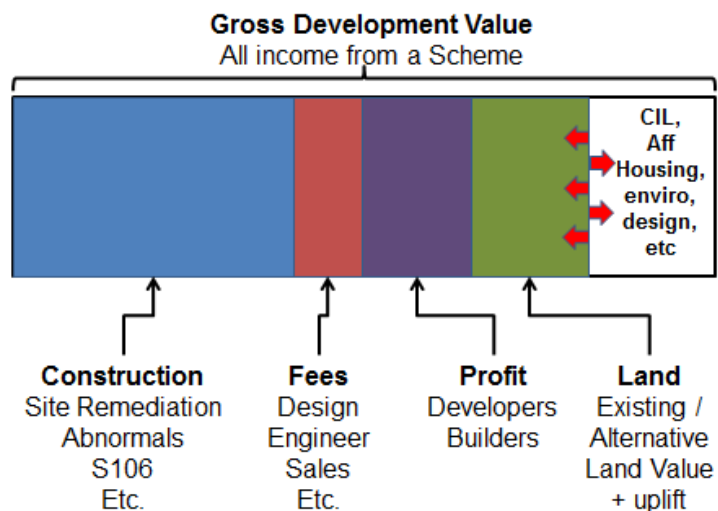
## Viability Testing – Outline Methodology

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

$$\begin{aligned}
 &\textbf{Gross Development Value} \\
 &\text{(The combined value of the complete development)} \\
 &\text{LESS} \\
 &\textbf{Cost of creating the asset, including a profit margin} \\
 &\text{(Construction + fees + finance charges)} \\
 &= \\
 &\textbf{RESIDUAL VALUE}
 \end{aligned}$$

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

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



3.4 The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions a planning authority asks for, the less the developer can afford to pay for the land. The purpose of this assessment is to quantify the costs of the Council’s policies and to assess the effect of

these, and then to make a judgement as to whether or not land prices are reduced to such an extent that the Plan is not deliverable. In line with comments made through the 2020 consultation<sup>18</sup>, we take this opportunity to acknowledge that it is necessary to take a cautious approach and ensure that policies are not set at the limits of viability.

- 3.5 The land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift' above the EUV which would make the landowner sell.
- 3.6 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the 2019 NPPF and CIL Regulations.
- 3.7 Through the summer 2020 consultation it was noted<sup>19</sup> that this approach is different from the approach taken by developers when making an assessment to inform commercial decision making, particularly on the largest sites to be delivered over many years. This is accepted, however, at this stage of the planning process it is necessary to work within the PPG and other relevant guidance. As set out in Chapter 2 above, it will be necessary for the promoters of the Strategic Sites to engage in more detail as the plan-making process continues. It was also noted that only a few of the proposed allocations were shown as viable in the pre-consultation draft, suggesting that the methodology must be flawed. This is not accepted. Firstly, the results presented in the pre-consultation draft iteration were highly caveated. Secondly, it is necessary to follow the process and guidance set out in the PPG.
- 3.8 It was also noted that it is unrealistic to model on the basis that the whole site is acquired in year one. Whilst it is accepted that different developers bring forward land under different models, it is necessary to model on a consistent basis. Some landowners may agree to deferred land payments, but others may not, likewise some developers may assemble sites in lots rather than as a whole.
- 3.9 Overall, there was a general consensus on the approach and methodology, with several consultees<sup>20 21</sup> stressing the importance of demonstrating deliverability.

#### **Limitations of viability testing in the context of the NPPF**

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

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<sup>18</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>19</sup> [REDACTED] Lioncourt Strategic Land, for Sharpness Development LLP.

<sup>20</sup> HBF.

<sup>21</sup> [REDACTED] for Persimmon.

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

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

### The meaning of Landowner Premium

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

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

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

*Benchmark land value should:*

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

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

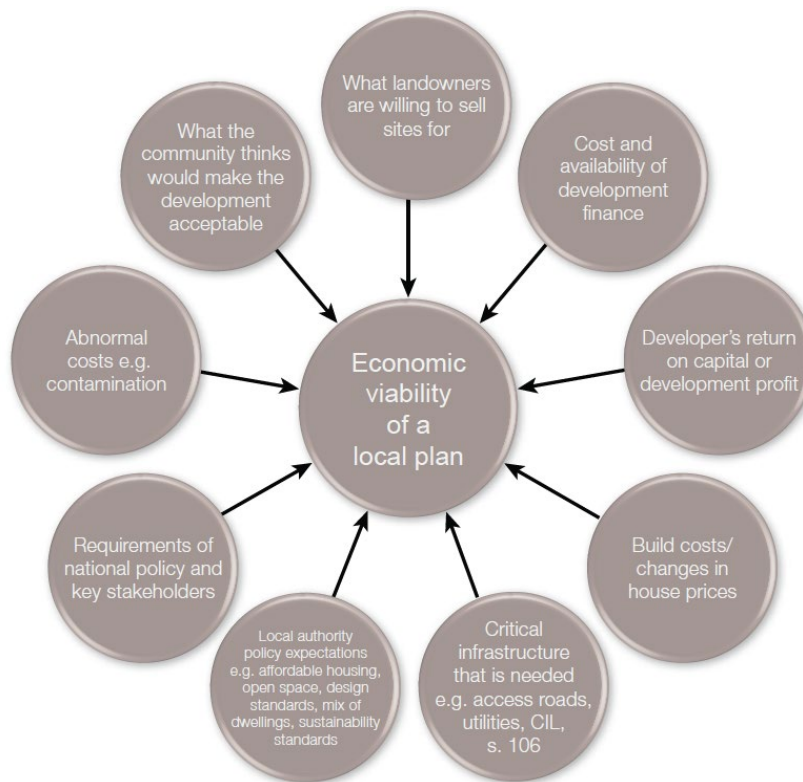
*This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments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

*In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including*

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

PPG 10-014-20190509

- 3.14 The term *landowner's premium* has not been defined through the appeal, Local Plan examination or legal processes. *Competitive return* was considered at the Shinfield Appeal (January 2013)<sup>22</sup> and the case is sometimes held up as a firm precedent, however, as confirmed in the Oxenholme Road Appeal (October 2013)<sup>23</sup>, the methodology set out in Shinfield is site specific and should only be given limited weight. Further clarification was provided in the Territorial Army Centre, Parkhurst Road, Islington appeal (June 2017)<sup>24</sup>, which has subsequently been confirmed by the High Court<sup>25</sup>. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.
- 3.15 This study is about the economics of development however, viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.



<sup>22</sup> APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

<sup>23</sup> APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

<sup>24</sup> APP/V5570/W/16/3151698 (Former Territorial Army Centre, Parkhurst Road, Islington, London, N7 0LP)

<sup>25</sup> Parkhurst Road Limited v Secretary of State for Communities and Local Government and The Council of the London Borough of Islington [2018] EWHC 991 (Admin)

### Existing Available Evidence

- 3.16 The NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from the Council has been reviewed. This falls into three broad types:
- 3.17 Firstly, is that which has been prepared earlier in the plan-making process and to inform the setting of CIL. These studies were subject to consultation and include:
- a. Local Plan Viability Study (August 2013)
  - b. CIL Viability Study (January 2014)
  - c. CIL Viability Update (March 2016)
  - d. Draft Local Plan Viability Assessment (May 2021)
- 3.18 All but the 2021 Viability Assessment were subject to independent examination. The Local Plan inspector [REDACTED] (2<sup>nd</sup> November 2015) concluded:

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

- 3.19 The CIL examiner [REDACTED] – 29<sup>th</sup> July 2016) said:

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

- 3.20 On this basis, it is clear that the existing viability evidence is sound and is the appropriate starting point for this update.
- 3.21 Further, HDH recently updated much of the viability background evidence through the *Assessment of Strategic Development Opportunities in parts of Gloucestershire – Viability Appendix* (December 2019). The Joint Core Strategy (JCS) Councils<sup>26</sup> and Stroud District Council commissioned a Site Assessment Study to evaluate the suitability of sites for potential allocation across the Councils' areas in early 2019. Forest of Dean District Council joined the

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<sup>26</sup> Cheltenham Borough Council, Gloucester City Council, Tewkesbury Borough Council

process in the summer of 2019. The Site Assessment Study considered broad areas for development that will inform the selection of the Strategic Sites (sites over 450 units) in the future. HDH advised in relation to viability.

- 3.22 Secondly, is that which the Council holds, in the form of development appraisals<sup>27</sup> that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it so that it can then be used as a sound base for setting the affordable housing target and the levels of CIL. It is important to note that these figures are the figures submitted by developers for discussion at the start of the viability process, and are not necessarily the figures agreed between the parties.

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<sup>27</sup> These are not referred to specifically in this report as some were submitted to the Council on a confidential basis.

<b>Table 3.1 Review of Development Management Viability Appraisals</b>					
	Stroud	Wotton U E	Stonehouse	Chalford	Quedgeley
Date	Sep-15	Mar-17	Mar-18	Apr-18	Aug-19
Ha	0.45	1.57	0.2	0.82	8.09
Res m2	2072	2229	523	2266	15528
Other m2	111				
Greenfield/ PDL	Cleared	Green		Green	ex MOD
Units	37	21	7	28	160
s106	£230,420	Nil	Nil	Nil	925608
s106/unit	£6,228				£5,785
£/m2 - Sales					
Res	£2,982	£2,808 - £3,618	£2,519 v £2,791	£2,852 - £3,070 v £3,013 - £3,230	3013
Aff Rent	55%	30% v 55%	45%	v 50%	50% v 55%
	£1,640			£1,292	£1,657
Shared Ownership	65%		70%	v 60%	50% v 65%
	£1,938				1657.15
Studio/retail	£161				
Construction	BCIS flats Gloucestershire +5% for enhanced spec.	BCIS UQ market & LQ Aff v median	£1,660 all in v BCIS median	BCIS median	LQ BCIS for SW
Externals	10%	20%		10%	Costed at 25%
Abnormals	Costed at 7.3%		+/- 10%	7.5% + £1,500/unit	Costed at 7.7%
Contingency	5%	3%	3%	3%	5%
Fees	8%	7%		7%	8%
Sales	1.5% + £600	2% + 1% + £650 v 1.5% + £600	1.5% + 1%, +£600	1.5% + 1% + 0.5%	1.5% + £500
Interest	5.50%	6.50%		6.50%	6%
Developers profit	20% / 6%	20% v 17.5% / 6%	15% / 6%	17.5% / 6%	20% / 6%
EUV £/ha	£1,483,000	Rural Exception Site	Rural Exception Site	Rural Exception Site	£680,000
Landowner's Premium					Shinfield = plus £558,000

Source: Review of appraisals submitted through Development Management.

- 3.23 The above data was not available at the time of the summer 2020 consultation. It was suggested<sup>28</sup> that the report should be subject to consultation once the data was available. This is not accepted as it is simply a matter of fact and to reconsult on this element would not be proportionate.

<sup>28</sup> ██████████ Hawkins Watton for various (un-named) clients.

3.24 Thirdly, SDC also holds evidence of what is being collected from developers under the s106 regime. This is being collected by the Council outside this study<sup>29</sup>.

### **Stakeholder Engagement**

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

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

- a) That not all the results of all the analysis was available. This is the case, but the purpose of the consultation was to ensure that the Viability Assessment was based on a set of assumptions over which there was a broad consensus. Presenting a near final report and numerous results tables tends to lead to comments on the draft results rather than the methodology and the input.
- b) The Benchmark Land Value should be revisited – with comments that it was both too high and too low.
- c) There is considerable uncertainty as a result of the coronavirus pandemic. This needs consideration.

3.27 The consultation process has been carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance. It was suggested<sup>30 31</sup> that the report should be subject to re-consultation once complete. The report will be published with the Regulation 19 publication draft, when there will be further opportunity to comment.

3.28 It was also suggested<sup>32</sup> that the report should be subject to consultation with the wider community. In this regard the viability chapter of the PPG is clear that the consultation should be with ‘with landowners, site promoters and developers’ and by inference their advisors. As

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<sup>29</sup> Paragraphs 10-020-20180724 to 10-028-20180724 of the PPG introduce reporting requirements in this regard. In particular 10-027-20180724 says:

*How should monitoring and reporting inform plan reviews?*

*The information in the infrastructure funding statement should feed back into reviews of plans to ensure that policy requirements for developer contributions remain realistic and do not undermine deliverability of the plan.*

*Paragraph: 027 Reference ID: 10-027-20180724*

<sup>30</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>31</sup> ██████████ Pioneer for Robert Hitchins.

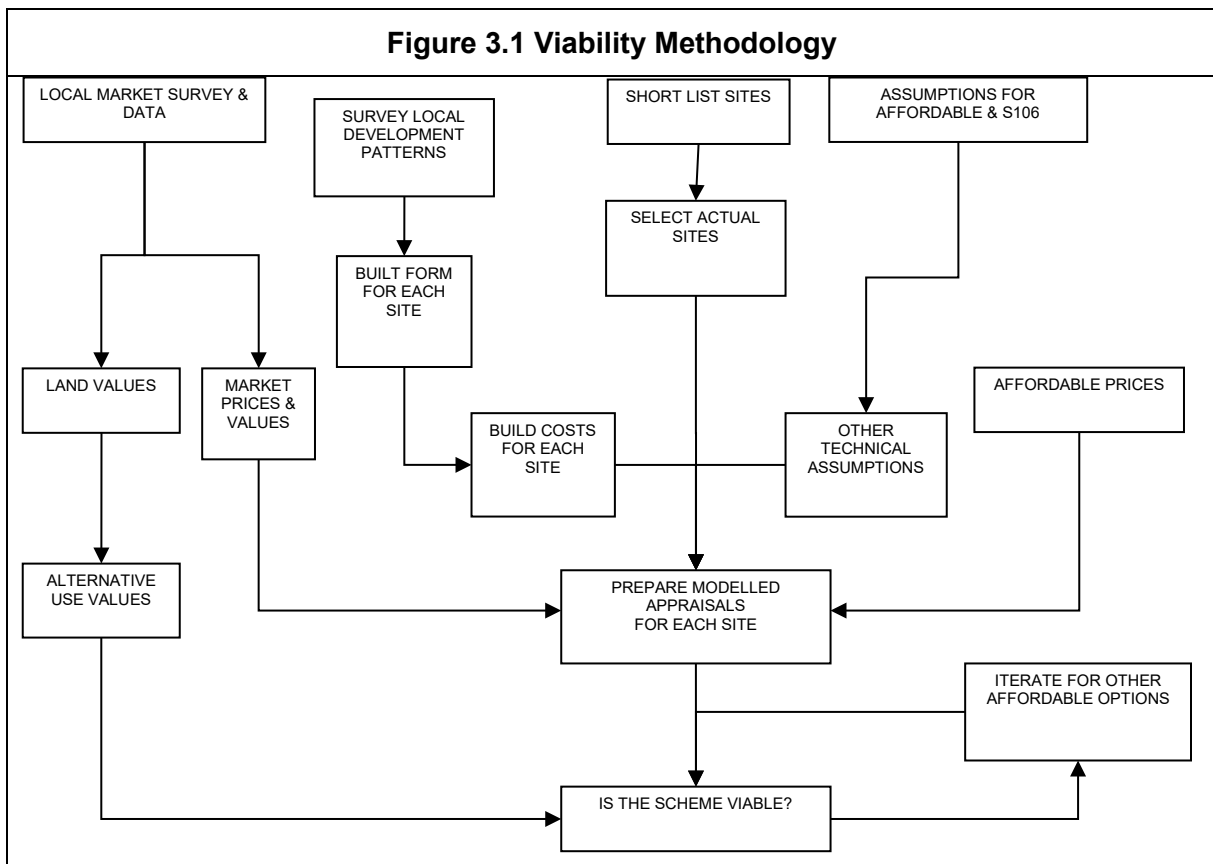
<sup>32</sup> ██████████ Pioneer for Robert Hitchins.



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

**Viability Process**

- 3.29 The assessment of viability as required under the 2019 NPPF and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) ‘...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106’.
- 3.30 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, and using these to assess whether development, generally, is viable. The typologies were modelled based on discussions with Council officers, the existing available evidence supplied to us by the Council, and on our own experience of development. Details of the modelling are set out in Chapter 9 below. This process ensures that the appraisals are representative of typical development in the Council area over the plan-period.



Source: HDH 2022



- 3.31 Through the summer 2020 consultation it was suggested<sup>33</sup> that sales rates were important. This is accepted and picked up towards the end of Chapter 7 below. In addition to modelling a range of representative sites, the following Strategic Sites are considered individually. The land at Whitminster is a new site that did not form part of the *Stroud District Local Plan Review, Draft Plan for Consultation – November 2019*. It has been promoted by site promoters as an alternative Strategic Site, although no decision to include it or not has been made at the time of this report.
- 3.32 The site details were updated in May 2021, immediately prior to the Regulation 19 consultation, as shown in red:

<b>Table 3.2 Potential Strategic Allocations – UPDATED May 2021</b>		
<b>Location</b>	<b>Employment</b>	<b>Housing</b>
Cam North West (PS24 West of Draycott)		<del>700</del> <b>900</b>
Cam North East Extension (PS25 East of River Cam)		180
South of Hardwicke (G1 South of Hardwicke)		<del>1,200</del> <b>1,350</b>
Hunts Grove Extension (PS30 Hunts Grove Extension)		750
Javelin Park (PS43 Javelin Park)	<del>9 ha</del> <b>27ha</b>	
Quedgeley East Extension (PS32 South of M5/J12)	5 ha	
Renishaw New Mills (PS47 Land west of Renishaw New Mills)	10 ha	
Sharpness Docks (PS34 Sharpness Docks)	7 ha	300
Sharpness (PS36 New settlement at Sharpness)	10 ha	2,400 (5,000 by 2050)
Stonehouse North West (PS19a Northwest of Stonehouse)	5 ha	<del>650</del> <b>700</b>
Stonehouse – Eco Park M5 J13 (PS20 M5 Junction 13)	10 ha	
Wisloe (PS37 New settlement at Wisloe)	5 ha	1,500
Land at Whaddon (G2 Land at Whaddon)		<del>2,500</del> <b>3,000</b>
<del>Whitminster</del> <del>(## Grove End Farm)</del>	13 ha	<del>2,250</del>

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

<sup>33</sup> ██████████ Hawkins Watton for various (un-named) clients.

- 3.33 The local housing markets were surveyed to obtain a picture of sales values. Land values were assessed to calibrate the appraisals and to assess EUVs. Local development patterns were considered, to arrive at appropriate built form assumptions. These in turn informed the appropriate build cost figures. Several other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still make an appropriate return. The Residual Value was compared to the EUV for each site. Only if the Residual Value exceeded the EUV, and by a satisfactory margin (the Landowners' Premium), could the scheme be judged to be viable. The amount of margin is a difficult subject, it is discussed, and the approach taken in this study is set out, in the later parts of Chapter 6 below.
- 3.34 Through the summer 2020 consultation a housebuilder's agent<sup>34</sup> sought to clarify if the viability test is in two stages. The first being whether the Residual Value is over the EUV, and then, if the Residual Value is above the EUV, whether the Residual Value is above the EUV plus the Landowner's Premium. This is agreed.
- 3.35 Whilst Grove Farm was not a proposed allocation, it was included in the 2021 Viability Assessment to inform the wider plan-making process. The site is not considered in this iteration of the assessment.
- 3.36 The appraisals are based on existing and draft policies options as summarised in Chapter 8 below. For appropriate sensitivity testing, a range of options including different levels of Affordable Housing provision and different levels of developer contribution are tested.
- 3.37 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the NPPF and CIL Regulations<sup>35</sup>. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality, and to provide high level advice to assist SDC in assessing the deliverability of the Local Plan and to assist the Council in considering CIL.

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<sup>34</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>35</sup> This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS and has been widely used by Councils across England. The model includes a cashflow so that sales rates can be reflected.



## 4. Residential Market

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

### The Residential Market

4.2 The following value assumptions were used in the 2021 Viability Assessment, although it is important to note that these were based in September 2020.

<b>Table 4.1 September 2020 Residential. Price Assumptions (£/m<sup>2</sup>)</b>				
	Gloucester Fringe and Northwest SDC	Rural East & South - Higher Value Villages	Rural West - Lower Value Villages	Cam, Stonehouse, Stroud, the Stroud Valleys and Sharpness
Brownfield		£3,500		£2,750
Urban Flatted Schemes				£2,700
Large Greenfield Sites	£3,000			£3,050
Medium Greenfield Sites	£3,000	£3,700	£3,225	£3,000
Small Greenfield Sites		£3,700	£3,350	£3,000

Source: HDH (September 2020)

Site 1	PS24 West of Draycott	Cam NW	£2,800
Site 2	PS25 East of River Cam	Cam NE Extension	£2,800
Site 3	G1 South of Hardwicke	S of Hardwicke	£3,000
Site 4	PS30 Hunts Grove Extension	Hunts Grove	£3,000
Site 5	PS34 Sharpness Docks	Sharpness	£2,700
Site 6	PS36 New settlement at Sharpness	Sharpness	£3,200
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	£3,100
Site 8	PS37 New settlement at Wisloe	Wisloe	£3,100
Site 9	G2 Land at Whaddon	Whaddon	£3,000
Site 10	## Grove End Farm <sup>36</sup>	Whitminster	£3,125

Source: HDH (September 2020)

- 4.3 Data from the Land Registry suggests that average house prices increased by 15.05% between September 2020 and May 2022. Newbuild prices are reported to have increased by just over 32% between September 2020 and May 2022. These increases are broadly in line with those reported across England and Wales.

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<sup>36</sup> Whilst Grove Farm was not a proposed allocation, it was included to inform the wider plan-making process. This site is not considered further.

<b>Table 4.3 Changes in Houses Prices</b>							
<b>Stroud District</b>							
	All	Detached	Semi-detached	Terraced	Flats	Newbuild	Existing
2020-09	£289,326	£446,239	£273,685	£221,756	£152,580	£381,541	£282,235
2022-03						£505,013	£324,717
2022-05	£346,684	£544,600	£329,475	£263,308	£170,634		
Change	£57,358 19.82%	£98,361 22.04%	£55,790 20.38%	£41,552 18.74%	£18,054 11.83%	£123,472 32.36%	£42,482 15.05%
<b>England and Wales</b>							
	All	Detached	Semi-detached	Terraced	Flats	Newbuild	Existing
2020-09	£253,110	£384,848	£238,474	£205,407	£225,729	£310,678	£249,731
2022-03						£428,845	£283,635
2022-05	£297,387	£464,349	£283,911	£242,969	£245,365		
Change	£44,277 17.49%	£79,501 20.66%	£45,437 19.05%	£37,562 18.29%	£19,636 8.70%	£118,167 38.04%	£33,904 13.58%

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- 4.4 It is important to note that the latest data is several months old, however, bearing in mind the substantial increase it is clearly necessary to update the value assumptions for market housing.

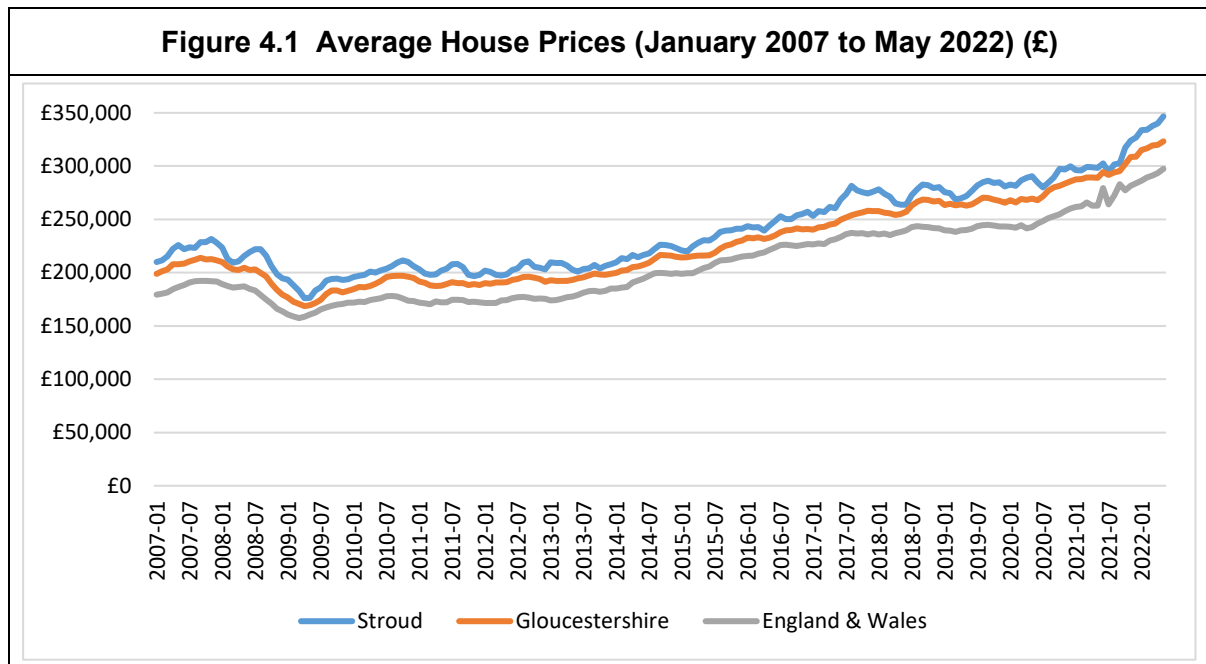
### **The Local and National Market**

- 4.5 The housing market across the Stroud District Council area reflects national trends, but there are local factors that underpin the market including:
- a. Good transport links to the M5.
  - b. Good and regular train connections to the mainline network, with excellent links to Bristol, Gloucester and direct trains to London.
  - c. The north of the District abuts Gloucester and its southern and eastern suburbs of Quedgeley, Tuffley, Abbeymead and Brockworth.
  - d. Attractive and expensive rural areas of the Cotswolds, particularly to the east and south.
  - e. Many attractive settlements in a range of sizes containing buildings of character and heritage.
  - f. Densely developed, deep 'Stroud Valleys' of historic industrial development.
- 4.6 Overall, the market is perceived to be vibrant, with a strong market for the right scheme in the right place. Having said this, some areas remain challenging, the relatively low house prices

and challenging sites, in some areas do make the delivery of new housing less easy. In this context, an agent<sup>37</sup> highlighted the ‘hotspots’ of Nailsworth and Stroud, particularly within 15 minutes’ walk of the station, which were close to ‘cheap’ locations such as Brimscombe and Burleigh. Alternatively, an agent<sup>38</sup> for a housebuilder noted that ‘character locations’ can be highly sought after.

*National Trends and the relationship with the wider area*

4.7 The housing market peaked late in 2007 and then fell considerably in the 2007/2008 recession during what became known as the ‘Credit Crunch’. Average house prices in Stroud had not recovered to their pre-recession peak by the time that the 2013 Viability Assessment was undertaken, but are now about 50% above the 2007 peak and are 71% higher than when the 2013 Viability Assessment was carried out. Whilst these increases are substantial, the rates of increase are a little less than seen across Gloucestershire (52% increase since 2007 / 67% increase since 2013) or England and Wales (55% increase since 2007 / 67% increase since 2013).



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4.8 Up to the pre-recession peak of the market, the long-term rise in house prices had, at least in part, been enabled by the ready availability of credit to home buyers. Historically, mortgages were largely funded by the banks and building societies through deposits taken from savers. During a process that became common in the 1990s, but took off in the early part of the 21<sup>st</sup> Century, many financial institutions changed their business model whereby, rather than lending money to mortgagees that they had collected through deposits, entered into complex

<sup>37</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>38</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.





financial instruments and engineering through which, amongst other things, they borrowed money in the international money markets, to then lend on at a margin or profit. They also 'sold' portfolios of mortgages that they had granted. These portfolios also became the basis of complex financial instruments (mortgage-backed securities and derivatives etc.).

- 4.9 During 2007 and 2008, it became clear that some financial institutions were unsustainable, as the flow of money for them to borrow was not certain. As a result, several failed and had to be rescued by the State. This was an international problem that affected countries across the world – but most particularly in North America and Europe. In the UK, the high-profile institutions that were rescued included Royal Bank of Scotland, HBoS, Northern Rock and Bradford and Bingley. The ramifications of the recession were an immediate and significant fall in house prices, and a complete reassessment of mortgage lending with financial organisations becoming averse to taking risks, lending only to borrowers who had a lower risk of default and those with large deposits.
- 4.10 At the time of this report, the housing market is supported by the Government through products and initiatives such as Help-to-Buy (the Stamp Duty 'holiday' was phased out between July and October 2021). In addition, the historically low Bank of England's base rates have contributed to the wider economic recovery, including a rise in house prices.
- 4.11 There is a degree of uncertainty in the housing market as reported by the RICS. This is, at least in part, due to the uncertainties around the state of the wider economy. The July 2022 *RICS UK Residential Market Survey* said:

***Demand and sales continue to cool although pricing trends remain relatively firm at this stage***

- *New buyer enquiries indicator moves further into negative territory*
- *New instructions remain more or less flat while sales soften slightly*
- *House prices still rising across all parts of the UK, albeit the pace of growth appears to be easing somewhat*

*The June 2022 RICS UK Residential Survey results again point to a softening in demand at the headline level. Nevertheless, with new instructions remaining generally flat over recent months, tight supply conditions are still underpinning house prices. Indeed, for the time being at least, respondents continue to cite an increase in house prices across all parts of the UK, even if the pace of growth looks to be easing to a certain degree.*

*At the national level, the latest net balance for new buyer enquiries slipped to -27%, down from a reading of -9% previously. As such, this marks the second consecutive month in which the survey's headline measure of demand has been in negative territory. Interestingly, the feedback on buyer enquiries is a little more resilient in London compared most other parts of the UK, with the capital exhibiting a net balance of +7% in June.*

*Meanwhile, the volume of sales agreed over the month dipped slightly at the UK-wide level, evidenced by a net balance of -13% being returned in June (a little softer than a figure of -5% posted in the previous iteration of the survey). Looking ahead, near-term sales expectations are now marginally negative, with a net balance of -9% of respondents anticipating a fall in transactions over the coming three months. Further out, twelve-month sales expectations are also negative, delivering a net balance of -21% (albeit this is broadly in-line with last month's reading of -24%).*

*Looking at the feedback around new instructions, the latest net balance of -1% remains consistent with a more or less flat trend across the UK in aggregate. Moreover, survey*

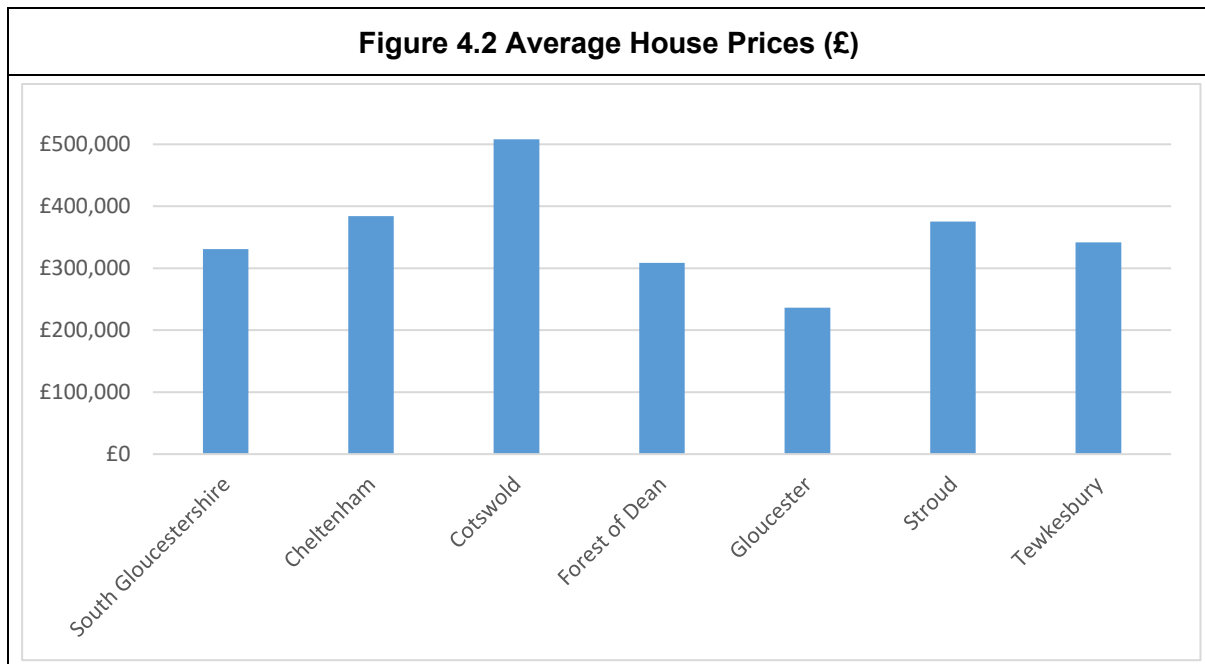
participants are also reporting market appraisals to be broadly unchanged relative to the picture twelve months ago, suggesting the tight supply backdrop is unlikely to shift drastically in the immediate future.

With available stock on the market still limited, house prices continue to drift higher despite the recent cooling in demand. In aggregate, a net balance of +65% of respondents noted an increase in house prices over the latest survey period. Although this is down slightly on a recent high of +79% back in April, the latest reading is still indicative of a solid pace of house price inflation and comfortably above the long-run average of +13%. Disaggregating the data shows that Northern Ireland, Yorkshire & the Humber and the South East all continue to see particularly strong house price growth.

In another sign of the still resilient picture for national house prices, 50% of contributors report that average sales prices are coming in above asking prices for properties listed at up to £500k. Alongside this, 39% of respondents cite sales prices are coming in above asking prices for properties marketed at between £500k and £1m. The picture is a little different for properties listed at £1m or above however, with respondents (on balance) reporting sales prices to be slightly below asking prices at this point in time.

In terms of the outlook, twelve-month price expectations moderated for a fourth month in succession. A net balance of +37% of respondents foresee prices continuing to climb higher over the year ahead, a noticeable easing compared to a reading of +78% returned back in February. Nevertheless, even though price expectations have been trimmed in most cases relative to earlier in the year, they remain in positive territory (in net balance terms) across all parts of the UK.

4.12 The average prices in Stroud are broadly similar to those of the neighbouring Council areas.



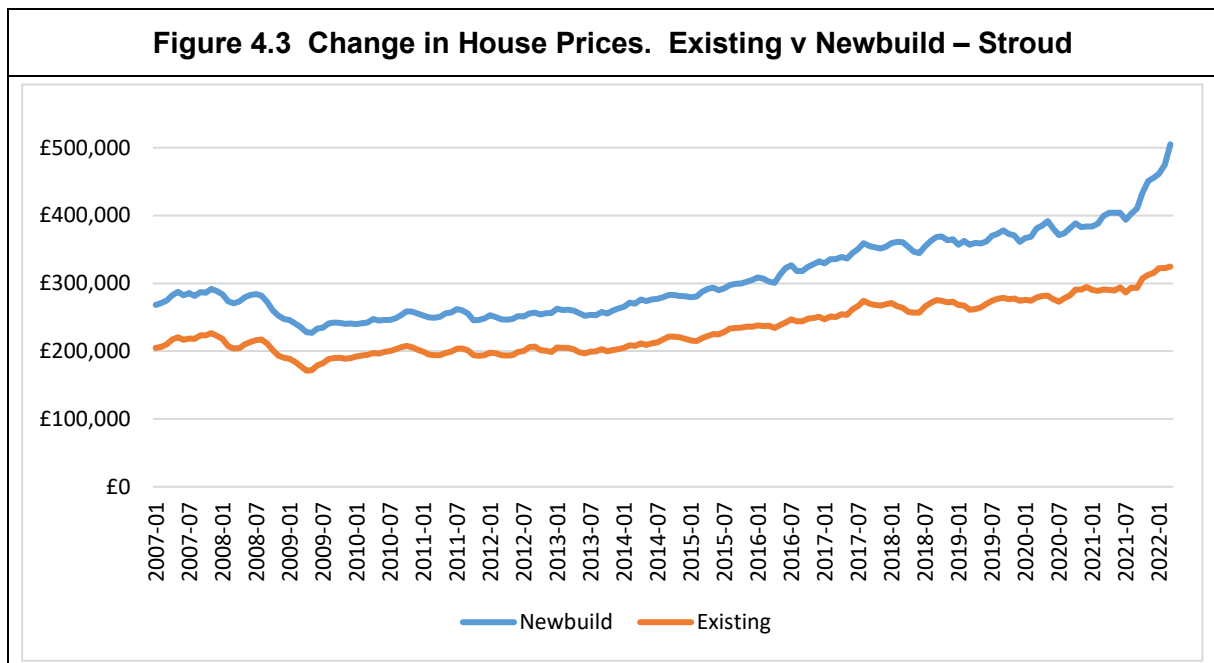
Source: Mean house prices for administrative geographies: HPSSA dataset 12 (Release 22 June 2022).  
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4.13 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for SDC is 105<sup>th</sup> (out of 331) at £375,217<sup>39</sup> (being

<sup>39</sup> Mean house prices for administrative geographies: HPSSA dataset 12 (Release 22<sup>nd</sup> July 2022)

an increase from 131<sup>st</sup> (out of 339) at £313,255<sup>40</sup> in 2020). To set this in context, the Council at the middle of the rank (165 – Stockport), has an average price of £312,498. The Stroud median price is lower than the average at £305,000<sup>41</sup> (being an increase from £270,000<sup>42</sup> in 2020).

- 4.14 The figure above shows that prices in the Stroud District area have seen a significant recovery since the bottom of the market in mid-2009. A characteristic of the data is that the values of newbuild homes have increased faster than that for existing homes. The Land Registry shows that the average price paid for newbuild homes in Stroud is £505,013 (up from £377,192 in 2020) which is £180,296 higher than the average price paid for existing homes of £324,717 (up from £273,542 in 2020). Newbuild homes are now 55% more expensive than existing homes, this is a notable change since 2020 when newbuild homes were 38% more expensive than the average price paid for existing homes.



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- 4.15 In this regard, an agent<sup>43</sup> for a housebuilder noted (in July 2020) that existing homes had increased by 0.186% and newbuild house sales had decreased by 0.134% between October 2019 and January 2020. The above graph shows that month by month there are increases and falls, but the overall trend has been upwards. In our view it would not be appropriate to put weight on a change in values over such a short period.

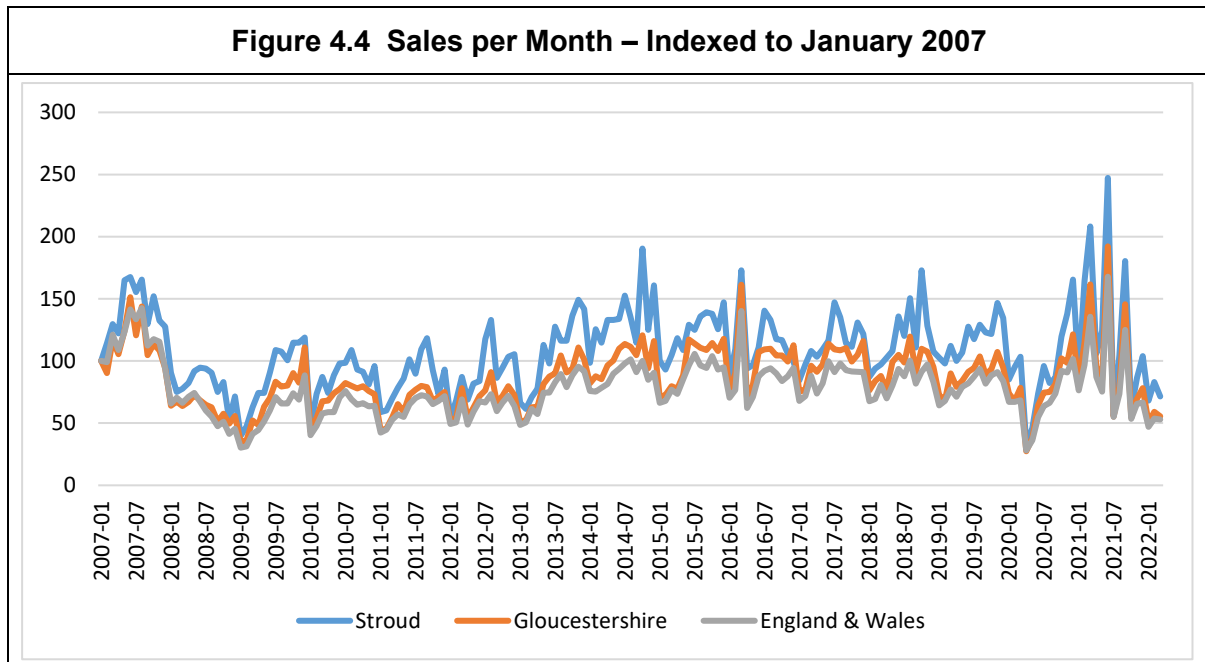
<sup>40</sup> Mean house prices for administrative geographies: HPSSA dataset 12 (Release 22<sup>nd</sup> July 2020).

<sup>41</sup> Median house prices for administrative geographies: HPSSA dataset 9 (Release 22<sup>nd</sup> July 2022)

<sup>42</sup> Median house prices for administrative geographies: HPSSA dataset 9 (Release 22<sup>nd</sup> July 2020)

<sup>43</sup> [Redacted] Pioneer for Robert Hitchins.

- 4.16 The rate of sales (i.e. sales per month) in the District is a little greater than the wider country, underlining the fact that the local market is an active market. At the time of this report (June 2022), the most recent data published by the Land Registry is that for February 2022. This shows the dip in activity that was a result of the COVID-19 pandemic and then the peak that may have been triggered by the stamp duty holiday.



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- 4.17 This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty. A further uncertainty is around the coronavirus pandemic and the global uncertainty that has arisen due to Russia’s invasion of Ukraine. It is not the purpose of this assessment to predict what the impact may be and how long the effect may last. There is anecdotal evidence of an increased demand for larger units (with space for working from home) and with private outdoor space. Conversely, employees in some sectors that have been particularly affected by the coronavirus have found their ability to secure a loan restricted.
- 4.18 A range of views as to the impact on house prices have been expressed that cover nearly the whole spectrum of possibilities. HM Treasury brings together some of the forecasts in its monthly *Forecasts for the UK economy: a comparison of independent forecasts* report.

**Table 4.4 Consolidated House Price Forecasts**

<b>Table 2 - 2022: Growth in prices and monetary indicators (% change)</b>									
Forecasters and dates of forecasts		CPI (Q4 on Q4 year ago, %)	RPI (Q4 on Q4 year ago, %)	Average earnings	Sterling index (Jan 2005=100)	Official Bank rate (level in Q4, %)	Oil price (Brent, \$/bbl)	Nominal GDP	House price inflation (Q4 on Q4 year ago, %)
<b>City forecasters</b>									
Bank of America - Merrill Lynch	Oct	3.1	3.9	-	-	0.25	-	-	-
Barclays Capital	Jun	7.9	11.4	-	-	1.50	111.0	-	-
Bloomberg Economics	Feb	5.0	-	-	-	1.00	-	-	-
Capital Economics	Jun	10.4	11.9	7.4	81.2	2.25	100.0	-	8.0
Citigroup	Feb	5.0	5.8	4.4	-	1.00	-	-	5.6
Credit Suisse	Jul *	9.5	-	-	-	2.25	-	-	-
Daiwa Capital Markets	Feb	4.6	-	4.0	85.0	1.25	85.0	-	5.0
Deutsche Bank	Dec	3.1	5.0	-	-	0.50	-	-	-
Goldman Sachs	Mar	8.3	-	-	-	1.75	125.7	6.9	-
HSBC	Jun	9.3	11.5	4.5	-	1.50	-	-	-
JP Morgan	Jul *	8.6	-	-	-	2.25	-	-	-
Morgan Stanley	Dec	2.7	3.9	-	-	0.75	-	-	-
Natwest Markets	Jul *	10.3	3.1	5.7	-	1.75	101.0	-	-
Nomura	Dec	3.3	-	-	-	1.00	-	-	-
Pantheon	Mar	7.6	9.0	5.2	-	1.00	-	-	4.5
Schroders Investment Management	Dec	1.6	3.5	3.5	-	0.50	-	9.2	2.2 x
Societe Generale	May	7.9	10.2	2.8	-	2.00	-	11.8	-
UBS	Jun	8.6	10.5	6.0	-	1.50	-	6.9	-
<b>Non-City forecasters</b>									
British Chambers of Commerce	Jul *	10.0	-	4.0	-	-	-	-	-
Beacon Economic Forecasting	Jul *	10.6	12.0	6.2	79.1	1.75	104.7	13.4	12.9
CBI	Jun	8.3	8.7	5.5	83.6	1.75	100.8	9.1	9.2
CEBR	Jul *	10.7	11.0	5.2	81.0	1.92	-	-	-1.5
Economic Perspectives	Sep	4.5	5.3	5.5	77.0	0.25	55.0	7.5	2.0 x
Experian Economics	May	9.0	11.0	5.0	87.8	1.25	108.0	3.1	2.2
EIU	Jul *	7.8	-	-	-	2.00	-	-	-
Heteronomics	Jul *	9.6	12.4	7.0	79.9	2.00	108.1	-	7.7
ICAEW	Jul *	10.5	-	-	-	2.25	-	-	-
ITEM Club	May	5.8	8.3	-	-	1.25	-	-	5.1 z
Kern Consulting	Jun	8.2	-	5.1	-	2.25	115.0	-	-
Liverpool Macro Research	Jul *	7.0	-	6.7	76.9	2.00	-	-	- k
NIESR	May	8.3	14.4	5.4	-	2.00	-	-	0.0
Oxford Economics	Jul *	11.1	13.8	5.6	78.1	2.00	106.4	8.7	7.3
OECD	Jun	8.8	h	-	-	-	-	-	-
IMF	Apr	7.4	h	-	-	-	-	-	-
<b>Average of forecasts made in the last 3 months (excludes OBR forecasts)</b>									
Independent		9.0	10.7	5.5	81.0	1.87	106.1	8.8	5.7
New (marked *)		9.6	10.4	5.8	79.0	2.02	105.1	11.1	6.6
City		9.1	9.8	5.3	81.2	1.88	104.0	9.3	8.0
<b>Range of forecasts made in the last 3 months (excludes OBR forecasts)</b>									
Highest		11.1	14.4	7.4	87.8	2.25	115.0	13.4	12.9
Lowest		5.8	3.1	2.8	76.9	1.25	100.0	3.1	-1.5
Median		9.0	11.2	5.5	80.5	2.00	106.4	8.9	7.3
<b>OBR</b>	<b>Mar</b>	<b>8.7</b>	<b>11.0</b>	<b>5.3</b>	<b>82.5</b>	<b>1.1</b>	<b>94.0</b>	<b>6.7</b>	<b>4.3</b>

Source: *Forecasts for the UK economy: a comparison of independent forecasts No 420* (HM Treasury, July 2022)

4.19 Property agents Savills are forecasting the following changes in house prices.

<b>Table 4.5 Savills May 2022 Property Price Forecasts</b>						
	2022	2023	2024	2025	2026	5 Year
Mainstream UK	7.5%	-1.0%	1.5%	2.0%	2.5%	12.9%
South West	7.5%	-1.5%	1.5%	2.0%	2.5%	12.4%

Source: Savills UK Residential – Mainstream Residential market forecasts (May 2022)

4.20 In this context is relevant to note that the Nationwide Building Society reported in May 2022:

*Annual house price growth slows in June, but remains in double digits*

- Modest slowing in annual UK house price growth to 10.7% in June, from 11.2% in May
- Most regions saw slight slowing in annual growth in Q2
- South West overtook Wales as strongest performing region, while London remained weakest
- South West also strongest performing region through the pandemic

Headlines	June-22	May-22
Monthly Index*	537.9	536.3
Monthly Change*	0.3%	0.9%
Annual Change	10.7%	11.2%
Average Price (not seasonally adjusted)	£71,613	£269,914

\* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

4.21 Similarly, the Halifax Building Society reported in July 2022:

*House prices continue to increase as market shows resilience*

- House prices increased by 1.8% in June, the twelfth consecutive monthly rise
- Annual growth rate of 13% is the highest since late 2004
- Typical property now costs £294,845
- Northern Ireland continues to post the strongest growth in the UK

4.22 Through the summer 2020 consultation it was suggested<sup>44</sup> that ‘house sales dropping in real terms by 5% already’. Whilst it is important not to understate the impact of coronavirus, at the time of the 2021 Assessment, there was not robust data to support such a statement, prices are continuing to rise.

