East Hertfordshire District Council

Plan Viability, Affordable Housing and CIL Study

Final Report

Peter Brett Associates

On behalf of East Hertfordshire District Council

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EXECUTIVE SUMMARY

Study scope

1. Peter Brett Associates (PBA) LLP has been commissioned by East Herts District Council (EHDC) to assess the deliverability of the Draft Preferred Options District Plan 2014. This report sets out the findings for the plan viability assessment, affordable housing policy and preliminary draft Community Infrastructure Levy (CIL) charge options. A separate accompanying report focuses on the deliverability of four strategic sites.

2. The National Planning Policy Framework states that plans should be deliverable and that the sites and scale of development identified in the plan should not be subject to such a scale of obligations or policy burdens that their ability to be developed viably is threatened.

Approach to viability assessment

3. A residual value approach to viability appraisal was undertaken for residential and non-residential schemes to inform the study recommendations.

4. The planned growth is based on residential delivery taking place in a range of predominantly greenfield sites. A number of brownfield case studies were also assessed, as well as flatted / apartment style developments. Two value zones were identified for the plan, a higher value Southern Zone and a slightly lower value Northern Zone.

5. The main policies identified as directly impacting on viability for this assessment were affordable housing, infrastructure and local water efficiency. The emerging recommendations have informed the Local Plan policies - adopting an ‘iterative approach’ to guide policy so that the proposed policy obligations do not threaten the plan viability, and support the delivery of development.

Study findings and recommendations

6. Before policy costs are incorporated, all the residential development scenarios tested are viable. Once HOU 3 affordable housing and water efficiency policy requirements are introduced, some of the flatted schemes move to a position of marginal and negative viability and so further viability assessments were undertaken to inform the affordable housing and CIL options. The residential CIL charge options range from £40 per sq. m to £200 per sq.m with varying levels of affordable housing. Only speculative convenience retail is found to be viable to support a CIL charge from the non residential uses assessed.

7. At present there is a draft policy on affordable housing that has informed the viability assessment. However there is further work yet to be undertaken to inform the infrastructure delivery plan, which will include the Transport Vision work currently underway. So although this study provides an indication of the financial headroom available to support a possible CIL charge, there may need to be further iterations depending on the scale of the funding gap and need for any critical infrastructure to support the delivery of growth.

8. EHDC may need to consider the policy trade-off for delivering affordable housing and funding strategic infrastructure and maintain a viable Local Plan. This will be determined once there is a better indication on the scale of strategic infrastructure needed to support the delivery of the planned growth. At this stage a decision will also be needed on the most appropriate developer funding mechanism to adopt (CIL or S106).

9. Based on the current policy, CIL charge options have been considered as part of the wider plan viability assessment and reflect the current legislation which allows for variation by area, use and scale. We have been mindful of the cost and value variations that exist at site

specific level within the District, and, and have sought to retain a substantial CIL buffer. The recommended CIL charges and refinements to the affordable housing policy are set out in the table below.

Table 1 Proposed CIL Charge options and affordable housing policy refinements

Use	Affordable housing policy / refinements	CIL charge per sq. m
Residential (less than 5 dwellings)	0%	Up to £200 per sq.m
Residential (5 – 14 dwellings)	Amend to 35%	Up to £150 per sq.m
Residential (15 dwellings or more)	40%	Up to £100 per sq.m
Southern Zone flats	20%	Up to £50 per sq.m
Northern Zone flats	Either 10%	Or up to £40 per sq.m
Convenience retail	n/a	Up to £80 per sq.m
All other developments	n/a	£0 per sq.m

10. The affordable housing and infrastructure delivery policies (and CIL charging schedule) should be set as flexible policies which will be adjusted at regular intervals to reflect changes in viability and to manage the delivery of planned growth. Review periods could be on a 3 – 5 year basis so as to give some certainty to developers, but also allow flexibility to adapt policy to reflect changes in viability and delivery.

11. Our assessment has identified a large number of individual policies in the Draft Preferred Options District Plan which are all related to infrastructure delivery. There is a need to bring these various policies together under one overarching infrastructure policy and delivery mechanism linked to a ‘live’ infrastructure delivery plan and schedule.

12. The infrastructure delivery process needs to adopt a proactive approach to managing the timely delivery of infrastructure. This will start with a clear assessment of infrastructure requirements, cost and funding, and developer funding mechanisms and be supported by a strong policy which reflects the latest legislation in relation to developer contributions.

13. This will allow EHDC and its partners to have a clear handle on what infrastructure is needed to enable the timely delivery of growth. This will also provide a better understanding of the cumulative impact of infrastructure costs, and will provide clarity to developers over the scale of contributions likely to be required for their schemes, and will avoid duplication of contributions by clarifying which mechanism will be adopted to part pay for the infrastructure (S106 / S278 or CIL).

1 STUDY SCOPE AND APPROACH

1.1 Introduction

1.1.1 Peter Brett Associates (PBA) LLP has been commissioned by East Herts District Council (EHDC) to assess the deliverability of the Draft Preferred Options District Plan 2014. For ease of presentation, the following two separate reports have been prepared by PBA as part of the overall study:

- Report one, the 'Delivery Study', focuses on assessing the deliverability of the four strategic sites known as the Gilston Area, North and East of Ware, East of Welwyn Garden City and South of Bishop's Stortford.
- Report two, this report, looks at the plan viability, affordable housing and Community Infrastructure Levy options to support the delivery of infrastructure and wider plan policies.

1.1.2 The study was commissioned in June 2014 and research informing the assumption inputs for this study was undertaken mainly during autumn 2014.

1.2 Purpose of study

1.2.1 The main purpose of this study is to assess that the requirements of the National Planning Policy Framework (NPPF) for plan viability are met. That is, the policy requirements in the Draft Preferred Options District Plan 2014 should not threaten the development viability of the plan. The objective of this study is to inform policy decisions relating to the trade-offs between the policy aspirations of achieving sustainable development and the realities of economic viability.

1.2.2 This report and the accompanying appraisals have been prepared in line with RICS valuation guidance. However, it is first and foremost a supporting document to inform the District Plan and planning policy. As per Professional Standards 1 of the RICS Valuation Standards – Global and UK Edition[1], the advice expressly given in the preparation for, or during the course of negotiations or possible litigation does not form part of a formal "Red Book" valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.

1.3 Defining local plan level viability

1.3.1 The 'Viability Testing Local Plans - advice for planning practitioners report prepared by the Local housing Delivery Group and chaired by Sir John Harman June 2012 (the Harman Report) defines plan viability as follows:

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