4.23 Several comments were made<sup>45 46</sup> for housebuilders, that this report should be predicting the impact of the pandemic on the market. This is not accepted, as demonstrated above, the housing market is subject to numerous views on prices and how they may change, few of which are likely to be correct. Sensitivity testing has been carried out.

### **The Local Market**

4.24 A survey of asking prices across the District, based on the Council’s settlement hierarchy, was carried out in April 2020 and refreshed in May 2022. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

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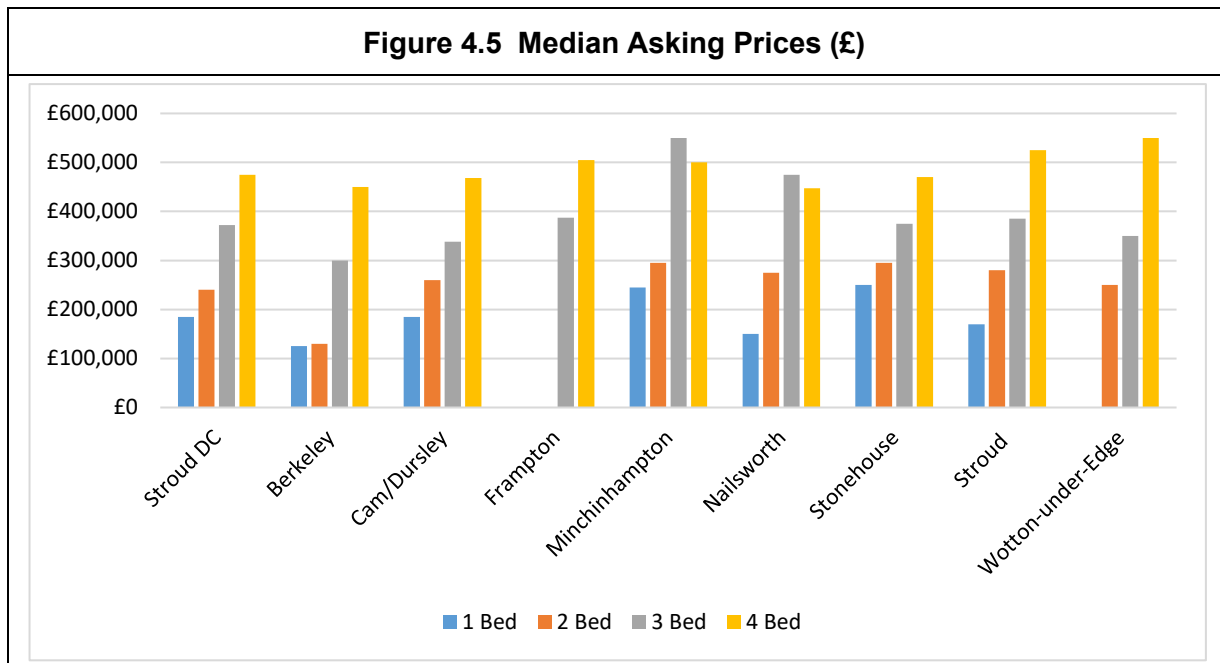
<sup>44</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>45</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>46</sup> ██████████ Pioneer for Robert Hitchins.

<b>Table 4.6 SDC Settlement Hierarchy</b>	
Tier	Settlement
1	Cam & Dursley, Stonehouse, Stroud
2	Berkeley, Frampton on Severn, Hunts Grove (anticipated), Minchinhampton, Nailsworth, Wotton under Edge
3	Amberley, Bisley, Brimscombe, Chalford, Coaley, Eastington, Hardwicke, Horsley, Kings Stanley, Kingswood, Leonard Stanley, Manor Village, Newtown & Sharpness, North Nibley, North Woodchester, Oakridge Lynch, Painswick, Slimbridge, Uley, Upton St. Leonards, Whiteshill & Ruscombe, Whitminster.
4	Box, Brookthorpe, Bussage, Cambridge, Eastcombe, France Lynch, Middleyard, Newport, Nymphsfield, Randwick, Selsley, South Woodchester, Stinchcombe, Stone, Thrupp
5	Arlingham, Cranham, Haresfield, Hillesley, Longney, Saul, Sheepscombe

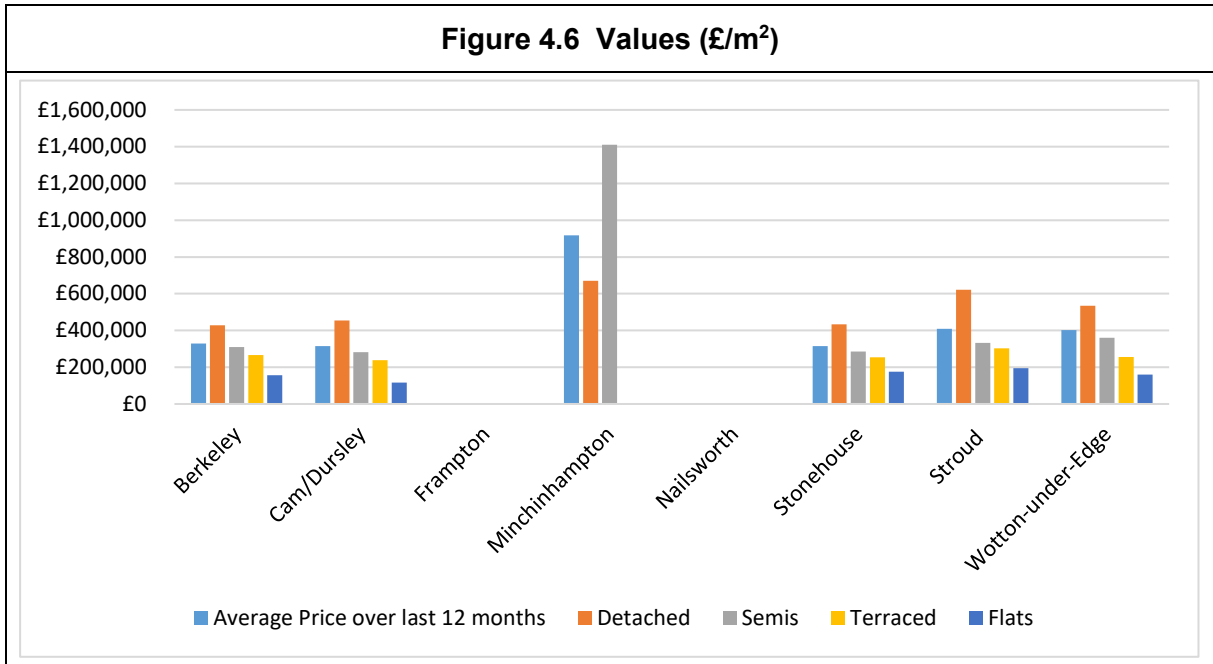
Source: Stroud District Settlement Role and Function Study Update 2018, May 2019



Source: Rightmove.co.uk (May 2022)

- 4.25 An agent<sup>47</sup> for a housebuilder questioned whether or not it was appropriate to base the research on the Settlement Hierarchy. This is a suitable starting point for the research as much of the planned development is directed towards the higher tier settlements. This research will inform the price areas that are used in the appraisals (which may or may not follow the Settlement Hierarchy).
- 4.26 The above figures are asking prices which reflect the seller's aspiration of value, rather than the actual value, they are however a useful indication of how prices vary across areas.

<sup>47</sup> [Redacted] Pioneer for Robert Hitchins.



4.27 The Land Registry publishes raw data of all homes sold. Across the Stroud District Council area, 4,088 home sales are recorded since the start of 2020<sup>48</sup>. These transactions (as recorded by the Land Registry) are summarised as follows – these are sorted by ‘post town’ as per the Land Registry dataset. Whilst some of these post towns are outside the District, the sales analysed are within the District.

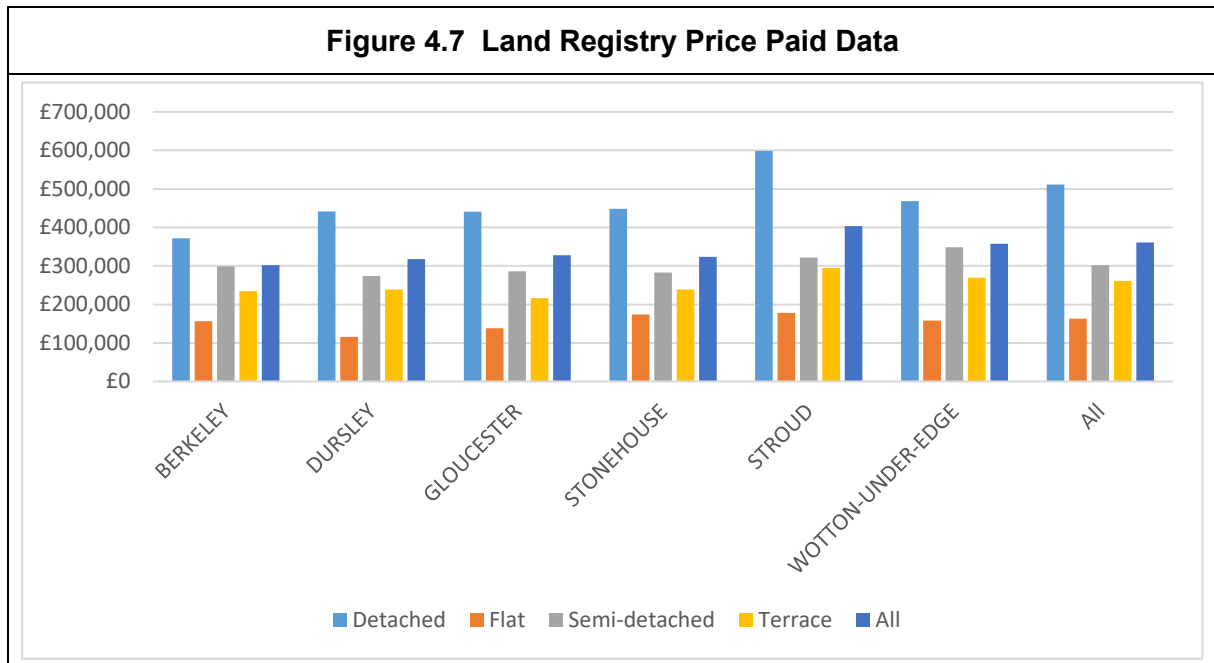
<sup>48</sup> The Land Registry makes all transactions available as and when they are registered via the ‘beta’ format tool at <https://www.gov.uk/government/statistical-data-sets/price-paid-data-downloads>. It does take some time for transactions to be registered – we estimate this to be about 4 to 6 months.



<b>Table 4.7 Average Price Paid by Post Town</b>					
	Detached	Flat	Semi-detached	Terrace	All
<b>BERKELEY</b>					
Count	81	5	38	72	196
Average £	£371,648	£156,437	£298,806	£234,270	£301,570
<b>CIRENCESTER</b>					
Count	2	0	0	0	2
Average £	£1,517,500				£1,517,500
<b>DURSLEY</b>					
Count	241	50	194	142	627
Average £	£441,472	£115,819	£273,965	£238,816	£317,778
<b>GLOUCESTER</b>					
Count	264	46	143	137	590
Average £	£440,636	£138,109	£286,043	£216,116	£327,446
<b>STONEHOUSE</b>					
Count	201	32	227	130	590
Average £	£448,584	£173,859	£282,460	£239,149	£323,621
<b>STROUD</b>					
Count	703	223	511	412	1,849
Average £	£598,845	£178,177	£321,994	£294,440	£403,770
<b>WOTTON-UNDER-EDGE</b>					
Count	95	20	51	68	234
Average £	£468,191	£157,925	£348,386	£269,643	£357,863
<b>All</b>					
Count	1,587	376	1,164	961	4,088
Average £	£511,338	£163,249	£302,262	£261,313	£361,015

Source: Land Registry (June 2022) Contains HM Land Registry data © Crown copyright. This data is licensed under the Open Government Licence v3.0

4.28 Excluding the Cirencester data, which is based on a sample of 2, and out of step with the remainder, the data can be summarised:



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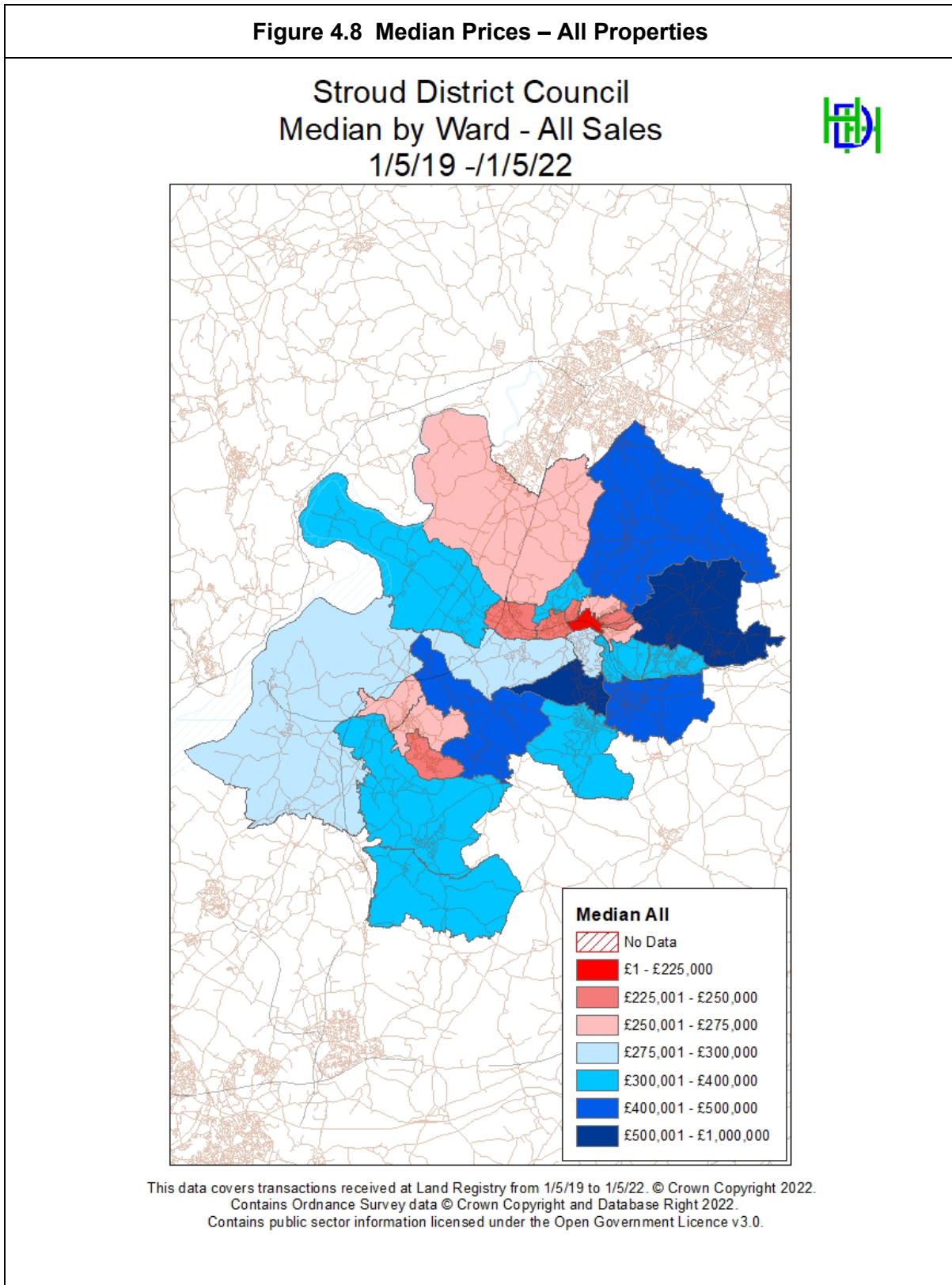
- 4.29 Through the 2020 consultation<sup>49</sup>, it was observed that this data does not include Nailsworth. The above data is based on Land Registry’s Price Paid Data which is sorted by post town. Whilst this can be presented at a finer gain, the sample sizes become very small which can become misleading. This data is presented in **Appendix 4**.
- 4.30 An agent<sup>50</sup> for a housebuilder questioned why the full data set of all the above transactions was not appended for consideration. The sample size is over 4,000 transactions so would add over 100 pages to the report. This is not considered useful or proportionate. The data is freely and publicly available from the Land Registry’s website (at <https://www.gov.uk/check-house-price-trends>).
- 4.31 Further it was questioned<sup>51</sup> why the prices of ‘other’ in the Land Registry Dataset were not presented here. At the time of the 2021 Viability Assessment, since the 1<sup>st</sup> January 2018, there were 312 such transactions. These are not necessarily dwellings. They include, for example, units on trading estates and other non-residential property as well as parcels of land. Prices vary from over £230,000,000 (for Standish Hospital), down to £500 (for plot 114 at Gladwish Farm). The average price paid of these ‘other’ types was £1,627,500. This category has been excluded as it would be misleading to present this category as residential property.
- 4.32 The geographical differences in prices are illustrated in the following maps, the first being for all properties and the second just for newbuild.

<sup>49</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>50</sup> ██████████ Pioneer for Robert Hitchins.

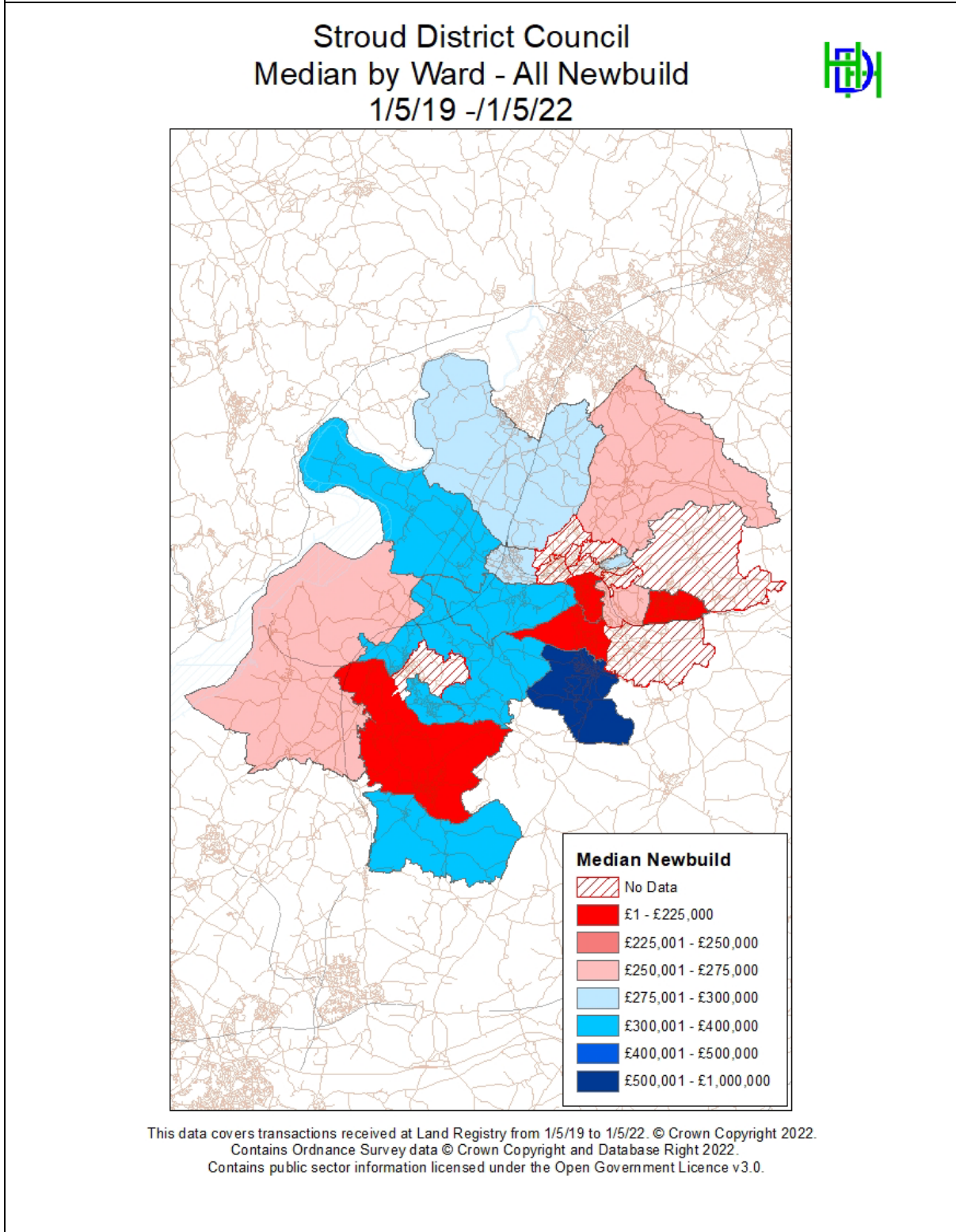
<sup>51</sup> ██████████ Pioneer for Robert Hitchins.

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



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**Figure 4.9 Median Prices – Newbuild Properties**



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

### *Newbuild Sales Prices*

- 4.35 This study is concerned with new development, so the key input for the appraisals is the price of new units. Recent newbuild sales prices from the Land Registry have been reviewed and a survey of new homes for sale was carried out.
- 4.36 As set out above, the Land Registry publishes data of homes sold. These transactions are summarised in the following table and detailed in **Appendix 5**. Each dwelling sold requires an Energy Performance Certificate (EPC)<sup>52</sup>. The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of other information about the construction and energy performance of the building. This information is also included in **Appendix 5**. Across the SDC area 619 newbuild home sales are recorded since the start of May 2019, (of which 607 have an EPC).
- 4.37 The price paid data from the Land Registry has been married with the floor area from the EPC Register. The HBF Guidance raises concerns about the use of EPC data highlighting a discrepancy between unit sizes on the EPC Register saying:

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

- 4.38 We understand that this relates, at least in part, to internal garages for the purpose of this study (which is mainly concerned with houses rather than flats). Internal garages are not included within the EPC area but can be included in the developers' own records. Whilst some new homes do have internal garages, this is a minority (8 out of the 46 (17%) or so being advertised for sale at the time of this report). Bearing in mind the need to establish the values on a £/m<sup>2</sup> basis, this data can still be given weight.
- 4.39 Further, the HBF Guidance suggests that the EPC information may not be reliable and understated the size of the buildings in question – with the consequence of overstating the value when considered on a £/m<sup>2</sup> basis. Through the summer 2020 consultation similar comments were made<sup>53 54 55 56</sup>. Whilst we note these concerns, we have checked the guidance for undertaking EPCs which states<sup>57</sup>:

*When undertaking internal dimensions measure between the inner surfaces of the external or party walls. Any internal elements (partitions, internal floors, walls, roofs) are disregarded.*

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<sup>52</sup> <https://www.epcregister.com/>

<sup>53</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>54</sup> ██████████ for Persimmon.

<sup>55</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>56</sup> ██████████ Pioneer for Robert Hitchins.

<sup>57</sup> Page 6, Energy Performance Certificates for Existing Dwellings. RdSAP Manual. Version 8.0

*In general, rooms and other spaces, such as built in cupboards, should be included in the calculation of the floor area where these directly accessible from the occupied dwelling. However, unheated spaces clearly divided from the dwelling should not be included.*

4.40 Additionally, the DCLG guidance describes the floor area as follows<sup>58</sup>:

*The total useful floor area is the total area of all enclosed spaces measured to the internal face of the external walls, that is to say it is the gross floor area as measured in accordance with guidance issued to surveyors:*

*a. the area of sloping surfaces such as staircases, galleries, raked auditoria, and tiered terraces should be taken as their area on the plan; and*

*b. areas that are not enclosed, such as open floors, covered ways and balconies, are excluded.*

4.41 As set out in Chapters 2 and 3 above, the work in this study is based on existing available evidence and is proportionate. It is our firm view that the use of EPC data is appropriate in a study of this type. As with any dataset there are bound to be discrepancies and occasions where there is an element of human error, however the substantial sample size and use of averages should minimise this. In spite of the comments made in this regard, no further data or alternative information was submitted that could be used as an alternative.

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

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

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<sup>58</sup> Improving the energy efficiency of our buildings. A guide to energy performance certificates for the marketing, sale and let of dwellings. April 2014, Department for Communities and Local Government.

<b>Table 4.8 Prices Paid – Newbuild Homes from January 2018 to April 2019</b>					
	Detached	Flats	Semi-detached	Terraced	All
<b>BRIDGEND</b>					
Count (EPC)	2	0	7	4	13
Average £	£288,750		£250,643	£220,000	£247,077
Average £/m <sup>2</sup>	£2,707		£2,685	£2,887	£2,751
<b>BRIMSCOMBE</b>					
Count (EPC)	0	29	0	0	29
Average £		£121,633			£121,633
Average £/m <sup>2</sup>		£1,873			£1,873
<b>BROCKWORTH</b>					
Count (EPC)	20	0	27	33	80
Average £	£333,139		£246,998	£256,565	£271,858
Average £/m <sup>2</sup>	£2,918		£3,050	£2,735	£2,887
<b>CAM</b>					
Count (EPC)	18	0	4	2	24
Average £	£355,378		£283,507	£232,500	£333,159
Average £/m <sup>2</sup>	£2,709		£2,734	£2,342	£2,683
<b>CANONBURY</b>					
Count (EPC)	2	0	0	12	14
Average £	£323,330		£255,500	£259,740	£270,463
Average £/m <sup>2</sup>	£3,021			£2,498	£2,573
<b>CHARFIELD</b>					
Count (EPC)	0	0	0	1	1
Average £				£117,000	£117,000
Average £/m <sup>2</sup>				£1,427	£1,427
<b>COALEY</b>					
Count (EPC)	5	0	4	0	9
Average £	£415,000		£194,063		£316,806
Average £/m <sup>2</sup>	£3,216		£2,338		£2,826
<b>FRAMPTON ON SEVERN</b>					
Count (EPC)	4	0	1	0	5
Average £	£479,000		£443,750		£471,950
Average £/m <sup>2</sup>	£3,045		£2,657		£2,968

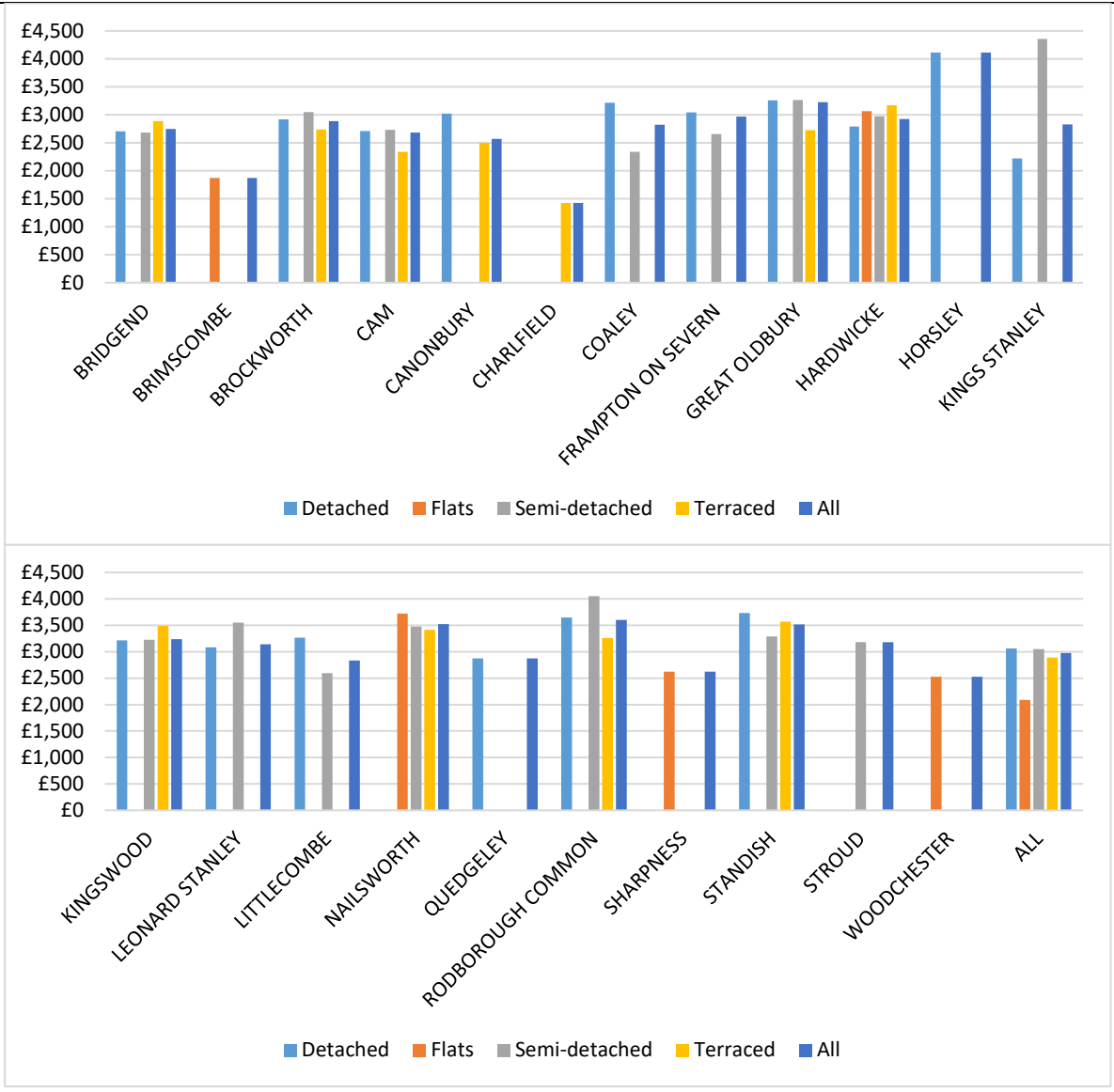
GREAT OLDBURY					
Count (EPC)	34	0	36	5	75
Average £	£360,158		£281,038	£275,597	£316,543
Average £/m <sup>2</sup>	£3,260		£3,262	£2,725	£3,225
HARDWICKE					
Count (EPC)	60	1	57	23	141
Average £	£360,224	£285,000	£268,069	£222,268	£299,933
Average £/m <sup>2</sup>	£2,789	£3,065	£2,972	£3,175	£2,927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



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

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

**Figure 4.10 Average Price Paid – Newbuild Homes from January 2018 to April 2019**



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4.44 The average price paid was £2,975/m<sup>2</sup>, ranging from less than £1,000/m<sup>2</sup> to over £7,000/m<sup>2</sup>.

4.45 Care should be taken when considering the disaggregated data as many of the sample sizes are small. Across the area, flats are approximately 40% less expensive than houses. Through the summer 2020 consultation it was observed<sup>59</sup> that flats can generally be expected to achieve a higher price (by square metre) than houses. Based on our wider work, we would expect flats to be more expensive when considered on a £/m<sup>2</sup> basis. In this case this difference is skewed by a scheme at Brimscombe of small flats in a converted, post war, industrial building. If the Brimscombe flats are disregarded, the average for flats is £2,709/m<sup>2</sup>.

<sup>59</sup> ██████████ Hawkins Watton for various (un-named) clients.

4.46 A housebuilder<sup>60</sup> provided the following additional data and comment:

*The draft assessment is proposing revenues of 3,100/sqm (288.10/sqft) for market units at Hardwicke.*

*Based on completions over the past 18 months period (October 18 – March 20) the following average revenues have been achieved on nearby schemes;*

- *Sellars Bridge, Hardwicke – 280/sqft (based on 5 sales) [£3,014/m<sup>2</sup>]*
- *Foxwhelp Way, Hardwicke – 253/sqft (based on 8 sales) [£2,723/m<sup>2</sup>]*
- *RAF Quedgeley – 242/sqft (based on 42 sales) [£2,640/m<sup>2</sup>]*

*As a minimum 280/sqft [£3,013/m<sup>2</sup>] should be applied as the base.*

*In regards to NW Stonehouse £3,300/sqm is assumed (£306/sqft), Redrow has achieved an average of £290/sqft [£3,121/m<sup>2</sup>] (including incentives) on its Heritage Outlet at Great Oldbury. The Harwood Outlet has achieved between 250 - 265/sqft [£2,690 - £2,852/m<sup>2</sup>] over the past 9 months.*

4.47 This data has been refreshed:

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<sup>60</sup> [REDACTED] for Redrow with regard to Hardwick.

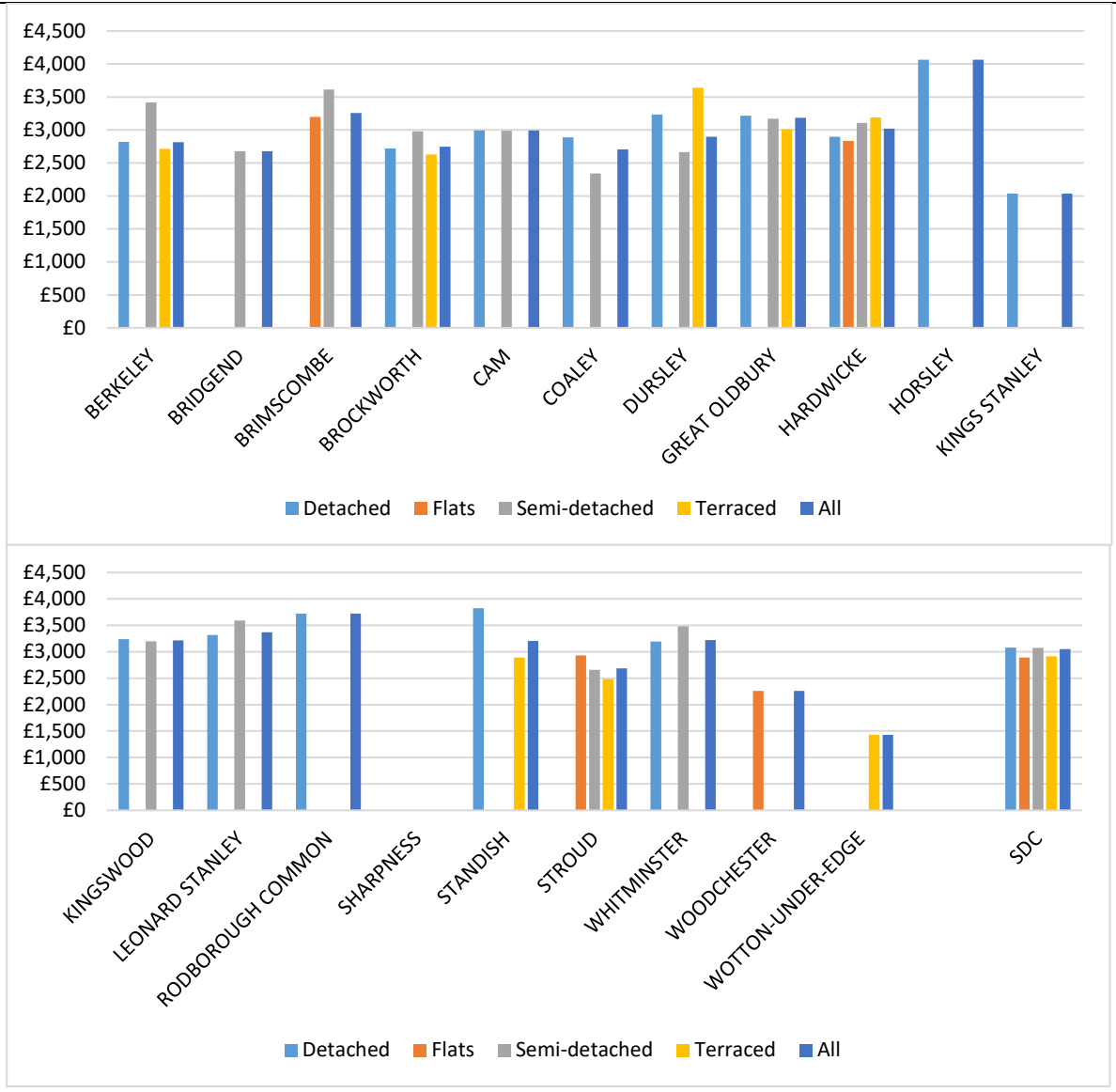
<b>Table 4.9 Prices Paid – Newbuild Homes from January 2019 to June 2022</b>					
	Detached	Flats	Semi-detached	Terraced	All
<b>BERKELEY</b>					
Count	21	0	3	19	43
Average £	£303,403		£238,997	£230,051	£266,498
Average £/m <sup>2</sup>	£2,818		£3,414	£2,714	£2,814
<b>BRIDGEND</b>					
Count	0	0	1	0	1
Average £			£257,000		£257,000
Average £/m <sup>2</sup>			£2,677		£2,677
<b>BRIMSCOMBE</b>					
Count	0	7	1	0	8
Average £		£235,714	£495,000		£268,125
Average £/m <sup>2</sup>		£3,197	£3,613		£3,256
<b>BROCKWORTH</b>					
Count	9	0	13	21	43
Average £	£369,720		£249,381	£252,751	£276,214
Average £/m <sup>2</sup>	£2,719		£2,978	£2,626	£2,744
<b>CAM</b>					
Count	18	0	2	0	20
Average £	£376,058		£279,513		£366,403
Average £/m <sup>2</sup>	£2,991		£2,989		£2,990
<b>COALEY</b>					
Count	8	0	4	0	12
Average £	£413,750		£194,063		£340,521
Average £/m <sup>2</sup>	£2,886		£2,338		£2,703
<b>DURSLEY</b>					
Count	12	0	28	3	43
Average £	£344,745		£304,612	£269,328	£313,351
Average £/m <sup>2</sup>	£3,234		£2,664	£3,640	£2,896
<b>GREAT OLDBURY</b>					
Count	92	0	87	8	187
Average £	£361,719		£279,913	£237,247	£318,335
Average £/m <sup>2</sup>	£3,214		£3,170	£3,011	£3,185

<b>HARDWICKE</b>					
Count	75	10	64	31	180
Average £	£367,144	£156,900	£268,739	£222,972	£295,646
Average £/m <sup>2</sup>	£2,897	£2,831	£3,108	£3,189	£3,019
<b>HORSLEY</b>					
Count	1	0	0	0	1
Average £	£975,000				£975,000
Average £/m <sup>2</sup>	£4,063				£4,063
<b>KINGS STANLEY</b>					
Count	1	0	0	0	1
Average £	£150,580				£150,580
Average £/m <sup>2</sup>	£2,035				£2,035
<b>KINGSWOOD</b>					
Count	7	0	8	0	15
Average £	£377,929		£314,438		£344,067
Average £/m <sup>2</sup>	£3,239		£3,195		£3,216
<b>LEONARD STANLEY</b>					
Count	22	0	5	0	27
Average £	£399,972		£272,986		£376,456
Average £/m <sup>2</sup>	£3,318		£3,592		£3,369
<b>RODBOROUGH COMMON</b>					
Count	1	0	0	0	1
Average £	£1,255,000				£1,255,000
Average £/m <sup>2</sup>	£3,724				£3,724
<b>SHARPNESS</b>					
Count	0	1	0	0	1
Average £		£84,000			£84,000
Average £/m <sup>2</sup>					£0
<b>STANDISH</b>					
Count	1	0	0	2	3
Average £	£650,000			£501,250	£550,833
Average £/m <sup>2</sup>	£3,824			£2,891	£3,202
<b>STROUD</b>					
Count	0	1	2	3	6
Average £		£123,000	£306,500	£289,333	£267,333
Average £/m <sup>2</sup>		£2,929	£2,655	£2,483	£2,689

WHITMINSTER					
Count	19	0	2	0	21
Average £	£571,447		£302,950		£545,876
Average £/m <sup>2</sup>	£3,192		£3,482		£3,219
WOODCHESTER					
Count	0	3	0	0	3
Average £		£152,650			£152,650
Average £/m <sup>2</sup>		£2,259			£2,259
WOTTON-UNDER-EDGE					
Count	0	0	0	1	1
Average £				£117,000	£117,000
Average £/m <sup>2</sup>				£1,427	£1,427
ALL					
Count	287	22	220	88	617
Average £	£383,491	£176,543	£278,302	£241,868	£318,406
Average £/m <sup>2</sup>	£3,076	£2,891	£3,076	£2,914	£3,047

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**Figure 4.11 Average Price Paid – Newbuild Homes from January 2019 to June 2022**



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

<b>Table 4.10 Median Price Paid (Newly Built Dwellings) by Ward</b>					
<b>Year Ending September 2021 (£)</b>					
	All	Detached	Semi-Detached	Terraced	Flats
Amberley and Woodchester	:	:	:	:	:
Berkeley Vale	273,500	275,000	:	:	:
Bisley	:	:	:	:	:
Cainscross	:	:	:	:	:
Cam East	:	:	:	:	:
Cam West	:	:	:	:	:
Chalford	:	:	:	:	:
Coaley and Uley	:	:	:	:	:
Dursley	405,000	:	:	:	:
Hardwicke	334,995	376,000	300,000	239,995	:
Kingswood	:	:	:	:	:
Minchinhampton	:	:	:	:	:
Nailsworth	:	:	:	:	:
Painswick and Upton	300,000	:	:	:	:
Randwick, Whiteshill and Ruscombe	:	:	:	:	:
Rodborough	:	:	:	:	:
Severn	389,995	410,000	286,995	:	:
Stonehouse	:	:	:	:	:
Stroud Central	:	:	:	:	:
Stroud Farmhill and Paganhill	:	:	:	:	:
Stroud Slade	:	:	:	:	:
Stroud Trinity	:	:	:	:	:
Stroud Uplands	:	:	:	:	:
Stroud Valley	:	:	:	:	:
The Stanleys	:	:	:	:	:
Thrupp	:	:	:	:	:
Wotton-under-Edge	:	:	:	:	:

Source: HPSSA Dataset 37 (Data Release 23<sup>rd</sup> March 2022)



<b>Table 4.11 Median Price Paid (Newly Built Dwellings) by Ward Year Ending December 2021 (£)</b>					
	All	Detached	Semi-Detached	Terraced	Flats
Amberley and Woodchester	:	:	:	:	:
Berkeley Vale	240,000	:	:	:	:
Bisley	:	:	:	:	:
Cainscross	:	:	:	:	:
Cam East	:	:	:	:	:
Cam West	:	:	:	:	:
Chalford	:	:	:	:	:
Coaley and Uley	:	:	:	:	:
Dursley	:	:	:	:	:
Hardwicke	348,593	366,935	299,999	:	:
Kingswood	:	:	:	:	:
Minchinhampton	:	:	:	:	:
Nailsworth	:	:	:	:	:
Painswick and Upton	:	:	:	:	:
Randwick, Whiteshill and Ruscombe	:	:	:	:	:
Rodborough	:	:	:	:	:
Severn	359,995	392,995	273,995	:	:
Stonehouse	305,995	:	:	:	:
Stroud Central	:	:	:	:	:
Stroud Farmhill and Paganhill	:	:	:	:	:
Stroud Slade	:	:	:	:	:
Stroud Trinity	:	:	:	:	:
Stroud Uplands	:	:	:	:	:
Stroud Valley	:	:	:	:	:
The Stanleys	:	:	:	:	:
Thrupp	:	:	:	:	:
Wotton-under-Edge	:	:	:	:	:

Source: HPSSA Dataset 37 (Data Release 22<sup>nd</sup> June 2022)

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

4.50 The above data shows variance across the area, however it necessary to consider the reason for that variance. An important driver of the differences is the situation rather than the location of a site. Based on the existing data, the value will be more influenced by the specific site

characteristics, the immediate neighbours and the environment, rather than in which particular ward or postcode sector the scheme is located.

- 4.51 Through the summer 2020 consultation<sup>61</sup> was observed that the depth of evidence is questionable, reference being made to the small sample size (1) in Sharpness. The data presented in the 2021 Viability Assessment and the above data is all the data available from the Land Registry so should be a comprehensive record of all newbuild sales. Only limited further evidence was submitted in this regard. The size of the sample will be a factor in the weight given to the evidence for the smaller areas.
- 4.52 An agent<sup>62</sup> for a housebuilder suggested a finer grained approach be taken. They also suggested that it was inappropriate to consider data on a settlement-by-settlement basis. Whilst it is agreed that it would be preferable to be able to present a fine-grained analysis, as can be seen from the data above, some of the sample sizes are already small and to disaggregate them further would not be a sound approach. Additionally, they raised some concerns about outliers in the data set. The PPG is clear that plan making should be based on existing available evidence and whilst any single source of data may not be perfect, it does not follow that it should be disregarded. On balance it is considered more appropriate to present the full data source, rather than to edit it and then be open to reasonable concerns about transparency.
- 4.53 At the time of the 2021 Viability Assessment there were 46 new homes for sale in the District. The analysis of these showed that asking prices for newbuild homes varied very considerably, starting at £185,000 and going up to £745,000. The average was £345,000. These are summarised in the following table and set out in detail in **Appendix 6**. This research has been refreshed.

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<sup>61</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>62</sup> ██████████ Pioneer for Robert Hitchins.

<b>Table 4.15 Summary of Newbuild Asking Prices - 2020</b>						
		Detached	Flats	Semi-detached	Terraced	All
Ben Grazebrooks Well	£ £/m <sup>2</sup>			£306,667		£306,667
Blackberry Grove	£ £/m <sup>2</sup>			£295,000		£295,000
Canonbury Rise	£ £/m <sup>2</sup>	£321,995 £2,749				£321,995 £2,749
Great Oldbury	£ £/m <sup>2</sup>	£367,210 £3,257		£282,495 £3,050	£244,667 £3,827	£333,568 £3,243
Kites Nest	£ £/m <sup>2</sup>				£295,000 £2,837	£295,000 £2,837
Millfields	£ £/m <sup>2</sup>	£421,998 £3,164		£337,000 £3,547		£407,832 £3,228
Stuart Court	£ £/m <sup>2</sup>		£745,000		£695,000 £4,964	£720,000 £4,964
The Old Bakery	£ £/m <sup>2</sup>				£325,000 £3,125	£325,000 £3,125
Other	£ £/m <sup>2</sup>			£185,000 £3,048	£254,999 £2,677	£240,999 £2,751
<b>All</b>	<b>£ £/m<sup>2</sup></b>	<b>£371,257 £3,144</b>	<b>£745,000</b>	<b>£287,453 £3,133</b>	<b>£306,900 £3,183</b>	<b>£344,775 £3,150</b>

Source: Market Survey (April 2020)

- 4.54 In May 2022 there were 39 new homes for sale in the District. The analysis of these showed that asking prices for newbuild homes vary from £235,000 to £649,950. The average is £401,000. These are summarised in the following table and set out in detail in **Appendix 6**. This research has been refreshed.

<b>Table 4.13 Summary of Newbuild Asking Prices - 2022</b>						
		Detached	Flats	Semi-detached	Terraced	All
Brookthorpe Park	£					
	£/m <sup>2</sup>					
Canonbury Rise	£				£281,995	£281,995
	£/m <sup>2</sup>				£3,398	£3,398
Ebley Court	£				£375,000	£375,000
	£/m <sup>2</sup>				£3,827	£3,827
Great Oldbury	£	£459,995		£300,000		£379,998
	£/m <sup>2</sup>	£3,860	£0	£4,225	£0	£4,043
Green Walk	£				£456,379	£456,379
	£/m <sup>2</sup>				£4,909	£4,909
Lister Gardens	£	£477,500		£345,000		£433,333
	£/m <sup>2</sup>	£3,372	£0	£0	£0	£3,372
Littlecombe	£	£494,995				£494,995
	£/m <sup>2</sup>	£3,713	£0	£0	£0	£3,713
Millfields	£	£405,000		£330,000		£380,000
	£/m <sup>2</sup>	£3,579	£0	£3,793	£0	£3,650
Oaklands	£	£397,000		£320,500		£369,182
	£/m <sup>2</sup>	£3,494	£0	£3,357	£0	£3,445
Rooksmoor Mills	£		£425,000		£427,500	£426,667
	£/m <sup>2</sup>		£4,167	£0	£3,376	£3,640
The Alders at Great Oldbury	£					
	£/m <sup>2</sup>					
Westward House	£		£235,000			£235,000
	£/m <sup>2</sup>		£2,527			£2,527
All	£	£430,265	£361,667	£319,625	£427,819	£401,478
	£/m <sup>2</sup>	£3,567	£3,620	£3,667	£3,940	£3,691

Source: Market Survey (April 2022)

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

- 4.56 Through the summer 2020 consultation an agent<sup>63</sup> for a developer welcomed this approach, although observed that 2.5% was at the lower end of the range in their experience. Likewise, an agent<sup>64</sup> for a Strategic Site noted the difference between asking prices and prices achieved.
- 4.57 An agent<sup>65</sup> for a housebuilder questioned the 2.5% assumption, correctly pointing out that this would vary from case to case (no alternative suggestion was put forward). This is accepted, however it would not be appropriate in a study of this type to make different assumptions for different developers to reflect the different approaches taken.
- 4.58 An agent<sup>66</sup> for a housebuilder questioned why other sources of £/m<sup>2</sup> data had not been considered and expressed concern, but no alternative data sources were suggested or put forward (consultees were invited to submit supporting evidence with their responses). Such data is not available from public sources (beyond the very high level, modelled data from Zoopla presented above).

### **Price Assumptions for Financial Appraisals**

- 4.59 As set out earlier, average house prices have increased markedly since the Council's 2013 viability work and since the 2021 Viability Assessment. It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied) the following approach is taken.
- a) Brownfield Sites. In terms of value, the prices of the new homes developed are likely to be driven by the specific situation of the scheme rather than the general location. The value will be more strongly influenced by the specific site characteristics, the immediate neighbours and environment, rather than in which particular ward or postcode sector the scheme is located. Development is likely to be of a higher density than the greenfield sites and be based around schemes of flats, semi-detached housing and terraces with a low proportion of detached units.
  - b) 'Urban' Flatted Schemes. This is considered to be a separate development type that is only likely to take place in the town centres. These are modelled as conventional development and on a Build to Rent basis (see below).
  - c) Large Greenfield Sites. These are the potential Strategic Sites, and large greenfield sites (over 200 units or so).
  - d) Medium Greenfield Sites. These are the greenfield sites in the range of 10 to 200 units that are likely to be brought forward by a single developer.

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<sup>63</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>64</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<sup>65</sup> [REDACTED] Pioneer for Robert Hitchins.

<sup>66</sup> [REDACTED] Pioneer for Robert Hitchins.

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

4.60 It is important to note that this is a broad-brush, high-level study to test SDC’s policies as required by the NPPF. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation and it is necessary to draw on the widest possible sources of data. In establishing the assumptions, the prices (paid and asking) of existing homes are given greater emphasis when establishing the pattern of price difference across the area and the data from newbuild homes (paid and asking) is given greater emphasis in the actual assumption. Regard is given to the average values as per the PPG:

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

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

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

<b>Table 4.14 Pre-Consultation Residential Typology. Price Assumptions (£/m<sup>2</sup>) - 2020</b>				
	Gloucester Fringe	Rural East & South	West	Stroud Valleys
Brownfield		3,400	2,650	2,750
Urban Flatted Schemes				2,700
Large Greenfield Sites	3,100		2,650	3,050
Medium Greenfield Sites		3,500	2,650	3,000
Small Greenfield Sites		3,500	2,750	3,000

Source: HDH (May 2020)

**Table 4.15 Pre-Consultation Residential Strategic Sites. Price Assumptions (£/m<sup>2</sup>) - 2020**

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

Source: HDH (May 2020)

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

- a. It is necessary to consider the impact of Help to Buy<sup>67</sup> on the newbuild housing market<sup>68 69</sup>. The price paid reported in the Land Registry data set out above is the price paid to the developer, so this is the correct figure use. It is accepted that Help to Buy may be having a market wide impact of bolstering the prices paid for newbuild homes. Further it is accepted that should Help to Buy be withdrawn, then some buyers that are able to access the housing market with Help to Buy may no longer be able to do so, and the resulting fall in demand could result is a drop in sales rates and/or a drop in values of newbuild houses. As set out earlier in this chapter, newbuild values are, on average, about 40% higher than for existing homes.

Based on the MHCLG data tables<sup>70</sup> there were 93 properties purchased under Help to Buy in the area in the year to Q1 2019 (being the most recent data that is available) and 440 on the period from Q3 2013 to Q1 2019, which averages at 18 per quarter. Having considered this, no specific adjustment can be made to reflect what may or may not happen if Help to Buy is withdrawn. Within Chapter 10, a range of price change variables have been tested.

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<sup>67</sup> With a Help to Buy: Equity Loan the Government lends the buyer up to 20% of the cost of a newly built home, so the buyer only needs a 5% cash deposit and a 75% mortgage to make up the rest. Interest is not charged on the 20% loan for the first five years. In the sixth year, the buyer is charged a fee of 1.75% of the loan's value. The fee then increases every year, according to the Retail Prices Index plus 1%.

<sup>68</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>69</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>70</sup> <https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-statistics-april-2013-to-31-march-2019-england>

- b. It was commented<sup>71</sup> as follows:

*Table 4.9 illustrates near uniformity of the ten strategic sites. This cannot be. Indeed Whitminster is shown at a lower level than Wisloe and £100 psm better than Sharpness. Given the location next to junction 13 of the M5, and the established facilities this (simplistic) analysis has ignored the reality of the locations.*

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

- c. The promoter<sup>72</sup> of the Sharpness Site said:

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

This assumption has been updated.

- d. Whilst the use of the Land Registry PPD may be a useful starting point, a blanket assumption as to incentives may not be appropriate<sup>73</sup>. No supporting information was provided, nor alternative data sources or approach suggested.

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

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

- f. In relation to sites on the Gloucester fringe, regard could be given to the assumptions used in the *Gloucester City Plan Viability Evidence Base* (Porter Economics & Three Dragons, September 2019)<sup>74</sup>.

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

- g. Care should be taken when attributing values to new communities (as opposed to urban extensions) due to the lack of infrastructure in the early years<sup>75</sup>.

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<sup>71</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>72</sup> ██████████ Lioncourt Strategic Land, for Sharpness Development LLP.

<sup>73</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>74</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

<sup>75</sup> ██████████ Savills – for L&Q Estates, re Whaddon.



- h. Care must be taken in relation to NDSS, as if values on a per m<sup>2</sup> basis from small units are applied to large units, a misleading picture may be developed<sup>76</sup>. No supporting information was provided in this context.

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

- i. That there should be a greater differential between the west (a lower value area £2,650/m<sup>2</sup> to £2,750/m<sup>2</sup>) and the east and south (the higher value area £3,400/m<sup>2</sup> to £3,500/m<sup>2</sup>)<sup>77</sup>.
- j. A housebuilder<sup>78</sup> suggested that the revenues '*are not realistic and vastly inflated generally*'.

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

The value for Cam North West (PS24 West of Draycott) is too high at £3,100/m<sup>2</sup>. No alternative evidence or suggestions were received.

- k. An agent<sup>79</sup> for a housebuilder suggested that the Gloucester Fringe should be treated as a single price area, and a value of £2,700/m<sup>2</sup> be used.

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

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

- l. An agent<sup>80</sup> for a housebuilder suggested a finer grained approach be taken. Whilst it is agreed that it would be preferable to be able to present a fine-grained analysis, as can be seen from the data above, some of the sample sizes are already small, to disaggregate them further would not be a sound approach.

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

In this assessment, a range of typologies are being tested that represent sites that are not yet in the planning system. No plans (beyond a site plan) are available. Values

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<sup>76</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

<sup>77</sup> HBF.

<sup>78</sup> ██████████ for Persimmon.

<sup>79</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>80</sup> ██████████ Pioneer for Robert Hitchins.

will clearly vary unit-by-unit across a site, and then site-by-site across the area. This is clearly anticipated in the PPG which specifies the use of averages.

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

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

b. In relation to the Strategic Sites:

i. The Gloucester Fringe sites (G1 South of Hardwicke, PS30 Hunts Grove Extension, G2 Land at Whaddon) are taken to be a single price area for the purpose of this update. It is accepted that the prices will vary between the sites and within the sites, however in the absence of further detail and master planning (for example housing mixes) it would not be appropriate or robust to attribute different values to each site. A value of £3,000/m<sup>2</sup> is assumed. This is a marginally higher than that assumption used in the *Gloucester City Plan Viability Evidence Base* (Porter Economics & Three Dragons, September 2019) and broadly in line with recent transactional evidence.

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

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

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

iii. Similar to the new settlement at Wisloe, a premium is applied to the new settlement at Sharpness to reflect the Garden Town principles. In line with comments made, it is accepted that in the early years of a new settlement the values may be a little lower, however this assumption needs to reflect typical values (at today's prices) over the life of the project. In line with the promoter's comments, £3,200/m<sup>2</sup> is assumed. Bearing in mind the wider comments made through the consultation, this may be at the top of the expected range.

4.65 Following the 2020 consultation, the value assumptions and the value areas were updated.

a. Gloucester Fringe and North West SDC

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

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

b. Cotswolds

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

c. Rural West - Lower Value Villages

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

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

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

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

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

<b>Table 4.16 Post-Consultation Residential Price Assumptions (£/m<sup>2</sup>) - 2020</b>				
	Gloucester Fringe and Northwest SDC	Rural East & South - Higher Value Villages	Rural West - Lower Value Villages	Cam, Stonehouse, Stroud, the Stroud Valleys and Sharpness
Brownfield		£3,500		£2,750
Urban Flatted Schemes				£2,700
Large Greenfield Sites	£3,000			£3,050
Medium Greenfield Sites	£3,000	£3,700	£3,225	£3,000
Small Greenfield Sites		£3,700	£3,350	£3,000

Source: HDH (September 2020)

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

Source: HDH (September 2020)

- 4.66 The refreshed Price Paid data is correlated by the above price areas. In this final table the sales recorded at over £4,500/m<sup>2</sup> have been disregarded, as have those below £2,000/m<sup>2</sup> on the basis that they are outliers. It is important to note that the majority of the sales in the table are from 2019 and 2020 and very few from 2021 and none from 2022 (2019 278 sales, 2020 276 sales, 2021 56 sales and 2022 no sales), and as set out earlier, house prices have increased substantially since 2020.

Price Area	Unit	Detached	Flats	Semi-detached	Terraced	All
Cam, Stonehouse, Stroud and Stroud Valleys and Sharpness	£	£371,544	£221,625	£281,815	£289,883	£324,855
	£/m <sup>2</sup>	£3,239	£3,159	£3,148	£2,941	£3,185
Cotswold	£	£417,244	£144,000	£298,556	£269,328	£352,887
	£/m <sup>2</sup>	£3,201	£2,586	£2,775	£3,640	£3,018
Gloucester Fringe	£	£367,420	£156,900	£265,471	£234,999	£291,899
	£/m <sup>2</sup>	£2,880	£2,831	£3,089	£2,969	£2,970
Rural West	£	£430,724	£84,000	£264,578	£230,051	£353,951
	£/m <sup>2</sup>	£3,000	£0	£3,441	£2,714	£2,949
SDC	£	£385,901	£176,857	£278,795	£243,303	£320,089
	£/m <sup>2</sup>	£3,094	£2,945	£3,065	£2,931	£3,056

Source: Land Registry and EPC Register (June 2022) Contains HM Land Registry data © Crown copyright and database 2022. This data is licensed under the Open Government Licence v3.0.

- 4.67 Bringing together the refreshed data the assumptions for the appraisals have been updated as follows:
- a. Data from the Land Registry suggests that average newbuild prices are reported to have increased by just over 32% between September 2020 and May 2022.

- b. The newbuild asking prices have risen by about 17% since 2020.
- c. The Price paid data shows a smaller increase, however there are few transactions from 2021 and none from 2022 recorded.
- d. There is uncertainty in the market so it is appropriate to take a cautious approach so it would not be appropriate to apply the

4.68 Overall an increase of 15% has been applied to the typologies and Strategic Sites, being generally in line with the increases seen in the whole market, rather than just the newbuild market.

<b>Table 4.18 2022 Residential Price Assumptions (£/m<sup>2</sup>)</b>				
	Gloucester Fringe and Northwest SDC	Cotswolds. Rural East & South - Higher Value Villages	Rural West - Lower Value Villages	Cam, Stonehouse, Stroud, the Stroud Valleys and Sharpness
Brownfield		£4,025		£3,163
Urban Flatted Schemes				£3,105
Large Greenfield Sites	£3,450			£3,508
Medium Greenfield Sites	£3,450	£4,255	£3,709	£3,450
Small Greenfield Sites		£4,255	£3,853	£3,450

Source: HDH (July 2022)

<b>Table 4.19 2022 Strategic Sites Price Assumptions (£/m<sup>2</sup>)</b>			
Site	Location	Area	Price (£/m <sup>2</sup> )
Site 1	PS24 West of Draycott	Cam NW	£3,220
Site 2	PS25 East of River Cam	Cam NE Extension	£3,220
Site 3	G1 South of Hardwicke	S of Hardwicke	£3,450
Site 4	PS30 Hunts Grove Extension	Hunts Grove	£3,450
Site 5	PS34 Sharpness Docks	Sharpness	£3,105
Site 6	PS36 New settlement at Sharpness	Sharpness	£3,680
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	£3,565
Site 8	PS37 New settlement at Wisloe	Wisloe	£3,565
Site 9	G2 Land at Whaddon	Whaddon	£3,450

Source: HDH (July 2022)

### *Ground Rents*

- 4.69 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this study, no allowance is made for residential ground rents<sup>81</sup>.

### **Build to Rent**

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

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

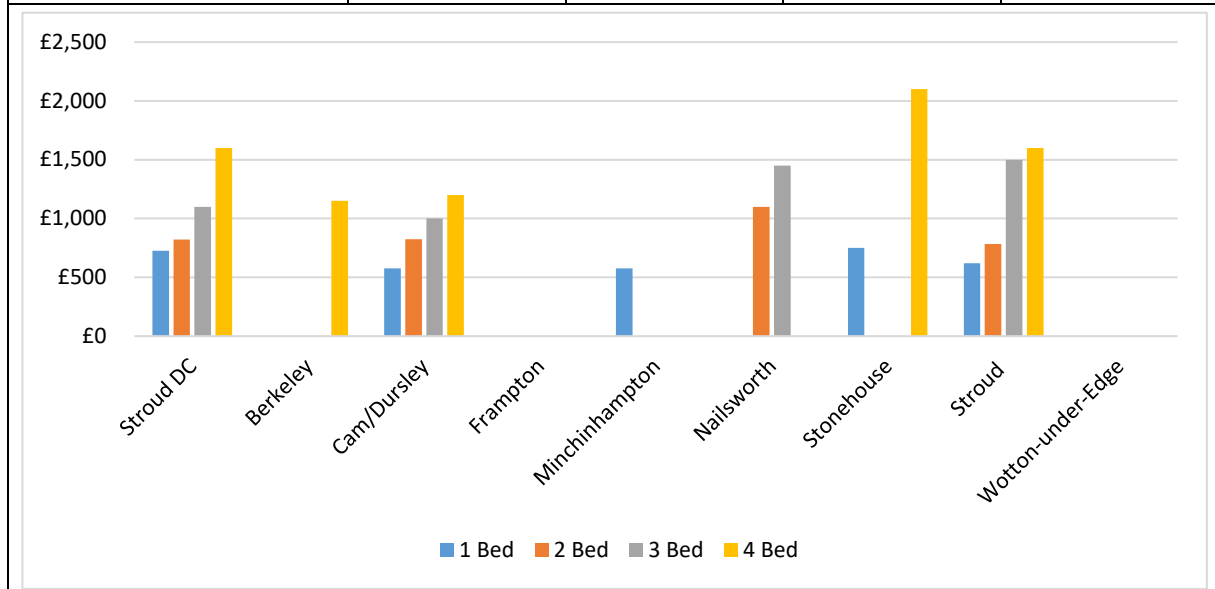
- 4.72 In estimating the likely level of rent, we have undertaken a survey of market rents across the Council area, this shows that rents have increased significantly over the last few years:

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<sup>81</sup> In October 2018 the Communities Secretary announced that majority of newbuild houses should be sold as freehold and new leases to be capped at £10. <https://www.gov.uk/government/news/communities-secretary-signals-end-to-unfair-leasehold-practices>

**Table 4.20 Rents Reported by Rightmove (£/month)**

	1 bed	2 beds	3 beds	4 beds
Stroud DC	£725	£820	£1,100	£1,600
Berkeley				£1,150
Cam/Dursley	£575	£825	£1,000	£1,200
Frampton				
Minchinhampton	£575			
Nailsworth		£1,100	£1,450	
Stonehouse	£750			£2,100
Stroud	£620	£782	£1,500	£1,600
Wotton-under-Edge				



Source: Rightmove.co.uk (May 2022)

4.73 An agent<sup>82</sup> for a Strategic Site suggested that the above rents were not an appropriate source of information to inform assumptions about rental levels in the Build to Rent market. No reason was given for this, nor any alternative sources of information suggested. Just because a unit had been built specifically for rent, does not mean that the rent would not be broadly in line with the wider market. Having said this, whilst new properties may well secure higher rents than the wider market, we have taken a cautious approach and simply used typical rental values.

4.74 The ONS publishes rental data collected by the Valuation Office Agency:

<sup>82</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<b>Table 4.21 Median Monthly Rents. April 2021 to March 2022</b>					
	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room					
Studio	10	£506	£465	£510	£525
1 Bedroom	150	£534	£465	£525	£580
2 Bedroom	250	£716	£625	£700	£775
3 Bedroom	160	£927	£750	£875	£995
4+ Bedroom	50	£1,330	£1,025	£1,200	£1,450

Source: Private rental market summary statistics in England. ONS. Data Release 22<sup>nd</sup> June 2022

- 4.75 These this data suggests rents are somewhat less than those researched through a market survey. Bearing in mind Build to Rent units will be new units, and in well located situations, the Upper Quartile Rent is used.
- 4.76 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed.
- 4.77 Savills in its *Investing in Private Rent* (Savills, 2018) reports a North-South divide:
- Net initial yields on BTR deals averaged 4.3 per cent between 2015 and 2017. But that hides substantial regional variation. While half that investment took place in London, where yields averaged 3.8 per cent, across Scotland and the north of England the average yield was 4.9 per cent. In London and the South, the income returns from funding deals are higher than on standing investments, as you might expect. In the North, this is not necessarily the case, given issues over the quality of some of the existing rental stock and the rental covenant attached to it, all limited by the fact that we're yet to see any of the purpose-built kit trade yet. As investors focus more on the potential growth of the income stream and less on the track record of local house price growth, we expect yields from purpose-built assets to show less regional variation.*
- 4.78 Knight Frank in its *Residential Yield Guide* (February 2018) reported a 4.0% to 4.24% yield in Prime Regional Cities and 5.0% to 5.25% in Secondary Regional Cities.
- 4.79 Having considered a range of sources, a gross yield of 5% has been assumed. It is also assumed that such development will be flatted and in or close to the town centres. In considering the rents to use in this assessment it is necessary to appreciate that much of the exiting rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.



	1 bed	2 bed	3 bed	4 bed
Gross Rent (£/month)	£580	£775	£995	£1,450
Gross Rent (£/annum)	£6,960	£9,300	£11,940	£17,400
Value	£139,200	£186,000	£238,800	£348,000
m <sup>2</sup>	50	70	84	97
£/m <sup>2</sup>	£2,784	£2,657	£2,843	£3,588

Source: HDH (July 2022)

- 4.80 This approach derives a value for private rent, of about £2,900/m<sup>2</sup>, this is somewhat more than the figure of £2,730/m<sup>2</sup> derived in 2020. Through the summer 2020 consultation it was suggested<sup>83</sup> that this approach was ‘*not accurate*’<sup>84</sup>. No alternative evidence was provided to support this statement. We have reviewed the survey of rents and believe it to be broadly representative.
- 4.81 It was also suggested that a ‘more realistic’ methodology would be to consider the value bases on net rents, so after management and fees. It is agreed that this alternative method can be used, however if it were to be used, it would be appropriate to use a lower yield.

### **Affordable Housing**

- 4.82 A core output of this study is advice as to level of the affordable housing requirement. The Council does not currently specify a preferred tenure mix. The Council’s most recent evidence, in this regard, is the Gloucestershire Local Housing Needs Assessment 2019 - Report of Findings Draft (ORS, 11<sup>th</sup> March 2020).

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

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

<sup>83</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>84</sup> ██████████ Hawkins Watton for various (un-named) clients.

- 4.83 In this assessment a range of mixes are tested. 30% affordable housing, with a 66% Affordable Rent / 33% Intermediate Housing (including 25% First Homes), is taken to be the starting point.
- 4.84 In this study it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP).

*Affordable Housing Values*

- 4.85 Prior to the Summer 2015 Budget, Affordable Rents were set at up to 80% of open market rent and generally went up, annually, by inflation (CPI) plus 1%, and Social Rents were set through a formula, again with an annual inflation plus 1% increase. Under arrangements announced in 2013, these provisions were to prevail until 2023, and formed the basis of many housing associations' and other providers' business plans. Housing associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them attractive as each year the rent would always be a little more relative to inflation.
- 4.86 In the 2015 Budget, it was announced that Social Rents and Affordable Rents would be reduced by 1% per year for 4 years. This change reduced the value of affordable housing. In October 2017, the Government announced that Rents will rise by CPI +1% for five years from 2020. The values of affordable housing have been re-considered.

*Social Rent*

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

<b>Table 4.23 General needs (Social Rent) - Stroud</b>					
Average weekly rent (£ per week) and unit counts for Stroud - Large PRPs	£ per week				
<b>Unit Size</b>	<b>Net rent</b>	<b>Social rent rate</b>	<b>Service charge<sup>^</sup></b>	<b>Gross rent<sup>^</sup></b>	<b>Unit count</b>
Non-self-contained	£69.32	£66.02	£0.00	£69.32	4
Bedsit	£0.00	£0.00	£0.00	£0.00	0
1 Bedroom	£81.89	£79.50	£8.94	£89.67	146
2 Bedroom	£96.47	£93.77	£5.84	£101.35	577
3 Bedroom	£110.16	£107.32	£2.78	£112.01	300
4 Bedroom	£126.39	£123.60	£3.05	£128.54	58
5 Bedroom	£131.64	£131.91	£3.34	£132.75	3
6+ Bedroom	£0.00	£0.00	£0.00	£0.00	0
All self-contained	£99.99	£97.30	£5.45	£104.27	1,084
<b>All stock sizes</b>	<b>£99.88</b>	<b>£97.18</b>	<b>£5.45</b>	<b>£104.14</b>	<b>1,088</b>
Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an exception under the Rent Policy Statement. Stock outside England is excluded.					

Source: Table 9, SDR 2021 – Data Tool

- 4.88 In this study, the value of Social Rents is assessed assuming 10% management costs, 4% voids and bad debts and 6% repairs. These are capitalised at 4.5%.

<b>Table 4.24 Capitalisation of Social Rents</b>				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/week)	£81.89	£96.47	£110.16	£126.39
Gross Rent (£/annum)	£4,258	£5,016	£5,728	£6,572
Net Rent	£3,406.62	£4,013.15	£4,582.66	£5,257.82
Value	£75,703	£89,181	£101,837	£116,841
m <sup>2</sup>	50	70	84	97
£/m <sup>2</sup>	£1,514	£1,274	£1,212	£1,205

Source: HDH (June 2022)

- 4.89 On this basis, a value of £1,300/m<sup>2</sup> across the study area is assumed. This is a small increase from £1,280/m<sup>2</sup> assumed in 2020.

#### *Affordable Rent*

- 4.90 Under Affordable Rent, a rent of no more than 80% of the market rent for that unit can be charged. In the development of affordable housing for rent, the value of the units is, in large

part, the worth of the income that the completed let unit will produce. This is the amount an investor (or another RP) would pay for the completed unit.

- 4.91 In estimating the likely level of Affordable Rent, a survey of market rents across the SDC area has been undertaken and is set out under the Build to Rent heading above.
- 4.92 As part of the reforms to the social security system, housing benefit /local housing allowance is capped at the 3<sup>rd</sup> decile of open market rents for that property type, so in practice Affordable Rents are unlikely to be set above these levels. The cap is set by the Valuation Office Agency (VOA) by Broad Rental Market Area (BRMA). Where this is below the level of Affordable Rent at 80% of the median rent, it is assumed that the Affordable Rent is set at the LHA Cap.

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

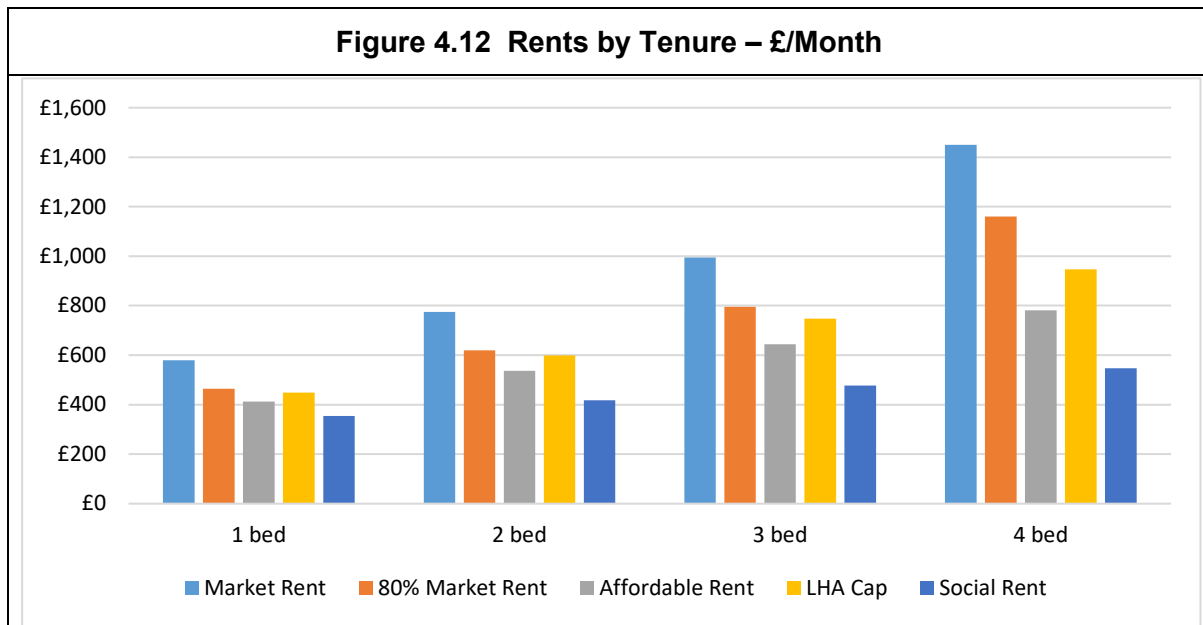
Source: VOA (July 2022)

- 4.93 These caps are unchanged since 2020 and are generally higher than the Affordable Rents being charged as reported in the most recent HCA data release (although this data covers both newbuild and existing homes).

<b>Table 4.26 Affordable Rent General Needs - Stroud</b>		
Average weekly gross rent (£ per week) and unit counts by unit size for Stroud		
<b>Unit Size</b>	<b>£ per week</b>	
	<b>Gross rent</b>	<b>Unit count</b>
Non-self-contained	£0.00	0
Bedsit	£0.00	0
1 Bedroom	£95.35	134
2 Bedroom	£123.98	243
3 Bedroom	£148.63	114
4 Bedroom	£180.21	44
5 Bedroom	£0.00	0
6+ Bedroom	£0.00	0
All self-contained	£126.68	535
<b>All stock sizes</b>	<b>£126.68</b>	<b>535</b>
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

Source: Table11, SDR 2021 – Data Tool<sup>85</sup>

4.94 The rents can be summarised as follows.



Source: Market Survey, HCA Statistical Return and VOA (July 2022)

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

<sup>85</sup> <https://www.gov.uk/government/statistics/statistical-data-return-2018-to-2019>

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

<b>Table 4.27 Capitalisation of Affordable Rents</b>				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/month)	£449	£598	£748	£947
Gross Rent (£/annum)	£5,385	£7,180	£8,975	£11,369
Net Rent	£4,308	£5,744	£7,180	£9,095
Value	£95,735	£127,647	£159,559	£202,111
m <sup>2</sup>	50	70	84	97
£/m <sup>2</sup>	£1,915	£1,824	£1,900	£2,084

Source: HDH (July 2022)

- 4.96 Using this method to assess the value of affordable housing, under the Affordable Rent tenure, a value of £1,900/m<sup>2</sup> across all areas is derived, this is similar to the figure derived in 2020. Through the summer 2020 consultation<sup>86</sup> it was noted that there will be difference in values for new and older units. This accepted and reflected in the yield and management assumptions.
- 4.97 One housebuilder<sup>87</sup> suggested that the values used are too high, but provided no further information in this regard. An agent<sup>88</sup> for a housebuilder was in agreement, suggesting a value of £1,215/m<sup>2</sup>. Alternatively, they suggested a blended rate of £1,498/m<sup>2</sup> / 56% of market value, based on a market value of £2,700/m<sup>2</sup> on the Gloucester Fringe.
- 4.98 It was also suggested<sup>89 90 91 92</sup> that greater reference be made to transactional evidence, although examples were not provided.
- 4.99 An agent<sup>93</sup> for a housebuilder suggested that the value of Social Rents was linked to the value of market rents. This is the case where there is a relatively narrow gap between market rents and affordable rents (for example in some of the very lower value parts of the Lancashire Valleys), but where Social Rents are significantly less than market rents, this tends not to be

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<sup>86</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>87</sup> ██████████ for Persimmon.

<sup>88</sup> Using the developments at Hardwick and Kingsway, an “all average” value of just over £2,700/sqm (£250psf) is evident. We would suggest further work or discussion is had on this aspect and the justification provided for the £3,100psqm (£288psf).

<sup>89</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

<sup>90</sup> HBF.

<sup>91</sup> ██████████ for Persimmon.

<sup>92</sup> ██████████ Pioneer for Robert Hitchins.

<sup>93</sup> ██████████ Pioneer for Robert Hitchins.

the case. Social Rents are derived through a national formula<sup>94</sup> in which rents have a relatively small part (and where they do it is in relation to national rents). The value of a social rented unit is then a factor of the rent.

4.100 Several<sup>95 96 97</sup> housing associations also commented.

- a. Generally, they are seeking Affordable Rent rather than Social Rent.
- b. Bids are generally on a blended basis (across tenures) at about 65% of market value.
- c. In exceptional circumstances bid may be up to 70% to 75% of market value.
- d. *'Often it is 55% of OMV on the Rent and up to 65% on the Shared Ownership'*.
- e. *'The value paid for Social Rent is less than the Value paid for Affordable Rent'. 'We tend to be fairly modest in our nil grant Section 106 values simply because we apply a 30year NPV and other RP's can look at these tenures over a longer period say 40years'*.
- f. Generally, they do not use a £/m<sup>2</sup> assumption as the rents (and therefore the values) are more closely linked to the number of bedrooms. In this regard the proportion of market value is different for 2 bed houses and 2 bed flats, but because the LHA/Market Rent cap is the same for both property types, it tends to link values to the number of bedrooms.
- g. The values presented are *'probably ok'* and *'looks about right'*.
- h. Last year *'... we offered around 80% of OMV for LCHO units (40% 2.75% rent) and between 63% - 75% for affordable rented products depending on the OMV. No data available that would be relevant for S Rent'*.
- i. The following values were suggested:

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<sup>94</sup> The formula is weekly formula rent is equal to: 70% of the national average rent. Multiplied by relative county earnings, Multiplied by the bedroom weight. Plus 30% of the national average rent Multiplied by relative property value. In this context Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels. Appendix A contains details of the earnings data to be used. *Relative property value* means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

<sup>95</sup> Gloucester City Homes.

<sup>96</sup> Sanctuary Homes.

<sup>97</sup> Green Square Group.

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

Source: Summer 2020 consultation.

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

*Intermediate Products for Sale*

4.102 Intermediate products for sale include Shared Ownership and shared equity products<sup>98</sup>. Nationally, the demand for these has lessened, perhaps due to the impact of Help to Buy. We have assumed a value of 70% of open market value for these units. These values were based on purchasers buying an initial 30% share of a property and a 2.75%<sup>99</sup> per annum rent payable on the equity retained. The rental income is capitalised at 4 % having made a 5% management allowance.

4.103 The following table shows ‘typical’ values for Shared Ownership housing at a range of proportions sold:

Market Value			% Sold		Rent			Value		
m2	£/m2	£	%	£	%	£/year	£	£	£/m2	% OMV
95	3,500	332,500	10%	33,250	2.75%	8,229	195,448	228,698	2,407	<b>68.78%</b>
95	3,500	332,500	20%	66,500	2.75%	7,315	173,731	240,231	2,529	<b>72.25%</b>
95	3,500	332,500	30%	99,750	2.75%	6,401	152,015	251,765	2,650	<b>75.72%</b>
95	3,500	332,500	40%	133,000	2.75%	5,486	130,298	263,298	2,772	<b>79.19%</b>
95	3,500	332,500	50%	166,250	2.75%	4,572	108,582	274,832	2,893	<b>82.66%</b>
95	3,500	332,500	60%	199,500	2.75%	3,658	86,866	286,366	3,014	<b>86.13%</b>

Source: HDH 2022

4.104 Through the summer 2020 consultation there was a general consensus on this point, although an agent<sup>100</sup> for a housebuilder suggested that the assumption was ‘*over optimistically high*’. No further detail was provided, nor comment made.

<sup>98</sup> For the purpose of this assessment, it is assumed that the ‘affordable home ownership’ products, as referred to in paragraph 64 of the 2019 NPPF, fall into this definition,

<sup>99</sup> A rent of up to 3% may be charged – although we understand that in this area 2.75% is more usual.

<sup>100</sup> [Redacted] Pioneer for Robert Hitchins.



- 4.105 A housebuilder<sup>101</sup> commented that the ‘assessment assumes that affordable units receive 70% of OMV. This is not representative of offers that we are receiving in the market place, we tend to receive offers between 55 – 65% in a strong market’. It is assumed that this comment applies across all tenures of affordable housing.
- 4.106 The 70% assumption is in line with feedback from housing associations.
- 4.107 In November 2020, the Government undertook a consultation around the standard Shared Ownership model, the outcome of which was announced in April 2021:
- a. A reduction in the minimum first tranche share to 10%.
  - b. The ability of shared owners to staircase by 1% annually for up to 15 years, at a value based on the original purchase price uprated by the local House Price Index (and a reduction in the minimum staircasing threshold from 10% to 5%).
  - c. A ten-year ‘repair-free period’ during which the landlord would fund repairs worth up to £500 per year, with a one-year rollover, with the shared owner responsible for undertaking repairs.
- 4.108 Discussions with RPs suggest that, having taken this change into account, values are unlikely to fall and that they are still bidding at around 70% in the current market.

#### *Grant Funding*

- 4.109 It is assumed that grant is not available.

#### **Older People’s Housing**

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

***Retirement living or sheltered housing:*** This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.

***Extra care housing or housing-with-care:*** This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

- 4.111 HDH has received representations from the Retirement Housing Group (RHG) a trade group representing private sector developers and operators of retirement, care and extracare

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<sup>101</sup> [REDACTED] for Redrow with regard to Hardwick.

homes. They have set out a case that Sheltered Housing and Extracare Housing should be tested separately. The RHG representations assume the price of a 1 bed Sheltered unit is about 75% of the price of existing 3 bed semi-detached houses and a 2 bed Sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it assumes Extracare Housing is 25% more expensive than Sheltered Housing.

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

<b>Table 4.29 Worth of Sheltered and Extracare</b>			
<b>Dursley</b>	Area (m <sup>2</sup> )	£	£/m <sup>2</sup>
3 bed semi-detached		£320,000	
1 bed Sheltered	50	£240,000	£4,800
2 bed Sheltered	75	£320,000	£4,267
1 bed Extracare	65	£300,000	£4,615
2 bed Extracare	80	£400,000	£5,000
<b>Stonehouse</b>	Area (m <sup>2</sup> )	£	£/m <sup>2</sup>
3 bed semi-detached		£265,000	
1 bed Sheltered	50	£198,750	£3,975
2 bed Sheltered	75	£265,000	£3,533
1 bed Extracare	65	£248,438	£3,822
2 bed Extracare	80	£331,250	£4,141
<b>Stroud</b>	Area (m <sup>2</sup> )	£	£/m <sup>2</sup>
3 bed semi-detached		£375,000	
1 bed Sheltered	50	£281,250	£5,625
2 bed Sheltered	75	£375,000	£5,000
1 bed Extracare	65	£351,563	£5,409
2 bed Extracare	80	£468,750	£5,859

Source: HDH (June 2022)

4.113 In 2020 a review of older people's schemes within 10 miles of Stroud was undertaken.

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

Through the summer 2020 consultation it was suggested<sup>102</sup> that reference should be made to the McCarthy & Stone schemes at Stroudwater and Old Market, Nailsworth.

<sup>102</sup> ██████████ Hawkins Watton for various (un-named) clients.

The Stroudwater scheme was being marketed in July 2016 and the Old Market scheme was completed in 2008, so these are not new schemes. At the time of the 2021 report, 2 bedroom units were being marketed at the Stroudwater scheme from £335,000. 2 bedroom units were being marketed from £235,000 and 1 bedroom units from £135,000 at the Old Market scheme.

- b. The Sanctuary Group were close to completing its scheme at New Court, Lansdown Road, Cheltenham. 1 bed flats were being marketed in the range of £268,000 to £290,000.
- c. Richmond Villages (which is owned by Bupa) had a scheme at Painswick. A range of units were being marketed with 2 bed units from £425,000 to £615,000 and 1 bed units from £247,500 to £299,995. Richmond also had a scheme in Cheltenham with a 1 bedroom suite for sale for £359,950 and a 2 bedroom suite for sale for £625,000. Both these schemes included various care packages.
- d. Pegasus Life had a scheme at Steepleton, Tetbury, with prices starting from £295,000, although 2 bed units were being marketed from £395,000 to £490,000. It also had a scheme at One Bayshill Road, Cheltenham where 1 bed units started at £435,000.
- e. Cognatum had a scheme at Minchinhampton. 2 bedroom units were for sale from £425,000 to £745,000. The project has a range of flats and cottages.

4.114 This was refreshed in May 2022, when there were no newbuild units being marketed in the District. A number of second hand units were being marketed, although some are older units so not comparable for this purpose:

<b>Table 4.29 – Specialist Older Peoples Housing - Average of £/m<sup>2</sup></b>		
	1 Bed	2 Bed
<b>Dursley</b>	<b>£3,509</b>	
Bennett Jones	£3,509	
<b>Inchbrook</b>	<b>£2,857</b>	
Sawyers	£2,857	
<b>Minchinhampton</b>		<b>£4,302</b>
English Courtyard Association/Cognatum		£4,326
Murrays		£4,254
<b>Nailsworth</b>	<b>£3,786</b>	<b>£3,976</b>
Peter Joy	£3,786	£3,976
<b>Painswick</b>	<b>£5,686</b>	<b>£3,439</b>
Anchor		£2,353
Richmond Villages	£5,686	£4,526
<b>Stonehouse</b>		<b>£3,241</b>
Purple Bricks		£3,241
<b>Stroud</b>	<b>£1,951</b>	
Andrews	£1,951	
<b>All</b>	<b>£4,519</b>	<b>£3,872</b>

Source: Market Survey (May 2022)

- 4.115 In 2020, a value of £3,900/m<sup>2</sup> was assumed for Sheltered Housing and £4,200/m<sup>2</sup> was assumed for Extracare. This assumption has now been increased to £4,875/m<sup>2</sup> for Sheltered Housing and £5,250/m<sup>2</sup> for Extracare housing in line with increases in the wider market.
- 4.116 In addition to the above, no allowance is made for ground rents. The typical value of the annual ground rents on these types of units would be about £3,850/unit.
- 4.117 The value of units as affordable housing has also been considered. It has not been possible to find any directly comparable schemes where housing associations have purchased social units in a market led Extracare development. Private sector developers have been consulted. They have indicated that, whilst they have never disposed of any units in this way, they would expect the value to be in line with other affordable housing – however they stressed that the buyer (be that the local authority or housing association) would need to undertake to meet the full service and care charges.
- 4.118 Through the summer 2020 consultation it was suggested<sup>103</sup> that this ‘*section should be enlarged to embrace the inevitable evolution of the housing demand with particular regard to the need to have a broad demographic catchment for ‘garden towns’.*’ The purpose of this

<sup>103</sup> ██████████ Hawkins Watton for various (un-named) clients.

assessment is to consider the deliverability of the emerging Local Plan so has not been extended beyond that.

- 4.119 An agent<sup>104</sup> for a Strategic Site suggested that the '*value premium relative to market residential appears to be excessive*'. No alternate evidence was submitted. The values used are based on figures derived through the RHG guidance and market evidence.

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<sup>104</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.



## 5. Non-Residential Market

- 5.1 This chapter sets out an assessment of the markets for non-residential property, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the study. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward as planned development. In this study we have considered the larger format office and industrial use and retail uses and hotel uses.
- 5.2 Across SDC, market conditions broadly reflect a combination of national economic circumstances and local supply and demand factors. However, even within the District, there will be particular localities, and ultimately, site-specific factors, that generate different values and costs.
- 5.3 The following value assumptions were used in the 2021 Viability Assessment, although it is important to note that these were based in August 2020.

<b>Table 5.1 Commercial Values £/m<sup>2</sup> 2020</b>					
	Rent £/m <sup>2</sup>	Yield	Rent free period		Assumption
Offices - Large	£175	6.75%	1.0	£2,429	£2,450
Offices - Small	£175	8.00%	1.0	£2,025	£2,025
Industrial - Large	£70	5.00%	1.0	£1,429	£1,400
Industrial - Small	£70	8.00%	1.0	£868	£900
Retail - Central	£250	7.75%	1.0	£2,994	£3,000
Retail (elsewhere)	£130	9.00%	1.0	£1,325	£1,200
Supermarket	£280	5.25%	1.0	£5,067	£5,000
Retail Warehouse	£200	6.00%	2.0	£2,967	£3,000
Hotel (per room)	£5,000	5.00%	0.0	£4,049	£4,050

Source: HDH (August 2020)

### National Overview

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

Q1 2022: UK Commercial Property Market Survey

- *Headline occupier and investor demand indicators see significant improvement*
- *Demand growth accelerates in Q1, although respondents are cautious on the impact of macro headwinds*
- *Outlook for rents strengthens within the office sector as the recovery in occupier demand gains impetus*

*All-property capital value expectations revised higher for the coming twelve months*

The Q1 2022 RICS UK Commercial Property Survey results point to the market gaining momentum over the quarter, with demand growth accelerating in relation to both occupiers and investors at the headline level. Nevertheless, despite the general improvement in the survey results, contributors remain cautious on the outlook for the economy given pressures caused by rising living costs and higher interest rates.

Across the UK, a net balance of +32% of respondents reported an increase in occupier demand at the all-sector level. This is up noticeably from a reading of +16% in the previous quarter and marks the strongest return for this indicator since 2015. When disaggregated, the industrial sector continues to post the strongest pick-up in tenant demand, registering a net balance of +60% this time (virtually unchanged from +61% in Q4). Significantly, respondents cited a clear upward shift in demand across the office occupier market in Q1, with the net balance improving to +30% from -3% beforehand. For the retail sector, the occupier demand indicator moved into relatively neutral territory at -1%, compared to -23% in Q4.

With regards to supply, both the office and retail sectors continue to see an increase in the availability of leasable space, albeit the pace of this growth (in net balance terms) is significantly reduced compared to last year. For the industrial sector, vacancy rates declined further over the quarter, with the latest net balance coming in at -47%. Interestingly, at the all-sector level, the Q1 net balance of -9% is the first outright negative reading for the overall availability measure since 2017.

As a result, headline rental expectations for the near term moved further into expansionary territory during Q1, posting a net balance of +19% compared to +7% last time. This was mainly driven by the office sector, where the outlook turned from negative in Q4 to positive in the latest results (net balance -11% vs +9%). With respect to the next twelve months, prime office rents are now envisaged rising by a net balance of +42% of respondents (up from +18% previously). That said, expectations are flat to marginally negative for secondary office rents. On the same basis, rents are anticipated to rise by a net balance of +81% and +66% of respondents for prime and secondary industrial space respectively in the year ahead. For prime retail, the negativity around the rental outlook seen for some time has largely diminished, with the latest net balance of -14% the least downbeat return 2017. Even so, expectations remain steeped in negative territory for secondary retail, evidence by a net balance of -29% of contributors envisaging a fall in rents.

RICS – Q1 2022: UK Commercial Property Market Survey

5.5 In this context a non-residential land promoter<sup>105</sup> set out the following through the summer 2020 consultation:

*It is also important to note that different sectors of the market have, so far, been affected in different ways by the COVID 19 pandemic. For example, while the number of new homes expected to be sold this year are down due to restrictions on house sales that were introduced as part of the lockdown measures' CBRE have recently reported that the UK logistics market recorded the highest quarterly take up figures on record for Q2 2020, achieving total take-up of 12.78 million sq. ft compared to 7.83 million sq. ft in Q2 2019. Furthermore, short term 'COVID' related deals for 12 month or less lease terms only accounted for 15.5% of floorspace taken up in the quarter. This suggests that the high take up figures represent longer term ongoing structural changes to the economy rather than being specifically driven by the COVID 19 pandemic (<https://news.cbre.co.uk/highest-quarterly-take-up-figures-on-record-for-the-uk-logistics-sector-for-q2-2020/>). This example illustrates that the effects of the pandemic have not affected all sectors of the market equally. Savills have also just published data to show that take-up for H1 2020 has reached 22.4m sq. ft - the best H1 performance ever recorded and is 38% above 2019 and 66% above the long-term average ([https://www.savills.co.uk/research\\_articles/229130/301986-0/big-shed-briefing---july-2020](https://www.savills.co.uk/research_articles/229130/301986-0/big-shed-briefing---july-2020)).*

<sup>105</sup> [REDACTED] RPS – for Tritax Symetry with regard to Symmetry Park.



- 5.6 The COVID-19 pandemic has had a significant impact on the non-residential sectors, with retail being put under particular pressure, but logistics being subject to significant increased demand. This aspect of the study is refreshed and updated.

### **Non-Residential Market**

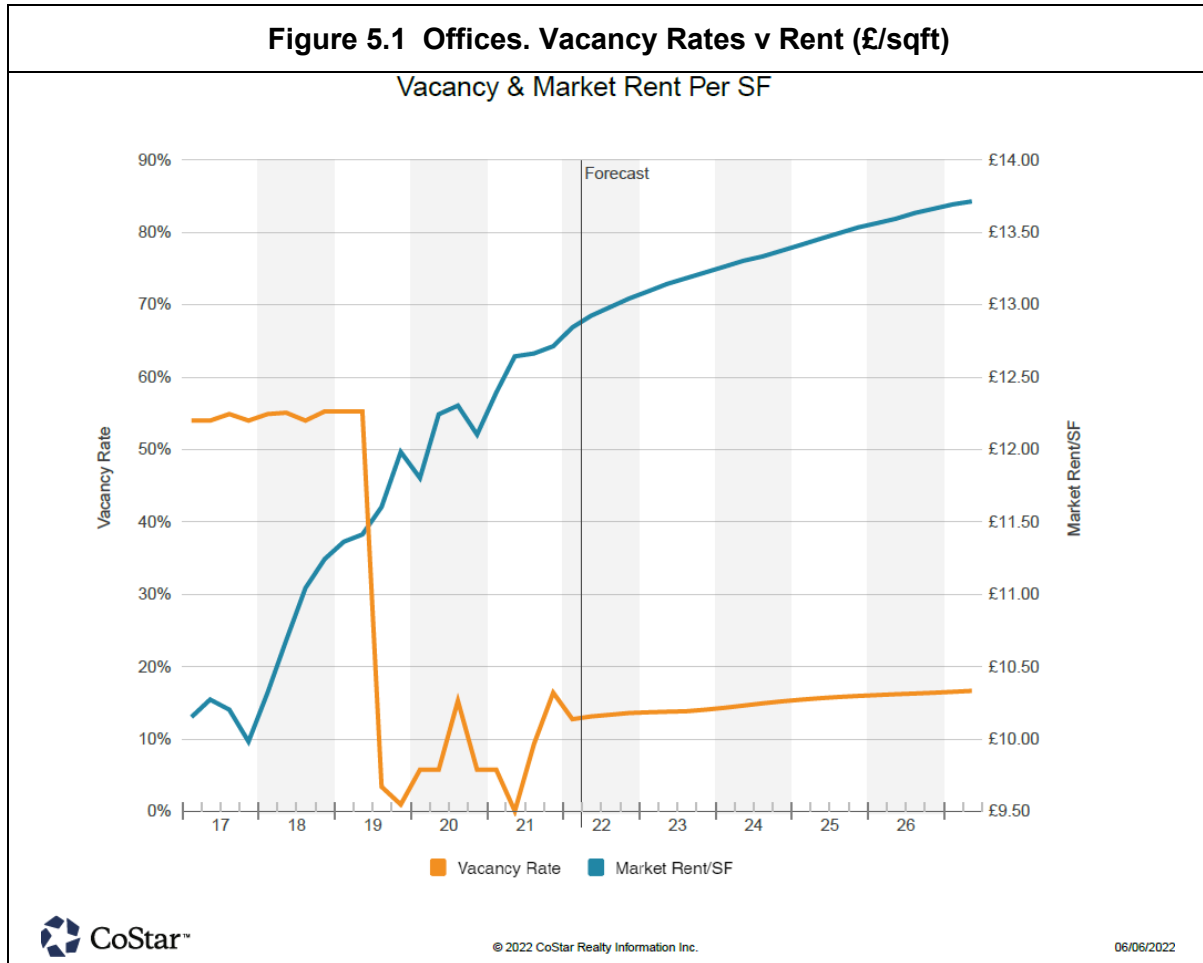
- 5.7 The *Stroud District Employment Land Study* (BE Group, February 2013) included a detailed assessment of the local employment markets so that will not be repeated here.
- 5.8 This Assessment is concerned with new property that is likely to be purpose built. There is little evidence of a significant variance in price for newer premises more suited to modern business, although very local factors (such as the access to transport network) are important, particularly for the larger format employment uses.
- 5.9 Various sources of market information have been analysed, the principal sources being the local agents, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove.co.uk). In addition, information from CoStar (a property industry intelligence subscription service) has been used. Much of this commercial space is 'second hand' and not of the configuration, type and condition of new space that may come forward in the future, so is likely to command a lower rent than new property in a convenient well accessed location with car parking and that is well suited to the modern business environment. **Appendix 7** includes market data from CoStar.

### **Offices**

- 5.10 The Stroud market is a local market. To a large extent it does not compete with the more established, substantial markets of Gloucester, Cheltenham and North Bristol. Historically, office demand is predominately local and for premises of less than 500m<sup>2</sup>, and generally it is acknowledged there is a paucity of good quality office space. On the whole, office uses are concentrated in the town centres. More recently, purpose-built space has come forward at Stonehouse Park, as well in various conversions of historic buildings (mills). Through the summer 2020 consultation it was suggested<sup>106</sup> that this description was 'inaccurate', although no further comment was made and no alternative information was provided. This is not accepted, the description is taken from the Council's *Employment Land Study* and remains a representative, high level summary.
- 5.11 CoStar data shows an increase in rents over the last five years, and whilst a spike in vacancies at the time of the pandemic is shown, vacancy rates are now at a steady and low level.

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<sup>106</sup> [REDACTED] Hawkins Watton for various (un-named) clients.



Source: CoStar (June 2022)

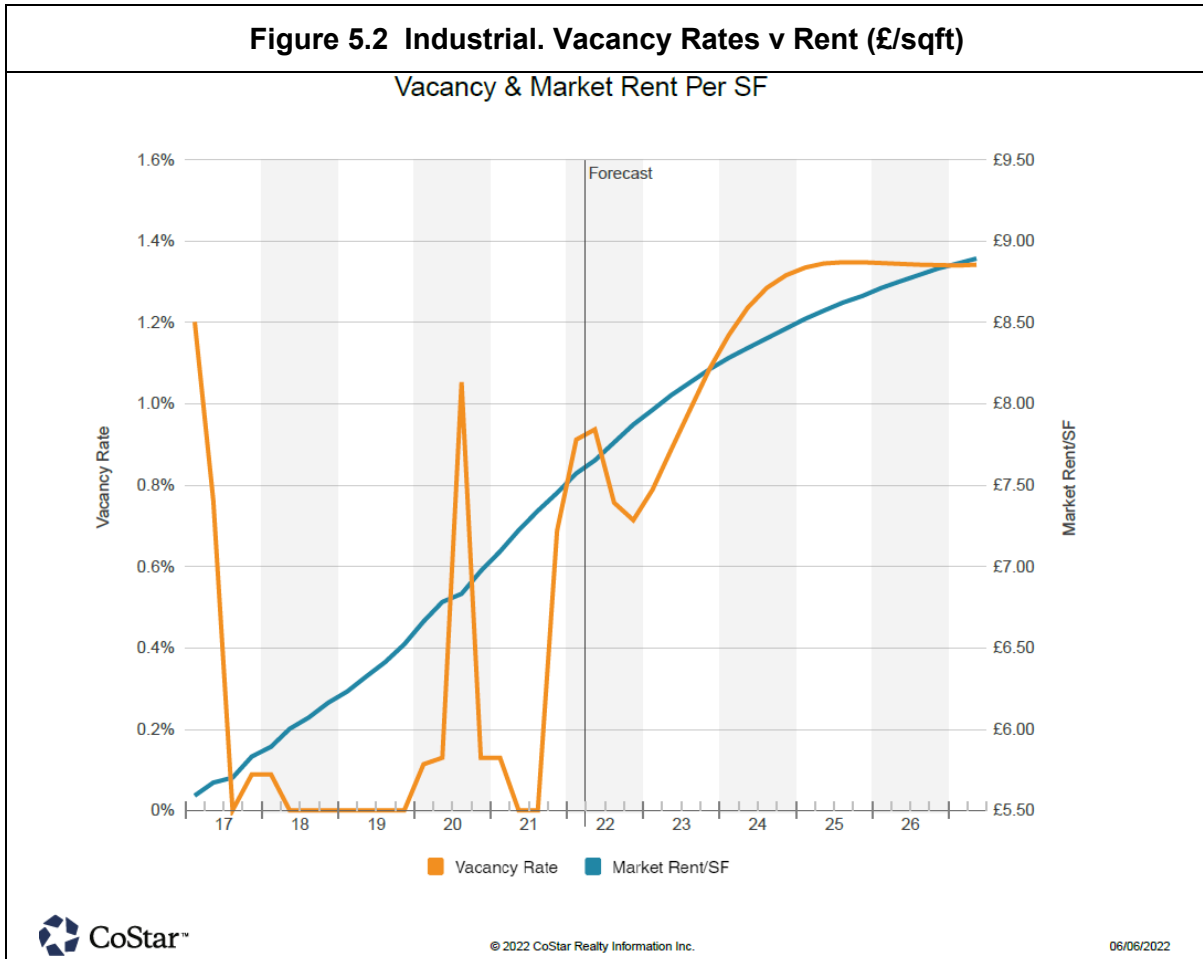
- 5.12 CoStar is currently reporting average rents (for all types of office) of about £84/m<sup>2</sup>/year (£9sqft/year) being down from £108/m<sup>2</sup>/year (£10sqft/year) in 2020. Having said this, median rents of £118/m<sup>2</sup>/year (£11sqft/year) are reported. On the whole, these buildings are not modern offices that are best suited to current work practices. In 2020, newer offices, with adequate parking and with a flexible layout, were around £175/m<sup>2</sup>/year (£16sqft/year). Since then, lettings at this level are recorded at Springfield Business Centre (Stonehouse) and as much as £240/m<sup>2</sup>/year (£22.30sqft/year) at Bourne Mills (London Road).
- 5.13 As in 2020 CoStar does not report a yield. We would expect larger units (or groups of units) to achieve a yield of less than 7% or so, with smaller units (being a little less attractive to investors) achieving a yield of 8% or so.
- 5.14 Having considered the data, the assumptions used in 2020 having been carried forward, so new office development would have a value of £2,450/m<sup>2</sup> (£228/sqft) in larger schemes, and about £2,025/m<sup>2</sup> (£190/sqft) in smaller schemes (having allowed for a rent free / void period of 12 months). CoStar reports average sales prices being somewhat less than these, however the sample is dominated by older units, rather than more modern purpose-built development.

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

**Industrial and Distribution**

5.16 Industrial space is distributed throughout the District, both in the traditional valley bottom mill sites and the newer schemes (such as Quadrant Business Park and the Quedgeley East Business Park on the edge of Gloucester, the Severn Distribution Park at Sharpness, and the Bath Road Business Park on the Bath Road to the south of Stroud). As was observed<sup>107</sup> through the summer 2020 consultation, this list is not comprehensive. This is accepted, however this study is concerned with the planned development, under the emerging Plan, so it is not necessary or proportionate to undertake a very detailed assessment of the market.

5.17 CoStar data also shows a steady increase in rents over the last five years in the industrial sector, and, until recently, very low vacancies.



Source: CoStar (June 2022)

<sup>107</sup> ██████████ Hawkins Watton for various (un-named) clients.



- 5.18 CoStar is currently reporting average rents (for all types of industrial space) of about £60.40/m<sup>2</sup>/year (£5.61/sqft/year), (median £80.30/m<sup>2</sup>/year (£7.46/sqft/year), being broadly similar to those reported in 2020. More modern buildings that are well located and with adequate parking are securing rents that are a little higher at about £70/m<sup>2</sup>/year (£6.50/sqft/year).
- 5.19 The promoter<sup>108</sup> of Symmetry Park provided some further detail suggesting a significant differential between smaller and larger units and putting forward £69.97/m<sup>2</sup> (£6.50/sqft) for larger units and £80.72/m<sup>2</sup> (£7.50/sqft) for smaller units. They went on to observe that due to the lack of local comparables, national data should be drawn on. We have reviewed several sources.
- a. Savills, in *Big Shed Briefing* (Savills, January 2022), reports very low levels of vacancies. Prime rents of £94/m<sup>2</sup>/annum (£8.75/sqft) are quoted in the West Midlands and £80/m<sup>2</sup>/annum (£7.50/sqft) in the Southwest. Prime investment yields, on a national basis, of about 3.25% (down from 4.25% in 2020) are quoted for multi-let units and for distribution units.
  - b. CBRE reports, in *UK Logistics Market Summary April 2022*, the following for prime 'Big Box' rent in the Bristol submarket of £80.75/m<sup>2</sup>pa (£7.50 per sq. ft pa) (3.65% NIY) and in the West Midlands, Birmingham submarket of £91.5/m<sup>2</sup>pa (£8.50per sq. ft pa) (3.4% NIY).
  - c. Knight Frank reports, in *LOGIC: South West Q1 2022*, prime rents of £91.40/m<sup>2</sup>pa (£8.50/sqft) and yields of 5%.
- 5.20 As with office development, CoStar does not report a local yield. Informed by the above, we would expect larger units (or groups of units) to achieve a yield of less than 5% or so, with smaller units a yield of 7% or so.
- 5.21 On this basis, new industrial development would have a value of £1,700/m<sup>2</sup> (£157/sqft) on larger schemes, and £1,000/m<sup>2</sup> (£93/sqft) on smaller schemes (having allowed for a rent-free / void period of 12 months). Bearing in mind the nature of the new development that this study is concerned with, large scale industrial development is assumed to have a value of £1,700/m<sup>2</sup> and smaller scale development £1,000/m<sup>2</sup>.
- 5.22 Through the summer 2020 consultation it was observed<sup>109</sup> that this assumption does not reflect the diverse nature of the District, nor the different locations or the variety of valuation criteria (no supporting data or evidence was provided). Whilst it is accepted that each and every scheme, on each and every site, will be different, this Assessment is considering the development planned under the emerging Local Plan. The approach taken is proportionate.

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<sup>108</sup> [REDACTED] of RPS for Tritax Symmetry.

<sup>109</sup> [REDACTED] Hawkins Watton for various (un-named) clients.

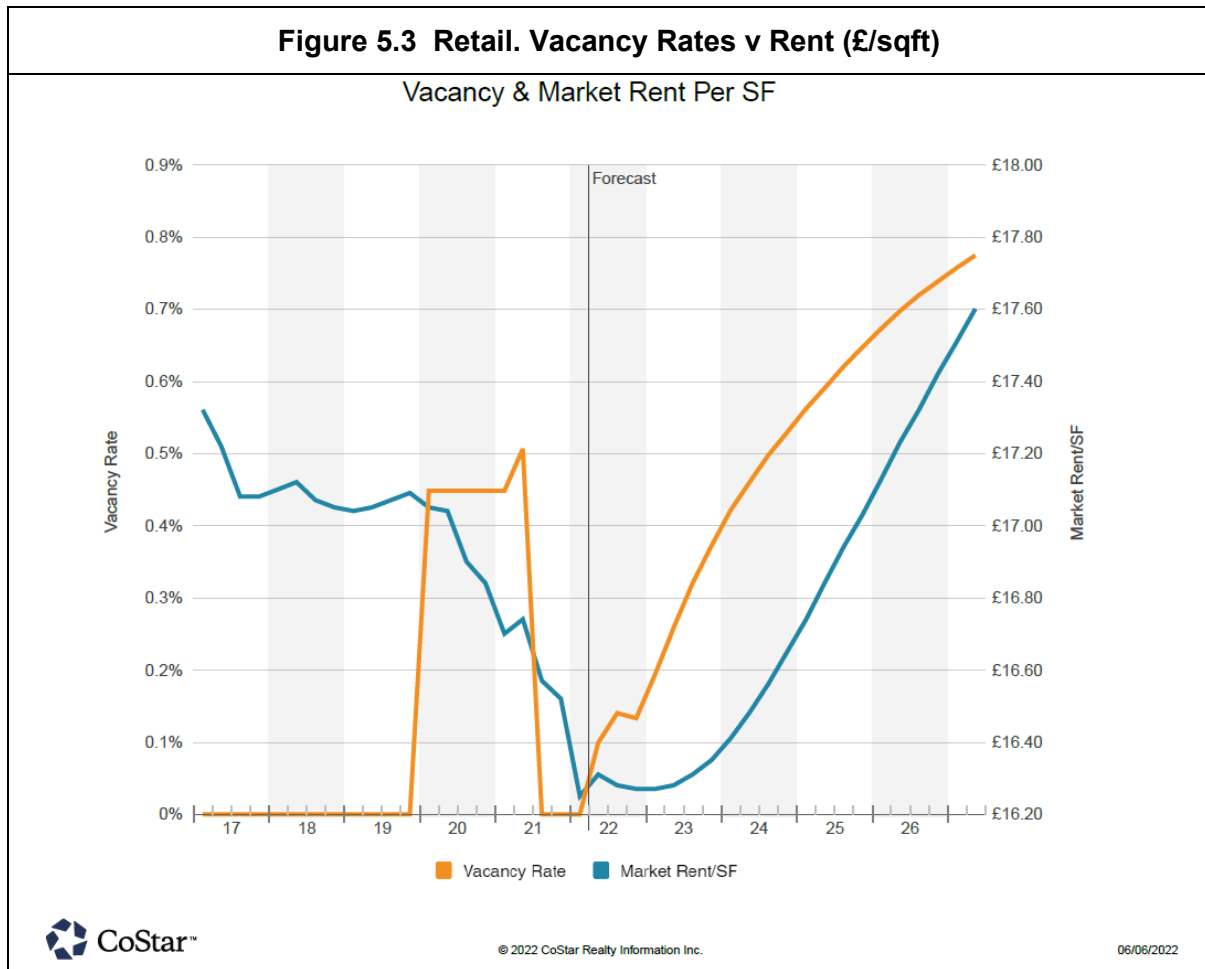
## **Retail**

- 5.23 Stroud is a local, rather than a regional shopping destination, taking the role of a traditional market town. The smaller market towns also have a distinct place in the retail hierarchy of the District, however the shopping offer is overshadowed by Bristol, Cheltenham and Gloucester. The market towns are busy with a broad range of local shops and services. Even before the Coronavirus pandemic, the retail market was in a period of uncertainty. The rise in the online retail sector has put pressure on the high street and shopping centres. Several national chains have been put into administration or have entered Company Voluntary Arrangements (CVA)<sup>110</sup>.
- 5.24 The CoStar data shows a fall in rents over the last 5 years and a spike in vacancies that coincides with the COVID-19 pandemic. Through the summer 2020 consultation it was suggested<sup>111</sup> that this was not a surprise that vacancies should fall in Stroud, the implication being that the market is not reflecting national trends.

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<sup>110</sup> A CVA is a legally binding agreement with a company's creditors. As part of the process companies (subject to the circumstances) may be able to renegotiate the terms of a lease.

<sup>111</sup> ██████████ Hawkins Watton for various (un-named) clients.



Source: CoStar (June 2022)

- 5.25 The retail market is segmented with the core high street areas of thriving but the remaining areas, being of largely secondary retailing areas, doing less well. Retailing in secondary locations is challenging – although the data does reveal some surprising high rents, and there are some neighbourhood shopping areas that are thriving.
- 5.26 Across the SDC area, rents are generally around £215/m<sup>2</sup>/year (£20/sqft/year), being an increase from £180/m<sup>2</sup>/year (£16.80/sqft/year) reported in 2020. As in 2020, there are considerable differences within this.
- 5.27 Rents for good units in the central locations are generally around £350/m<sup>2</sup>/year (£32.50/sqft/year)<sup>112</sup> although generally they are below this level at around £250/m<sup>2</sup>/year (£23/sqft/year). In 2020 yields were reported to be in the range from 4.66% to about 10%, now a yield of 5.5% would be typical for the better units. Through the summer 2020 consultation it was suggested<sup>113</sup> that this data was wrong, but no alternative data or suggestions were made. Further it was suggested that retail development is valued by zones.

<sup>112</sup> These rents are calculated over the whole building area rather than just the sales area.

<sup>113</sup> ██████████ Hawkins Watton for various (un-named) clients.

It is agreed that the zoning approach can be used, but the existing available data is for whole buildings, and in the absence of further data, this has been used.

- 5.28 A value (based on a £350/m<sup>2</sup>/year / 5.5% yield / 12 month incentive) of £6,000/m<sup>2</sup> (£560/sqft) is derived for prime shop-based retail in the town centres.
- 5.29 As one moves away from the best locations into the secondary situations, the rents are normally in the range of £107/m<sup>2</sup>/year (£10/sqft/year) to £270/m<sup>2</sup>/year (£25/sqft/year), although yields are rather higher at around 9% to give a value of £2,000/m<sup>2</sup> (£185.81/sqft) or so.
- 5.30 We have given consideration to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the SDC area, however drawing on our wider experience we have assumed supermarket rents of £280/m<sup>2</sup>/year (£26/sqft/year) with a yield of 5.25% to give a value of £5,000/m<sup>2</sup> (£464/sqft). This reflects the increased confidence in this sector after a difficult period faced by the traditional supermarket operators. This is in line with recent transactions in the wider Gloucestershire area. Through the summer 2020 consultation it was suggested<sup>114</sup> that information should be used with caution as the values are linked to the (financial) strength of the tenant. This is accepted, but it is important to note that this sector is dominated by relatively few operators.
- 5.31 In the case of retail warehouses, there has been a change within the market over the last few years with a move towards more smaller stores on out-of-town retail parks and employment areas. Whilst little such development is planned, it may be that some of the existing out-of-town / retail warehouse space will be redeveloped. We have assumed a rent of £200/m<sup>2</sup>/year (£18.60/sqft/year) and a yield of 6% giving a value of £3,000/m<sup>2</sup> (£280/sqft) (allowing for a 2 year rent free / void period).

### **Hotels**

- 5.32 For the hotel sector, a rental of £5,000/room/year for newbuild hotels is assumed to apply across the area. Assuming a yield of 5%, this equates to a value of about £4,050/m<sup>2</sup> (£376/sqft). It is important to note that this study is only concerned with newbuild hotels<sup>115</sup>.
- 5.33 An agent<sup>116</sup> for a Strategic Site noted that hotels are typically valued on a 'profits' or turnover basis. This is agreed in relation to existing hotels, but in the case of hotels yet to be built, the proposed approach is appropriate.

### **Appraisal Assumptions**

- 5.34 The value assumptions have been updated as follows:

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<sup>114</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>115</sup> 60 rooms x £5,000 = £300,000. 5% yield = £6,000,00. 60 rooms @19m<sup>2</sup> + 30% circulation space = £4,049/m<sup>2</sup>

<sup>116</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<b>Table 5.2 Non-Residential Values £/m<sup>2</sup> 2022</b>					
	Rent £/m <sup>2</sup>	Yield	Rent free period		Assumption
Offices - Large	£175	6.75%	1.0	£2,429	£2,450
Offices - Small	£175	8.00%	1.0	£2,025	£2,025
Industrial - Large	£80	4.50%	1.0	£1,701	£1,700
Industrial - Small	£75	7.00%	1.0	£1,001	£1,000
Retail - Central	£350	5.50%	1.0	£6,032	£6,000
Retail (elsewhere)	£200	9.00%	1.0	£2,039	£2,000
Supermarket	£280	5.25%	1.0	£5,067	£5,000
Retail Warehouse	£200	6.00%	2.0	£2,967	£3,000
Hotel (per room)	£5,000	5.00%	0.0	£4,049	£4,050

Source: HDH (June 2022)



## 6. Land Values

- 6.1 Chapters 2 and 3 set out the background to, and the methodology used in this study to assess viability. An important element of the assessment is the value of the land. Under the method set out in the updated PPG and recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted through a planning consent, is the Existing Use Value (EUV). This is used as the starting point for the assessment.
- 6.2 In this chapter, the values of different types of land are considered. The value of land relates closely its use, and will range considerably from site to site. As this is a high-level study, the three main uses, being agricultural, residential and industrial, have been researched. The amount of uplift that may be required to ensure that land will come forward and be released for development has then been considered.
- 6.3 In this context it is important to note that the PPG says (at 10-016-20180724) that the '*Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments*'. It is therefore necessary to consider the EUV as a starting point.
- 6.4 In the earlier viability work the following assumptions were used.

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

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

- 6.5 In addition, residential land was taken to have a value of £400,000/ha.
- 6.6 The earlier viability assessments were prepared before the updated PPG was released, so do not explicitly follow the 'EUV plus' approach, as now set out in the PPG, however they are in general conformity with the updated PPG.

### Existing Use Values

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

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

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

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

*PPG: 10-013-20190509*

*What is meant by existing use value in viability assessment?*

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

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

*PPG: 10-015-20190509*

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

6.10 The ‘model’ approach is outlined below:

- i. For sites in agricultural use, then agricultural land represents the EUV. It is assumed that greenfield sites of 0.5ha or more fall into this category.
- ii. For paddock and garden land on the edge of or in a smaller settlement, a ‘paddock’ value is adopted. This is assumed for greenfield sites of less than 0.5ha.
- iii. Where the development is on brownfield land or previously developed land (PDL), we have assumed an industrial value. In the town-centres a higher value is considered.

- 6.11 Through the summer 2020 consultation it was suggested<sup>117</sup> that the EUV should ‘always be assessed in accordance with the Red Book<sup>118</sup>’. This is not accepted. The relevant RICS Guidance is the *Financial viability in planning: conduct and reporting RICS professional statement, England* (1<sup>st</sup> Edition, May 2019) and not the Red Book. In a study of this type, that is based on typologies rather than assessing each site separately, it is necessary to make some high-level assumptions and, primarily, to follow the guidance set out in the PPG.

### **Residential Land**

- 6.12 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*<sup>119</sup>. This was prepared by the Valuation Office Agency (VOA) and sets out land values as at April 2019. The Stroud District Council figure is £2,350,000/ha. This figure assumes nil Affordable Housing. The VOA assumed that each site is 1 hectare in area, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available; the site will have a net developable area equal to 80% of the gross area. For those local authorities outside London, the hypothetical scheme is for a development of 35 two storeys, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.
- 6.13 There are few larger development sites being publicly marketed in the area at the time of this assessment, however there are a number of small development sites being marketed in the area.

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<sup>117</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>118</sup> Red Book is commonly used shorthand for *RICS Valuation - Global Standards* (‘Red Book Global Standards’). It contains mandatory rules, best practice guidance and related commentary for all RICS members undertaking valuations.

<sup>119</sup> <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019>

**Table 6.2 Building Sites for Sale**

<b>Apr-20</b>		Ha	Units	Asking Price	£/ha	£/unit
Birdlip Hill	Gloucester	3.20	10	£1,500,000	£468,750	£150,000
Ewen	Cirencester	2.83	1	£650,000	£229,682	£650,000
Bath Road	Stroud	0.16	3	£499,000	£3,118,750	£166,333
Rosebury Road	Dursley	0.12	2	£365,000	£3,041,667	£182,500
Hayden Lane	Boddington	0.14	1	£280,000	£2,000,000	£280,000
Bath Rd	Stoud	0.08	2	£195,000	£2,437,500	£97,500
Oldens Lane	Stonehouse	0.09	3	£195,000	£2,166,667	£65,000
Northfield Road	Nailsworth	0.04	1	£185,000	£4,625,000	£185,000
Ruscombe		0.05	1	£185,000	£3,700,000	£185,000
Mill Croft Cottage	Brockworth	0.07	1	£160,000	£2,285,714	£160,000
Windsorede Lane	Nailsworth	0.05	1	£155,000	£3,100,000	£155,000
Paganhill Lane	Stroud	0.01	1	£110,000	£11,000,000	£110,000
Norman Hill	Dursley	0.05	1	£90,000	£1,800,000	£90,000
Northfield Close	Tetbury		1	£50,000		£50,000
<b>Jun-22</b>						
Stratford Road	Stroud	0.11	9	£500,000	£4,545,455	£55,556
Great Orchard	Thrupp	0.09	2	£275,000	£3,055,556	£137,500
Mill Farm Drive	Pagan Hill		1	£200,000		£200,000
Valley Road	Inchbrook		3	£295,000		£98,333

Source: Market Survey (April 2020, June 2022)

- 6.14 The above prices are asking prices – so reflect the landowner’s aspiration. In setting the BLV the important point is the minimum amount a landowner will accept, rather than their aspiration.
- 6.15 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 8**. The data is summarised in the following table, the amount of affordable housing in the scheme is shown, being the key indicator of policy compliance (as required by the PPG).

**Table 6.3 Sales of Consented Development Land**

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

Source: SDC and Land Registry (April 2020)

- 6.16 These values are on a whole site basis (gross area) and range considerably. The average is about £445,000/ha (£37,000/unit), although the sample size is small.
- 6.17 Through the summer 2020 consultation it was suggested<sup>120</sup> that the above sample was too small and additionally some of the data was incomplete. The above table includes all the recent planning approvals that were subject to affordable housing, and the Land Registry search has been carried out for each. The reasons for the incomplete data are included in **Appendix 8**.
- 6.18 A housebuilder<sup>121</sup> provided several further examples:
- H6/7, Stonehouse      £2.35m      68 plots – over 521k/NDA in 2018
  - Vistry, Cam            £10.65m    137 plots      in 2018
  - Wainhomes, Cam      £5.47m      90 plots      in 2019
- 6.19 This additional data illustrates the range of values and the challenges of establishing a 'normal / typical' assumption for the District.
- 6.20 It was also observed that the figures stated for West of Stonehouse are inaccurate, it was above £400k/net developable acre not hectare. We have checked the figures with the Land Registry Records and the recorded figures are presented. There may be additional data, however this is not publicly available and was not submitted as part of the consultation process.
- 6.21 When undertaking the *Assessment of Strategic Development Opportunities in parts of Gloucestershire. Viability Appendix – December 2019*, we carried out a similar exercise across the whole of Gloucestershire, the results of which can be summarised as follows:

<b>Table 6.4 Recent Sales of Development Land</b>			
	All	Residential	Policy Compliant
Minimum	£11,060	£119,427	£119,427
Average	£1,038,807	£1,198,940	£761,093
Median	£816,663	£876,087	£820,195
Maximum	£3,446,640	£3,446,640	£1,487,578

Source: The Councils and Land Registry (February 2019)

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

<sup>120</sup> ██████ for Persimmon.

<sup>121</sup> ██████ for Redrow with regard to Hardwick.

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

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

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

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

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

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

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

6.26 Through the summer 2020 consultation<sup>122</sup> the importance of noting the difference of net value (the area on which the homes are built) and gross value (the value for the whole site, including open space) was highlighted. This is agreed. It was also noted that some land sales may not be at 'market value' rather being subject to an option or other arrangement. This is also accepted, the data is useful as it can suggest the minimum price a landowner may accept.

6.27 An agent<sup>123</sup> for a Strategic Site commented that some of the above sites may have been sold at less than market value (for example where the land has been promoted under an option agreement). This is accepted however, it is important to note that the BLV is not the market value, or the average price paid, rather it is the minimum that a landowner is likely to accept.

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<sup>122</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>123</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.



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

### Previously Developed Land

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

<b>Table 6.5 Industrial Land Values</b>				
		Gloucester	Cheltenham	Swindon
Industrial Land	£/ha (£/acre)	£915,000 (£370,000)		
Commercial Land: Office Edge of City Centre	£/ha (£/acre)	£865,000 £350,000	£1,095,000 (£443,000)	£865,000 (£350,000)
Commercial Land: Office Out of Town – Business Park	£/ha (£/acre)	£900,000 £364,000	£1,000,000 (£405,000)	£850,000 (£344,000)

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

- 6.30 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 9**. There is little recent data, however in 2020 the average for SDC was about £1,100,000/ha (£445,000/acre) although the sample was small. It is useful to look further afield due to the small sample size. Across Gloucestershire, CoStar reports a similar average figure of £828,000/ha (£335,112/acre) and a median of £767,000/ha (£310,561/acre), which are a little less than in 2020.
- 6.31 A figure of £650,000/ha is assumed, being a rather less than the figure reported for Gloucester reported in *Land value estimates for policy appraisal* (DCLG, May 2018). There was a general consensus in this regard, although an agent<sup>124</sup> for a housebuilder questioned the approach (no alternative evidence was provided, or assumption suggested).

### Agricultural and Paddocks

- 6.32 *Land value estimates for policy appraisal* (MHCLG, August 2020) provides a value figure for agricultural land in the area of £21,000/ha. This is a little less than the figure that was reported in *Land value estimates for policy appraisal* (DCLG, May 2018).
- 6.33 There are several relatively small parcels of land for sale at the time of this assessment.

<sup>124</sup> [REDACTED] Pioneer for Robert Hitchins.

<b>Table 6.6 Agricultural Land for Sale</b>					
		Ha	Asking Price	£/ha	
<b>April 2020</b>					
Bulley	Churcham	2.95	£150,000	£50,847	7 acres of pasture.
Stonehouse		2.95	£85,000	£28,814	7 acres of grazing land
Hucclecote Meadows East	East, Gloucester	4.00	£30,000	£7,500	Permanent Pasture (SSSI)
Millend Lane	Stroud	1.29	£20,000	£15,504	Permanent Pasture
<b>June 2022</b>					
Hunters Hall	Kingscote	2.81	£125,000	£44,484	Pasture
Hucclecote Meadows East	East, Gloucester	3.96	£25,000	£6,312	Permanent Pasture

Source: Market Survey (April 2020, June 2022)

- 6.34 For agricultural land, a value of £25,000/ha is assumed to apply. Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £50,000/ha is used for sites on the edge of the built-up area.
- 6.35 Through the summer 2020 consultation it was suggested<sup>125</sup> that a lower figure should be used and that the above parcels of land are relatively small. Conversely, a housebuilder<sup>126</sup> suggested a value for agricultural land in the range of £37,000/ha to £50,000/ha (although did not provide any supporting evidence). An agent<sup>127</sup> for a housebuilder suggested a normal range of £24,710/ha to £37,065/ha (£10,000 to £15,000 per acre), going on to say that they *'do not, therefore, accept the adoption of £25,000 per hectare as the EUV for this land. We would suggest a value of £30,000 per gross hectare (c£12,140 per gross acre) as a minimum'* in relation to the land at Whaddon.
- 6.36 We have checked this assumption:
- a. Savills *GB Farmland 2021*<sup>128</sup> reports an average figure of £18,680/ha (£7,560/acre) in the South West.
  - b. Strutt and Parker's *English Estates & Farmland Market Review Autumn 2021*<sup>129</sup> suggests the lower price of £7,800/acre and upper quartile price of £11,000/acre for

<sup>125</sup> [REDACTED] Lioncourt Strategic Land, for Sharpness Development LLP.

<sup>126</sup> [REDACTED] for Persimmon.

<sup>127</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>128</sup> [spotlight---the-farmland-market-2022.pdf \(savills.co.uk\)](https://www.savills.co.uk/spotlight---the-farmland-market-2022.pdf)

<sup>129</sup> [English-Farmland-Market-Review-Q3-Autumn-2021\\_compressed.pdf \(struttandparker.com\)](https://www.struttandparker.com/English-Farmland-Market-Review-Q3-Autumn-2021_compressed.pdf)

arable land and the lower price of £5,900/acre and upper quartile price of £9,000/acre for pasture.

6.37 No change is made in this regard.

### Existing Use Value Assumptions

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

<b>Table 6.7 Existing Use Value Land Prices £/ha - 2020</b>	
PDL	£650,000
Agricultural	£25,000
Paddock	£50,000

Source: HDH (June 2022)

### Benchmark Land Values

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

*Benchmark land value should:*

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

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

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

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

*Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the*

*plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).*

*PPG 10-014-20190509*

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

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

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

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

*PPG 10-016-20190509*

6.41 It is useful to consider the assumptions used in other studies in other parts of England in development plans. Following the summer 2020 consultation we have reviewed the Benchmark Land Values used by other nearby councils:

*Forest of Dean*

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

*Cheltenham, Gloucester and Tewkesbury*

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

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

5.3.15 The starting point for the land values is the work already undertaken in the previous reports which was based on the same approach as outlined above. Where new information has come forward, values have been adjusted to reflect the changes.

5.3.16 For the purposes of this report and testing viability, the benchmark/threshold values used in testing viability are shown in **Table 5.6**.

Table 5.6 Benchmark/threshold land values

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

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

#### *Cotswold*

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

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

- |      |                          |                    |
|------|--------------------------|--------------------|
| i.   | <i>Agricultural Land</i> | £25,000/ha         |
| ii.  | <i>Paddock Land</i>      | £50,000/ha         |
| iii. | <i>Industrial Land</i>   | £450,000/ha        |
| iv.  | <i>Residential Land</i>  | £750,000/ha (net). |

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

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

- 6.39 *It was suggested that £620,000/ha be adopted as a value for residential land in the study, with a viability buffer of 20% (i.e. a viability threshold of £744,000/ha). On agricultural land this would represent an uplift over the EUV of about 30 times, being a very significant uplift.*
- 6.40 *Based on the comments made at the consultation, and the written responses that supported the EUV plus approach, we have assumed a viability threshold of EUV plus 20% on all residential sites, with a further £475,000/ha on greenfield sites. On non-residential sites we have assumed an uplift of 20% and left the further uplift on greenfield sites unchanged at £300,000/ha.*
- 6.41 *In this regard we have one caveat and that is in relation to very large sites. Large sites have their own characteristics and are often subject to very significant infrastructure costs and amount of open space which results in a lower value. In the case of non-residential uses we have taken a similar approach to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes we have assumed a viability threshold of the value of industrial land.*

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

#### *South Gloucestershire*

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

#### *South Worcestershire*

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

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

<i>Agricultural Land</i>	<i>£25,000/ha</i>
<i>Paddock Land</i>	<i>£50,000/ha</i>
<i>Industrial Land</i>	<i>£350,000/ha</i>
<i>Residential Land</i>	<i>£750,000/ha</i>

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

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

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

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

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

- a. None of the examples then quoted used EUV Plus £350,000<sup>130</sup>. The inference therefore being that EUV Plus £350,000 should not be used here.
- b. A suggestion was made by the promoter of a very large Strategic Site<sup>131</sup>, that the ‘precedence’ set out by the North Essex Joint Local Plan Inspector (Roger Clews) should be followed. A land price of about £100,000/acre (which is about £247,000/ha) would be adequate on this basis. Alternatively, they suggested that a figure of about 10 times the EUV would be appropriate.
- c. *HCA Area Wide Viability Model (Annex 1 Transparent Viability Assumptions)* dated August 2010, identified that “*benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value*”. The proposed premiums are midway or in the case of paddock land lower than (8 times) the ranges identified by HCA. These proposed BLVs may provide insufficient incentive to landowners of greenfield sites to sell. As noted in the Harman Report, “*prospective sellers are often making a once in a lifetime decision and are rarely distressed or forced sales*”.<sup>132</sup>
- d. Concern was expressed that whilst the EUV Plus methodology is the methodology set out in the PPG, it does not actually reflect the workings of the market where each owner is different. As such it is necessary to take into account matters such as inheritance and capital gains taxes.

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

- e. It was suggested the figure of £375,000/ha was ‘not realistic’ – although no other figure was suggested.<sup>133</sup>

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

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<sup>130</sup> [REDACTED] Lioncourt Strategic Land, for Sharpness Development LLP.

<sup>131</sup> [REDACTED] Lioncourt Strategic Land, for Sharpness Development LLP.

<sup>132</sup> HBF.

<sup>133</sup> [REDACTED] for Persimmon.

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

f. An agent<sup>134</sup> for a housebuilder said:

*We agree the use and basis of the benchmark land value as determined by PPG and indeed other guidance and precedent. We have also considered the base EUV above and note the LPVA uses a figure for the premium of £350,000 per gross ha. This equates to £375,000/ha, (£151,7560/acre) for the EUV plus. We consider this multiplier to be sufficient to reflect the minimum price a landowner would accept but would, as above, suggest that the EUV for agricultural land in the Seven Valley is increased.*

g. An agent<sup>135</sup> for a Strategic Site suggested that different BLV assumptions should be used for each site, although did not suggest what would be appropriate or what the proposed assumption may be for their site.

h. An agent<sup>136</sup> for a housebuilder questioned the approach, however no alternative evidence was provided, nor assumption suggested.

i. The BLV should be reconsidered once a thorough analysis of recent transactions are undertaken. As it stands, the assessment is using a very small skewed sample which does not reflect market sentiment<sup>137</sup>.

6.53 A range of opinions were expressed, and comments made, suggesting both higher and lower assumptions. The pre-consultation assumptions were used in the 2021 iteration of this study and are carried forward into this update.

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<sup>134</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>135</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<sup>136</sup> [REDACTED] Pioneer for Robert Hitchins.

<sup>137</sup> [REDACTED] for Redrow with regard to Hardwick.



## 7. Development Costs

- 7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development typologies. These assumptions were presented to stakeholders through the summer 2020 consultation and subsequently updated. Whilst there was a general consensus in relation to the approach taken, it was noted<sup>138</sup> that costs are subject to change. This is accepted and sensitivity testing is carried out.

### Development Costs

#### *Construction costs: baseline costs*

- 7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Gloucestershire<sup>139</sup>. The cost figure for ‘Estate Housing – Generally’ is £1,429/m<sup>2</sup> in July 2022 (see **Appendix 10** below), being a 10.6% increase from the £1,291/m<sup>2</sup> April 2020 figure used in 2020: This is 42.6% higher than the equivalent figure of £1,002/m<sup>2</sup> used in the 2016 CIL Viability Update<sup>140</sup>. The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale.
- 7.3 The Department of Levelling up, Communities and Housing, published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a ‘stepping stone’ on the pathway to Zero Carbon homes (to be delivered through the introduction of a new ‘Future Homes Standard’ in 2025). It sets the target of an interim 31% reduction in CO<sub>2</sub> emissions over 2013 standards for dwellings. The changes will apply to new homes that submit plans after June 2022 or have not begun construction before June 2023. It is assumed to apply to all new homes in this assessment.
- 7.4 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation<sup>141</sup>. These costs have been indexed and would add about 3%<sup>142</sup> to the base cost of construction and are assumed to apply in the base appraisals.
- 7.5 In the pre consultation iteration of this update, the median BCIS costs were used across the typologies, with the lower quartile costs being used for the Strategic Sites. An agent<sup>143</sup> for a housebuilder suggested a ‘blended’ cost was used. This is not the case. The figure relating

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<sup>138</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>139</sup> The sample size for Stroud is only 14, so Gloucestershire is used in preference.

<sup>140</sup> Based on February 2016.

<sup>141</sup> The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019).

<sup>142</sup> BCIS March 2022 409.0 from BCIS Oct 2018 354.2 = 15.5%. £3,134x15.5%+£3,620. £3,620/85m<sup>2</sup> = £42.60/m<sup>2</sup>. £42.60/m<sup>2</sup> / BCIS Estate Housing £1,324 = 3.2%

<sup>143</sup> ██████████ Pioneer for Robert Hitchins.

to the appropriate development format is used, so the cost for flats is applied to flats, the cost for detached is applied to detached, the cost for offices is applied to offices and so on.

- 7.6 Several consultees<sup>144 145 146 147 148</sup> raised a concern about the use of lower quartile costs on the Strategic Sites, as strategic sites are sometimes built out by multiple developers so economies of scale are not always achieved. The HBF commented that the lower quartile costs should be used with agreement from the industry. The BCIS median costs are used in this iteration of this report.
- 7.7 A non-residential developer<sup>149</sup> suggested the costs should be increased in line with the BCIS forecast index to reflect higher environmental standards. This would not be appropriate. Whilst higher costs are tested, the BCIS forecast is simply to cover inflation and not changes in standards. These are considered as a policy cost.
- 7.8 Through the summer 2020 consultation the impact of coronavirus on build costs was raised<sup>150</sup>. The build costs have been updated to the most recent (July 2022) BCIS costs. In line with the requirements of the Guidance, sensitivity testing has been carried out.

#### *Other normal development costs*

- 7.9 In addition to the BCIS £/m<sup>2</sup> build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad-brush study and the approach taken is in line with the PPG and the Harman Guidance.
- 7.10 Nevertheless, it is possible to generalise. Drawing on experience and the comments of stakeholders, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently – larger greenfield sites tend to have lower net developable areas so more land requires work. Rural sites would also be more likely to need mains services to brought to the site.

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<sup>144</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

<sup>145</sup> ██████████ for Persimmon.

<sup>146</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>147</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<sup>148</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

<sup>149</sup> ██████████ of RPS for Tritax Symmetry.

<sup>150</sup> ██████████ Stantec for Colethorpe Farm Ltd.

- 7.11 A scale of allowances for site costs has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes, to 15% for the larger greenfield schemes.
- 7.12 In this context a non-residential developer<sup>151</sup> suggested that site costs on large logistics sites are typically in the range of £370,000/ha to £741,000/ha. A separate allowance is made for the strategic infrastructure costs. On a large greenfield site an allowance of 15% equates to about £205/m<sup>2</sup> or about £640,000/net ha. No change has been made in this regard.
- 7.13 There was a general consensus in this regard, although an agent<sup>152</sup> for a housebuilder questioned this approach and suggested that the allowance appeared low, and that sensitivity testing should be carried out with a 20% allowance on large greenfield sites. This was done in the previous iteration of this report.

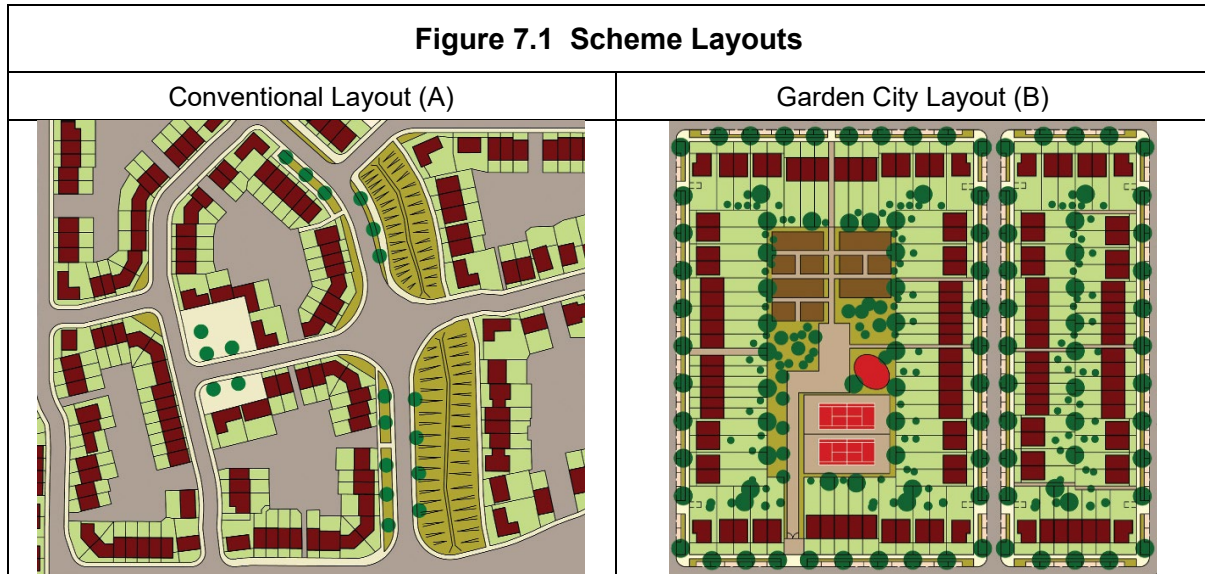
#### *Garden Town Principles*

- 7.14 The Sharpness Garden Village and the Wisloe Strategic Sites are to be developed under Garden Town principles. The difference between the Garden Town and the conventional approach is in two main parts. The first being the total land requirement and the second being the layout.
- 7.15 In this assessment the construction costs are based on the BCIS costs. The BCIS costs include the costs of the building but not the costs of services and external works. For this assessment we have had regard to the work carried out by URS (now AECOM) to support the TCPA's *Nothing gained by overcrowding!* Paper. In that paper, two 4ha schemes were modelled as per the layouts below (at 2012 prices) to ascertain the estimated site costs. It found that the site costs on the Garden Town scheme, on a per unit basis, are about 65% of the costs on the conventional scheme.

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<sup>151</sup> ██████████ RPS – for Tritax Symetry with regard to Symmetry Park.

<sup>152</sup> ██████████ Savills – for L&Q Estates, re Whaddon.



Source: Nothing gained by overcrowding! TCPA 2012

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

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

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

*Abnormal development costs and brownfield sites*

- 7.18 With regard to abnormal, paragraph 10-012-20180724 of the PPG says:

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

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

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

- 7.20 The consequence of this, when considering viability in the planning, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e. deducted

from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.

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

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

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

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

- 7.24 Under this heading a planning consultant<sup>153</sup> noted as follows:

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

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

- 7.26 The HBF commented in this regard:

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

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<sup>153</sup> [REDACTED] Stantec for Colethorpe Farm Ltd.

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

7.27 It was also suggested<sup>154</sup> that it 'may not be correct to assume that they are simply deducted from a land purchase price'. It is important to note that this is the process specified in the PPG as set out above. It is accepted that, on occasion, the value of a site may be depressed to such an extent through abnormal costs that there is not an incentive for the landowner to sell the land for development. The purpose of this report is to establish whether there is a deliverable supply of sites.

7.28 The developer of a Strategic Site<sup>155</sup> commented that it is difficult to 'calculate a blanket figure' but to 'ignore it is inappropriate'. Abnormal costs were mentioned in connection with a noise bund adjacent to the M5, but no costs were provided.

7.29 The agent<sup>156</sup> for a Strategic Site also commented:

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

7.30 An agent<sup>157</sup> for a housebuilder commented:

*The 5% abnormal cost assumption for Brownfield sites is not based on any clear evidence presented within the draft LPVA – the author appears to suggest these costs are largely absorbed within the land value and therefore it is not the role of the draft LPVA to 'standardise land prices across an area'. However, the draft LPVA sets a standardised BLV for brownfield land which does not consider different circumstances facing different sites in respect of abnormal or other costs so the reasoning regarding the approach to the 5% allowance for abnormal costs on brownfield sites is unclear. There is a lack of any allowance for any level of abnormal costs on Greenfield sites; a situation which is unlikely to reflect reality.*

*The timing of all of these costs is similarly critical - as much of the site servicing (or remediation for brownfield sites) will be necessary ahead of unit completions this adds significantly to the borrowing requirement on the project which further affects viability.*

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<sup>154</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>155</sup> ██████████ for Persimmon.

<sup>156</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>157</sup> ██████████ Pioneer for Robert Hitchens.

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

#### *Fees*

- 7.32 For residential and non-residential development, we have assumed professional fees amount to 8% of build costs. Separate allowances are made for planning fees, acquisition, sales and fees.
- 7.33 The HBF and a housebuilder<sup>158</sup> commented that the Harman Guidance suggests 10% in this regard, and an agent<sup>159</sup> for a housebuilder observed that 10% was used in the 2016 CIL Viability Assessment. Since 2012 there has been considerable inflation in the construction sector (as seen through the BCIS costs) but this has not followed through to the same extent into the professional services. Conversely, an agent for a housebuilder agreed in this regard, subject to additional fees in relation to infrastructure and abnormal costs (we confirm that the 8% is applied to construction, infrastructure, contingencies and abnormal costs).
- 7.34 An agent<sup>160</sup> for a Strategic Site suggested that fees of 10% to 15% may be appropriate. In this context a non-residential developer<sup>161</sup> suggested that 8% to 11% would be recommended.
- 7.35 It is important to note that the above assumptions do not cover sale, acquisition, planning or finance fees. The assumption has not been changed.

#### *Contingencies*

- 7.36 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder.
- 7.37 A housebuilder<sup>162</sup> suggested this assumption should be based on the complexity of the scheme. This is agreed. It was then suggested that 5% should be used across all sites.
- 7.38 A land promoter<sup>163</sup> suggested that greenfield sites were actually more risky than brownfield sites due to their larger scale.

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<sup>158</sup> ██████████ for Persimmon.

<sup>159</sup> ██████████ Pioneer for Robert Hitchins.

<sup>160</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<sup>161</sup> ██████████ RPS – for Tritax Symetry with regard to Symmetry Park.

<sup>162</sup> ██████████ for Persimmon.

<sup>163</sup> ██████████ David Lock Associates for Hallam Land Management.

- 7.39 An agent<sup>164</sup> for a housebuilder suggested that ‘a high-level appraisal such as a local plan contingency rates on costs should reflect up to 20% dependent on their source’. On the Whaddon site this would total over £75,000,000. This was not explained or justified. They went onto suggest that in their view ‘this should be 5% on BCIS costs, but at least 10% on all other (i.e. abnormal) costs...’.
- 7.40 An agent<sup>165</sup> for a Strategic Site suggested that there should not be a differentiation between greenfield and brownfield sites. An agent<sup>166</sup> for a housebuilder made a similar comment. In this context a non-residential developer<sup>167</sup> suggested that 5% be used for build costs and 10% on infrastructure costs.
- 7.41 This assumption has been updated to 5% on all sites. We understand that the s106 assumptions include appropriate contingency assumptions.

*S106 Contributions and the costs of strategic infrastructure*

- 7.42 SDC seeks payments from developers to mitigate the impact of the development through improvements to the local infrastructure. In this study it is important that the costs of mitigation are reflected in the analysis.
- 7.43 Based on discussions with the Council an assumption of £5,000/unit assumption (applying to major development sites, but excluding the Strategic Sites) has been used in this study. Leaving aside the Strategic Sites, which are considered individually, we understand CIL is the main tool for funding infrastructure). This is discussed further in Chapter 8 below.
- 7.44 An agent<sup>168</sup> for a housebuilder said that the £5,000/unit assumption was ‘far too low’ and a separate allowance should be made for infrastructure in addition to strategic infrastructure and mitigation costs (although no suggestion as to the level of this was made). Bearing in mind the uncertainty in this regard, a range of costs has also been tested. Stroud District Council will engage with the promoters of the Strategic Sites to be included within the Plan.

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<sup>164</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>165</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<sup>166</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

<sup>167</sup> ██████████ RPS – for Tritax Symetry with regard to Symmetry Park.

<sup>168</sup> ██████████ Pioneer for Robert Hitchins.



<b>Table 7.1 Strategic Sites. Initial Strategic Infrastructure and Mitigation Costs</b>			
	Yield	Cost (£)	Cost per dwelling
G1 South of Hardwicke	1,200	£30,526,466	£25,439
G2 Land at Whaddon	1,350	£62,634,305	£46,396
PS19a Northwest of Stonehouse	635	£16,458,794	£25,919
PS24 West of Draycott	820	£17,724,855	£21,616
PS25 East of River Cam	265	£4,557,820	£17,199
PS30 Hunts Grove Extension	750	£18,990,916	£25,321
PS34 Sharpness Docks	300	£7,596,367	£25,321
PS36 New settlement at Sharpness	2,135	£61,052,932	£28,596
PS37 New settlement at Wisloe	1,120	£38,158,083	£34,070
## Whitminster	2,250	£57,237,124	£25,439

Source: Arup (May 2020)

- 7.45 Through the summer 2020 consultation some concern was raised<sup>169</sup> about the derivation of the above. These figures are prepared by Arup, outside this report and are the best current estimate. Through the summer 2020 consultation it was suggested<sup>170</sup> that some development may be supported by HIF and other Governmental funding streams. These funding sources are not certain so are not incorporated into this assessment.
- 7.46 Some uncertainties were also raised<sup>171</sup> with regard to M5 Junction 14 with regard to the Buckover Garden Village (in South Gloucestershire). Extensive sensitivity testing has been carried out and the Council will continue to engage with the promoters of the Strategic Sites.
- 7.47 Following the changes to the numbers of units on some sites in May 2021 this table has been updated as follows (the figure for the Whitminster site is not updated as this site is not considered in this update):

<sup>169</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

<sup>170</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>171</sup> ██████████ Avison Young for St Modwen and Tortworth Estate.

<b>Table 7.2 Strategic Sites. May 2021 Strategic Infrastructure and Mitigation Costs –</b>			
	Yield	Cost (£)	Cost per dwelling
G1 South of Hardwicke	1,350	£24,990,762	£18,512
G2 Land at Whaddon	3,000	£56,386,498	£18,795
PS19a Northwest of Stonehouse	700	£21,311,431	£30,445
PS24 West of Draycott	900	£17,613,076	£19,570
PS25 East of River Cam	180	£3,705,184	£20,584
PS30 Hunts Grove Extension	750	£14,348,969	£19,132
PS34 Sharpness Docks	300	£5,106,407	£17,021
PS36 New settlement at Sharpness	2,400	£42,309,510	£17,629
PS37 New settlement at Wisloe	1,500	£26,694,589	£17,796
## Whitminster	2,250	£57,237,124	£25,439

Source: Arup (May 2021)

7.48 These figures were further updated in July 2022. The following are used in this iteration of this assessment. A break down is provided in Appendix 12. 2 scenarios are tested:

a. Infrastructure Costs A – Policy-on, total infrastructure costs

The Infrastructure Delivery Plan (IDP) seeks to identify all of the infrastructure required to deliver the sustainable growth set out within the Stroud Local Plan Review. It relies upon consultation with infrastructure providers. This approach identifies almost all of the infrastructure likely to be needed to deliver plan growth, and often identifies projects that may not be essential for the delivery of the Local Plan review. This often results in significant costs being identified against each infrastructure type and, in the case of the Stroud Local Plan Review, identifies a cost of almost £250m.

These total, ‘Policy-on’ costs are presented in Scenario A.

b. Infrastructure Costs B – Likely s106 infrastructure costs

Many of these infrastructure costs will not be secured through planning obligations. Often infrastructure costs associated with managing flood risk or drainage and on-site delivery of open space are included as on-site development costs and therefore including them within the viability appraisal would be double counting.

There are also a number of infrastructure costs against topics where historically contributions have not been secured via s106 agreement within Stroud. These include the costs provided by Gloucestershire Constabulary for new police staff and equipment, and costs for new or improved primary and secondary healthcare facilities. Both consultees have confirmed that no financial contributions have been secured via s106 agreement in Stroud to date.

As a result, these costs have been removed from Scenario B.

7.49 The base analysis uses Scenario A. Scenario B is also tested.

<b>Table 7.3 Strategic Sites. Updated Strategic Infrastructure and Mitigation Costs – July 2022</b>				
<b>Ref</b>	<b>Site Allocation</b>	<b>Yield</b>	<b>Total Cost (£)</b>	<b>Cost per dwelling</b>
<b>Scenario A – Full Policy On</b>				
PS24	Cam North West (West of Draycott)	900	£20,011,973	£22,236
PS25	Cam North East Extension (East of River Cam)	180	£3,992,988	£22,183
PS19a	Stonehouse North West	700	£21,795,088	£31,136
PS34	Sharpness Docks	300	£6,835,408	£22,785
PS36	Sharpness (Garden Village)	2,400	£47,065,261	£19,611
PS37	Wisloe (Garden Village)	1,500	£30,553,289	£20,369
G1	South of Hardwicke	1,350	£25,618,347	£18,977
PS30	Hunts Grove Extension	750	£14,897,285	£19,863
G2	Land at Whaddon	3,000	£56,947,860	£18,983
<b>Scenario B – Likely s106 infrastructure costs</b>				
PS24	Cam North West (West of Draycott)	900	£14,998,551	£16,665
PS25	Cam North East Extension (East of River Cam)	180	£2,999,710	£16,665
PS19a	Stonehouse North West	700	£18,108,909	£25,870
PS34	Sharpness Docks	300	£5,199,517	£17,332
PS36	Sharpness (Garden Village)	2,400	£33,696,135	£14,040
PS37	Wisloe (Garden Village)	1,500	£22,197,584	£14,798
G1	South of Hardwicke	1,350	£18,738,611	£13,880
PS30	Hunts Grove Extension	750	£10,889,042	£14,519
G2	Land at Whaddon	3,000	£39,701,169	£13,234

Source: Arup (July 2022)

7.50 It is important to note that the allocations in the adopted Local Plan are zero rated for CIL, however new allocations under a new Plan would be subject to CIL. The figures in the above table are the total infrastructure requirement, some of which could be funded through CIL. Based on the adopted rates of CIL and the modelling set out in Chapter 9 below the strategic sites will be subject to the following CIL (where the CIL per unit is calculated across the market and affordable units):

**Table 7.4 Strategic Sites. Estimated CIL**

	Total CIL	CIL per unit (market and affordable)
PS24 Cam North West (West of Draycott)	£6,552,493	£7,281
PS25 Cam North East Extension (East of River Cam)	£1,312,096	£7,289
PS19a Stonehouse North West	£5,098,217	£7,283
PS34 Sharpness Docks	£2,189,666	£7,299
PS36 Sharpness (Garden Village)	£16,324,265	£6,802
PS37 Wisloe (Garden Village)	£10,554,603	£7,036
G1 South of Hardwicke	£9,188,425	£6,806
PS30 Hunts Grove Extension	£5,107,359	£6,810
G2 Land at Whaddon	£20,405,331	£6,802

Source: HDH (July 2022)

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

### **Financial and Other Appraisal Assumptions**

#### *VAT*

- 7.52 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full<sup>172</sup>.

#### *Interest rates*

- 7.53 In the pre-consultation draft the appraisals assume 6% p.a. for total debit balances, we have made no allowance for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.
- 7.54 The 6% assumption may seem high given the low base rate figure (1% July 2022). Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less

<sup>172</sup> VAT is a complex area. Sales of new residential buildings are usually zero-rated supplies for VAT purposes (subject to various conditions). VAT incurred as part of the development can normally be recovered. Where an appropriate 'election' is made, VAT can also be recovered in relation to commercial development – although VAT must then be charged on the income from the development.

expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cashflow is used to calculate interest.

- 7.55 The assumption of the 6% interest rate, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest, particularly on the larger schemes, as most developers are required to put some equity into most projects. In this study a cautious approach is being taken. Initially an arrangement fee of 1% of the peak borrowing requirement was also allowed for.
- 7.56 Through the summer 2020 consultation it was noted<sup>173</sup> that 6% was in line with Treasury assumptions but was not a reflection of commercially available rates. An agent<sup>174</sup> for a housebuilder suggested 7% (plus 1% fee) should be used. In this context the major housebuilders report the following in their 2019 Annual Reports:
- a. Persimmon - Base plus 1% to 3.25% and LIBOR plus 0.9%<sup>175</sup>.
  - b. Barratt - Weighted Average (excluding fees) of 2.8%<sup>176</sup>.
  - c. Vistry (Bovis and Linden Homes) - LIBOR plus 165-255bsp. USPP Loan 4.03%<sup>177</sup>.
  - d. Redrow - 2.3%<sup>178</sup>
- 7.57 An agent<sup>179</sup> for a housebuilder commented that the '*cost of these funds will not consistently lie at or below the 6% allowance ... and the interest costs for many scenarios will be above this allowance. This is particularly pertinent when considering phased longer timescale or complex schemes*'. This is agreed, but it is necessary to make an assumption in a report of this type.
- 7.58 In this context a non-residential developer<sup>180</sup> suggested that an '*all in (debt and equity) finance cost of between 10% and 15% would be more appropriate on 100% of costs.*'
- 7.59 Following the consultation, the interest assumption has been adjusted to 6.5% to include interest and associated fees.

#### *Developers' return*

- 7.60 An allowance needs to be made for developers' return and to reflect the risk of development. As set out in Chapter 2 above, this is an area of significant change since the Council's earlier

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<sup>173</sup> [REDACTED] Lioncourt Strategic Land, for Sharpness Development LLP.

<sup>174</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>175</sup> Page 150.

<sup>176</sup> Page 172.

<sup>177</sup> Page 139.

<sup>178</sup> Page 120.

<sup>179</sup> [REDACTED] Pioneer for Robert Hitchins.

<sup>180</sup> [REDACTED] RPS – for Tritax Symetry with regard to Symmetry Park.

viability work that was used to support CIL. Paragraph 10-018-20190509 of the updated PPG now sets out the approach to be taken and says:

*How should a return to developers be defined for the purpose of viability assessment?*

*Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*

*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*

- 7.61 The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.
- 7.62 Broadly there are four different approaches that could be taken:
- a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.
  - b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for affordable housing, as suggested by the HCA.
  - c. To set the rate relative to costs – and thus reflect the risks of development.
  - d. To set the rate relative to the gross development value.
- 7.63 In deciding which option to adopt, it is important to note that the intention is not to recreate any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.
- 7.64 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They require a developer to demonstrate a sufficient margin, to protect the lender in the case of changes in prices or development costs. They will also consider a wide range of other factors, including the amount of equity the developer is contributing (both on a loan-to-value and loan-to-cost basis), the nature of development and the development risks that may arise due to demolition works or similar, the

warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.

7.65 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions and, as set out above, the updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies ... A lower figure may be more appropriate in consideration of delivery of affordable housing*'.

7.66 In this initial iteration of this assessment, the developers' return is assessed as 17.5% of the value of market housing and 6% of the value of affordable housing. 17.5% is the middle of the range suggested in the PPG.

7.67 Through the summer 2020 consultation a range of comments were made:

- The HBF noted that 17.5% / 6% may come to less than 15% overall.
- A housebuilder<sup>181</sup> suggested 20% should be used for market housing and 10% for affordable housing (a blended rate of approximately 18%).
- An agent<sup>182</sup> for a housebuilder suggested 20% on market housing and 6% on affordable housing be used.
- A land promoter<sup>183</sup> suggested that a minimum return of 20% should be used for market housing.
- An agent<sup>184</sup> for a Strategic Site noted that 17.5% / 6% may come to less than 15% overall. Further it was suggested that it was necessary to reflect the additional risk around development of the coronavirus pandemic. A 20% assumption was suggested.
- An agent<sup>185</sup> for a housebuilder observed that

*The fact is that a return range of 15-20% of GDV, whilst set out in the NPPG viability section, is already lower than the up to 30% that Housebuilders will require in the real world. Ignoring this fact devalues the whole viability exercise and renders it meaningless. Furthermore, reductions below 20% risk jeopardising the ability to secure finance for schemes (something which will become even more prevalent in the current economic climate) and are not a realistic assumption for inclusion within either a high level plan making or a decision-taking FVA. It is also realistic to suggest that developer return should be significantly increased where risks are greater than average; this would be a normal expectation in any sphere of investment and it is unclear why development would be any different.*

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<sup>181</sup> [REDACTED] for Persimmon.

<sup>182</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>183</sup> [REDACTED] David Lock Associates for Hallam Land Management.

<sup>184</sup> Savills for The Ernest Cook Trust and Gloucestershire County Council (as landowner) in relation to Wisloe.

<sup>185</sup> [REDACTED] Pioneer for Robert Hitchens.

- A non-residential developer<sup>186</sup> suggested that 20% be used for large scale non-residential developments.

7.68 In this regard, like other aspects of the planning system, it is necessary to work within the NPPF and the PPG. We would expect to use a figure near the bottom of the specified 15% to 20% range in the strongest markets (for example close to London) and to use a figure near the top of the range in the weaker markets (for example some areas of the northeast). We would consider Stroud District to be in the mid-market, so it is appropriate to use an assumption near the middle of the specified range. In addition, it is accepted that the coronavirus pandemic has introduced particular uncertainty at the present time. In this iteration this assumption has been increased to 17.5% across all tenures. Bearing in mind the range of comments made, and the current uncertainties, we have included sensitivity testing in this regard. 15% is used for both Build to Rent and non-residential development.

#### *Voids*

- 7.69 On a scheme comprising mainly individual houses, one would normally assume only a nominal void period as the housing would not be progressed if there was no demand. In the case of apartments in blocks, this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited.
- 7.70 For the purpose of the present study, a three-month void period is assumed for residential developments.

#### *Phasing and timetable*

- 7.71 A pre-construction period of six months (from site acquisition, following the grant of planning consent) is assumed for all of the sites. Each dwelling is assumed to be built over a nine-month period. The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, the size and the expected level of market demand. The rate of delivery will be an important factor when considering the allocation of sites so as to manage the delivery of housing and infrastructure. Two aspects are relevant, firstly the number of outlets that a development site may have, and secondly the number of units that an outlet may deliver.
- 7.72 It is assumed a maximum, per outlet, delivery rate of 50 units per year, this is a little less than the Council's general assumption of 50-60 units per outlet per year. On a site with 30% affordable housing this equates to around 35 market units per year. On the smaller sites, we have assumed much slower rates to reflect the nature of the developer that is likely to be bringing smaller sites forward. The higher density flatted schemes are assumed to come forward more quickly. These assumptions are conservative and do, properly, reflect current

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<sup>186</sup> [REDACTED] RPS – for Tritax Symetry with regard to Symmetry Park.



practice. This is the appropriate assumption to make to be in line with the PPG and the Harman Guidance.

- 7.73 In this regard, through the consultation, it was noted<sup>187</sup> that the ‘rates of sales’ were needed, but the approach taken was too simplistic. No alternative approach was suggested. The approach taken is consistent with the Council’s wider evidence base and knowledge of build / sales rates.
- 7.74 The promoter of a large Strategic Site<sup>188</sup> suggested that the peak output of 200 units per year (across multiple outlets) would be reached in less than the 6 years. This may be the case, however it is appropriate to take a cautious approach in a high level assessment of this type. Conversely the agent<sup>189</sup> for a Strategic Site suggested the assumption used may be too optimistic.
- 7.75 Alternatively, it was suggested<sup>190</sup> that the trajectory used in the wider evidence base should be used. This has been done.

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<sup>187</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>188</sup> ██████████ Lioncourt Strategic Land, for Sharpness Development LLP.

<sup>189</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>190</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

**Table 7.5 Development Trajectories**

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	
PS24	50	150	150	150	150	150	100															
	Cam North West (West of Draycott)						50	50														
PS25							50	75	75	30												
	Cam North East Extension (East of River Cam)																					
PS19a		50	50	75	75	75	75	75	75	75	75											
	Stonehouse North West																					
PS34	45	35	30	20	20	20	26	26	26	26	26											
	Sharpness Docks																					
PS36					50	150	150	150	150	150	150	150	150	150	250	250	250	250				
	Sharpness (Garden Village)																					
PS37			50	75	100	125	130	135	135	135	130	130	130	125	100							
	Wisloe (Garden Village)																					
G1				120	120	120	120	120	120	120	120	120	120	120	30							
	South of Hardwicke																					
PS30	8	68	90	110	110	110	110	110	34													
	Hunts Grove Extension																					
G2				50	75	100	150	200	200	200	200	200	200	200	200	200	200	200	200	200	200	25
	Land at Whaddon																					

Source: SDC / Arup (April 2020), Updated by HDH (May 2021)



- 7.76 The need to keep these assumptions under review, in the light of the coronavirus pandemic (and changing market), in line with the HBF's comments, is agreed.

### **Site Acquisition and Disposal Costs**

#### *Site holding costs and receipts*

- 7.77 Each site is assumed to proceed immediately (following a 6 month mobilisation period) and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

#### *Acquisition costs*

- 7.78 A simplistic approach is taken, it is assumed an allowance 1% for acquisition agents' and 0.5% legal fees. A housebuilder<sup>191</sup> suggested that (in line with the Harman Guidance) agents fees should be in the 1% to 2% range and legal fees should also be in the 1% to 2% range. An agent<sup>192</sup> for a housebuilder suggested a 2% assumption to cover agents and legal costs.

- 7.79 Stamp duty is calculated at the prevailing rates.

#### *Disposal costs*

- 7.80 For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts. For disposals of affordable housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.
- 7.81 A housebuilder<sup>193</sup> suggested that this was at the bottom of the expected range, and a figure of 5% should be used here, based on their experience at Berkley.

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<sup>191</sup> [REDACTED] for Persimmon.

<sup>192</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>193</sup> [REDACTED] for Persimmon.



## 8. Local Plan Policy Requirements

- 8.1 The specific purpose of this study is to consider and inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies in the new Local Plan.
- 8.2 The new Local Plan will replace the current *Stroud District Local Plan – November 2015* and relevant Supplementary Planning Documents. The *Stroud District Local Plan Review, Draft Plan for Consultation – November 2019* formed the basis of the testing in the May 2021 iteration of this report. This is the latest version of the Plan. The policy areas that add to the costs of development over and above the normal costs of development, are set out below. In addition, recent changes that may be introduced at a national level are also considered, although at this stage, these are simply options that may or may not be progressed into the new Local Plan.
- 8.3 Many of the policies are either general enabling policies or policies that restrict development to particular areas or situations. These do not directly impact on viability. Only those policies that add to the costs of development over and above the normal costs of development are mentioned.
- 8.4 Through the summer 2020 consultation the reasoning and need for some policies was questioned<sup>194</sup>. It is not the purpose of this Viability Assessment to consider the need for particular policies, so these comments are not addressed here.

### Core Policies

*\*NEW \* Core Policy DCP1 Delivering Carbon Neutral by 2030*

- 8.5 This policy sets out that:

*Stroud District will become Carbon Neutral by 2030 ahead of the Government target of net Zero Carbon 2050. To support this target all new development must be:*

- located where the form and mix of development itself or proximity to essential services and facilities minimises the need to travel;*
- designed to discourage the use of the private car, irrespective of fuel source, by prioritising in order of importance: walking, cycling and public transport to deliver the highest possible share of trips by the most sustainable travel modes;*
- designed to maximise green infrastructure to sequester carbon and to support local food production;*
- designed to follow the Energy Hierarchy principle of reducing energy demand, supplying energy efficiently / cleanly and using onsite low or zero carbon energy generation to meet standards which move progressively towards zero carbon, in terms both of regulated and unregulated emissions. Accordingly, new development should be constructed to achieve*

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<sup>194</sup> ██████████ Hawkins Watton for various (un-named) clients.

*the highest viable energy efficiency and designed to maximise the delivery of decentralised renewable or low-carbon energy generation;*

- *designed to reduce vulnerability to and provide resilience from the impacts arising from a changing climate whilst not increasing the potential for increased greenhouse gas emissions in doing so.*

8.6 Whilst this is a general policy, it is timely to consider higher environmental standards. Building to increased standards would require construction to increased standards and thus higher costs. This is considered further under *Delivery Policy ES1 Sustainable construction and design* later in this chapter.

*Core Policy CP2 Strategic growth and development locations*

8.7 The policy sets out the overall strategy for development. This includes the following strategic development sites.

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

<b>Table 8.1 Potential Strategic Allocations – UPDATED May 2021</b>		
<b>Location</b>	<b>Employment</b>	<b>Housing</b>
Cam North West (PS24 West of Draycott)		<b>700 900</b>
Cam North East Extension (PS25 East of River Cam)		180
South of Hardwicke (G1 South of Hardwicke)		<b>4,200 1,350</b>
Hunts Grove Extension (PS30 Hunts Grove Extension)		750
Javelin Park (PS43 Javelin Park)	<b>9 ha 27ha</b>	
Quedgeley East Extension (PS32 South of M5/J12)	5 ha	
Renishaw New Mills (PS47 Land west of Renishaw New Mills)	10 ha	
Sharpness Docks (PS34 Sharpness Docks)	7 ha	300
Sharpness (PS36 New settlement at Sharpness)	10 ha	2,400 (5,000 by 2050)
Stonehouse North West (PS19a Northwest of Stonehouse)	5 ha	<b>650 700</b>
Stonehouse – Eco Park M5 J13 (PS20 M5 Junction 13)	10 ha	
Wisloe (PS37 New settlement at Wisloe)	5 ha	1,500
Land at Whaddon (G2 Land at Whaddon)		<b>2,500 3,000</b>
Whitminster (## Grove End Farm)	13 ha	2,250

Source: Page 53, SDC Local Plan Review, PRESUBMISSION DRAFT PLAN 2021 (May 21)

- 8.9 The Whitminster site was assessed in 2021, as it had been considered at the additional housing options stage (October 2020), but is now not modelled further. The residential sites are tested individually, taking into account the best current estimate of their strategic infrastructure and mitigation costs (as set out in Chapter 7 above). The employment sites are tested based on the type of development likely to come forward.
- 8.10 Through the summer consultation it was suggested<sup>195</sup> that the costs in relation to this policy were understated. No details were provided, however this is a policy that directs the direction of development rather than setting out specific requirements for developers to deliver.

<sup>195</sup> [REDACTED] Stantec for Colethorpe Farm Ltd.

*Core Policy CP3 Settlement Hierarchy*

- 8.11 This policy directs development rather than impacts on viability.

*Core Policy CP4 Place Making*

- 8.12 In most regards this is a high-level policy that will direct development and set out principles of design. These do not add to the costs of development over and above the base costs used. The policy does mention open space and the like which are elaborated on later in the Draft Plan.

*Core Policy CP5 Environmental development principles for strategic sites*

- 8.13 In most regards this is a high-level policy that will direct development and set out principles of design. These do not add to the costs of development over and above the base costs used (although it is acknowledged that they do add to the costs of development over and above the absolute minimum).
- 8.14 The policy makes several specific requirements that do impact on development viability:

Incorporating Sustainable Drainage Systems

- 8.15 Sustainable Urban Drainage Systems (SUDS) are often a requirement. SUDS aim to limit the waste of water, reduce water pollution and flood risk relative to conventional drainage systems. In this study, it is anticipated that new development will be required to incorporate Sustainable Urban Drainage Schemes (SUDS). SUDS and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. It is assumed that the costs of SUDS are included within the additional costs on brownfield sites, however on the larger greenfield sites it is assumed that SUDS will be incorporated into the green spaces (subject to local ground conditions), and be delivered through soft landscaping within the wider site costs.
- 8.16 An agent<sup>196</sup> for a housebuilder questioned this approach, but did not suggest an alternative approach.

Minimising water consumption

- 8.17 It is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The costs are modest, likely to be less than £5/dwelling<sup>197</sup>. This cost was based in 2014 so has been indexed<sup>198</sup> to £7/dwelling and has been included as a base requirement.

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<sup>196</sup> [REDACTED] Pioneer for Robert Hitchins.

<sup>197</sup> Paragraph 285 Housing Standards Review, Final Implementation Impact Assessment, March 2015. Department for Communities and Local Government.

<sup>198</sup> BCIS Index March 2014 316.3, July 2022 436.7 = +39%.



Minimising energy consumption and improving energy performance / Minimising net greenhouse gas emissions of the proposed development / Maximising low or zero carbon energy generation.

- 8.18 These requirements are considered under *Core Policy DCP1 Delivering Carbon Neutral by 2030*.
- 8.19 Through the summer consultation it was suggested<sup>199</sup> that the costs in relation to this policy were understated. No details were provided, however those items not specifically considered here are considered below, for example under policy *ES1 Sustainable construction and design*.

*Core Policy CP6 Infrastructure and developer contributions*

- 8.20 This is a broad policy that seeks to ensure that development provides the appropriate strategic infrastructure and mitigation measures and sets out a number of mechanisms for doing this. This assessment tests a range of infrastructure payments (s106/s278) and reviews (from a viability point of view) the current rates of CIL.
- 8.21 Through the summer consultation it was suggested<sup>200</sup> that the costs in relation to this policy were understated. No details were provided. This is not accepted. As set out below, CIL is treated as a cost and a range of developer contributions are tested.

**Making Places**

- 8.22 The policies in this section (Chapter 3) of the Draft Plan relate to the specifics of development in the eight sub-areas of the District.

- |                              |                         |
|------------------------------|-------------------------|
| a. The Stroud Valleys        | e. The Berkeley cluster |
| b. The Stonehouse cluster    | f. The Severn Vale      |
| c. Cam & Dursley             | g. The Wotton cluster   |
| d. Gloucester's rural fringe | h. The Cotswold cluster |

- 8.23 Potential allocations are set out. These are modelled as typologies in this assessment.

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<sup>199</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>200</sup> ██████████ Stantec for Colethorpe Farm Ltd.

## Homes and communities

### *\* NEW \* Core Policy DCP2 Supporting Older People*

- 8.24 This policy does not make requirements on development, rather it sets out types of development that will be supported.

### *Core Policy CP7 Inclusive communities*

- 8.25 This policy sets out that

*Proposals will need to demonstrate how the following needs have been taken into account:*

- 1. An ageing population, particularly in terms of design, accessibility, health and wellbeing service co-ordination*
- 2. Children, young people and families*
- 3. People with special needs, including those with a physical, sensory or learning disability, dementia, or problems accessing services and*
- 4. The specific identified needs of minority groups in the District.*

- 8.26 The policy is general in nature rather than requiring standards over and above the existing Building Regulations.

### *New Core Policy DCP2 Supporting Older People and People with Mobility Issues*

- 8.27 This is an area in which policy has been reviewed and updated:

*To support an ageing population and the specific needs of people with mobility problems, 67% of both market and affordable homes market homes should be accessible and adaptable by meeting requirement M4(2) Category 2 of the Building Regulations and 8% of both market and affordable homes should be to M4(3) Category 3 of the Building Regulations. At least 25% of specialist housing for older people should meet M4(3) Category 3 requirements and all specialist housing for older people should meet M4(2) Category 2 requirements.*

- 8.28 In this context it is timely to note that the Lifetime Homes Standards have been superseded and the scope for councils to introduce additional standards are constrained to those within the optional Building Regulations. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4<sup>201</sup>) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)<sup>202</sup>, reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility
- Category 2 – Dwellings which provide enhanced accessibility and adaptability

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<sup>201</sup> <https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m>

<sup>202</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/418414/150327\\_-\\_HSR\\_IA\\_Final\\_Web\\_Version.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418414/150327_-_HSR_IA_Final_Web_Version.pdf)

- Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair.

8.29 The cost of a wheelchair adaptable dwelling, based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be £10,111 per dwelling<sup>203</sup>. The cost of Category 2 is taken to be £521<sup>204</sup> (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed<sup>205</sup> by 35% to £13,650/dwelling and £703/dwelling respectively.

8.30 Through the summer consultation it was suggested<sup>206</sup> that the costs in relation to this policy were understated. No details were provided. The requirements of the policy are tested as set out above.

8.31 These requirements are assumed to apply.

*Core Policy CP8 New housing development*

8.32 This is a general policy that seeks that:

*New housing development must be well designed to address local housing needs, incorporating a range of different types, tenures and sizes of housing, to create mixed communities. New developments should take account of the District's housing needs, as set out in the Local Housing Needs Assessment. ....*

8.33 The *Gloucestershire Local Housing Needs Assessment 2019* (ORS, September 2020) sets out the following housing mix.

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<sup>203</sup> Paragraph 153 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

<sup>204</sup> Paragraph 157 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

<sup>205</sup> BCIS Index 1Q 2014 - 316, Q2 2022 - 426.

<sup>206</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<b>Table 8.2 Housing Mix</b>					
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	All
Social Rent	422 25.47%	684 41.28%	403 24.32%	148 8.93%	<b>1,657</b>
Affordable Rent	75 13.61%	243 44.10%	163 29.58%	70 12.70%	<b>551</b>
AHO	254 23.43%	477 44.00%	308 28.41%	45 4.15%	<b>1,084</b>
<b>Planned Affordable Housing</b>	<b>751</b> 22.81%	<b>1,404</b> 42.65%	<b>874</b> 26.55%	<b>263</b> 7.99%	<b>3,292</b>
Market Housing	228 2.50%	1307 14.31%	4973 54.44%	2627 28.76%	9,135

Gloucestershire Local Housing Needs Assessment 2019 – Final Report and Summary (ORS, September 2020).  
Figure 91: Overall need for Affordable Housing (including households aspiring to home ownership) and Market Housing by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

- 8.34 The base modelling follows the above mix, although consideration is also given to the type and likely setting of the typologies.
- 8.35 Through the summer consultation it was suggested<sup>207</sup> that the costs in relation to this policy were understated. No details were provided and it is not clear what specific costs arise from seeking a particular housing mix that are not covered in the wider construction and value assumptions. The modelling is based on the Council’s preferred mix as informed by the most recent housing needs assessment.
- 8.36 An agent<sup>208</sup> for a housebuilder commented that this is a little different to the mix proposed for Whaddon, although not to a great extent. It is accepted that each scheme will be designed in relation to the specifics of each site. It is necessary for this study to follow the general mix as set out.

### Biodiversity Net Gain

- 8.37 The policy also seeks:

*Major residential development proposals will be expected to enhance biodiversity on site and, where appropriate, through a network of multifunctional green spaces, which support the natural and ecological processes.*

- 8.38 This is considered under *Delivery Policy ES6 Providing for biodiversity and geodiversity*, later in this chapter.

<sup>207</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>208</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

*Core Policy CP9 Affordable housing*

8.39 The policy requires the following:

*Within the Cotswolds Area of Outstanding Natural Beauty or the designated rural parishes of Alderley, Alkington, Amberley, Arlingham, Bisley with Lypiatt, Brookthorpe with Whaddon, Coaley, Cranham, Eastington, Frampton on Severn, Fretherne with Saul, Frocester, Ham and Stone, Hamfallow, Harescombe, Haresfield, Hillesley and Tresham, Hinton, Horsley, Kingswood, Longney and Epney, Miserden, Moreton Valance, North Nibley, Nympsfield, Painswick, Pitchcombe, Slimbridge, Standish, Stinchcombe, Uley and Whitminster, sites capable of providing 4 or more dwellings (net) will be required to provide at least 30% affordable housing.*

*In all other areas, sites capable of providing 10 or more dwellings (net), or covering a site area of 0.5 hectares or more, will be required to provide at least 30% affordable housing. The Council will negotiate the tenure,*

8.40 This forms the basis of the testing in this report, although a range of other policy requirements are tested. The base modelling (having been adjusted following the pre-consultation draft<sup>209</sup>) assumes a 67% Affordable Rent 33% Intermediate tenure mix, in line with the Housing Needs Assessment.

8.41 It is necessary to consider Build to Rent separately as the sector is treated differently to mainstream housing within the PPG.

*What provision of affordable housing is a build to rent development expected to provide?*

*The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.*

*20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.*

*National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development.*

*PPG: 60-002-20180913*

*How should affordable private rent be calculated?*

*Affordable private rent should be set at a level that is at least 20% less than the private market rent (inclusive of service charges) for the same or equivalent property. Build to rent developers should assess the market rent using the definition of the International Valuations Standard Committee as adopted by the Royal Institute of Chartered Surveyors.*

*PPG: 60-003-20180913*

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<sup>209</sup> In line with comments made by ██████████ Savills – for L&Q Estates, re Whaddon.

Is affordable private rent the only form of affordable housing permitted on build to rent schemes?

*It is expected that developers will usually meet their affordable housing requirement by providing affordable private rent homes. However, if agreement is reached between a developer and a local authority, this requirement can be met by other routes, such as a commuted payment and/or other forms of affordable housing as defined in the National Planning Policy Framework glossary. The details of this must be set out in the section 106.*

PPG: 60-004-20180913

How can the proportion of affordable private rent and level of discount be flexed?

*Both the proportion of affordable private rent units, and discount offered on them can be varied across a development, over time. Similarly it should be possible to explore a trade off between the proportion of discounted units and the discount(s) offered on them, with the proviso being that these should accord with the headline affordable housing contribution agreed through the planning permission. All options should be agreed jointly between the local authority and the developer as part of the planning permission, and set out in a section 106 agreement. Guidance on viability confirms that viability studies for build to rent schemes can be customised in this way.*

PPG: 60-005-20180913

- 8.42 In line with this, 20% private affordable rent at a 20% discount to market rent has been tested in the base modelling.
- 8.43 A scenario is tested where 25% of the affordable housing is assumed to be First Homes, although it is understood that as the Draft Plan was published before June 2021 and submitted before December 2021 there is no requirement to include First Homes.
- 8.44 A housebuilder<sup>210</sup> raised concern about taking 30% affordable housing as a 'given'. Whilst this is noted, it is necessary to start somewhere. A range of affordable housing requirements and tenure mixes have been tested.

*Core Policy CP10 Gypsy, Traveller and Travelling Showpeople Sites*

- 8.45 This policy does not impact on viability.

*\*NEW\* Delivery Policy DHC1 Meeting housing need within defined settlements*

- 8.46 As set out above, the modelling is based on the current housing need.

*\*NEW\* Delivery Policy DHC2 Sustainable rural communities*

- 8.47 As set out above, the modelling is based on the current housing need. A lower affordable housing threshold of 4 or more units is assumed to apply in the Designated Rural Areas.

*Delivery Policy HC2 Providing new homes above shops in our town centres*

- 8.48 This is an enabling policy that does not impact on viability.

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<sup>210</sup> [REDACTED] for Persimmon.

*Delivery Policy HC3 Self-build and custom build housing provision*

8.49 The policy seeks 2% of housing on the Strategic Sites to be self-build or custom-build. This is tested.

8.50 Through the summer 2020 consultation a planning consultant<sup>211</sup> noted:

*... paragraph 68 of the NPPF2019 now also drives LPAs to deliver 10% their housing requirement on small sites (under 1ha) unless there are strong reasons to show this cannot be achieved. These sites are likely to provide a proportion of custom and self-build housing.*

*Self build and custom housing can in some circumstances impact upon not only the overall viability of a site, but also on cashflow to support the construction process. Typically, it is not easy to release self build or custom plots on a large, live construction site due to health and safety reasons. It is also more time consuming to sell individual plots and is significantly more dependent upon market conditions regarding lending availability and purchaser appetite to build. Without strong evidence of need, self build and custom plots could impact upon the timing and deliverability of other infrastructure which is typically focused on the larger development sites.*

8.51 This viability assessment considers the effect that self and custom build plots may have on development.

*Delivery Policy HC4 Local housing need (exception sites)*

8.52 This is an enabling policy that does not impact on viability.

*\*NEW\* Delivery Policy DHC3 Live-work development*

8.53 This is an enabling policy that does not impact on viability.

*Delivery Policy HC1 Detailed criteria for new housing developments*

8.54 This is a high-level policy that sets some design principles. These do not go over and above the requirements set out elsewhere in the Draft Plan or covered in the base BCIS and construction costs.

*\*NEW\* Delivery Policy DHC4 Community-led housing*

8.55 This is an enabling policy that does not impact on viability.

*Delivery Policy HC5 Replacement dwellings / Delivery Policy HC6 Residential sub-division of dwellings / Delivery Policy HC7 Annexes for dependents or carers / Delivery Policy HC8 Extensions to dwellings*

8.56 These are general policies that do not impact on viability.

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<sup>211</sup> [REDACTED] Stantec for Colethorpe Farm Ltd.

*\*NEW\* Delivery Policy DHC5 Wellbeing and healthy communities / \*NEW\* Delivery Policy DHC6 Protection of existing open spaces and built and indoor sports facilities, \*NEW\* Delivery Policy DHC7 Provision of new open space and built and indoor sports facilities*

- 8.57 We have considered these policies together. These policies have been developed from the Stroud District *Open Space and Green Infrastructure Study*.
- 8.58 In summary, the requirement is for 3.92 ha of open space per 1,000 residents (being an increase from 3.22ha per 1,000 residents used in 2021). This is calculated based on an average dwelling occupancy rate of 2.3 people per household. It is important to note that the actual requirement is assessed site-by-site, depending on the existing facilities (or lack of them) in the locality of the site. The base assumption is that this will be provided on-site by the developer (and then managed through a management company). This has been embedded in the modelling.
- 8.59 Where the greenspace is not provided on-site, the costs of off-site provision is estimated at £1,709.71/ person<sup>212</sup> where the occupants are calculated using the following assumptions:
- 1 bed = 1.4 people
  - 2 bed = 1.8 people
  - 3 bed = 2.4 people
  - 4+ bed = 2.8 people
- 8.60 On this basis an average contribution to off-site provision is likely to be just under £4,000/unit (which is only payable where provision cannot be made on-site and there is a local need). As this will vary from site-to-site, a range of developer contributions are tested.
- 8.61 The policy also sets out the needs for internal sports facilities. It is assumed that these will be met through developer contributions. A range is tested.

### **Economy and infrastructure**

#### *Core Policy CP11 New employment development*

- 8.62 This is an enabling policy that does not impact on viability.

#### *Core Policy CP12 Town centres and retailing*

- 8.63 This policy is principally concerned with directing and enabling development. As such it does not impact on viability.

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<sup>212</sup> *Stroud District Open Space and Green Infrastructure Study*, Table 24 (page 164).



*Core Policy CP13 Demand management and sustainable travel measures*

- 8.64 This is one of a number of policies that requires new development to contribute towards strategic infrastructure and to mitigate their impact.
- 8.65 A range of levels of developer contributions has been tested.

*Specific Delivery Policies*

- 8.66 Policies EI1, EI2, EI2a, EI4, EI5, EI6, EI7, EI8, EI9, EI10, EI11, EI13, EI14, EI15 set out specific detailed policy requirements, but these do not directly impact viability.

*Delivery Policy EI12 Promoting transport choice and accessibility / Delivery Policy DE11 District-wide mode-specific strategies / Delivery Policy EI16 Provision of public transport facilities*

- 8.67 These add to other policies that require new development to contribute towards strategic infrastructure and to mitigate their impact.
- 8.68 A range of levels of developer contributions has been tested.

**Our environment and surroundings**

*Core Policy CP14 High quality sustainable development*

- 8.69 This policy builds on design policies set out earlier in the Plan. It does not add to the cost of development over and above those set out above.
- 8.70 Through the summer consultation it was suggested<sup>213</sup> that the costs in relation to this policy were understated. No details were provided, however this policy does not introduce requirements that are not covered elsewhere.
- 8.71 An agent<sup>214</sup> for a housebuilder raised a concern that the costs under this policy were additional costs. These are additional costs that are over and above the basic building regulation standard, but not over and above normal development costs as reflected in the BCIS costs and other assumptions made through this report.

*Core Policy CP15 A quality living and working countryside*

- 8.72 This policy builds on design policies set out earlier in the Plan. It does not add to the costs of development over and above those set out above.

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<sup>213</sup> [REDACTED] Stantec for Colethorpe Farm Ltd.

<sup>214</sup> [REDACTED] Pioneer for Robert Hitchins.

8.73 An agent<sup>215</sup> for a housebuilder raised a concern that the costs under this policy were additional costs. These are additional costs that are over and above the basic building regulation standard, but not over and above normal development costs as reflected in the BCIS costs and other assumptions made through this report.

*Delivery Policy ES1 Sustainable construction and design*

8.74 This is a broad policy that requires:

*Development proposals should meet the following requirements:*

*1. Achieve net-zero carbon – all new development should achieve a net zero carbon standard by means of:*

- an overall minimum 35% reduction in emissions over Part L 2013 Building Regulations achieved onsite;*
- a minimum of 10% and 15% reduction in emissions over Part L 2013 Building Regulations achieved respectively in homes and in nondomestic developments through fabric energy efficiency improvements;*
- residual emissions offset through payments to a Stroud District Council carbon offset fund;*

*Major development proposals should calculate and minimise carbon emissions from any other part of the development, including plant or equipment, that are not covered by Building Regulations, i.e. unregulated emissions.*

8.75 As set out in Chapter 7 above, the Department of Levelling up, Communities and Housing, published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a ‘stepping stone’ on the pathway to Zero Carbon homes (to be delivered through the introduction of a new ‘Future Homes Standard’ in 2025). It sets the target of an interim 31% reduction in CO<sub>2</sub> emissions over 2013 standards for dwellings. The changes will apply to new homes that submit plans after June 2022 or have not begun construction before June 2023. It is assumed to apply to all new homes in this assessment.

8.76 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation<sup>216</sup>. These costs have been indexed and would add about 3%<sup>217</sup> to the base cost of construction and are assumed to apply in the base appraisals.

8.77 The Council’s policy goes some way beyond the requirements set out in the Government consultation and is informed by the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018). This report suggests a 5-7% uplift to achieve

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<sup>215</sup> [REDACTED] Pioneer for Robert Hitchins.

<sup>216</sup> The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019).

<sup>217</sup> BCIS March 2022 409.0 from BCIS Oct 2018 354.2 = 15.5%. £3,134x15.5%+£3,620. £3,620/85m<sup>2</sup> = £42.60/m<sup>2</sup>. £42.60/m<sup>2</sup> / BCIS Estate Housing £1,324 = 3.2%

net-zero regulated emissions (both domestic and non-domestic), and a 7-11% uplift to achieve net-zero total emissions (domestic only)<sup>218</sup>.

- 8.78 Through the summer 2020 consultation it was suggested<sup>219</sup> that a figure at the top of the range is used. This is not accepted, a mid-point has been used. Alternatively, a land promoter<sup>220</sup> suggested that the costs in this regard were about £10,000/unit. No reason was given for these differences to the Government's figures. An agent<sup>221</sup> for a housebuilder suggested that the changes could add 'as much as £4,000 to £5,000' to a unit. No change is made in this regard.
- 8.79 An agent<sup>222</sup> for a housebuilder and a housebuilder<sup>223</sup> raised a concern around the justification for this policy. It is beyond the scope of this report to consider the wider justification for policies.
- 8.80 The above relates to residential development. The performance of non-residential development is normally assessed using the BREEAM system<sup>224</sup>. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research<sup>225</sup> by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent and this increases the construction costs by 2% or so.
- 8.81 It is timely to note that building to higher standards that result in lower running costs does result in higher values<sup>226</sup>.

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<sup>218</sup> In this context **Regulated energy** is energy use that is regulated by Part L of Building Regulations. This includes energy used for space heating, hot water and lighting together with directly associated pumps (for circulating water) and fans (eg for ventilation). **Unregulated energy** is energy use that is not controlled by Part L of Building Regulations. In homes this includes energy use for cooking, white goods and small power (eg, TVs, kettles, toasters, IT, etc). The quantity of unregulated energy in a home is estimated in SAP2012 using information on the building area. In non-domestic buildings unregulated energy also includes that used for vertical transportation (lifts and escalators) and process loads such as industrial activities or server rooms.

<sup>219</sup> HBF.

<sup>220</sup> [REDACTED] David Lock Associates for Hallam Land Management.

<sup>221</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>222</sup> [REDACTED] Pioneer for Robert Hitchins.

<sup>223</sup> [REDACTED] for Redrow with regard to Hardwick.

<sup>224</sup> Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990 as a method of assessing, rating, and certifying the sustainability of buildings.

<sup>225</sup> *Delivering sustainable buildings: Savings and payback*. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014.

<sup>226</sup> See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013.)

- 8.82 Through the summer 2020 consultation the testing of these standards was supported<sup>227</sup>.
- 8.83 The policy also seeks the provision of electric car charging points. EV charging points are mandated through building regulations. A cost of £976/unit<sup>228</sup> has been modelled.
- 8.84 Through the summer 2020 consultation it was suggested<sup>229</sup> that a worst-case scenario of £3,600 per unit should be used (to cover the costs of reinforcement work to the wider network), rather than the average. An agent<sup>230</sup> for a housebuilder made a similar point. This is not accepted. If worst case scenario costs were used through the report, an understanding of the economics of most development would not be gained. Sensitivity testing with regard to costs has been carried out.

*Delivery Policy ES2 Renewable or low carbon energy generation*

- 8.85 This is a general enabling policy that does not impact on viability.

*Delivery Policy DES3 Heat supply*

- 8.86 This is a potentially costly policy:

*Development proposals should include a communal low-temperature heating system where viable.*

*The heat source for the communal heating system should be selected in accordance with the following heating hierarchy:*

- 1. connect to local existing or planned heat networks*
- 2. use of zero-carbon renewable heat or CHP*
- 3. use of local ambient or secondary heat sources (in conjunction with heat pumps\*, if required)*

*\*heat pumps assumed to become zero-carbon when grid decarbonises.*

*Where a local heat network is planned but not yet in existence or connection is not currently viable, but may become viable in the future, the development should be designed to allow for the cost-effective connection and supply at a later date. In this case the heat should be supplied according to steps 2 and 3 of the above hierarchy*

- 8.87 Other than the potential heat supply from the Javelin energy waste plant, we are not aware of other significant heat sources within Stroud District at the time of writing. New District Heating Schemes are therefore going to require the construction of a central heat plant as well as the distribution network infrastructure.
- 8.88 There are few published costs of District Heating Schemes in modern estate housing. There are savings to be made from not installing gas and boilers in each unit, but these are more than offset by the costs of laying the heat pipes through the site, heat metering etc. Informal

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<sup>227</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>228</sup> Paragraph 9 Electric Vehicle Charging in Residential and Non-Residential Buildings (DfT, July 2019).

<sup>229</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>230</sup> ██████████ Pioneer for Robert Hitchins.

discussions with suppliers suggest that the additional costs may be in the range of £3,000 to £7,000 per unit, which is supported by the limited published data<sup>231</sup>, depending on the size and shape of the project. This has not been modelled at this stage (and is not included in the base appraisals).

8.89 There is a significant system in LB Enfield run by Energetik which draws on energy sources in the Lee Valley. In this case this is not a requirement, rather an opportunity to maximise financial savings through reduced construction costs through using such efficient heat sources. Energetik has provided the following advice.

- a. A boiler and radiators with controls inside a home will cost marginally more than a boiler equivalent, and radiators with controls, probably around £300 more per home.
- b. The pipe to the home and its cost will depend on the distance from the existing infrastructure and whether this is part of a block of flats and/or group of houses. This part of the infrastructure is often referred to as the secondary heating network and depends on the size and height of the development. On average, it costs £2,000 per flat and £4,000 per house for a secondary heating network. This will offset the incoming gas meter housing and meter rig plus gas pipework distribution to the flats and houses.
- c. The cost of extending the Primary Heating Network to a development is £4,300 per home, whether it be an apartment or house. That cost is a flat cost regardless of the distance from the present network.
- d. Normally the developer pays for item a and b above by delivering the work. The developer is invoiced over time until final payment upon connection (by Energetik) for item 3 upon signing a heat agreement.
- e. Connection to the system can have knock on savings to the fabric of the home as a connection can result in the developer achieving at least a 50% reduction in total carbon towards its 100% saving requirement. At present it has to achieve a 35% reduction on-site but can offset the rest by paying £95 per tonne of carbon x 30 years. Energetik has calculated in the past that achieving 40% carbon on-site would cost in the order of £4,500 per home, (hence avoided cost tariff of £4,300 per home).

8.90 Through the summer 2020 consultation it was suggested<sup>232</sup> that the costs in relation to this policy were understated. No details were provided. The costs used are based on the limited published data and discussions with suppliers of such systems. Alternatively, a cost of £30,000 per unit was suggested<sup>233</sup>, based on some research in Bristol (higher running costs

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<sup>231</sup> There are few published costs in this regard, *Assessment of the Costs, Performance, and Characteristics of UK Heat Networks* (DoE&CC, 2015) provides useful guidance for infrastructure to distribute heat, but not generation.

<sup>232</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>233</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

of such schemes were also mentioned). It is accepted that the cost will vary from scheme to scheme, and that this will depend, in part, on the availability of an existing heat source.

*Delivery Policy ES3 Maintaining quality of life within our environmental limits / Delivery Policy ES4 Water resources, quality and flood risk / Delivery Policy ES5 Air quality / Delivery Policy DES1 Conversion of redundant agricultural or forestry buildings / Delivery Policy ES7 Landscape character / Delivery Policy ES8 Trees, hedgerows and woodlands / Delivery Policy ES9 Equestrian development / Delivery Policy ES10 Valuing our historic environment and assets / Delivery Policy ES11 Maintaining, restoring and regenerating the District's canals*

- 8.91 These are general policies that concern design. They do not add to the costs of development over and above those set out elsewhere in this report.

*Delivery Policy ES6 Providing for biodiversity and geodiversity*

- 8.92 The Environment Act 2021 requires 10% Biodiversity Net Gain. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.
- 8.93 Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.
- 8.94 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation, as a survey will need to be carried out.
- 8.95 The Government's impact assessment<sup>234</sup> suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

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<sup>234</sup> Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/839610/net-gain-ia.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf)

<b>Table 8.3 Cost of Biodiversity Net Gain – South West</b>		
2017 based costs		
	<b>Scenario A</b> 100% on-site	<b>Scenario C</b> 100% off-site
Cost per ha of residential development	£3,424/ha	£63,610/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£170/unit	£3,481/unit
Cost per brownfield housing unit	£70/unit	£869/unit
Residential greenfield delivery costs as proportion of build costs	0.1%	2.9%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.7%
% of industrial land values	0.4%	6.8%
% of commercial land values (office edge of city centre)	0.2%	3.8%
% of commercial land values (office out of town - business park)	0.4%	6.1%

Source: Tables 14 to 23: Biodiversity net gain and local nature recovery strategies – Impact Assessment

- 8.96 It is assumed provision will be on-site on greenfield sites and off-site on brownfield sites (this approach is different to that taken in the pre-consultation report). The percentage uplift costs from the above table are used as the costs per ha/unit are a little historic.
- 8.97 Through the summer consultation it was suggested<sup>235 236</sup> that the costs in relation to this policy were understated. No details were provided. The costs used are based on the appropriate published data.

*Delivery Policy ES12 Better design of places*

- 8.98 This is a general policy that concern designs. It does not add to the costs of development over and above those set out elsewhere in this report.

*Delivery Policy DES2 Green Infrastructure*

- 8.99 This policy builds on *\*NEW\* Delivery Policy DHC5 Wellbeing and healthy communities* and *\*NEW\* Delivery Policy DHC6 Protection of existing open spaces and built and indoor sports facilities* which are considered above.

<sup>235</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>236</sup> ██████████ Savills – for L&Q Estates, re Whaddon.

*Delivery Policy ES16 Public art contributions*

- 8.100 This is a general enabling policy that seeks public art. It is assumed this will be delivered through developer contributions, a range of which are tested.
- 8.101 Through the summer consultation it was suggested<sup>237</sup> that the costs in relation to this policy were understated. No details were provided. Alternatively, it was suggested<sup>238</sup> that this cost should be modelled separately, in addition to the other developer contributions. It is accepted that the costs can vary, however the approach taken is appropriate.

**Strategic Sites – Site Specific Policies**

- 8.102 In addition to the above, the Council has drafted policies for the following Strategic Sites:
- a. PS24 Cam North West (West of Draycott)
  - b. PS25 Cam North East Extension (East of River Cam)
  - c. PS19a Stonehouse North West
  - d. PS34 Sharpness Docks
  - e. PS36 Sharpness (Garden Village)
  - f. PS37 Wisloe (Garden Village)
  - g. G1 South of Hardwicke
  - h. PS30 Hunts Grove Extension
  - i. G2 Land at Whaddon

- 8.103 These are reflected in the modelling.

**Other Matters**

*Nationally Described Space Standard*

- 8.104 The Draft Plan does not specifically seek Nationally Described Space Standard (NDSS) technical requirements, although, on the whole, new units in the District are substantially larger than NDSS.
- 8.105 An agent<sup>239</sup> for a housebuilder raised a concern about the impact of NDSS on land take and densities. The Council's density assumptions are informed by historic developments in the District.

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<sup>237</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>238</sup> HBF.

<sup>239</sup> ██████████ Pioneer for Robert Hitchins.



### Community Infrastructure Levy

8.106 SDC adopted CIL in February 2017 and it came into effect on 1<sup>st</sup> April 2017. The current rates of CIL are as follows:

<b>Table 8.4 Adopted Rates of CIL. £/m<sup>2</sup></b>		
	2017 Rate	Index (2022) Rate
Residential		
Generally	£80.00	£96.23
Strategic sites identified in the Local Plan	£0.00	£0.00
Residential sites within the Stroud Valleys area	£0.00	£0.00
Supermarkets and Retail Warehouses	£75.00	£90.22

Source: <https://www.stroud.gov.uk/media/1120913/indexation-guidance-note-2019-pdf-copy.pdf>

8.107 These are incorporated in the base assumptions as per the Council's Instalment Policy (although CIL is reviewed later in the assessment).

**Table 8.5 Instalment Policy**

CIL in £	Number of Instalments	Total Timescale for Instalments	Payment Amounts	Payment Periods
up to £6,000	2	270 days (9 months)	10%	60 days from commencement.
			90%	270 days from commencement.
£6,001 to £30,000	3	365 days (1 year)	10%	60 days from commencement.
			45%	270 days from commencement.
			45%	365 days from commencement.
£30,001 to £150,000	3	548 days (18 months)	10%	60 days from commencement.
			45%	365 days from commencement.
			45%	548 days from commencement.
£150,001 to £300,000	4	730 days (2 years)	10%	60 days from commencement.
			30%	365 days from commencement.
			30%	548 days from commencement.
			30%	730 days from commencement.
£300,001 to £600,000	5	1095 days (3 years)	10%	60 days from commencement.
			23%	365 days from commencement.
			23%	548 days from commencement.
			23%	730 days from commencement.
			21%	1095 days from commencement.
£600,001 to £1,200,000	6	1460 days (4 years)	10%	60 days from commencement.
			18%	365 days from commencement.
			18%	548 days from commencement.
			18%	730 days from commencement.
			18%	1095 days from commencement.
			18%	1460 days from commencement.
£1,200,001 to £1,800,000	7	1825 days (5 years)	10%	60 days from commencement.
			15%	365 days from commencement.
			15%	548 days from commencement.
			15%	730 days from commencement.
			15%	1095 days from commencement.
			15%	1460 days from commencement.
			15%	1825 days from commencement.
£1,800,001 and over	8	2190 days (6 years)	10%	60 days from commencement.
			13%	365 days from commencement.
			13%	548 days from commencement.
			13%	730 days from commencement.
			13%	1095 days from commencement.
			13%	1460 days from commencement.
			13%	1825 days from commencement.
			12%	2190 days from commencement.

Source: SDC CIL Instalment Policy (February 2017)

## Developer Contributions

8.108 The Draft Plan includes a range of policies that give rise to developer contributions to contribute to strategic infrastructure, mitigate the impact of development, and to make the development acceptable in planning terms. In this context the *Stroud District Local Plan: Planning Obligations Supplementary Planning Document (April 2017)* is relevant. This sets out contributions under the following headings:

- |   |                                     |
|---|-------------------------------------|
| a. Affordable housing                           | d. Green infrastructure             |
| b. Education                                    | e. Social and health infrastructure |
| c. Flood risk alleviation and drainage measures | f. Transport                        |
|   | g. Other contributions              |

8.109 In addition to these, payments may be sought for off-site provision of open space and public art.

8.110 The actual level of contributions will vary from site to site, depending on the individual circumstances of that site. A range of contributions are tested.

8.111 At the time of this report, Gloucestershire County Council is looking to increase the levels of developer contributions towards education provision and to this end published *Local Developer Guide: Infrastructure and Services Necessary to Support New Development, UPDATE February 2020 (Pre-consultation draft)* for consultation. This includes the following headings:

- |                                |                           |
|--------------------------------|---------------------------|
| a. Pre-school Places           | h. Health & Public Health |
| b. Primary & Secondary Schools | i. Broadband              |
| c. Special Schools             | j. Fire and Rescue        |
| d. Academies and Free Schools  | k. Sustainable Drainage   |
| e. Adult Social Care           | l. Waste and Recycling    |
| f. Libraries                   | m. Transport              |
| g. Archives                    |                           |

8.112 The County Council has set out the following costs (although these are not agreed with SDC).

Index: FYr 2019/20	Pre-school		Primary		Secondary		Post-16	
	Demand (Places)	Cost (£ per place)	Demand (Places)	Cost (£ per place)	Demand (Places)	Cost (£ per place)	Demand (Places)	Cost (£ per place)
100	30	£15,091	41	£15,091	20	£23,092	11	£23,092

Source: GCC (May 2020)

- 8.113 As with other types of contributions, the actual level of contributions will vary from site to site, depending on the individual circumstances of that site. A range of developer contributions is tested.
- 8.114 Through the summer 2020 consultation this was picked up by several consultees<sup>240 241 242 243 244 245</sup>. This is an area of uncertainty. We have discussed this with the Council and it is understood that this is unlikely to be required on all sites so it would not be appropriate to include the full amount in all the base appraisals. Further, the Council has not agreed the proposed rates with the County Council. In light of the uncertainty, a range of developer contributions is tested.
- 8.115 A land promoter<sup>246</sup> suggested that this assessment should clarify '*how developers would be protected from being charged twice through CIL and s106*'. Whilst this is noted, the purpose of this assessment is to assess the capacity for development to bear these charges as a whole, rather than draft policy in this regard.
- 8.116 In this iteration of the report the infrastructure costs derived by Arup (see Chapter 7) are tested in relation to the strategic sites.

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<sup>240</sup> ██████████ Stantec for Colethorpe Farm Ltd.

<sup>241</sup> HBF.

<sup>242</sup> ██████████ for Persimmon.

<sup>243</sup> ██████████ David Lock Associates for Hallam Land Management.

<sup>244</sup> Whiteleaf Consulting for Taylor Wimpey in relation to Whaddon.

<sup>245</sup> ██████████ Pioneer for Robert Hitchins.

<sup>246</sup> ██████████ David Lock Associates for Hallam Land Management.

## 9. Modelling

- 9.1 In the previous chapters, the general assumptions to be inputted into the development appraisals are set out. In this chapter, the modelling is set out. It is stressed that this is a high-level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the policies set out in *The Stroud District Local Plan Review, Draft Plan for Consultation – November 2019* on development viability.
- 9.2 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan. The Council has provided a long list of potential allocations which have formed the basis of the modelling. As set out in Chapter 3 above, in addition to modelling a range of representative sites, the Strategic Sites are to be considered individually.

### Residential Development

- 9.3 In this assessment the modelling draws on the Council’s Strategic Assessment of Land Availability (SALA). We have based the densities used in the site modelling on the expected density that is likely to come forward in current market conditions. These are informed by the density assumptions used in the SALA, it is important to note that these are approximations:

<b>Table 9.1 SALA Density Assumptions</b>	
Situation	Approximate Density
Rural or urban fringe, low density housing development (mainly detached housing)	About 20 to 25/ha
Suburban medium density housing development (semi-detached and terraced housing)	About 30/ha
Edge of town centre/town centre housing development (terraced, town houses)	40 to 50/ha
Flats in a town centre location	Up to 100/ha

Source: Stroud SALA 2016-2020

- 9.4 The following assumptions are used to establish the net developable area, although the individual characteristics of the sites (particularly the Strategic Sites) are also taken into account.

<b>Table 9.2 Net / Gross Assumptions</b>	
Site Size (ha)	Development Ratio (Net Developable Area)
Up to 1 ha	95%
1-4 ha	80%-90%
4-10 ha	75%-80%
10-50 ha	70%-75%
50-100 ha	60%-65%
100 ha+	50%-55%

Source: Stroud SALA 2016-2020

- 9.5 We have used the above to inform the modelling of the typologies. Having said this, the mix of housing (as per Core Policy CP8 New Housing Development) suggests that development is most likely to be as a blend of detached, semi-detached, terraced and flats, leading to sites coming forward at greater densities. In the current market it is unlikely that the development of larger, reasonably shaped sites would come forward at around 32 units/ha – being a mix of family housing.
- 9.6 The SALA is a working document. In May 2020, excluding the strategic allocations, it included 123 sites, of which 26 have been selected for allocation. The characteristics of the SALA sites have been considered and have informed the modelling.

<b>Table 9.3 Potential Development Sites, By Land Use – Excluding Strategic Sites</b>							
<b>All SALA Sites</b>							
	Count	Area		Yield		Average ha	Average Yield
		Ha	%	Units	%		
Brownfield	35	37.66	8.13%	1002	20.91%	1.08	30.36
Greenfield	72	367.83	79.43%	3433	71.63%	5.11	52.82
Mixed	16	57.60	12.44%	358	7.47%	3.60	25.57
All	123	463.09	100.00%	4793	100.00%	3.76	42.79
<b>Draft Allocations</b>							
	Count	Area		Yield		Average ha	Average Yield
		Ha	%	Units	%		
Brownfield	11	13.47	21.87%	490	41.84%	1.22	44.55
Greenfield	12	33.89	55.03%	541	46.20%	2.82	45.08
Mixed	3	14.23	23.10%	140	11.96%	4.74	46.67
All	26	61.59	100.00%	1171	100.00%	2.37	45.04

Source: SDC SALA May 2020

<b>Table 9.4 Potential Development Sites, By Size – Excluding Strategic Sites</b>				
<b>Greenfield Sites</b>				
	Sites		Units	
	Count	%	Count	%
400+	2	2.78%	1,080	29.16%
100 to 399	5	6.94%	699	18.88%
75 to 99	4	5.56%	346	9.34%
50 to 74	6	8.33%	369	9.97%
40 to 49	11	15.28%	514	13.87%
30 to 39	3	4.17%	113	3.05%
20 to 29	7	9.72%	171	4.61%
15 to 19	10	13.89%	188	5.08%
10 to 14	9	12.50%	130	3.51%
5 to 9	8	11.11%	68	1.84%
0 to 4	7	9.72%	26	0.70%
All	72	100.00%	3,703	100.00%

Source: SDC SALA May 2020

<b>Table 9.5 Potential Development Sites, By Size – Excluding Strategic Sites</b>				
<b>Brownfield and Mixed Use Sites</b>				
	Sites		Units	
	Count	%	Count	%
400+	0	0.00%	0	0.00%
100 to 399	3	5.88%	419	40.00%
75 to 99	2	3.92%	178	16.98%
50 to 74	4	7.84%	275	26.24%
40 to 49	3	5.88%	139	13.26%
30 to 39	4	7.84%	158	15.06%
20 to 29	4	7.84%	110	10.49%
15 to 19	3	5.88%	57	5.44%
10 to 14	5	9.80%	68	6.49%
5 to 9	9	17.65%	84	8.01%
0 to 4	14	27.45%	64	6.11%
All	51	100.00%	1,048	100.00%

Source: SDC SALA May 2020

- 9.7 Through the summer 2020 consultation there was a consensus in this regard, but it was suggested<sup>247</sup> that the above tables would change as a result of the COVID-19 pandemic. This would be the case if the SALA was updated.
- 9.8 Brownfield/Urban sites have been modelled at a higher density than greenfield sites. To inform the modelling, the characteristics of the planned development is considered in terms of location, size and suggested use, representative of sites in the Stroud District Council area.

*Development assumptions*

- 9.9 In arriving at appropriate assumptions for residential development on each site, the built forms used in the appraisals are appropriate to current development practices. In addition, the policy requirements, as set out in Chapter 7 above, in terms of density, mix and open space, are reflected in the modelling.
- 9.10 A set of typologies has been developed that responds to the variety of development situations and densities typical in the area, and this is used to inform development assumptions for sites. This approach enables us to form a view about floorspace density to be accommodated on the site, based on the amount of development, measured in net floorspace per hectare. This is a key variable because the amount of floorspace which can be accommodated on a site relates directly to the Residual Value, and is an amount which developers will normally seek to maximise (within the constraints set by the market).
- 9.11 A typical current estate housing built form would provide development at between 3,000m<sup>2</sup>/ha to 3,550m<sup>2</sup>/ha on a substantial site, or sensibly shaped smaller site. A representative housing density might be 30/net ha to 35/net ha. This has become a common development format. It provides for a majority of houses but with a small element of flats, in a mixture of two storey and two and a half to three storey form, with some rectangular emphasis to the layout.
- 9.12 Some schemes have an appreciably higher density development providing largely or wholly apartments, in blocks of three storeys or higher, with development densities of 6,900m<sup>2</sup>/ha and dwelling densities of 100 units/ha upwards; and other schemes are of lower density, on the edge of built-up areas.
- 9.13 The main characteristics of the modelled sites are set out in the tables below, as updated in July 2022 to reflect the increased openspace standards. A proportion of the housing to come forward over the plan-period will be on smaller sites, therefore several smaller sites have been included.
- 9.14 Allowance is made for circulation space within flattened schemes.

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<sup>247</sup> [REDACTED] Hawkins Watton for various (un-named) clients.



<b>Table 9.6 Summary of Typologies</b>				
1	Green 400	Units	400	LHNA mix. 72% net developable including 3.555ha POS on site.
	Gross	17.361		
	Net	12.500		
	Density	32.0		
2	Green 250	Units	250	LHNA mix. 77% net developable including 2.225ha POS on site.
	Gross	10.146		
	Net	7.813		
	Density	32.0		
3	Green 100	Units	100	LHNA mix. 0.907ha POS added to net area to give 77.6% net developable.
	Gross	3.906		
	Net	3.125		
	Density	32.0		
4	Green 60	Units	60	LHNA mix. 0.541ha POS added to net area to give 77.61% net developable.
	Gross	2.344		
	Net	1.875		
	Density	32.0		
5	Green 40	Units	40	LHNA mix. 0.361ha POS added to net area to give 77.61% net developable.
	Gross	1.563		
	Net	1.250		
	Density	32.0		
6	Green 20	Units	20	LHNA mix. 0.180ha POS added to net area to give 78.71% net developable.
	Gross	0.702		
	Net	0.667		
	Density	30.0		
7	Green 10	Units	10	Mix of housing. 0.090ha POS added to net area to give 78.71% net developable.
	Gross	0.351		
	Net	0.333		
	Density	30.0		
8	Green 6	Units	6	Mix of detached and Semi-detached housing. 0.0540ha POS added to net area to give 78.71% net developable.
	Gross	0.211		
	Net	0.200		
	Density	30.0		
9	Green 3	Units	3	Semi detached and detached.
	Gross	0.120		
	Net	0.120		
	Density	25.0		

Brown 100  10	Units	100	Higher density LHNA mix. 0.902ha POS added to net area to give 71.14% net developable.
	Gross	2.778	
	Net	2.222	
	Density	45.0	
Brown 60  11	Units	60	Higher density LHNA mix. 0.541ha POS added to net area to give 71.14% net developable.
	Gross	1.667	
	Net	1.333	
	Density	45.0	
Brown 40  12	Units	40	Higher density LHNA mix. 0.361ha POS added to net area to give 71.14% net developable.
	Gross	0.936	
	Net	0.889	
	Density	45.0	
Brown 20  13	Units	20	Higher density LHNA mix. 0.0.18ha POS added to net area to give 71.14% net developable.
	Gross	0.468	
	Net	0.444	
	Density	45.0	
Brown 20 HD  14	Units	20	Flatted scheme. 0.18ha POS added to net area.
	Gross	0.351	
	Net	0.333	
	Density	60.0	
Brown 10  15	Units	10	Higher density LHNA mix. 0.0.09ha POS added to net area to give 52.6% net developable.
	Gross	0.105	
	Net	0.100	
	Density	100.0	
Brown 10 HD  16	Units	10	Flatted scheme. 0.09ha POS added to net area.
	Gross	0.175	
	Net	0.167	
	Density	60.0	
Brown 6  17	Units	6	Small scheme. 0.054ha POS added to net area.
	Gross	0.140	
	Net	0.133	
	Density	45.0	
Brown 6 HD  18	Units	6	Flatted scheme. 0.054ha POS added to net area.
	Gross	0.115	
	Net	0.109	
	Density	55.0	

Brown 3  19	Units	3	Terraced scheme.
	Gross	0.079	
	Net	0.075	
	Density	40.0	
PRS 20  20	Units	20	Build to rent housing scheme. Semi-detached. 0.18ha POS added to net area.
	Gross	0.602	
	Net	0.571	
	Density	35.0	
PRS 20 HD  21	Units	20	Build to rent flatted scheme. Semi-detached. 0.18ha POS added to net area.
	Gross	0.400	
	Net	0.400	
	Density	50.0	

Source: HDH (July 2022)

9.15 The modelling is further summarised below.

**Table 9.7 Summary of Typologies – Areas and Densities**

				Current Use	Units	Area Ha			Density Units/ha			Density m2/ha	
						Total	Gross	Net	%	Whole	Gross		Net
1	Green 400	Green		Agricultural	400	17.361	17.361	12.500	72.0%	23.04	23.04	32.00	3,115
2	Green 250	Green		Agricultural	250	10.146	10.146	7.813	77.0%	24.64	24.64	32.00	3,130
3	Green 100	Green		Agricultural	100	4.027	3.906	3.125	77.6%	24.83	25.60	32.00	3,165
4	Green 60	Green		Agricultural	60	2.416	2.344	1.875	77.6%	24.83	25.60	32.00	3,083
5	Green 40	Green		Agricultural	40	1.611	1.563	1.250	77.6%	24.83	25.60	32.00	2,991
6	Green 20	Green		Agricultural	20	0.847	0.702	0.667	78.7%	23.61	28.50	30.00	2,793
7	Green 10	Green		Paddock	10	0.423	0.351	0.333	78.7%	23.61	28.50	30.00	2,832
8	Green 6	Green		Paddock	6	0.254	0.211	0.200	78.7%	23.61	28.50	30.00	3,165
9	Green 3	Green		Paddock	3	0.120	0.120	0.120	100.0%	25.00	25.00	25.00	2,908
10	Brown 100	Brown		PDL	100	3.124	2.778	2.222	71.1%	32.01	36.00	45.00	4,146
11	Brown 60	Brown		PDL	60	1.874	1.667	1.333	71.1%	32.01	36.00	45.00	4,132
12	Brown 40	Brown		PDL	40	1.250	0.936	0.889	71.1%	32.01	42.75	45.00	4,105
13	Brown 20	Brown		PDL	20	0.625	0.468	0.444	71.1%	32.01	42.75	45.00	4,104
14	Brown 20 HD	Brown		PDL	20	0.514	0.351	0.333	64.9%	38.94	57.00	60.00	4,112
15	Brown 10	Brown		PDL	10	0.190	0.105	0.100	52.6%	52.59	95.00	100.00	9,110
16	Brown 10 HD	Brown		PDL	10	0.257	0.175	0.167	64.9%	38.94	57.00	60.00	4,409
17	Brown 6	Brown		PDL	6	0.187	0.140	0.133	71.1%	32.01	42.75	45.00	3,900
18	Brown 6 HD	Brown		PDL	6	0.163	0.115	0.109	66.9%	36.77	52.25	55.00	3,852
19	Brown 3	Brown		PDL	3	0.079	0.079	0.075	95.0%	38.00	38.00	40.00	3,800
20	PRS 20	Green		Agricultural	20	0.752	0.602	0.571	76.0%	26.60	33.25	35.00	3,255
21	PRS 20 HD	Brown		PDL	20	0.580	0.400	0.400	68.9%	34.46	50.00	50.00	3,809

Source: HDH (July 2022)



- 9.16 Through the summer 2020 consultation<sup>248</sup> it was noted that a greater range of densities should be tested. Whilst it is accepted that a range of densities will come forward, the purpose of this high-level assessment is to test the development as envisaged by the emerging Local Plan. It is therefore appropriate that the assumptions used are broadly consistent with the wider evidence base.
- 9.17 Through the summer 2020 consultation<sup>249</sup> it was also noted that some of the Strategic Sites include areas for employment. These are not modelled individually as they could come forward under a wide range of formats, from high quality offices to large logistic ‘sheds’. Such areas are assumed to take the value of industrial land (£650,000/ha) as per Chapter 6 above.
- 9.18 It is important to note that some of the above typologies could have significant amounts of existing floor space. This has a very significant impact on the amount of CIL to be paid (CIL only applies to net new development, unless the existing floorspace has not recently been in lawful use) or the level of affordable housing (through Vacant Building Credit). The rules in this regard are complex and depend on the extent of the existing use of the building. Very few developments will be eligible to pay no CIL and make no affordable housing contribution.
- 9.19 The Strategic Sites are modelled in line with the information supplied by the Council and through the 2020 consultation<sup>250</sup>:

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<sup>248</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>249</sup> ██████████ Hawkins Watton for various (un-named) clients.

<sup>250</sup> In relation to the Sharpness New Settlement, the promoter clarified the emerging masterplan is based on 37 dwellings per hectare and a net developable area of 65ha. The modelling has been updated.

Two comments were made in relation to the Land at Whaddon. Firstly, the density is expected to be about 3,444m<sup>2</sup>/ha. The agent for the site suggested that densities of up to 40/ha may be appropriate and the unit numbers may alter as the plan making process moves forward. The areas have been clarified a gross area is 130.69ha and the net area 69ha (which gives a density of 36.2/ha). The areas are updated, which results in higher net densities.

The promoter of NW of Cam (PS24 West of Draycott) noted that the net assumption (70%) was ‘*far too high*’. This has been adjusted to 60%.

An agent for a Strategic Site suggested that in the absence of a masterplan they could not comment at this stage. They also raised concerns about the employment land. Whilst several sites do include employment land, this element has not been modelled in detail due to wide variety of uses that could come forward (from high quality offices to large logistics ‘sheds’).

A housebuilder has provided the Council with its latest masterplan for the Hardwicke site, which provides an NDA of 33 hectares for residential development that will accommodate 1,200 dwellings. Redrow has commenced discussion with statutory providers to agree utilities diversions and has consulted locally on land use composition.

They went on to comment that, in regard to Sharpness, assuming a 65% net to gross assessment is not reasonable in light of the various constraints, and the need for Biodiversity Net Gain. Again, an assumption of 70% net to gross for Wisloe is too high. Whilst these comments are noted, this modelling is based on, and is consistent with, the Council’s wider development assumptions.

<b>Table 9.8 Summary of Strategic Sites (as updated April 2021)</b>				
1	PS24 Cam North West (West of Draycott)	Units	900	North West of Cam. LHNA mix. Modelled at 38units/ha / 60% net developable. Total site area 39.42ha.
		Gross	39.417	
		Net	23.650	
		Density	38.0	
2	PS25 Cam North East Extension (East of River Cam)	Units	180	North East of Cam extension. LHNA mix. Modelled at 32units/ha. Total site area 7.07ha (79.56% net developable).
		Gross	7.813	
		Net	5.625	
		Density	32.0	
3	PS19a Stonehouse North West	Units	700	North West of Stonehouse. LHNA mix. Modelled at 32units/ha / 70% net developable. Total site area 96.23.
		Gross	31.250	
		Net	21.875	
		Density	32.0	
4	PS34 Sharpness Docks	Units	300	Sharpness Docks. LHNA mix. Modelled at 32units/ha / 70% net developable. Total site area 96.24ha.
		Gross	13.393	
		Net	9.375	
		Density	32.0	
5	PS36 Sharpness (Garden Village)	Units	2,400	Sharpness. LHNA mix. Modelled at 37units/ha / 65% net developable. Total site area 131.77ha.
		Gross	100.000	
		Net	65.000	
		Density	37.0	
6	PS37 Wisloe (Garden Village)	Units	1,500	Wisloe. LHNA mix. Modelled at 32units/ha / 70% net developable. Total site area 83.971ha.
		Gross	66.964	
		Net	46.875	
		Density	32.0	
7	G1 South of Hardwicke	Units	1,350	South of Hardwick, Gloucester Fringe. LHNA mix. Modelled at 32units/ha / 78.75% net developable. Total site area 53.57ha.
		Gross	69.160	
		Net	42.188	
		Density	32.0	
8	PS30 Hunts Grove Extension	Units	750	Hunts Grove extension, Gloucester Fringe. LHNA mix. Modelled at 32units/ha / 70% net developable. Total site area 34.87ha.
		Gross	33.482	
		Net	23.438	
		Density	32.0	
9	G2 Land at Whaddon	Units	3,000	Gloucester Fringe. LHNA mix. Modelled at 32units/ha / 72% net developable. Total site area 130.69ha.
		Gross	130.208	
		Net	93.750	
		Density	32.0	

Source: HDH (July 2022)

9.20 The updated modelling is further summarised below.

**Table 9.10 Summary of Strategic Sites – Areas and Densities (Updated, July 2022)**

		Current Use	Units	Area Ha			Density Units/ha			Density m2/ha	
				Total	Gross	Net	%	Whole	Gross		Net
1	PS24 Cam North Wes	Green	900	39.420	39.417	23.650	60.0%	22.83	22.83	38.00	3,707
2	PS25 Cam North East	Green	180	7.070	7.813	5.625	79.6%	25.46	23.04	32.00	3,134
3	PS19a Stonehouse N	Green	700	31.250	31.250	21.875	70.0%	22.40	22.40	32.00	3,118
4	PS34 Sharpness Dock	Brown	300	13.393	13.393	9.375	70.0%	22.40	22.40	32.00	3,131
5	PS36 Sharpness (Gard	Green	2,400	100.000	100.000	65.000	65.0%	24.00	24.00	37.00	3,414
6	PS37 Wisloe (Garden	Green	1,500	66.964	66.964	46.875	70.0%	22.40	22.40	32.00	3,036
7	G1 South of Hardwick	Green	1,350	53.570	69.160	42.188	78.8%	25.20	19.52	32.00	2,960
8	PS30 Hunts Grove Ext	Green	750	33.482	33.482	23.438	70.0%	22.40	22.40	32.00	2,962
9	G2 Land at Whaddon	Green	3,000	130.690	130.208	93.750	71.7%	22.96	23.04	32.00	2,959

Source: HDH (July 2022)

### Older People's Housing

- 9.21 A private Sheltered/retirement and an Extracare scheme have been modelled, each on a 0.5ha site as follows.
- a. A private Sheltered/retirement scheme of 24 x 1 bed units of 50m<sup>2</sup> and 36 x 2 bed units of 75m<sup>2</sup> to give a net saleable area of 3,900m<sup>2</sup>. We have assumed a further 20% non-saleable service and common areas to give a scheme GIA of 4,680m<sup>2</sup>.
  - b. An Extracare scheme of 36 x 1 bed units of 65m<sup>2</sup> and 24 x 2 bed units of 80m<sup>2</sup> to give a net saleable area of 4,260m<sup>2</sup>. We have assumed a further 30% non-saleable service and common areas to give a scheme GIA of 5,538m<sup>2</sup>.

### Employment Uses

- 9.22 The Council is planning to allocate Strategic Employment Sites. These sites will not be modelled individually, rather the type of development that they are most likely to deliver is modelled.
- 9.23 In line with the CIL Regulations, we have only assessed developments of over 100m<sup>2</sup>. There are other types of development (such as petrol filling stations and garden centres etc). We have not included these in this high-level study due to the great diversity of project that may arise.
- 9.24 For this study, we have assessed a number of development types. We have based our modelling on the following development types:
- a. **Offices.** These are more than 250m<sup>2</sup>, will be of steel frame construction, be over several floors and will be located on larger business parks. Typical larger units are around 2,000m<sup>2</sup> – we will use this as the basis of our modelling.  
  
We have made assumptions about the site coverage and density of development on the sites. We have assumed 80% coverage on the office sites in the urban situation and 25% elsewhere. Initially we assumed two storey construction in the business park situation, and six-storey construction in the urban situation. Following a comment made through the summer 2020 consultation<sup>251</sup>, the town centre format has been reduced to 3 storeys.
  - b. **Large Industrial.** Modern industrial units of over 4,000m<sup>2</sup>. There is little new space being constructed. This is used as the basis of the modelling. We have assumed 40% coverage which is based on the single storey construction.
  - c. **Small Industrial.** Modern industrial units of 400m<sup>2</sup>. We have assumed 40% coverage which is based on the single storey construction.

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<sup>251</sup> [REDACTED] Hawkins Watton for various (un-named) clients.



- 9.25 We have not looked at the plethora of other types of commercial and employment development beyond office and industrial/storage uses in this study.
- 9.26 Through the summer consultation it was suggested<sup>252</sup> that *'there is also a pressing need for the plan and its viability to explore how green technology/ innovation employment offers are provided, by moving away from the 'single land use model'. If SDC wishes to support a resilient, wide ranging economy, it should use the viability appraisal process to explore the financial modelling as well as social and environmental benefits of mixed-use employment offers to support SMEs and non-shed based employment offers'*. No details were provided with regard to what may fall into these categories and what type of structures may be needed to accommodate them (and how they are different to those set out above).
- 9.27 It is beyond the scope of this viability assessment to make a broader assessment of the type envisaged. Rather it is the purpose of this assessment to consider the cumulative impact of the Council's emerging policies and how they impact on the deliverability of the planned development.

### **Retail**

- 9.28 For this study, we have assessed the following types of space. It is important to remember that this assessment is looking at the ability of new projects to bear an element of CIL – it is only therefore necessary to look at the main types of development likely to come forward in the future.
- a. **Supermarkets** Two typologies have been modelled.
- First is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m<sup>2</sup>. It is assumed to occupy a total site area of 1.33ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.
- Second is based on a smaller supermarket, typical of the units that may be developed by operators such as Aldi and Lidl. A 1,200m<sup>2</sup> unit on a 0.4ha site (40% coverage) to allow for car parking is assumed.
- b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m<sup>2</sup>. It is assumed to occupy a total site area of 0.8ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.
- c. **Shop** is a brick-built development on two storeys, of 200m<sup>2</sup>. No car parking or loading space is allowed for, and the total site area (effectively the building footprint) is 0.025ha.

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<sup>252</sup> [REDACTED] Stantec for Colethorpe Farm Ltd.

- 9.29 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed simple, single storey construction and have assumed that there are no mezzanine floors.
- 9.30 Through the summer 2020 consultation<sup>253</sup>, it was highlighted that the design was '*location critical*'. No changes were proposed to the modelling. No changes have been made.

### **Hotels and Leisure**

- 9.31 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. We have reviewed this sector and there is very little activity in this sector at the moment, either at the planning stage or the construction stage. This is an indication that development in this sector is currently at the margins of viability. Having considered this further we have assessed a modern hotel on a town edge site
- 9.32 We have assumed that this is a 60 bedroom product (60 x 19m<sup>2</sup> + 30% circulation space = 1,1482m<sup>2</sup>) with ample car parking on a 0.4 ha (1 acre) site.

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<sup>253</sup> [REDACTED] Hawkins Watton for various (un-named) clients.

## 10. Residential Appraisals

- 10.1 At the start of this chapter, it is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this study are one of a number of factors that SDC will consider, including the track record in delivering affordable housing and collecting payments under s106.
- 10.2 The appraisals use the residual valuation approach, they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).
- 10.3 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions. Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction and an increase and decrease in prices.
- 10.4 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:
- a. **Green** **Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).
  - b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.
  - c. **Red** **Non-viable** – where the Residual Value does not exceed the EUV.
- 10.5 A report of this type applies relatively simple assumptions that are broadly reflective of an area to assess viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development.
- 10.6 Through the summer 2020 consultation an agent<sup>254</sup> for a housebuilder commented that presenting the marginal category (amber) '*renders the process of setting a benchmark in the first place against which policy / developer contribution burdens upon development are to be tested meaningless*'. This is not accepted and wrongly assumes that a viability assessment

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<sup>254</sup> [REDACTED] Pioneer for Robert Hitchins.

is based on certainties and precise numbers and assumptions – and that all landowners have the same expectations and requirements. This is not the case. A viability assessment is based on a series of estimates and landowners accept different prices for their land (as set out in Chapter 6 above). It would be wrong to simply strike all sites from the Plan where the Residual Value does not exceed the BLV. On these sites, the Council may wish to further engage with the site promoters and to establish, at a greater level of detail, whether a particular site or type of site may actually be deliverable and to be included in the Plan.

### Base Appraisals

10.7 A set of draft results were presented in the 2020 pre-consultation draft and several consultees made comments on the results. These are not responded to as the assumptions for the appraisals have been substantially altered to reflect to comments made through the consultation.

10.8 The initial appraisals are based on the following assumptions<sup>255</sup>.

- |    |                         |  |
|----|-------------------------|--|
| a. | Affordable Housing      | 30% on sites of 4 and larger (Intermediate Housing 33%, Affordable Rent 67%).  |
| b. | Design                  | 67% Accessible and Adaptable – Category 2<br>8% Wheelchair Accessible<br>NDSS, Water efficiency / Car Charging Points<br>10% Biodiversity Net Gain<br>Carbon Reduction as per ES1. |
| c. | Developer Contributions | CIL – As per Charging Schedule (£96.23/m <sup>2</sup> / £0/m <sup>2</sup> )<br>s106 – Typologies £5,000/unit and Strategic Sites as estimated (Scenario A).                        |
- |                                 |             |
|---------------------------------|-------------|
| PS24 Cam North West             | £20,011,973 |
| PS25 Cam North East Extension   | £3,992,988  |
| PS19a Stonehouse North West     | £21,795,088 |
| PS34 Sharpness Docks            | £6,835,408  |
| PS36 Sharpness (Garden Village) | £47,065,261 |
| PS37 Wisloe (Garden Village)    | £30,553,289 |
| G1 South of Hardwicke           | £25,618,347 |
| PS30 Hunts Grove Extension      | £14,897,285 |
| G2 Land at Whaddon              | £56,947,860 |

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<sup>255</sup> To provide clarity requested by ██████████ Savills – for L&Q Estates, re Whaddon.

10.9 At this stage the Strategic Sites are modelled on the basis that they will be subject to CIL and the Scenario A estimated s106 costs – these sites are then modelled without CIL. The base appraisals are included in **Appendix 12**.

<b>Table 10.1a Residential Typologies, – Residual Values</b>												
<b>Gloucester Fringe &amp; Cotswold and Rural West</b>												
						Area (ha)		Units	Residual Value (£)			
						Gross	Net		Gross ha	Net ha	Site	
Site 1	Green	400	Glous Fringe & NW	Green	Agricultural	17.36	12.50	400	147,806	205,286	2,566,074	
Site 2	Green	250	Glous Fringe & NW	Green	Agricultural	10.15	7.81	250	191,215	248,331	1,940,082	
Site 3	Green	100	Cotswold	Green	Agricultural	3.91	3.13	100	1,077,645	1,388,558	4,339,244	
Site 4	Green	60	Cotswold	Green	Agricultural	2.34	1.88	60	1,062,679	1,369,275	2,567,391	
Site 5	Green	40	Cotswold	Green	Agricultural	1.56	1.25	40	1,050,458	1,353,528	1,691,910	
Site 6	Green	20	Cotswold	Green	Agricultural	0.70	0.67	20	1,219,250	1,549,033	1,032,688	
Site 7	Green	10	Cotswold	Green	Paddock	0.35	0.33	10	1,279,883	1,626,065	542,022	
Site 8	Green	6	Cotswold	Green	Paddock	0.21	0.20	6	1,344,570	1,708,249	341,650	
Site 9	Green	3	Cotswold	Green	Paddock	0.12	0.12	3	2,384,117	2,384,117	286,094	
Site 12	Brown	40	Cotswold	Brown	PDL	0.94	0.89	40	853,884	1,200,321	1,066,952	
Site 13	Brown	20	Cotswold	Brown	PDL	0.47	0.44	20	1,132,240	1,591,612	707,383	
Site 15	Brown	10	Cotswold	Brown	PDL	0.11	0.10	10	1,930,437	3,670,920	367,092	
Site 17	Brown	6	Cotswold	Brown	PDL	0.14	0.13	6	1,134,763	1,595,158	212,688	
Site 19	Brown	3	Cotswold	Green	PDL	0.08	0.08	3	2,494,627	2,625,924	196,944	
Site 3	Green	100	Rural West	Green	Agricultural	3.91	3.13	100	363,074	467,825	1,461,952	
Site 4	Green	60	Rural West	Green	Agricultural	2.34	1.88	60	353,923	456,034	855,064	
Site 5	Green	40	Rural West	Green	Agricultural	1.56	1.25	40	373,267	480,960	601,199	
Site 6	Green	20	Rural West	Green	Agricultural	0.70	0.67	20	559,486	710,815	473,877	
Site 7	Green	10	Rural West	Green	Paddock	0.35	0.33	10	765,644	972,736	324,245	
Site 8	Green	6	Rural West	Green	Paddock	0.21	0.20	6	773,304	982,467	196,493	
Site 9	Green	3	Rural West	Green	Paddock	0.12	0.12	3	1,592,754	1,592,754	191,130	

Source: HDH (August 2022)



**Table 10.1b Residential Typologies, – Residual Values**  
Cam, Stonehouse, Stroud, and Sharpness and the Stroud Valleys

						Area (ha)		Units	Residual Value (£)		
						Gross	Net		Gross ha	Net ha	Site
Site 1	Green 400	Cam, Stonehouse, Stroud, etc	Green	Agricultural	17.36	12.50	400	212,620	295,306	3,691,320	
Site 2	Green 250	Cam, Stonehouse, Stroud, etc	Green	Agricultural	10.15	7.81	250	264,427	343,412	2,682,907	
Site 3	Green 100	Cam, Stonehouse, Stroud, etc	Green	Agricultural	3.91	3.13	100	22,729	29,287	91,521	
Site 4	Green 60	Cam, Stonehouse, Stroud, etc	Green	Agricultural	2.34	1.88	60	14,309	18,437	34,569	
Site 5	Green 40	Cam, Stonehouse, Stroud, etc	Green	Agricultural	1.56	1.25	40	48,176	62,076	77,595	
Site 6	Green 20	Cam, Stonehouse, Stroud, etc	Green	Agricultural	0.70	0.67	20	245,110	311,408	207,605	
Site 7	Green 10	Cam, Stonehouse, Stroud, etc	Green	Paddock	0.35	0.33	10	238,021	302,401	100,800	
Site 8	Green 6	Cam, Stonehouse, Stroud, etc	Green	Paddock	0.21	0.20	6	182,251	231,547	46,309	
Site 9	Green 3	Cam, Stonehouse, Stroud, etc	Green	Paddock	0.12	0.12	3	781,631	781,631	93,796	
Site 10	Brown 100	Cam, Stonehouse, Stroud, etc	Brown	PDL	2.78	2.22	100	-520,652	-731,891	-1,626,423	
Site 11	Brown 60	Cam, Stonehouse, Stroud, etc	Brown	PDL	1.67	1.33	60	-543,279	-763,698	-1,018,264	
Site 12	Brown 40	Cam, Stonehouse, Stroud, etc	Brown	PDL	0.94	0.89	40	-554,853	-779,968	-693,305	
Site 13	Brown 20	Cam, Stonehouse, Stroud, etc	Brown	PDL	0.47	0.44	20	-273,327	-384,222	-170,765	
Site 14	Brown 20 HD	Cam, Stonehouse, Stroud, etc	Brown	PDL	0.35	0.33	20	-1,464,548	-2,256,810	-752,270	
Site 15	Brown 10	Cam, Stonehouse, Stroud, etc	Brown	PDL	0.18	0.10	10	-414,545	-788,299	-78,830	
Site 16	Brown 10 HD	Cam, Stonehouse, Stroud, etc	Brown	PDL	0.18	0.17	10	-1,531,593	-2,360,123	-393,354	
Site 17	Brown 6	Cam, Stonehouse, Stroud, etc	Brown	PDL	0.14	0.13	6	-232,561	-326,916	-43,589	
Site 18	Brown 6 HD	Cam, Stonehouse, Stroud, etc	Brown	PDL	0.11	0.11	6	-1,399,078	-2,092,853	-228,311	
Site 19	Brown 3	Cam, Stonehouse, Stroud, etc	Green	PDL	0.08	0.08	3	334,878	352,504	26,438	
Site 20	PRS 20	Cam, Stonehouse, Stroud, etc	Brown	Agricultural	0.60	0.57	20	-114,618	-150,787	-86,164	
Site 21	PRS 20 HD	Cam, Stonehouse, Stroud, etc	Brown	PDL	0.40	0.40	20	-1,349,153	-1,957,351	-782,941	
					Area (ha)		Units	Residual Value (£)			
					Gross	Net		Gross ha	Net ha	Site	
Site 10	Brown 100	Stroud Valleys	Brown	PDL	2.78	2.22	100	-288,518	-405,576	-901,280	
Site 11	Brown 60	Stroud Valleys	Brown	PDL	1.67	1.33	60	-310,501	-436,477	-581,970	
Site 12	Brown 40	Stroud Valleys	Brown	PDL	0.94	0.89	40	-323,687	-455,013	-404,456	
Site 13	Brown 20	Stroud Valleys	Brown	PDL	0.47	0.44	20	-46,797	-65,783	-29,237	
Site 14	Brown 20 HD	Stroud Valleys	Brown	PDL	0.35	0.33	20	-1,271,586	-1,959,462	-653,154	
Site 15	Brown 10	Stroud Valleys	Brown	PDL	0.11	0.10	10	-43,121	-81,998	-8,200	
Site 16	Brown 10 HD	Stroud Valleys	Brown	PDL	0.18	0.17	10	-1,318,895	-2,032,365	-338,727	
Site 17	Brown 6	Stroud Valleys	Brown	PDL	0.14	0.13	6	-18,071	-25,403	-3,387	
Site 18	Brown 6 HD	Stroud Valleys	Brown	PDL	0.11	0.11	6	-1,210,653	-1,810,992	-197,563	
Site 19	Brown 3	Stroud Valleys	Green	PDL	0.08	0.08	3	698,608	735,377	55,153	
Site 20	PRS 20	Stroud Valleys	Brown	Agricultural	0.60	0.57	20	165,966	218,338	124,765	
Site 21	PRS 20 HD	Stroud Valleys	Brown	PDL	0.40	0.40	20	-1,060,298	-1,538,281	-615,312	

Source: HDH (August 2022)



**Table 10.1c Residential Typologies, – Residual Values**  
**Strategic Sites**

Strategic Sites - With CIL												
Site	Description	Typology	Area (ha)		Units	Residual Value (£)						
			Gross	Net		Gross ha	Net ha	Site				
Site 1	PS24 Cam North West (West)	Green	39.42	23.65	900	-481,731	-802,952	-18,989,826				
Site 2	PS25 Cam North East Extensi	Green	7.81	5.63	180	-567,080	-712,756	-4,009,255				
Site 3	PS19a Stonehouse North Wes	Green	31.25	21.88	700	-62,170	-88,815	-1,942,828				
Site 4	PS34 Sharpness Docks	Brown	13.39	9.38	300	-884,755	-1,263,936	-11,849,403				
Site 5	PS36 Sharpness (Garden Villa	Green	100.00	65.00	2,400	78,715	121,100	7,871,516				
Site 6	PS37 Wisloe (Garden Village)	Green	66.96	46.88	1,500	-3,606	-5,151	-241,452				
Site 7	G1 South of Hardwicke	Green	69.16	42.19	1,350	-188,523	-239,388	-10,099,193				
Site 8	PS30 Hunts Grove Extension	Green	33.48	23.44	750	-183,761	-262,515	-6,152,702				
Site 9	G2 Land at Whaddon	Green	130.21	93.75	3,000	-221,271	-308,457	-28,917,844				
Strategic Sites - No CIL												
Site	Description	Typology	Area (ha)		Units	Residual Value (£)						
			Gross	Net		Gross ha	Net ha	Site				
Site 1	PS24 Cam North West (West)	Green	39.42	23.65	900	-310,856	-518,136	-12,253,925				
Site 2	PS25 Cam North East Extensi	Green	7.81	5.63	180	-374,701	-470,958	-2,649,137				
Site 3	PS19a Stonehouse North Wes	Green	31.25	21.88	700	97,155	138,793	3,036,099				
Site 4	PS34 Sharpness Docks	Brown	13.39	9.38	300	-710,790	-1,015,415	-9,519,513				
Site 5	PS36 Sharpness (Garden Villa	Green	100.00	65.00	2,400	234,902	361,388	23,490,191				
Site 6	PS37 Wisloe (Garden Village)	Green	66.96	46.88	1,500	147,514	210,734	9,878,140				
Site 7	G1 South of Hardwicke	Green	69.16	42.19	1,350	-16,331	-20,737	-874,854				
Site 8	PS30 Hunts Grove Extension	Green	33.48	23.44	750	-30,625	-43,750	-1,025,381				
Site 9	G2 Land at Whaddon	Green	130.21	93.75	3,000	-64,525	-89,949	-8,432,759				

Source: HDH (August 2022)

10.10 The results vary across the typologies and Strategic Sites, although this is largely due to the different assumptions around the nature of each typology. The higher density sites generally



have higher Residual Values, and additional costs associated with brownfield sites result in lower Residual Values.

- 10.11 Through the summer 2020 consultation a planning consultant said<sup>256</sup> that they ‘*would welcome clarity about the detail of the calculations after which a further, more technical, response can be made*’. These are set out in full in Appendix 12 below where copies of the full spreadsheets are provided (as was the case at the time of the consultation).
- 10.12 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The Benchmark Land Value being an amount over and above the Existing Use Value that is sufficient to provide the willing landowner with a premium, and induce them to sell the land for development as set out in Chapter 6 above.

<b>Table 10.2a Residual Value v BLV</b>					
Gloucester Fringe and Cotswolds					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Glos Fringe & NW	25,000	375,000	147,806
Site 2	Green 250	Glos Fringe & NW	25,000	375,000	191,215
Site 3	Green 100	Cotswold	25,000	375,000	1,077,645
Site 4	Green 60	Cotswold	25,000	375,000	1,062,679
Site 5	Green 40	Cotswold	25,000	375,000	1,050,458
Site 6	Green 20	Cotswold	25,000	375,000	1,219,250
Site 7	Green 10	Cotswold	50,000	400,000	1,279,883
Site 8	Green 6	Cotswold	50,000	400,000	1,344,570
Site 9	Green 3	Cotswold	50,000	400,000	2,384,117
Site 12	Brown 40	Cotswold	650,000	780,000	853,884
Site 13	Brown 20	Cotswold	650,000	780,000	1,132,240
Site 15	Brown 10	Cotswold	650,000	780,000	1,930,437
Site 17	Brown 6	Cotswold	650,000	780,000	1,134,763
Site 19	Brown 3	Cotswold	650,000	780,000	2,494,627

Source: HDH (August 2022)

<sup>256</sup> [REDACTED] Stantec for Colethorpe Farm Ltd.



<b>Table 10.2b Residual Value v BLV</b>					
Rural West					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 3	Green 100	Rural West	25,000	375,000	363,074
Site 4	Green 60	Rural West	25,000	375,000	353,923
Site 5	Green 40	Rural West	25,000	375,000	373,267
Site 6	Green 20	Rural West	25,000	375,000	559,486
Site 7	Green 10	Rural West	50,000	400,000	765,644
Site 8	Green 6	Rural West	50,000	400,000	773,304
Site 9	Green 3	Rural West	50,000	400,000	1,592,754

Source: HDH (August 2022)

<b>Table 10.2c Residual Value v BLV</b>					
Cam, Stonehouse, Stroud and Sharpness					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Cam, Stonehouse, Stroud, etc.	25,000	375,000	212,620
Site 2	Green 250	Cam, Stonehouse, Stroud, etc.	25,000	375,000	264,427
Site 3	Green 100	Cam, Stonehouse, Stroud, etc.	25,000	375,000	22,729
Site 4	Green 60	Cam, Stonehouse, Stroud, etc.	25,000	375,000	14,309
Site 5	Green 40	Cam, Stonehouse, Stroud, etc.	25,000	375,000	48,176
Site 6	Green 20	Cam, Stonehouse, Stroud, etc.	25,000	375,000	245,110
Site 7	Green 10	Cam, Stonehouse, Stroud, etc.	50,000	400,000	238,021
Site 8	Green 6	Cam, Stonehouse, Stroud, etc.	50,000	400,000	182,251
Site 9	Green 3	Cam, Stonehouse, Stroud, etc.	50,000	400,000	781,631
Site 10	Brown 100	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-520,652
Site 11	Brown 60	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-543,279
Site 12	Brown 40	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-554,853
Site 13	Brown 20	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-273,327
Site 14	Brown 20 HD	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-1,464,548
Site 15	Brown 10	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-414,545
Site 16	Brown 10 HD	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-1,531,593
Site 17	Brown 6	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-232,561
Site 18	Brown 6 HD	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-1,399,078
Site 19	Brown 3	Cam, Stonehouse, Stroud, etc.	650,000	780,000	334,878
Site 20	PRS 20	Cam, Stonehouse, Stroud, etc.	25,000	375,000	-114,618
Site 21	PRS 20 HD	Cam, Stonehouse, Stroud, etc.	650,000	780,000	-1,349,153

Source: HDH (August 2022)

<b>Table 10.2d Residual Value v BLV</b>					
Stroud Valleys					
			EUV	BLV	Residual Value
Site 10	Brown 100	Stroud Valleys	650,000	780,000	-288,518
Site 11	Brown 60	Stroud Valleys	650,000	780,000	-310,501
Site 12	Brown 40	Stroud Valleys	650,000	780,000	-323,687
Site 13	Brown 20	Stroud Valleys	650,000	780,000	-46,797
Site 14	Brown 20 HD	Stroud Valleys	650,000	780,000	-1,271,586
Site 15	Brown 10	Stroud Valleys	650,000	780,000	-43,121
Site 16	Brown 10 HD	Stroud Valleys	650,000	780,000	-1,318,895
Site 17	Brown 6	Stroud Valleys	650,000	780,000	-18,071
Site 18	Brown 6 HD	Stroud Valleys	650,000	780,000	-1,210,653
Site 19	Brown 3	Stroud Valleys	650,000	780,000	698,608
Site 20	PRS 20	Stroud Valleys	25,000	375,000	165,966
Site 21	PRS 20 HD	Stroud Valleys	650,000	780,000	-1,060,298

Source: HDH (August 2022)

<b>Table 10.2e Residual Value v BLV</b>					
Strategic Sites – <u>With CIL</u>					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	PS24 Cam North West (West of Draycott)	Cam NW	25,000	375,000	-481,731
Site 2	PS25 Cam North East Extension (East of River Cam)	Cam NE	25,000	375,000	-567,080
Site 3	PS19a Stonehouse North West	Stonehouse NW	25,000	375,000	-62,170
Site 4	PS34 Sharpness Docks	Sharpness	650,000	780,000	-884,755
Site 5	PS36 Sharpness (Garden Village)	Sharpness	25,000	375,000	78,715
Site 6	PS37 Wisloe (Garden Village)	Wisloe	25,000	375,000	-3,606
Site 7	G1 South of Hardwicke	S Hardwicke	25,000	375,000	-188,523
Site 8	PS30 Hunts Grove Extension	Glos Fringe	25,000	375,000	-183,761
Site 9	G2 Land at Whaddon	Glos Fringe	25,000	375,000	-221,271

Source: HDH (August 2022)

<b>Table 10.2f Residual Value v BLV</b>					
Strategic Sites – <u>No CIL</u>					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	PS24 Cam North West (West of Draycott)	Cam NW	25,000	375,000	-310,856
Site 2	PS25 Cam North East Extension (East of River Cam)	Cam NE	25,000	375,000	-374,701
Site 3	PS19a Stonehouse North West	Stonehouse NW	25,000	375,000	97,155
Site 4	PS34 Sharpness Docks	Sharpness	650,000	780,000	-710,790
Site 5	PS36 Sharpness (Garden Village)	Sharpness	25,000	375,000	234,902
Site 6	PS37 Wisloe (Garden Village)	Wisloe	25,000	375,000	147,514
Site 7	G1 South of Hardwicke	S Hardwicke	25,000	375,000	-16,331
Site 8	PS30 Hunts Grove Extension	Glos Fringe	25,000	375,000	-30,625
Site 9	G2 Land at Whaddon	Glos Fringe	25,000	375,000	-64,525

Source: HDH (August 2022)

- 10.13 The above results are broadly consistent with the results presented at the start of Chapter 10 of the 2021 Viability Assessment.
- 10.14 Generally, the greenfield sites produce a Residual Value that is in excess of the Benchmark Land Value indicating that such sites are likely to be viable. On the whole, the brownfield sites are shown as being unviable.
- 10.15 To further inform the development of policy a range of policy requirements have been tested. The above tables show the results for all the typologies, in the following analysis only the relevant results are shown.

*Varied Affordable Housing*

- 10.16 Affordable housing is the greatest single policy cost to development. The following analysis sets out the results with different levels of affordable housing. This analysis assumes a tenure split of 10% of all the housing being Affordable Home Ownership (as per the NPPF) and the Council's preferred mix of 50% affordable housing to rent (as Affordable Rent) / 50% Shared Ownership.

**Table 10.3a Residual Value v BLV. Base Appraisals with Varied Affordable Housing**  
**Gloucester Fringe and Cotswolds**

10% Affordable Home Ownership		EUV	BLV/Residual Value							
	Affordable Housing		0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	
	Affordable Rent									
	Affordable Home Ownership									
Site 1	Green 400	25,000	589,354	533,317	477,281	395,808	314,331	232,193	148,339	
Site 2	Green 250	25,000	704,835	640,230	574,368	478,730	383,087	287,446	191,818	
Site 3	Green 100	25,000	1,941,241	1,840,093	1,738,945	1,573,945	1,408,933	1,243,928	1,078,947	
Site 4	Green 60	25,000	1,932,088	1,828,318	1,724,547	1,559,393	1,394,227	1,229,067	1,063,932	
Site 5	Green 40	25,000	1,912,233	1,813,186	1,714,138	1,548,558	1,382,964	1,217,376	1,051,816	
Site 6	Green 20	25,000	2,065,113	1,959,557	1,854,001	1,695,583	1,537,154	1,378,731	1,220,328	
Site 7	Green 10	50,000	2,108,610	2,005,935	1,903,259	1,747,665	1,592,100	1,436,520	1,280,962	
Site 8	Green 6	50,000	2,288,997	2,175,742	2,062,487	1,883,344	1,704,187	1,525,037	1,345,914	
Site 9	Green 3	50,000	2,384,117	2,384,117	2,384,117	2,384,117	2,384,117	2,384,117	2,384,117	
Site 12	Brown 40	650,000	1,793,488	1,682,157	1,570,827	1,391,936	1,213,031	1,034,133	855,262	
Site 13	Brown 20	650,000	2,076,448	1,963,797	1,851,146	1,671,760	1,492,360	1,312,968	1,133,601	
Site 15	Brown 10	650,000	3,512,955	3,324,919	3,136,883	2,835,848	2,534,790	2,233,744	1,932,743	
Site 17	Brown 6	650,000	2,064,877	1,956,598	1,848,319	1,671,680	1,495,028	1,317,935	1,136,198	
Site 19	Brown 3	650,000	2,494,627	2,494,627	2,494,627	2,494,627	2,494,627	2,494,627	2,494,627	
50% Affordable Rent / 50% Affordable Home Ownership		EUV	BLV/Residual Value							
	Affordable Housing		0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	
	Affordable Rent									
	Affordable Home Ownership									
Site 1	Green 400	25,000	589,354	533,317	477,281	395,808	314,331	245,271	174,468	
Site 2	Green 250	25,000	704,835	640,230	574,368	478,730	383,087	302,227	221,367	
Site 3	Green 100	25,000	1,941,241	1,840,093	1,738,945	1,573,945	1,408,933	1,275,857	1,142,780	
Site 4	Green 60	25,000	1,932,088	1,828,318	1,724,547	1,559,393	1,394,227	1,259,762	1,125,297	
Site 5	Green 40	25,000	1,912,233	1,813,186	1,714,138	1,548,558	1,382,964	1,250,846	1,118,329	
Site 6	Green 20	25,000	2,065,113	1,959,557	1,854,001	1,695,583	1,537,154	1,405,165	1,273,175	
Site 7	Green 10	50,000	2,108,610	2,005,935	1,903,259	1,747,665	1,592,100	1,462,972	1,333,845	
Site 8	Green 6	50,000	2,288,997	2,175,742	2,062,487	1,883,344	1,704,187	1,557,985	1,411,783	
Site 9	Green 3	50,000	2,384,117	2,384,117	2,384,117	2,384,117	2,384,117	2,384,117	2,384,117	
Site 12	Brown 40	650,000	1,793,488	1,682,157	1,570,827	1,391,936	1,213,031	1,067,917	922,803	
Site 13	Brown 20	650,000	2,076,448	1,963,797	1,851,146	1,671,760	1,492,360	1,346,338	1,200,316	
Site 15	Brown 10	650,000	3,512,955	3,324,919	3,136,883	2,835,848	2,534,790	2,290,249	2,045,708	
Site 17	Brown 6	650,000	2,064,877	1,956,598	1,848,319	1,671,680	1,495,028	1,352,566	1,206,518	
Site 19	Brown 3	650,000	2,494,627	2,494,627	2,494,627	2,494,627	2,494,627	2,494,627	2,494,627	

Source: HDH (August 2022)





**Table 10.3c Residual Value v BLV. Base Appraisals with Varied Affordable Housing**  
Cam, Stonehouse, Stroud and Sharpness

10% Affordable Home Ownership		EUUV	BLV Residual Value							BLV Residual Value						
	Affordable Housing		0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
	Affordable Rent															
	Affordable Home Ownership															
Site 1	Green 400	25,000	673,941	615,616	557,291	471,589	385,882	300,178	213,194							
Site 2	Green 250	25,000	800,783	733,584	666,386	566,719	466,165	365,615	265,076							
Site 3	Green 100	25,000	535,972	469,812	403,651	308,912	214,167	119,424	23,341							
Site 4	Green 60	25,000	526,704	462,297	397,890	303,003	208,109	113,218	14,961							
Site 5	Green 40	25,000	574,867	511,240	447,614	348,898	250,176	151,348	48,928							
Site 6	Green 20	25,000	743,284	679,855	616,427	524,098	431,763	339,431	245,717							
Site 7	Green 10	50,000	725,686	660,991	596,296	507,532	418,591	329,169	236,487							
Site 8	Green 6	50,000	752,847	683,139	613,430	506,164	398,435	290,710	182,999							
Site 9	Green 3	50,000	781,631	711,631	641,631	534,631	427,631	320,631	213,631							
Site 10	Brown 100	650,000	-27,956	-95,265	-162,575	-250,802	-340,089	-429,829	-520,211							
Site 11	Brown 60	650,000	-48,944	-114,801	-180,657	-269,853	-360,387	-451,113	-542,787							
Site 12	Brown 40	650,000	-54,414	-118,867	-183,321	-274,630	-367,395	-460,265	-554,287							
Site 13	Brown 20	650,000	244,374	170,571	96,685	4,343	-88,003	-180,347	-272,944							
Site 14	Brown 10 HD	650,000	-975,128	-1,040,917	-1,106,706	-1,196,046	-1,285,391	-1,374,734	-1,464,088							
Site 15	Brown 10	650,000	444,077	328,171	212,266	55,770	-100,734	-257,234	-413,717							
Site 16	Brown 10 HD	650,000	-1,060,899	-1,123,468	-1,186,037	-1,272,305	-1,358,578	-1,444,848	-1,531,109							
Site 17	Brown 6	650,000	282,109	212,784	143,460	49,580	-44,305	-138,188	-232,060							
Site 18	Brown 6 HD	650,000	-943,831	-1,004,803	-1,065,776	-1,148,988	-1,232,205	-1,315,419	-1,398,625							
Site 19	Brown 3	650,000	334,878	334,878	334,878	334,878	334,878	334,878	334,878							
Site 20	PRS 20	25,000	-39,903	-39,903	-39,903	-39,903	-39,903	-39,903	-39,903							
Site 21	PRS 20 HD	650,000	-1,277,674	-1,277,674	-1,277,674	-1,277,674	-1,277,674	-1,277,674	-1,277,674							
	50% Affordable Rent / 50% Affordable Home Ownership	EUUV	BLV Residual Value							BLV Residual Value						
	Affordable Housing		0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
	Affordable Rent															
	Affordable Home Ownership															
Site 1	Green 400	25,000	673,941	615,616	557,291	471,589	385,882	300,178	213,194							
Site 2	Green 250	25,000	800,783	733,584	666,386	566,719	466,165	365,615	265,076							
Site 3	Green 100	25,000	535,972	469,812	403,651	308,912	214,167	119,424	23,341							
Site 4	Green 60	25,000	526,704	462,297	397,890	303,003	208,109	113,218	14,961							
Site 5	Green 40	25,000	574,867	511,240	447,614	348,898	250,176	151,348	48,928							
Site 6	Green 20	25,000	743,284	679,855	616,427	524,098	431,763	339,431	245,717							
Site 7	Green 10	50,000	725,686	660,991	596,296	507,532	418,591	329,169	236,487							
Site 8	Green 6	50,000	752,847	683,139	613,430	506,164	398,435	290,710	182,999							
Site 9	Green 3	50,000	781,631	711,631	641,631	534,631	427,631	320,631	213,631							
Site 10	Brown 100	650,000	-27,956	-95,265	-162,575	-250,802	-340,089	-429,829	-520,211							
Site 11	Brown 60	650,000	-48,944	-114,801	-180,657	-269,853	-360,387	-451,113	-542,787							
Site 12	Brown 40	650,000	-54,414	-118,867	-183,321	-274,630	-367,395	-460,265	-554,287							
Site 13	Brown 20	650,000	244,374	170,571	96,685	4,343	-88,003	-180,347	-272,944							
Site 14	Brown 10 HD	650,000	-975,128	-1,040,917	-1,106,706	-1,196,046	-1,285,391	-1,374,734	-1,464,088							
Site 15	Brown 10	650,000	444,077	328,171	212,266	55,770	-100,734	-257,234	-413,717							
Site 16	Brown 10 HD	650,000	-1,060,899	-1,123,468	-1,186,037	-1,272,305	-1,358,578	-1,444,848	-1,531,109							
Site 17	Brown 6	650,000	282,109	212,784	143,460	49,580	-44,305	-138,188	-232,060							
Site 18	Brown 6 HD	650,000	-943,831	-1,004,803	-1,065,776	-1,148,988	-1,232,205	-1,315,419	-1,398,625							
Site 19	Brown 3	650,000	334,878	334,878	334,878	334,878	334,878	334,878	334,878							
Site 20	PRS 20	25,000	-39,903	-39,903	-39,903	-39,903	-39,903	-39,903	-39,903							
Site 21	PRS 20 HD	650,000	-1,277,674	-1,277,674	-1,277,674	-1,277,674	-1,277,674	-1,277,674	-1,277,674							

Source: HDH (August 2022)







- a. In the higher value Cotswold area, all the greenfield typologies are viable (and there may be scope to increase the affordable housing requirement above 30%). The smaller brownfield typologies representing housing development (rather than flatted development) are also viable at 30%.
- b. The two typologies representing development on the Gloucester Fringe are not shown as viable with 30% affordable housing. Having said this, the development in this area is most likely to be on the larger Strategic Sites.
- c. The majority of development in the Rural West of the District is likely to be on smaller greenfield sites. Such sites, being 20 units and smaller generate an EUV that is above the EUV with 30% affordable housing. The larger greenfield sites generate an EUV that is below the EUV with 30% affordable housing. We understand that little such development is planned however the Council should be cautious about relying on these types of site in the early years of the Plan, and should only count on such sites (for example in the five year land supply calculation) where it is confident the site will be forthcoming, for example, where there is a recent planning consent or a commitment from the land promoter.
- d. The typologies in the wider Cam, Stonehouse, Stroud and Sharpness area (excluding the Stroud Valley bottoms that are subject to zero CIL – see below), are generally not viable at 30% affordable housing, but the greenfield sites are at lower levels of provision.
- e. All the typologies in the Stroud Valley bottoms that is subject to the zero rate of CIL are brownfield sites. On these the Residual Value is less than the EUV in all cases. This is in spite of development in the Stroud Valleys not being subject to CIL.  
  
Some development is coming forward in this area, however few sites are allocated. Where sites are allocated the Council should be cautious about relying on these types of site in the early years of the Plan, and should only count on such sites (for example in the five year land supply calculation) where it is confident the site will be forthcoming, for example, where there is a recent planning consent or a commitment from the land promoter.
- f. The Build to Rent typologies are shown as unviable across the areas.

10.18 For the Strategic Sites, an allowance is made for strategic infrastructure costs, based on the recent work by AECOM and Arup. The Strategic Sites are initially tested two ways, with and without CIL and under the two infrastructure scenarios as set out in Chapter 7 above. Scenario A is the full 'Policy-on, total infrastructure costs' and Scenario B are the 'Likely s106 infrastructure costs' as summarised below (repeated from Table 7.3 for convenience):

<b>Table 10.4 Strategic Sites. Updated Strategic Infrastructure and Mitigation Costs – July 2022</b>				
<b>Ref</b>	<b>Site Allocation</b>	<b>Yield</b>	<b>Total Cost (£)</b>	<b>Cost per dwelling</b>
<b>Scenario A – Full Policy On</b>				
PS24	Cam North West (West of Draycott)	900	£20,011,973	£22,236
PS25	Cam North East Extension (East of River Cam)	180	£3,992,988	£22,183
PS19a	Stonehouse North West	700	£21,795,088	£31,136
PS34	Sharpness Docks	300	£6,835,408	£22,785
PS36	Sharpness (Garden Village)	2,400	£47,065,261	£19,611
PS37	Wisloe (Garden Village)	1,500	£30,553,289	£20,369
G1	South of Hardwicke	1,350	£25,618,347	£18,977
PS30	Hunts Grove Extension	750	£14,897,285	£19,863
G2	Land at Whaddon	3,000	£56,947,860	£18,983
<b>Scenario B – Likely s106 infrastructure costs</b>				
PS24	Cam North West (West of Draycott)	900	£14,998,551	£16,665
PS25	Cam North East Extension (East of River Cam)	180	£2,999,710	£16,665
PS19a	Stonehouse North West	700	£18,108,909	£25,870
PS34	Sharpness Docks	300	£5,199,517	£17,332
PS36	Sharpness (Garden Village)	2,400	£33,696,135	£14,040
PS37	Wisloe (Garden Village)	1,500	£22,197,584	£14,798
G1	South of Hardwicke	1,350	£18,738,611	£13,880
PS30	Hunts Grove Extension	750	£10,889,042	£14,519
G2	Land at Whaddon	3,000	£39,701,169	£13,234

Source: Arup (July 2022)

10.19 The allocations in the adopted Local Plan are zero rated for CIL, however new allocations under a new Plan would be subject to CIL. The figures in the above table are the total infrastructure requirement, some of which could be funded through CIL. Based on the adopted rates of CIL and the modelling set out in Chapter 9 above the strategic sites will be subject to the following CIL (where the CIL per unit is calculated across the market and affordable units):

<b>Table 10.5 Strategic Sites. Estimated CIL Requirement</b>		
	Total CIL	CIL per unit (market and affordable)
PS24 Cam North West (West of Draycott)	£6,552,493	£7,281
PS25 Cam North East Extension (East of River Cam)	£1,312,096	£7,289
PS19a Stonehouse North West	£5,098,217	£7,283
PS34 Sharpness Docks	£2,189,666	£7,299
PS36 Sharpness (Garden Village)	£16,324,265	£6,802
PS37 Wisloe (Garden Village)	£10,554,603	£7,036
G1 South of Hardwicke	£9,188,425	£6,806
PS30 Hunts Grove Extension	£5,107,359	£6,810
G2 Land at Whaddon	£20,405,331	£6,802

Source: HDH (July 2022)

10.20 Following discussion with the Council it is believed that the most probable situation at the development management stage will be that the costs identified under Scenario B, will be sought, however these will be adjusted to reflect that some of the infrastructure will be funded through CIL. A further set of appraisals has therefore been run on the basis that 80% of the CIL would be used to local infrastructure and that it would be appropriate to reduce the s106 requirement by this amount.

10.21 The appraisal results are summarised as follows:

**Table 10.6a Residual Value v BLV. Base Appraisals with Varied Affordable Housing**  
**Strategic Sites – With CIL – Scenario A**

10% Affordable Home Ownership	EUV	BLV/Residual Value	Residual Value																		
			0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%												
Affordable Rent																					
Affordable Home Ownership																					
Site 1 PS24 Cam North West (West)	25,000	375,000	-72,043	-124,835	-177,627	-250,225	-324,138	-400,726	-481,281												
Site 2 PS25 Cam North East Extension	25,000	375,000	-71,298	-135,437	-199,576	-289,775	-380,036	-470,296	-566,582												
Site 3 PS19a Stonehouse North West	25,000	375,000	402,339	345,618	287,861	201,971	116,076	30,184	-61,548												
Site 4 PS34 Sharpness Docks	650,000	780,000	-491,135	-545,417	-599,699	-670,877	-742,058	-813,238	-884,411												
Site 5 PS36 Sharpness (Garden Village)	25,000	375,000	520,106	466,724	413,343	330,950	248,379	163,844	79,322												
Site 6 PS37 Wisloe (Garden Village)	25,000	375,000	415,479	363,402	311,324	233,694	156,058	77,344	-3,043												
Site 7 G1 South of Hardwicke	25,000	375,000	289,883	231,242	172,602	86,424	-236	-94,081	-187,914												
Site 8 PS30 Hunts Grove Extension	25,000	375,000	234,531	183,583	132,635	57,613	-19,912	-101,575	-183,228												
Site 9 G2 Land at Whaddon	25,000	375,000	127,357	86,411	45,466	-17,358	-84,000	-151,396	-220,803												
50% Affordable Rent / 50% Affordable Home Ownership	EUV	BLV/Residual Value	Residual Value																		
Affordable Rent																					
Affordable Home Ownership																					
Site 2 PS25 Cam North East Extension	25,000	375,000	-72,043	-124,835	-177,627	-250,225	-324,138	-400,726	-481,281												
Site 3 PS19a Stonehouse North West	25,000	375,000	-71,298	-135,437	-199,576	-289,775	-380,036	-470,296	-566,582												
Site 4 PS34 Sharpness Docks	650,000	780,000	402,339	345,618	287,861	201,971	116,076	30,184	-61,548												
Site 5 PS36 Sharpness (Garden Village)	25,000	375,000	-491,135	-545,417	-599,699	-670,877	-742,058	-813,238	-884,411												
Site 6 PS37 Wisloe (Garden Village)	25,000	375,000	520,106	466,724	413,343	330,950	248,379	163,844	79,322												
Site 7 G1 South of Hardwicke	25,000	375,000	415,479	363,402	311,324	233,694	156,058	77,344	-3,043												
Site 8 PS30 Hunts Grove Extension	25,000	375,000	289,883	231,242	172,602	86,424	-236	-94,081	-187,914												
Site 9 G2 Land at Whaddon	25,000	375,000	234,531	183,583	132,635	57,613	-19,912	-101,575	-183,228												

Source: HDH (August 2022)





**Table 10.6c Residual Value v BLV. Base Appraisals with Varied Affordable Housing**  
**Strategic Sites – With CIL – Scenario B**

	10% Affordable Home Ownership	EUV	BLV/Residual Value									
			0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%			
	Affordable Housing											
	Affordable Rent											
	Affordable Home Ownership											
Site 1	PS24 Cam North West (West)	25,000	41,811	-9,184	-61,976	-134,574	-207,177	-279,831	-356,410			
Site 2	PS25 Cam North East Extension	25,000	63,625	1,157	-62,983	-149,090	-237,660	-327,919	-418,169			
Site 3	PS19a Stonehouse North West	25,000	499,277	443,001	386,724	301,705	215,809	129,917	44,036			
Site 4	PS34 Sharpness Docks	650,000	-370,083	-417,327	-466,930	-538,108	-609,289	-680,469	-751,641			
Site 5	PS36 Sharpness (Garden Villa)	25,000	609,565	557,221	504,823	422,430	340,031	257,635	173,309			
Site 6	PS37 Wisloe (Garden Village)	25,000	505,002	454,075	402,706	325,075	247,440	169,807	91,521			
Site 7	G1 South of Hardwicke	25,000	399,363	342,370	285,285	199,108	112,924	26,744	-65,450			
Site 8	PS30 Hunts Grove Extension	25,000	333,485	282,537	231,589	156,568	81,541	5,911	-75,713			
Site 9	G2 Land at Whaddon	25,000	211,160	171,277	130,331	68,916	7,498	-58,768	-125,591			
	50% Affordable Rent / 50% Affordable Home Ownership											
	Affordable Housing											
	Affordable Rent											
	Affordable Home Ownership											
Site 1	PS24 Cam North West (West)	25,000	41,811	-9,184	-61,976	-134,574	-207,177	-289,873	-335,696			
Site 2	PS25 Cam North East Extension	25,000	63,625	1,157	-62,983	-149,090	-237,660	-316,473	-395,286			
Site 3	PS19a Stonehouse North West	25,000	499,277	443,001	386,724	301,705	215,809	143,985	72,160			
Site 4	PS34 Sharpness Docks	650,000	-370,083	-417,327	-466,930	-538,108	-609,289	-672,020	-734,751			
Site 5	PS36 Sharpness (Garden Villa)	25,000	609,565	557,221	504,823	422,430	340,031	272,142	203,024			
Site 6	PS37 Wisloe (Garden Village)	25,000	505,002	454,075	402,706	325,075	247,440	182,585	117,730			
Site 7	G1 South of Hardwicke	25,000	399,363	342,370	285,285	199,108	112,924	40,514	-35,574			
Site 8	PS30 Hunts Grove Extension	25,000	333,485	282,537	231,589	156,568	81,541	18,402	-49,604			
Site 9	G2 Land at Whaddon	25,000	211,160	171,277	130,331	68,916	7,498	-47,703	-103,279			

Source: HDH (August 2022)



**Table 10.6d Residual Value v BLV. Base Appraisals with Varied Affordable Housing Strategic Sites – No CIL – Scenario B**

10% Affordable Home Ownership		EUV		BLV/Residual Value						BLV/Residual Value								
				0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	
	Affordable Housing																	
	Affordable Rent																	
	Affordable Home Ownership																	
Site 1	PS24 Cam North West (West)	Cam NW	25,000	269,008	207,334	145,661	65,111	-16,465	-101,039	-189,538								
Site 2	PS25 Cam North East Extension	Cam NE	25,000	317,289	243,477	169,666	74,918	-24,732	-128,299	-231,857								
Site 3	PS19a Stonehouse North West	Stonehouse NW	25,000	722,264	654,839	587,413	491,244	394,200	297,156	200,128								
Site 4	PS34 Sharpness Docks	Sharpness	650,000	-135,605	-194,574	-254,860	-332,954	-411,051	-494,077	-577,676								
Site 5	PS36 Sharpness (Garden Village)	Sharpness	25,000	832,689	769,189	705,635	612,085	518,530	424,578	329,496								
Site 6	PS37 Wisloe (Garden Village)	Wisloe	25,000	720,434	658,735	596,595	508,193	419,786	331,382	242,323								
Site 7	G1 South of Hardwicke	S Hardwick	25,000	633,803	565,088	496,281	398,382	300,476	202,574	101,914								
Site 8	PS30 Hunts Grove Extension	Glos Fringe	25,000	541,980	480,607	419,235	333,788	248,337	162,327	74,083								
Site 9	G2 Land at Whaddon	Glos Fringe	25,000	424,569	374,016	322,400	250,314	178,225	104,124	29,768								
50% Affordable Rent / 50% Affordable Home Ownership		EUV		BLV/Residual Value						BLV/Residual Value								
				0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	
	Affordable Housing																	
	Affordable Rent																	
	Affordable Home Ownership																	
Site 1	PS24 Cam North West (West)	Cam NW	25,000	269,008	207,334	145,661	65,111	-16,465	-91,081	-168,824								
Site 2	PS25 Cam North East Extension	Cam NE	25,000	317,289	243,477	169,666	74,918	-24,732	-116,653	-208,974								
Site 3	PS19a Stonehouse North West	Stonehouse NW	25,000	722,264	654,839	587,413	491,244	394,200	311,226	228,252								
Site 4	PS34 Sharpness Docks	Sharpness	650,000	-135,605	-194,574	-254,860	-332,954	-411,051	-485,629	-560,786								
Site 5	PS36 Sharpness (Garden Village)	Sharpness	25,000	832,689	769,189	705,635	612,085	518,530	439,485	359,210								
Site 6	PS37 Wisloe (Garden Village)	Wisloe	25,000	720,434	658,735	596,595	508,193	419,786	344,159	268,532								
Site 7	G1 South of Hardwicke	S Hardwick	25,000	633,803	565,088	496,281	398,382	300,476	216,444	130,388								
Site 8	PS30 Hunts Grove Extension	Glos Fringe	25,000	541,980	480,607	419,235	333,788	248,337	174,773	96,966								
Site 9	G2 Land at Whaddon	Glos Fringe	25,000	424,569	374,016	322,400	250,314	178,225	114,669	51,032								

Source: HDH (August 2022)



**Table 10.6e Residual Value v BLV. Base Appraisals with Varied Affordable Housing**  
**Strategic Sites – With CIL – Reduced Scenario B**

10% Affordable Home Ownership	EUV	BLV/Residual Value	Residual Value						
			0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
Affordable Rent			0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
Affordable Home Ownership			0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
Site 1 PS24 Cam North West (West)	25,000	375,000	154,626	106,089	56,422	-13,659	-86,261	-158,861	-231,463
Site 2 PS25 Cam North East Extensi	25,000	375,000	199,732	138,604	77,476	-6,278	-92,390	-179,061	-269,311
Site 3 PS19a Stonehouse North Wes	25,000	375,000	600,627	544,351	488,075	404,370	320,083	234,191	148,310
Site 4 PS34 Sharpness Docks	650,000	780,000	-245,375	-292,620	-339,864	-402,167	-470,476	-541,655	-612,828
Site 5 PS36 Sharpness (Garden Villa)	25,000	375,000	703,032	650,688	598,344	517,542	435,675	353,279	270,894
Site 6 PS37 Wisloe (Garden Village)	25,000	375,000	598,138	547,211	496,283	420,360	342,982	265,349	187,726
Site 7 G1 South of Hardwicke	25,000	375,000	513,766	456,773	399,780	315,971	230,738	144,557	58,388
Site 8 PS30 Hunts Grove Extension	25,000	375,000	436,944	385,996	335,048	260,026	185,000	109,976	34,962
Site 9 G2 Land at Whaddon	25,000	375,000	297,534	257,696	217,858	157,645	96,226	34,810	-29,344
50% Affordable Rent / 50% Affordable Home Ownership	EUV	BLV/Residual Value	0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
Affordable Rent			0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
Affordable Home Ownership			0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
Site 2 PS25 Cam North East Extensi	25,000	375,000	154,626	106,089	56,422	-13,659	-86,261	-148,957	-211,653
Site 3 PS19a Stonehouse North Wes	25,000	375,000	199,732	138,604	77,476	-6,278	-92,390	-167,615	-246,428
Site 4 PS34 Sharpness Docks	650,000	780,000	600,627	544,351	488,075	404,370	320,083	248,258	176,434
Site 5 PS36 Sharpness (Garden Villa)	25,000	375,000	-245,375	-292,620	-339,864	-402,167	-470,476	-533,207	-595,937
Site 6 PS37 Wisloe (Garden Village)	25,000	375,000	703,032	650,688	598,344	517,542	435,675	367,786	299,898
Site 7 G1 South of Hardwicke	25,000	375,000	598,138	547,211	496,283	420,360	342,982	278,127	213,271
Site 8 PS30 Hunts Grove Extension	25,000	375,000	513,766	456,773	399,780	315,971	230,738	158,327	85,917
Site 9 G2 Land at Whaddon	25,000	375,000	436,944	385,996	335,048	260,026	185,000	122,014	59,028
	25,000	375,000	297,534	257,696	217,858	157,645	96,226	45,045	-7,224

Source: HDH (August 2022)

10.22 On these sites, viability is constrained when tested with the CIL and the Scenario A costs. This is to be expected as the Scenario A costs are the full estimated costs of all the infrastructure that may be required to make a scheme acceptable in planning terms, whilst Scenario B is the infrastructure that is likely to be sought from the schemes. Where CIL is factored into the appraisals it is assumed that this is over and above the s106 costs and that it would not be used to mitigate the impact of the strategic sites – rather it would be used in





relation to other development. This is not how the Council operate CIL and it is expected that funding from a range of sites will be used across the development sites.

- 10.23 The Residual Value is substantially higher there the Scenario B costs have been reduced to reflect the current CIL requirement on each of the sites, being the scenario that is most likely to reflect the actual situation when it comes to determining a planning application.
- 10.24 The findings are consistent with those reported in the 2021 iteration of this report and it is important to appreciate that the delivery of any large site is challenging, so, rather than draw firm conclusions at this stage, it is recommended that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

*Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

- 10.25 In this context we particularly highlight paragraph 10-006 of the PPG:

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

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- 10.26 The above analysis suggests that some development will be unable to bear the Council's full policy aspirations. Further, there is not scope to review CIL and seek higher levels under this analysis.
- 10.27 In order to inform the plan-making process, further policy costs are tested.

### **Cost of Higher Environmental Standards**

- 10.28 In the 2021 Viability Assessment a range of policy options were tested individually and cumulatively. The Council has declared a Climate Emergency and policies are proposed in this regard. A further set of appraisals have been run to quantify the costs of moving above the current Building Regulations, the results of which are set out in **Appendix 13** below.
- 10.29 The cost of the recent increase in Building Regulations adds about 3% to the costs of construction. The cost of moving, from the current situation to Zero Carbon adds about 9% to the costs of construction. On greenfield sites this adds about £240,000/ha to the costs of development. Adding the 10% on site generation requirement increases the costs to about £265,000/ha. The costs on brownfield sites are somewhat more at about £335,000/ha and £370,000/ha respectively.
- 10.30 The cost of district heating is also assessed, assuming a cost of £5,000/unit. This cost will vary from site to site, bearing in mind the local infrastructure, the need to build a heat generation station and the nature of the scheme. This is not a current policy requirement,

rather something that developers are expected to explore. On greenfield sites this is likely to add a further £140,000/ha on greenfield sites and £200,000/ha on brownfield sites.

### Affordable Housing v Developer Contributions

10.31 The core balance in a viability assessment is between the provision of affordable housing and the provision of developer contributions towards strategic infrastructure and mitigation measures that are required to make development acceptable. A further set of appraisals have been run with varied levels of developer contributions tested against varied affordable housing targets. This is done with full policy requirements. As part of the iterative plan-making process, a set was then run with a lower level of policy requirements.

<b>Table 10.7 Affordable Housing v Developer Contributions</b>	
Effect of Policy Requirements	
<b>Draft Plan Policy Requirements</b>	<b>Lower Policy Requirements</b>
<p>Affordable Housing Varied as shown (Intermediate Housing 50%, Affordable Rent 50%).</p> <p>Design 67% Accessible and Adaptable, 8% Wheelchair Accessible. NDSS / Water efficiency / Car Charging Points / 10% Biodiversity Net Gain Future Homes Standard Option 2 plus additional Carbon Reduction.</p> <p>Developer Contributions CIL – As per Charging Schedule (£96.44/m<sup>2</sup> / £0/m<sup>2</sup>). s106 – typologies £5,000/unit, strategic sites as Scenario B.</p>	<p>Affordable Housing Varied as shown (Intermediate Housing 50%, Affordable Rent 50%).</p> <p>Design 50% Accessible and Adaptable, 0% Wheelchair Accessible. NDSS / Water efficiency / 10% Biodiversity Net Gain Future Homes Standard Option 2.</p> <p>Developer Contributions CIL – As per Charging Schedule (£96.44/m<sup>2</sup> / £0/m<sup>2</sup>). s106 – typologies and strategic sites as Scenario B.</p>

Source: HDH (August 2022)

10.32 The results for the Affordable housing v Developer Contributions analysis, for the full policy requirements, are included in **Appendix 14**. It is important to note that amounts tested are in addition to CIL, as until the CIL Charging Schedule is reviewed or a national infrastructure levy is introduced, the adopted rates of CIL are mandatory.

- a. At 30% affordable housing most sites in the Gloucester Fringe and Cotswolds areas have the ability to bear greater levels of developer contributions than the £5,000/unit base assumption, however in the Rural West the scope for higher contributions is limited.
- b. In the Cam, Stonehouse Stroud area (excluding the Stroud Valleys that are zero rated for CIL) there is very limited scope for higher levels of developer contributions with affordable housing requirements of 20% or more.
- c. Development in the Stroud Valleys is only likely to be viable with very low levels of affordable housing and developer contributions.

- d. The situation on the Strategic Sites is as reported previously, with limited scope for additional developer contributions, over and above CIL, at 30% affordable housing.

10.33 The results for the Higher and Lower policy requirements are summarised in **Appendix 15**. These include the current rates of CIL and the anticipated s106 costs of £5,000/unit on the typologies and the Reduced Scenario B on the Strategic Sites.

10.34 On the greenfield typologies the Residual Value is about £70,000/ha more in the Lower Policy Requirements scenario. On the brownfield typologies the Residual Value is about £1070,000/ha more in the Lower Policy Requirements scenario. The Results are broadly similar under both scenarios in terms of the proportion of typologies that are shown as being viable. The key variables that impact on viability in the SDC area are Affordable Housing and the level of developer contributions.

### **Policy Mix and Sensitivity Testing**

10.35 In the proceeding analysis the impact of the Council's policy options have been tested under various scenarios, for example under different tenures. When considering what mix of policies to recommend, the following factors, in discussion with the Council, have been taken into account:

- a. That it is preferable (and more normal) to keep general policy requirements consistent across the area, rather than have different areas subject to differing environmental standards or similar.
- b. That infrastructure, including education, can be funded, in part, by CIL, so it is not necessary to make an allowance for the full, worst case scenario of developer contributions.
- c. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now, it would be preferable to wait for the Government to set out its future plans.
- d. That an important factor when setting policy is the distribution of potential development sites. In this regard, little development is planned in either the lower value Rural West area or the Stroud Valleys.

10.36 Having discussed these with the Council through the iterative viability testing process, the Council is proceeding with the following policy requirements, which have been appraised in **Appendix 15** as the Higher policy requirement.

- a. Affordable Housing            30% (Intermediate Housing 50%, Affordable Rent 50%).
- b. Design                            67% Accessible and Adaptable / 8% Wheelchair Accessible  
   NDSS, Water efficiency, 10% Biodiversity Net Gain  
   Carbon Reduction as per ES1
- c. Developer Contributions    CIL – As per Charging Schedule (£96.44/m<sup>2</sup> / £0/m<sup>2</sup>).

s106 – typologies as, £5,000/unit, Strategic Sites as estimated (Reduced Scenario B).

- 10.37 Relative to the adopted Local Plan and the increased national requirements (increases to Part L of Building Regulations, Biodiversity Net Gain and mandatory EV charging points), the above includes the following changes:
- a. A significant move towards reducing carbon emissions, adopting Carbon Reduction as per ES1.
  - b. The inclusion of accessible and adaptable standards and wheelchair adaptable standards on an element of the new homes to meet the needs identified through the Housing Market Assessment.
  - c. In addition to the above, the affordable housing mix has been changed to 50 / 50 Affordable Rent / Intermediate Housing, being in line with the Council's normal (and preferred) delivery mix. This has the effect of improving viability.
  - d. A lowered proportion of homes being subject to accessible and adaptable standards and wheelchair adaptable standards is assumed (from 90% / 10%), and it is also assumed that CIL is used to fund some of the strategic infrastructure and mitigation measures that are required.
- 10.38 Even on this basis, not all development is viable, particularly that on brownfield sites. In these cases, it is recommended that the Council accepts site specific viability assessments at the development management stage.
- 10.39 The infrastructure cost for the Strategic Sites (as set out Chapter 7 above) is about £15,000/unit under Scenario B. Across these sites the CIL that would be available to fund infrastructure, would come to about a third of this amount (after allowance is made for the proportion for the local community and the costs of administration). On these sites, viability is constrained, with none of them being able to deliver 30% affordable housing and £10,000/unit.
- 10.40 These findings are consistent with those reported in the 2021 Viability Assessment. As then we recommend that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23) and the PPG and only include those sites in the Plan where there is a firm commitment that a policy compliant scheme can be delivered.
- 10.41 The Council should only include brownfield sites and Strategic Sites in the Plan where it is demonstrated that they are actually deliverable.
- 10.42 The brief for the 2021 Local Plan Viability Assessment extended to making an assessment of the capacity of development to bear CIL. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now it would be preferable to wait for the Government to set out their future plans. It is however clear that if the Council were to seek higher rates of CIL then it would be necessary to consider lower levels of affordable housing. As set out above, at this stage we would suggest that the Council

is cautious about proceeding with a review of CIL, but reconsiders this as and when the Government's plans in this regard have been clarified.

#### *Changes in Costs and Values*

- 10.43 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 6.8% over the next 3 years<sup>257</sup>. We have tested a range of scenarios with varied increases in build costs.
- 10.44 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested several price change scenarios. In this analysis, we have assumed all other matters in the base appraisals remain unchanged. It is important to note that in the tables (that are set out in **Appendix 16**), only the costs of construction and the value of the market housing are altered.
- 10.45 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. Conversely a modest increase in value could have a significant impact in improving viability.

#### *Review*

- 10.46 As set out in Chapter 4 above, house prices are continuing to increase. There is however some level of uncertainty. Bearing in mind Stroud District Council's wish to develop housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review; should the economics of development change significantly it should consider undertaking a limited review of the Plan to adjust the affordable housing requirements or levels of developer contribution.
- 10.47 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

#### *How should viability be reviewed during the lifetime of a project?*

*Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*

*Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*

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<sup>257</sup> BCIS General Build Cost Index August 2022 = 448.2, August 2025 = 478.6 (updated 26<sup>th</sup> July 2022).  $478.6 - 448.2 = 30.4$ .  $30.4 / 448.2 = 6.78\%$

- 10.48 It is recommended that, on sites where the policy requirements are flexed, the Council includes review mechanisms.

### **Self and Custom Build**

- 10.49 We have considered a 2% requirement for self and or Custom Build plots. It is assumed that this policy would be implemented on a 'whole plot' basis, so sites over 50 units would be required to provide 1 plot, sites over 100 units would be required to provide 2 plots and so on.
- 10.50 If a developer were to provide the plot as a custom-build plot (i.e. where the developer designs and builds to the buyer's design and specifications) they would receive a payment for the land, the costs of construction and the price paid would incorporate the developer's return. There would be no negative impact on viability.
- 10.51 If a developer is to sell a plot as a serviced self-build plot, they would not receive the profit from building the unit, they would however receive the price for the plot. The impact on viability is therefore the balance between the profit foregone and the receipt for the serviced plot. The developer's return per plot is generally in the £80,000 to £85,000 market plot range.
- 10.52 As set out in Chapter 6 above, there are a few development sites being publicly marketed in and around the area. The prices start at about £90,000, but many are substantially more than this. Having made enquiries with local agents, the strongest demand is for large plots where a buyer can build a 'dream home'. There is a general consensus is that modest plots are likely to fetch in excess £100,000 or so in the current market, and the price for larger plots, with land for gardens and appropriate for larger family homes are likely to achieve a price that is very much more.
- 10.53 The modelling in this viability update is based on at least 30 units per net ha with allowance for open space. On this basis, a self-build plot is likely to be about 0.03ha or so. A conservative plot price of £100,000 would lead to a land value of over £3,000,000/ha. This is substantially above the BLV and allows plenty of scope for the services to be laid on to the plot or plots. It is also well above the developer's return that would be forgone from developing the unit.

- 10.54 Based on the above analysis it is unlikely that a requirement for self-build plots will adversely impact on viability.

### **Older People's Housing**

- 10.55 As well as mainstream housing, we have considered the Sheltered and Extracare sectors separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows. Under the adopted CIL Charging Schedule older people's housing is not subject to CIL. An allowance of £1,000/unit is made s106 developer contributions. The full appraisals are set out in **Appendix 17** below:

<b>Table 10.8 Older People’s Housing (Sheltered), Appraisal Results (£/ha)</b>					
		Affordable %	EUV	BLV	Residual Value
<b>Site 1</b>	<b>Sheltered Green</b>	<b>0%</b>	<b>50,000</b>	<b>400,000</b>	<b>2,059,199</b>
Site 2	Sheltered Green	5%	50,000	400,000	1,458,824
Site 3	Sheltered Green	10%	50,000	400,000	858,449
Site 4	Sheltered Green	15%	50,000	400,000	328,284
Site 5	Sheltered Green	20%	50,000	400,000	-301,109
Site 6	Sheltered Green	25%	50,000	400,000	-933,302
Site 7	Sheltered Green	30%	50,000	400,000	-1,583,892
<b>Site 8</b>	<b>Sheltered Brown</b>	<b>0%</b>	<b>650,000</b>	<b>780,000</b>	<b>1,041,560</b>
Site 9	Sheltered Brown	5%	650,000	780,000	439,481
Site 10	Sheltered Brown	10%	650,000	780,000	-187,721
Site 11	Sheltered Brown	15%	650,000	780,000	-738,928
Site 12	Sheltered Brown	20%	650,000	780,000	-1,384,058
Site 13	Sheltered Brown	25%	650,000	780,000	-2,034,648
Site 14	Sheltered Brown	30%	650,000	780,000	-2,571,927
<b>Site 15</b>	<b>Extracare Green</b>	<b>0%</b>	<b>50,000</b>	<b>400,000</b>	<b>4,014,626</b>
Site 16	Extracare Green	5%	50,000	400,000	3,096,443
Site 17	Extracare Green	10%	50,000	400,000	2,178,261
Site 18	Extracare Green	15%	50,000	400,000	1,194,494
Site 19	Extracare Green	20%	50,000	400,000	269,234
Site 20	Extracare Green	25%	50,000	400,000	-694,179
Site 21	Extracare Green	30%	50,000	400,000	-1,675,540
<b>Site 22</b>	<b>Extracare Brown</b>	<b>0%</b>	<b>650,000</b>	<b>780,000</b>	<b>2,686,151</b>
Site 23	Extracare Brown	5%	650,000	780,000	1,767,969
Site 24	Extracare Brown	10%	650,000	780,000	849,786
Site 25	Extracare Brown	15%	650,000	780,000	-161,270
Site 26	Extracare Brown	20%	650,000	780,000	-1,124,683
Site 27	Extracare Brown	25%	650,000	780,000	-2,118,312
Site 28	Extracare Brown	30%	650,000	780,000	-3,113,290

Source: HDH (August 2022)

10.56 The results indicate that specialist older people’s housing is likely to be able to bear some affordable housing, but not 30%.

10.57 When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people’s housing will be considered at the development management stage. It is therefore not considered necessary to develop a specific policy for this sector.





## 11. Non-Residential Appraisals

- 11.1 Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix 17** and summarised in the table below.
- 11.2 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV 'plus').
- 11.3 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and what planning applications are being determined – and on what basis.

### Employment uses

- 11.4 Firstly, the main employment uses are considered.

Greenfield					
		Offices - Large	Offices - Small	Larger Industrial	Smaller Industrial
CIL	£/m2	0	0	0	0
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>-2,306,234</b>	<b>-2,848,753</b>	<b>525,927</b>	<b>-334,030</b>
Existing Use Value	£/ha	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	400,000	400,000	400,000	400,000
Residual Value	£/ha	-27,674,814	-7,121,881	525,927	-3,340,297
BROWNFIELD					
		Offices - Large	Offices - Small	Larger Industrial	Smaller Industrial
CIL	£/m2	0	0	0	0
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>-2,598,879</b>	<b>-3,144,441</b>	<b>274,270</b>	<b>-368,236</b>
Existing Use Value	£/ha	650,000	650,000	650,000	650,000
Viability Threshold	£/ha	780,000	780,000	780,000	780,000
Residual Value	£/ha	-31,186,543	-7,861,102	274,270	-3,682,362

Source: HDH (August 2022)

- 11.5 To a large extent the above results are reflective of the current market. Office development and smaller industrial are both shown as being unviable, however this is not just an issue here, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward (and it is coming forward), it tends to be from existing businesses for operational reasons, rather than purely for property investment reasons.
- 11.6 Larger industrial and distribution sites are shown as viable on the greenfield sites, which is consistent with such delivery being delivered, particularly in the north of the District.
- 11.7 It is important to note that the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. The limited development that is coming forward in the area is largely user-led, being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.
- 11.8 It is clear that the delivery of the employment uses is limited. We would urge caution in relation to setting policy requirements for employment uses that would impact on viability.

### **Retail and Hotel Development**

- 11.9 Similar appraisals have been prepared for the retail and hotel uses. The large format retail uses incorporate CIL at the current rate (£90.22/m<sup>2</sup>).

**Table 11.2 Retail and Hotels**

<b>Greenfield</b>					
		Retail - Central	Retail - Secondary	Supermarket	Smaller Supermarket
<b>CIL</b>	£/m2	<b>£0.00</b>	<b>£0.00</b>	<b>£90.22</b>	<b>£90.22</b>
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>553,068</b>	<b>-101,495</b>	<b>6,924,296</b>	<b>2,061,492</b>
Existing Use Value	£/ha	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	400,000	400,000	400,000	400,000
Residual Value	£/ha	22,122,716	-4,059,784	5,193,222	6,871,639
<b>Greenfield</b>					
		Retail Warehouse	Hotel		
<b>CIL</b>	£/m2	<b>£90.22</b>	<b>£0.00</b>		
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>4,075,331</b>	<b>867,311</b>		
Existing Use Value	£/ha	50,000	50,000		
Viability Threshold	£/ha	400,000	400,000		
Residual Value	£/ha	5,094,163	2,340,919		
<b>BROWNFIELD</b>					
		Retail - Central	Retail - Secondary	Supermarket	Smaller Supermarket
<b>CIL</b>	£/m2	<b>£0.00</b>	<b>£0.00</b>	<b>£90.22</b>	<b>£90.22</b>
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>532,796</b>	<b>-121,767</b>	<b>6,464,330</b>	<b>1,925,660</b>
Existing Use Value	£/ha	650,000	650,000	650,000	650,000
Viability Threshold	£/ha	780,000	780,000	780,000	780,000
Residual Value	£/ha	21,311,833	-4,870,667	4,848,248	6,418,866
<b>BROWNFIELD</b>					
		Retail Warehouse	Hotel		
<b>CIL</b>	£/m2	<b>£90.22</b>	<b>£0.00</b>		
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>3,803,357</b>	<b>664,759</b>		
Existing Use Value	£/ha	650,000	650,000		
Viability Threshold	£/ha	780,000	780,000		
Residual Value	£/ha	4,754,196	1,794,220		

Source: HDH (October 2020)

11.10 The larger format retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The town centre retail is shown as viable, however these results should be treated with some caution as the retail sector is in a particularly uncertain time. As would be expected, the smaller format retail uses in the secondary situations are not viable.

11.11 Hotel development is shown as viable.



## 12. Findings and Recommendations

- 12.1 This chapter brings together the findings of this report and provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of the National Planning Policy Framework (NPPF), so it is recommended the report is read in full. As this is a summary chapter, some of the content of earlier chapters is repeated.
- 12.2 This document sets out the methodology used, the key assumptions adopted, and the results. It has been prepared to assist the Council with the assessment of the viability of the emerging Local Plan. The NPPF, the updated Planning Practice Guidance (PPG) and the Harman Viability Guidance require stakeholder engagement – particularly with members of the development industry. Consultation has taken place and, whilst there was not universal agreement, a broad consensus was achieved.
- 12.3 In May 2021, HDH Planning & Development Ltd (HDH) completed the *Local Plan Viability Assessment* (HDH, May 2021). Whilst this was marked as a Working Draft, it was a well-developed and complete report. This report now updates that study, refreshing the main inputs and assumptions.
- 12.4 In May 2022 the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* has yet to be published. It will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.

### Compliance

- 12.5 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance, being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1<sup>st</sup> Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021). HDH confirms that the RICS Guidance has been followed.

### Viability Testing under the NPPF and Updated PPG, and CIL Regulations

- 12.6 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.'*

12.7 This study is based on typologies that are representative of the sites to be allocated in the new Local Plan. Nine potential Strategic Sites are tested.

12.8 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV+) approach:

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

12.9 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

#### *Viability Guidance*

12.10 There is no specific technical guidance on how to test viability in the NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the Harman Guidance.

12.11 In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning permission for development.

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

$$\begin{array}{r} \textbf{Gross Development Value} \\ \text{(The combined value of the complete development)} \\ \text{LESS} \\ \textbf{Cost of creating the asset, including a profit margin} \\ \text{(Construction + fees + finance charges)} \\ = \\ \textbf{RESIDUAL VALUE} \end{array}$$

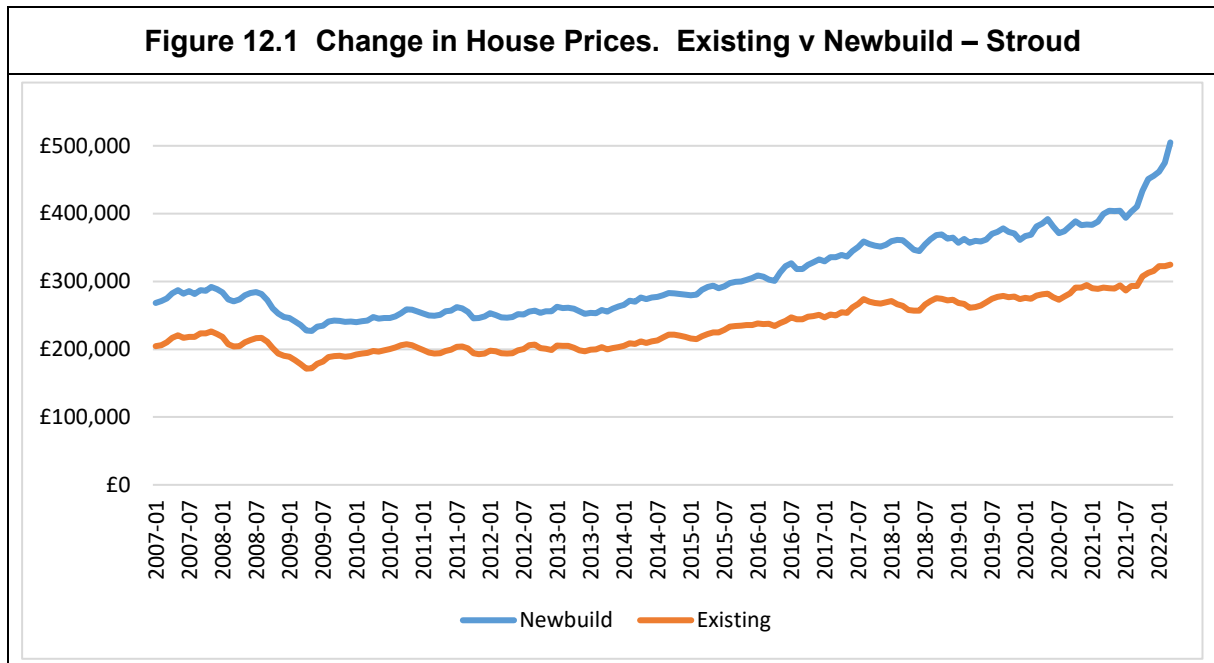
12.13 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).

## **Residential Market**

- 12.14 An assessment of the housing market was undertaken. The study is concerned not just with the prices but the differences across different areas.
- 12.15 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for SDC is 105<sup>th</sup> (out of 331) at £375,217 (being an increase from 131<sup>st</sup> (out of 339) at £313,255 in 2020). To set this in context, the Council at the middle of the rank (165 – Stockport), has an average price of £312,498. The Stroud median price is lower than the average at £305,000 (being an increase from £270,000<sup>258</sup> in 2020).
- 12.16 The housing market peaked late in 2007 and then fell considerably in the 2007/2008 recession during what became known as the ‘Credit Crunch’. Average house prices in Stroud had not recovered to their pre-recession peak by the time that the 2013 Viability Assessment was undertaken, but are now about 50% above the 2007 peak and are 71% higher than when the 2013 Viability Assessment was carried out. Whilst these increases are substantial, the rates of increase are a little less than seen across Gloucestershire (52% increase since 2007 / 67% increase since 2013) or England and Wales (55% increase since 2007 / 67% increase since 2013).
- 12.17 A characteristic of the data is that the values of newbuild homes have increased faster than that for existing homes. The Land Registry shows that the average price paid for newbuild homes in Stroud is £505,013 (up from £377,192 in 2020) which is £180,296 higher than the average price paid for existing homes of £324,717 (up from £273,542 in 2020). Newbuild homes are now 55% more expensive than existing homes, this is a notable change since 2020 when newbuild homes were 38% more expensive than the average price paid for existing homes.

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<sup>258</sup> Median house prices for administrative geographies: HPSSA dataset 9 (Release 22<sup>nd</sup> July 2020)



Source: Land Registry (July 2022) Contains HM Land Registry data © Crown copyright. This data is licensed under the Open Government Licence v3.0

12.18 Since 2018 the UK economy and property markets have been through a period of considerable uncertainty caused by Brexit, COVID-19 and now the Russian invasion of Ukraine.

12.19 When the impact of COVID-19 became apparent in early 2020, a range of views of the anticipated impact on the property markets were expressed, almost all predicted a fall in values, generally of about 10% during 2020. To some extent, COVID-19 was expected to exacerbate the impact of leaving the European Union through the Brexit process. In fact, house prices rose in 2020 and have continued to rise. Sensitivity testing has been carried out.

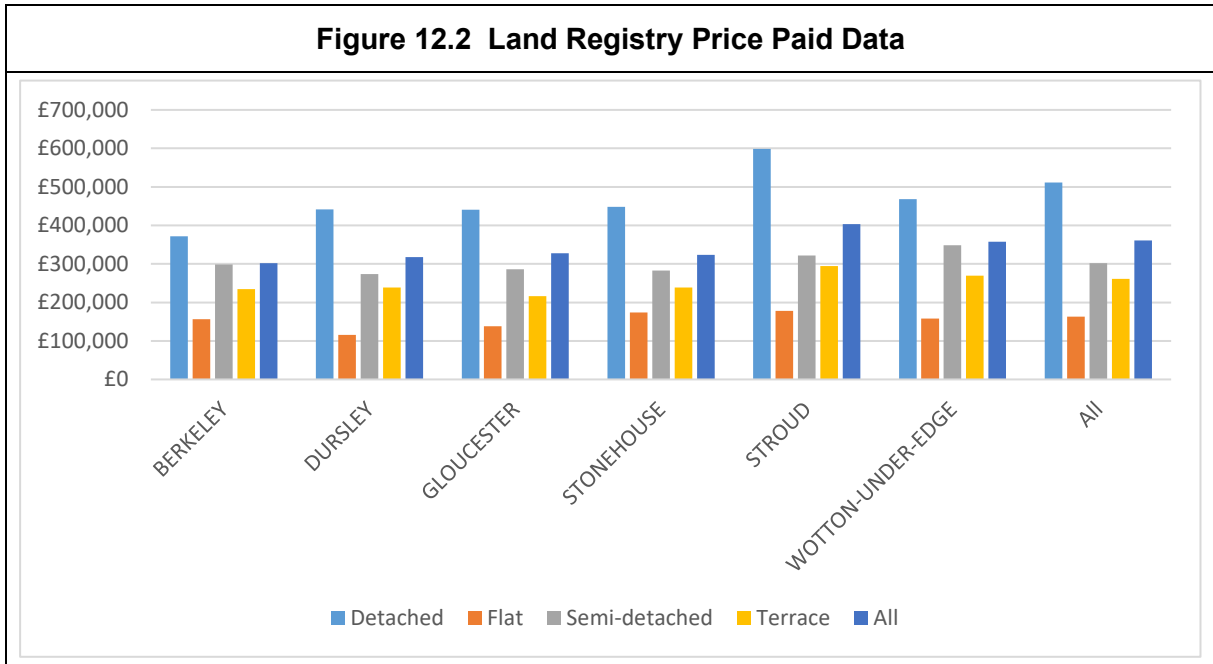
*The Local Market*

12.20 A survey of asking prices across the District, based on the Council’s settlement hierarchy, was carried out in April 2020 and refreshed in May 2022. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

12.21 The Land Registry publishes data of all homes sold. Across the Stroud District Council area, 4,088 home sales are recorded since the start of 2020. These are summarised as follows:



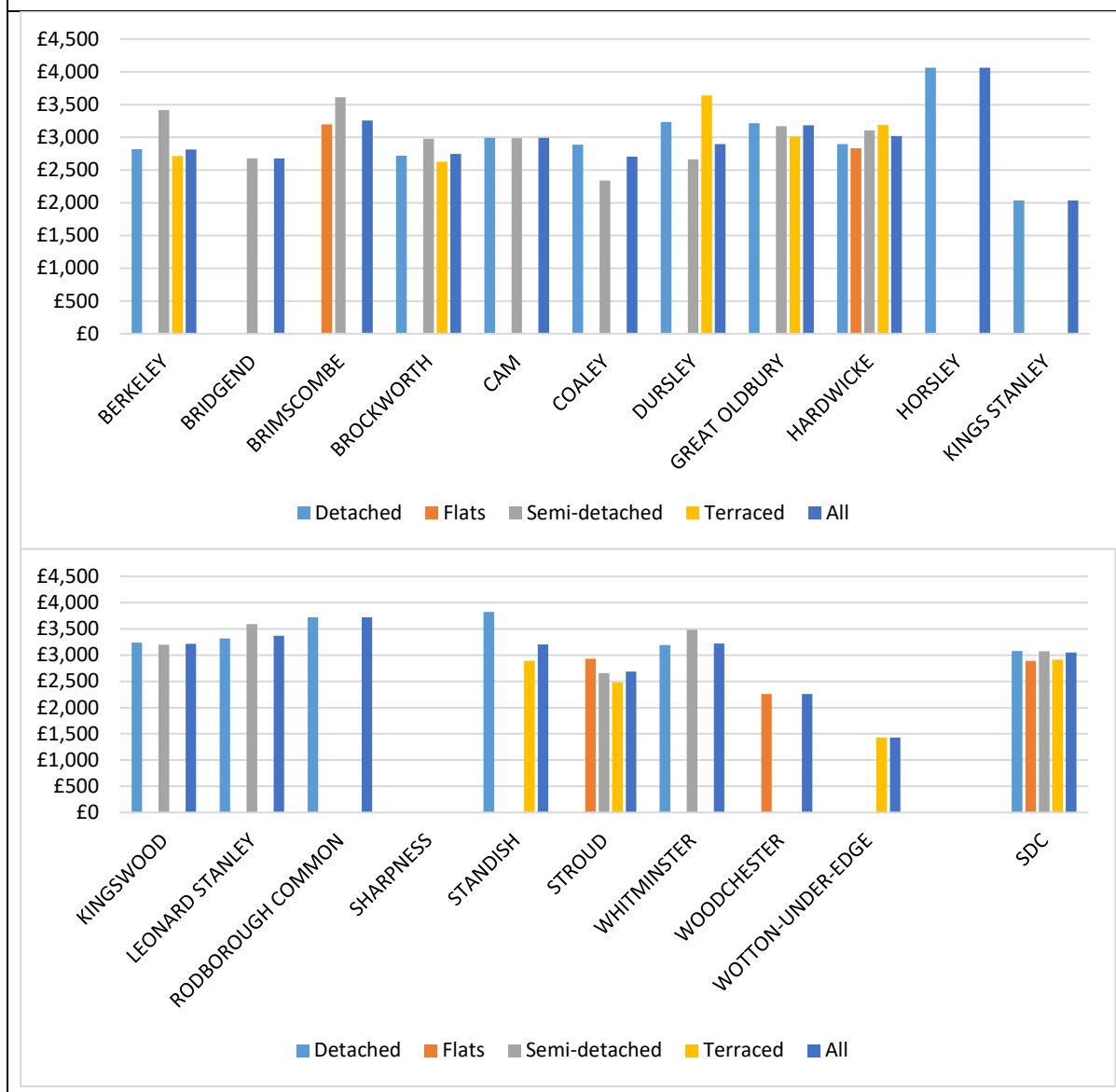




Source: Land Registry (June 2022) Contains HM Land Registry data © Crown copyright. This data is licensed under the Open Government Licence v3.0

12.22 The 619 newbuild home sales since the start of 2019 have been further analysed. Each dwelling sold requires an Energy Performance Certificate (EPC). The EPC contains the floor area (the Gross Internal Area – GIA). The price paid data from the Land Registry has been married with the floor area from the EPC Register.

**Figure 12.3 Average Price Paid – Newbuild Homes from January 2019 to June 2022**



Source: Land Registry and EPC Register (June 2022) Contains HM Land Registry data © Crown copyright and database 2022. This data is licensed under the Open Government Licence v3.0.

12.23 Bringing together the evidence, and following the consultation the value assumptions and the value areas were updated.

a. Gloucester Fringe and North West SDC

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

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

b. Cotswolds

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

c. Rural West - Lower Value Villages

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

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

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

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

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

12.24 Overall an increase of 15% has been applied to the typologies and Strategic Sites, being generally in line with the increases seen in the whole market, rather than just the newbuild market.

<b>Table 12.1 2022 Residential Price Assumptions (£/m<sup>2</sup>)</b>				
	Gloucester Fringe and Northwest SDC	Cotswolds. Rural East & South - Higher Value Villages	Rural West - Lower Value Villages	Cam, Stonehouse, Stroud, the Stroud Valleys and Sharpness
Brownfield		£4,025		£3,163
Urban Flatted Schemes				£3,105
Large Greenfield Sites	£3,450			£3,508
Medium Greenfield Sites	£3,450	£4,255	£3,709	£3,450
Small Greenfield Sites		£4,255	£3,853	£3,450

Source: HDH (July 2022)

<b>Table 12.2 2022 Strategic Sites Price Assumptions (£/m<sup>2</sup>)</b>			
Site 1	PS24 West of Draycott	Cam NW	£3,220
Site 2	PS25 East of River Cam	Cam NE Extension	£3,220
Site 3	G1 South of Hardwicke	S of Hardwicke	£3,450
Site 4	PS30 Hunts Grove Extension	Hunts Grove	£3,450
Site 5	PS34 Sharpness Docks	Sharpness	£3,105
Site 6	PS36 New settlement at Sharpness	Sharpness	£3,680
Site 7	PS19a Northwest of Stonehouse	Stonehouse NW	£3,565
Site 8	PS37 New settlement at Wisloe	Wisloe	£3,565
Site 9	G2 Land at Whaddon	Whaddon	£3,450

Source: HDH (July 2022)

### *Affordable Housing*

12.25 In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the area:

- a. Social Rent £1,300/m<sup>2</sup>.
- b. Affordable Rent £1,900/m<sup>2</sup>.
- c. Intermediate Products for Sale 70% of Open Market Value.

### **Non-Residential Market**

12.26 The following value assumptions have been used:

<b>Table 12.3 Non-Residential Values £/m<sup>2</sup> 2022</b>					
	Rent £/m <sup>2</sup>	Yield	Rent free period		Assumption
Offices - Large	£175	6.75%	1.0	£2,429	£2,450
Offices - Small	£175	8.00%	1.0	£2,025	£2,025
Industrial - Large	£80	4.50%	1.0	£1,701	£1,700
Industrial - Small	£75	7.00%	1.0	£1,001	£1,000
Retail - Central	£350	5.50%	1.0	£6,032	£6,000
Retail (elsewhere)	£200	9.00%	1.0	£2,039	£2,000
Supermarket	£280	5.25%	1.0	£5,067	£5,000
Retail Warehouse	£200	6.00%	2.0	£2,967	£3,000
Hotel (per room)	£5,000	5.00%	0.0	£4,049	£4,050

Source: HDH (June 2022)

### **Land Values**

12.27 In this assessment the following Existing Use Value (EUV) assumptions are used.

<b>Table 12.4 Existing Use Value Land Prices £/ha</b>	
PDL	£650,000
Agricultural	£25,000
Paddock	£50,000

Source: HDH (August 2020)

12.28 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

12.29 In the 2021 of this Viability Update, the following Benchmark Land Value assumptions are used (these are applied on a gross site area). These are carried forward into this update:

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

### **Development Costs**

12.30 These are the costs and other assumptions required to produce the financial appraisals.

#### *Construction costs: baseline costs*

12.31 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Gloucestershire. The cost figure for ‘Estate Housing – Generally’ is £1,429/m<sup>2</sup> in July 2022, being a 10.6% increase from the £1,291/m<sup>2</sup> April 2020 figure used in 2020: The appropriate cost is used for the relevant building type, so the figure for flatted development (of the appropriate height) is used for flatted development, the figure used for terraced development is that for terraced housing and so on. Likewise, the appropriate figures are used for non-residential development types.

#### *Other normal development costs*

12.32 In addition to the BCIS £/m<sup>2</sup> build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for flatted schemes, to 15% for the larger greenfield schemes. The effect of using higher costs has also been tested.

#### *Abnormal development costs and brownfield sites*

12.33 An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

### *Fees*

- 12.34 For residential development we have assumed professional fees amount to 8% of build costs, for non-residential development we have assumed professional fees amount to 8% of build costs.

### *Contingencies*

- 12.35 A 5% allowance was used on all brownfield sites.

### *S106 Contributions and the costs of infrastructure*

- 12.36 Based on discussions with the Council CIL is the main tool for funding infrastructure, however an additional allowance £5,000/unit s106 assumption is used. The Strategic Sites are considered individually, the assumptions being updated in July 2022. 2 scenarios are tested:

- a. Infrastructure Costs A – Policy-on, total infrastructure costs

The Infrastructure Delivery Plan (IDP) seeks to identify all of the infrastructure required to deliver the sustainable growth set out within the Stroud Local Plan Review. It relies upon consultation with infrastructure providers. This approach identifies almost all of the infrastructure likely to be needed to deliver plan growth, and often identifies projects that may not be essential for the delivery of the Local Plan review. This often results in significant costs being identified against each infrastructure type and, in the case of the Stroud Local Plan Review, identifies a cost of almost £250m.

These total, 'Policy-on' costs are presented in Scenario A.

- b. Infrastructure Costs B – Likely s106 infrastructure costs

Many of these infrastructure costs will not be secured through planning obligations. Often infrastructure costs associated with managing flood risk or drainage and on-site delivery of open space are included as on-site development costs and therefore including them within the viability appraisal would be double counting.

There are also a number of infrastructure costs against topics where historically contributions have not been secured via s106 agreement within Stroud. These include the costs provided by Gloucestershire Constabulary for new police staff and equipment, and costs for new or improved primary and secondary healthcare facilities. Both consultees have confirmed that no financial contributions have been secured via s106 agreement in Stroud to date.

As a result, these costs have been removed from Scenario B.

<b>Table 12.5 Strategic Sites. Updated Strategic Infrastructure and Mitigation Costs – July 2022</b>				
<b>Ref</b>	<b>Site Allocation</b>	<b>Yield</b>	<b>Total Cost (£)</b>	<b>Cost per dwelling</b>
<b>Scenario A – Full Policy On</b>				
PS24	Cam North West (West of Draycott)	900	£20,011,973	£22,236
PS25	Cam North East Extension (East of River Cam)	180	£3,992,988	£22,183
PS19a	Stonehouse North West	700	£21,795,088	£31,136
PS34	Sharpness Docks	300	£6,835,408	£22,785
PS36	Sharpness (Garden Village)	2,400	£47,065,261	£19,611
PS37	Wisloe (Garden Village)	1,500	£30,553,289	£20,369
G1	South of Hardwicke	1,350	£25,618,347	£18,977
PS30	Hunts Grove Extension	750	£14,897,285	£19,863
G2	Land at Whaddon	3,000	£56,947,860	£18,983
<b>Scenario B – Likely s106 infrastructure costs</b>				
PS24	Cam North West (West of Draycott)	900	£14,998,551	£16,665
PS25	Cam North East Extension (East of River Cam)	180	£2,999,710	£16,665
PS19a	Stonehouse North West	700	£18,108,909	£25,870
PS34	Sharpness Docks	300	£5,199,517	£17,332
PS36	Sharpness (Garden Village)	2,400	£33,696,135	£14,040
PS37	Wisloe (Garden Village)	1,500	£22,197,584	£14,798
G1	South of Hardwicke	1,350	£18,738,611	£13,880
PS30	Hunts Grove Extension	750	£10,889,042	£14,519
G2	Land at Whaddon	3,000	£39,701,169	£13,234

Source: Arup (July 2022)

12.37 It is important to note that the allocations in the adopted Local Plan are zero rated for CIL, however new allocations under a new Plan would be subject to CIL. The figures in the above table are the total infrastructure requirement, some of which could be funded through CIL. Based on the adopted rates of CIL and the modelling set out in Chapter 9 below the strategic sites will be subject to the following CIL (where the CIL per unit is calculated across the market and affordable units):

**Table 12.6 Strategic Sites. Estimated CIL**

	Total CIL	CIL per unit (market and affordable)
PS24 Cam North West (West of Draycott)	£6,552,493	£7,281
PS25 Cam North East Extension (East of River Cam)	£1,312,096	£7,289
PS19a Stonehouse North West	£5,098,217	£7,283
PS34 Sharpness Docks	£2,189,666	£7,299
PS36 Sharpness (Garden Village)	£16,324,265	£6,802
PS37 Wisloe (Garden Village)	£10,554,603	£7,036
G1 South of Hardwicke	£9,188,425	£6,806
PS30 Hunts Grove Extension	£5,107,359	£6,810
G2 Land at Whaddon	£20,405,331	£6,802

Source: HDH (July 2022)

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

*Financial and Other Appraisal Assumptions*

12.39 The appraisals assume interest of 6.5% p.a. for total debit balances, we have made no allowance for any equity provided by the developer.

*Developers' return*

12.40 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions. The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies*'. An assumption of 17.5% is used across market and affordable housing.

*Site Acquisition and Disposal Costs*

12.41 An allowance of 1.5% for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates. For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts.

**Local Plan Policy Requirements**

12.42 The specific purpose of this study is to consider the cumulative impact of the policies in the emerging Local Plan.



12.43 The new Local Plan will replace the current *Stroud District Local Plan – November 2015* and various Supplementary Planning Documents. The *Stroud District Local Plan Review, Draft Plan for Consultation – November 2019* forms the basis of the testing in this report, updated in May 2021 to reflect changes to some of the strategic sites in the Pre-Submission Draft Plan. The emerging policy areas that add to the costs of development over and above the normal costs of development, are tested. In addition, recent changes that have been introduced at a national level are also considered.

### Modelling

12.44 The approach is to model a set of development sites (typologies) that are broadly representative of the type of the residential and non-residential development that is likely to come forward under the new Local Plan. The potential Strategic Sites are modelled individually.

### Residential Appraisals

12.45 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers’ return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

12.46 The initial appraisals are based on the following assumptions.

- |    |                         |  |
|----|-------------------------|--|
| a. | Affordable Housing      | 30% on sites of 4 and larger (Intermediate Housing 33%, Affordable Rent 67%).  |
| b. | Design                  | 67% Accessible and Adaptable – Category 2<br>8% Wheelchair Accessible<br>NDSS, Water efficiency / Car Charging Points<br>10% Biodiversity Net Gain<br>Carbon Reduction as per ES1. |
| c. | Developer Contributions | CIL – As per Charging Schedule (£96.23/m <sup>2</sup> / £0/m <sup>2</sup> )<br>s106 – Typologies £5,000/unit and Strategic Sites as estimated (Scenario A).                        |

PS24 Cam North West	£20,011,973
PS25 Cam North East Extension	£3,992,988
PS19a Stonehouse North West	£21,795,088
PS34 Sharpness Docks	£6,835,408
PS36 Sharpness (Garden Village)	£47,065,261
PS37 Wisloe (Garden Village)	£30,553,289

G1 South of Hardwicke	£25,618,347
PS30 Hunts Grove Extension	£14,897,285
G2 Land at Whaddon	£56,947,860

- 12.47 The results vary across the typologies and Strategic Sites, although this is largely due to the different assumptions around the nature of each typology. The higher density sites generally have higher Residual Values, and additional costs associated with brownfield sites result in lower Residual Values. The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return.
- 12.48 Generally, the greenfield sites produce a Residual Value that is in excess of the Benchmark Land Value indicating that such sites are likely to be viable. On the whole, the brownfield sites are shown as being unviable.
- 12.49 To inform the development of policy a range of policy requirements have been tested.

*Varied Affordable Housing*

- 12.50 Affordable housing is the greatest single policy cost to development. On average, across all the typologies, a 10% increase in affordable housing results in a fall in the Residual Value of about £225,000/ha, meaning that each additional 10% of affordable housing reduces the amount a developer can pay a landowner, for a parcel of land, by about £225,000/ha. The figures do vary across the typologies, with the effect being greater on brownfield sites (due to the higher density) and in the higher value areas (as the difference in value between market and affordable housing is more). Typically, a 30% affordable housing requirement reduces the Residual Value by about £630,000/ha or so.
- a. In the higher value Cotswold area, all the greenfield typologies are viable (and there may be scope to increase the affordable housing requirement above 30%). The smaller brownfield typologies representing housing development (rather than flatted development) are also viable at 30%.
  - b. The two typologies representing development on the Gloucester Fringe are not shown as viable with 30% affordable housing. Having said this, the development in this area is most likely to be on the larger Strategic Sites.
  - c. The majority of development in the Rural West of the District is likely to be on smaller greenfield sites. Such sites, being 20 units and smaller generate an EUV that is above the EUV with 30% affordable housing. The larger greenfield sites generate an EUV that is below the EUV with 30% affordable housing. We understand that little such development is planned however the Council should be cautious about relying on these types of site in the early years of the Plan, and should only count on such sites (for example in the five year land supply calculation) where it is confident the site will be forthcoming, for example, where there is a recent planning consent or a commitment from the land promoter.

- d. The typologies in the wider Cam, Stonehouse, Stroud and Sharpness area (excluding the Stroud Valley bottoms that are subject to zero CIL – see below), are generally not viable at 30% affordable housing, but the greenfield sites are at lower levels of provision.
- e. All the typologies in the Stroud Valley bottoms that is subject to the zero rate of CIL are brownfield sites. On these the Residual Value is less than the EUV in all cases. This is in spite of development in the Stroud Valleys not being subject to CIL.  

Some development is coming forward in this area, however few sites are allocated. Where sites are allocated the Council should be cautious about relying on these types of site in the early years of the Plan, and should only count on such sites (for example in the five year land supply calculation) where it is confident the site will be forthcoming, for example, where there is a recent planning consent or a commitment from the land promoter.
- f. The Build to Rent typologies are shown as unviable across the areas.

12.51 For the Strategic Sites, an allowance is made for strategic infrastructure costs, based on the recent work by AECOM and Arup. The Strategic Sites are initially tested two ways, with and without CIL and under the two infrastructure scenarios as set out above. Scenario A is the full 'Policy-on, total infrastructure costs' and Scenario B are the 'Likely s106 infrastructure costs'.

12.52 Following discussion with the Council we believe that the most probable situation at the development management stage will be that the costs identified under Scenario B, will be sought, however these will be adjusted to reflect that some of infrastructure will be funded through CIL. A further set of appraisals has also been run on the basis that 80% of the CIL would be used to local infrastructure and that it would be appropriate to reduce the s106 requirement by this amount.

12.53 On these Strategic Sites, viability is constrained when tested with the CIL and the Scenario A costs. This is to be expected as the Scenario A costs are the full estimated costs of all the infrastructure that may be required to make a scheme acceptable in planning terms, whilst Scenario B is the infrastructure that is likely to be sought from the schemes. Where CIL is factored into the appraisals it is assumed that this is over and above the s106 costs and that it would not be used to mitigate the impact of the strategic sites – rather it would be used in relation to other development. This is not how the Council operate CIL and it is expected that funding from a range of sites will be used across the development sites.

12.54 The Residual Value is substantially higher where the Scenario B have been adjusted to reflect the current CIL requirement on each of the sites, being the scenario that is most likely to reflect the actual situation when it comes to determining a planning application.

12.55 The findings are consistent with those reported in the 2021 iteration of this report and it is important to appreciate that the delivery of any large site is challenging, so, rather than draw firm conclusions at this stage, it is recommended that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23).

- 12.56 The analysis suggests that some development will be unable to bear the Council's full policy aspirations. Further, there is not scope to review CIL and seek higher levels under this analysis.
- 12.57 In order to inform the plan-making process, further policy costs are tested.

*Cost of Higher Environmental Standards*

- 12.58 In the 2021 Viability Assessment a range of policy options were tested individually and cumulatively. The Council has declared a Climate Emergency and policies are proposed in this regard. A further set of appraisals have been run to quantify the costs of moving above the current Building Regulations.
- 12.59 The cost of the recent increase in Building Regulations adds about 3% to the costs of construction. The cost of moving, from the current situation to Zero Carbon adds about 9% to the costs of construction. On greenfield sites this adds about £240,000/ha to the costs of development. Adding the 10% on site generation requirement increases the costs to about £265,000/ha. The costs on brownfield sites are somewhat more at about £335,000/ha and £370,000/ha respectively.
- 12.60 The cost of district heating is also assessed, assuming a cost of £5,000/unit. This cost will vary from site to site, bearing in mind the local infrastructure, the need to build a heat generation station and the nature of the scheme. This is not a current policy requirement, rather something that developers are expected to explore. On greenfield sites this is likely to add a further £140,000/ha on greenfield sites and £200,000/ha on brownfield sites.

*Affordable Housing v Developer Contributions*

- 12.61 The core balance in a viability assessment is between the provision of affordable housing and the provision of developer contributions towards strategic infrastructure and mitigation measures that are required to make development acceptable. A further set of appraisals have been run with varied levels of developer contributions tested against varied affordable housing targets. This is done with full policy requirements. As part of the iterative plan-making process, a set was then run with a lower level of policy requirements.

<b>Table 12.7 Affordable Housing v Developer Contributions</b>	
Effect of Policy Requirements	
<b>Draft Plan Policy Requirements</b>	<b>Lower Policy Requirements</b>
<p>Affordable Housing Varied as shown (Intermediate Housing 50%, Affordable Rent 50%).</p> <p>Design 67% Accessible and Adaptable, 8% Wheelchair Accessible. NDSS / Water efficiency / Car Charging Points / 10% Biodiversity Net Gain Future Homes Standard Option 2 plus additional Carbon Reduction.</p> <p>Developer Contributions CIL – As per Charging Schedule (£96.44/m<sup>2</sup> / £0/m<sup>2</sup>). s106 – typologies £5,000/unit, strategic sites as Scenario B.</p>	<p>Affordable Housing Varied as shown (Intermediate Housing 50%, Affordable Rent 50%).</p> <p>Design 50% Accessible and Adaptable, 0% Wheelchair Accessible. NDSS / Water efficiency / 10% Biodiversity Net Gain Future Homes Standard Option 2.</p> <p>Developer Contributions CIL – As per Charging Schedule (£96.44/m<sup>2</sup> / £0/m<sup>2</sup>). s106 – typologies and strategic sites as Scenario B.</p>

Source: HDH (August 2022)

12.62 The amounts tested are in addition to CIL, as until the CIL Charging Schedule is reviewed or a national infrastructure levy is introduced, the adopted rates of CIL are mandatory.

- a. At 30% affordable housing most sites in the Gloucester Fringe and Cotswolds areas have the ability to bear greater levels of developer contributions than the £5,000/unit base assumption, however in the Rural West the scope for higher contributions is limited.
- b. In the Cam, Stonehouse Stroud area (excluding the Stroud Valleys that are zero rated for CIL) there is very limited scope for higher levels of developer contributions with affordable housing requirements of 20% or more.
- c. Development in the Stroud Valleys is only likely to be viable with very low levels of affordable housing and developer contributions.
- d. The situation on the Strategic Sites is as reported previously, with limited scope for additional developer contributions, over and above CIL, at 30% affordable housing.

12.63 The results for the Higher and Lower policy requirements are summarised in **Appendix 15**. These include the current rates of CIL and the anticipated s106 costs of £5,000/unit on the typologies and the Reduced Scenario B on the Strategic Sites.

12.64 On the greenfield typologies the Residual Value is about £70,000/ha more in the Lower Policy Requirements scenario. On the brownfield typologies the Residual Value is about £1070,000/ha more in the Lower Policy Requirements scenario. The Results are broadly similar under both scenarios in terms of the proportion of typologies that are shown as being viable. The key variables that impact on viability in the SDC area are Affordable Housing and the level of developer contributions.

*Policy Mix and Sensitivity Testing*

- 12.65 In the proceeding analysis the impact of the Council's policy options have been tested under various scenarios, for example under different tenures. When considering what mix of policies to recommend, the following factors, in discussion with the Council, have been taken into account:
- a. That it is preferable (and more normal) to keep general policy requirements consistent across the area, rather than have different areas subject to differing environmental standards or similar.
  - b. That infrastructure, including education, can be funded, in part, by CIL, so it is not necessary to make an allowance for the full, worst case scenario of developer contributions.
  - c. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now, it would be preferable to wait for the Government to set out its future plans.
  - d. That an important factor when setting policy is the distribution of potential development sites. In this regard, little development is planned in either the lower value Rural West area or the Stroud Valleys.
- 12.66 Having discussed these with the Council through the iterative viability testing process, the Council is proceeding with the following policy requirements.
- a. Affordable Housing            30% (Intermediate Housing 50%, Affordable Rent 50%).
  - b. Design                            67% Accessible and Adaptable / 8% Wheelchair Accessible  
   NDSS, Water efficiency, 10% Biodiversity Net Gain  
   Carbon Reduction as per ES1
  - c. Developer Contributions    CIL – As per Charging Schedule (£96.44/m<sup>2</sup> / £0/m<sup>2</sup>).  
   s106 – typologies as, £5,000/unit, Strategic Sites as  
   estimated (Reduced Scenario B).
- 12.67 Relative to the adopted Local Plan and the increased national requirements (increases to Part L of Building Regulations, Biodiversity Net Gain and mandatory EV charging points), the above includes the following changes:
- a. A significant move towards reducing carbon emissions, adopting Carbon Reduction as per ES1.
  - b. The inclusion of accessible and adaptable standards and wheelchair adaptable standards on an element of the new homes to meet the needs identified through the Housing Market Assessment.

- c. In addition to the above, the affordable housing mix has been changed to 50 / 50 Affordable Rent / Intermediate Housing, being in line with the Council's normal (and preferred) delivery mix. This has the effect of improving viability.
- d. A lowered proportion of homes being subject to accessible and adaptable standards and wheelchair adaptable standards is assumed (from 90% / 10%), and it is also assumed that CIL is used to fund some of the strategic infrastructure and mitigation measures that are required.

12.68 Even on this basis, not all development is viable, particularly that on brownfield sites. In these cases, it is recommended that the Council accepts site specific viability assessments at the development management stage.

12.69 The infrastructure cost for the Strategic Sites is about £15,000/unit under Scenario B. Across these sites the CIL that would be available to fund infrastructure, would come to about a third of this amount (after allowance is made for the proportion for the local community and the costs of administration). On these sites, viability is constrained, with none of them being able to deliver 30% affordable housing and £10,000/unit.

12.70 These findings are consistent with those reported in the 2021 Viability Assessment. As then we recommend that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23) and the PPG and only include those sites in the Plan where there is a firm commitment that a policy compliant scheme can be delivered.

12.71 The Council should only include brownfield sites and Strategic Sites in the Plan where it is demonstrated that they are actually deliverable.

#### *Older People's Housing*

12.72 As well as mainstream housing, we have considered the Sheltered and Extracare sectors separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows. Under the adopted CIL Charging Schedule older people's housing is not subject to CIL. An allowance of £1,000/unit is made s106 developer contributions.

12.73 The results indicate that specialist older people's housing is likely to be able to bear some affordable housing, but not 30%.

12.74 When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not considered necessary to develop a specific policy for this sector.

#### **Non-Residential Appraisals**

12.75 Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types. As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of

the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV 'plus').

- 12.76 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and what planning applications are being determined – and on what basis.

#### *Employment uses*

- 12.77 To a large extent the results are reflective of the current market. Office development and industrial are both shown as being unviable, however this is not just an issue here, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis. Where development is coming forward, it tends to be from existing businesses for operational reasons, rather than purely for property investment reasons. Larger industrial sites are shown as viable on the greenfield sites, which is consistent with such delivery being delivered, particularly in the north of the District.
- 12.78 It is important to note that the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the aim of making a profit from the development. The Guidance does not reflect the broad range of business models under which development comes forward and developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. The limited development that is coming forward in the area is largely user-led, being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.
- 12.79 It is clear that the delivery of the employment uses is limited. We would urge caution in relation to setting policy requirements for employment uses that would impact on viability.

#### *Retail and Hotel Development*

- 12.80 Similar appraisals have been prepared for the retail and hotel uses. The large format retail uses incorporate CIL at the current rate (£90.41/m<sup>2</sup>).



12.81 The larger format retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The town centre retail is shown as viable, however these results should be treated with some caution as the retail sector is in a particularly uncertain time. As would be expected, the smaller format retail uses in the secondary situations are not viable.

12.82 Hotel development is shown as viable.

### **Community Infrastructure Levy**

12.83 The brief for the 2021 Local Plan Viability Assessment extended to making an assessment of the capacity of development to bear CIL. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now it would be preferable to wait for the Government to set out their future plans. It is however clear that if the Council were to seek higher rates of CIL then it would be necessary to consider lower levels of affordable housing. As set out above, at this stage we would suggest that the Council is cautious about proceeding with a review of CIL, but reconsiders this as and when the Government's plans in this regard have been clarified.

### **Conclusions**

12.84 The Stroud District Council area has a vibrant and active property market, although some areas, particularly those associated with the wider Stroud Valleys, do have challenges. All types of residential and non-residential development are coming forward and only in relatively few cases they are not delivering the full policy requirements for affordable housing in addition to the adopted rates of CIL.

12.85 Since the 2021 Viability Assessment was undertaken, residential values have increased by about 15% and build costs by about 10%. There have been a number of national requirements that have been mandated (although some were factored into the 2021 Assessment) including the requirements for 10% Biodiversity Net Gain, EV Charging and the move towards zero carbon through the Future Homes Standard.

12.86 Policy requirements at the levels proposed in the Draft Plan, generally allows for developer contributions (in addition to the current rates for CIL) of at least £5,000 per unit, and in many cases, significantly more. In taking this approach it remains necessary to be cautious about relying on the brownfield sites to in the early years of the Plan, and the Council should only count on such sites (for example in the five-year land supply calculation) where it is confident the site will be forthcoming, for example there is a recent planning consent.

12.87 In relation to the Strategic Sites, we reiterate our earlier comments. There is no doubt that the delivery of any large site is challenging, so it is recommended that the Council continues to engage with the sites' promoters in line with the advice set out in the Harman Guidance and the PPG.

12.88 Whilst some of the non-residential uses are not viable, they are not rendered unviable by the cumulative impact of the Council's policies, rather by the general market conditions. The employment uses (office and industrial) are coming forward.

- 12.89 There is uncertainty around the economy with significant inflation (due to the impact of COVID-19, Brexit and Russia's invasion of Ukraine). It is important that the Council monitors these changes as they occur and if necessary, makes any required changes.



**HDH Planning and Development Ltd** is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

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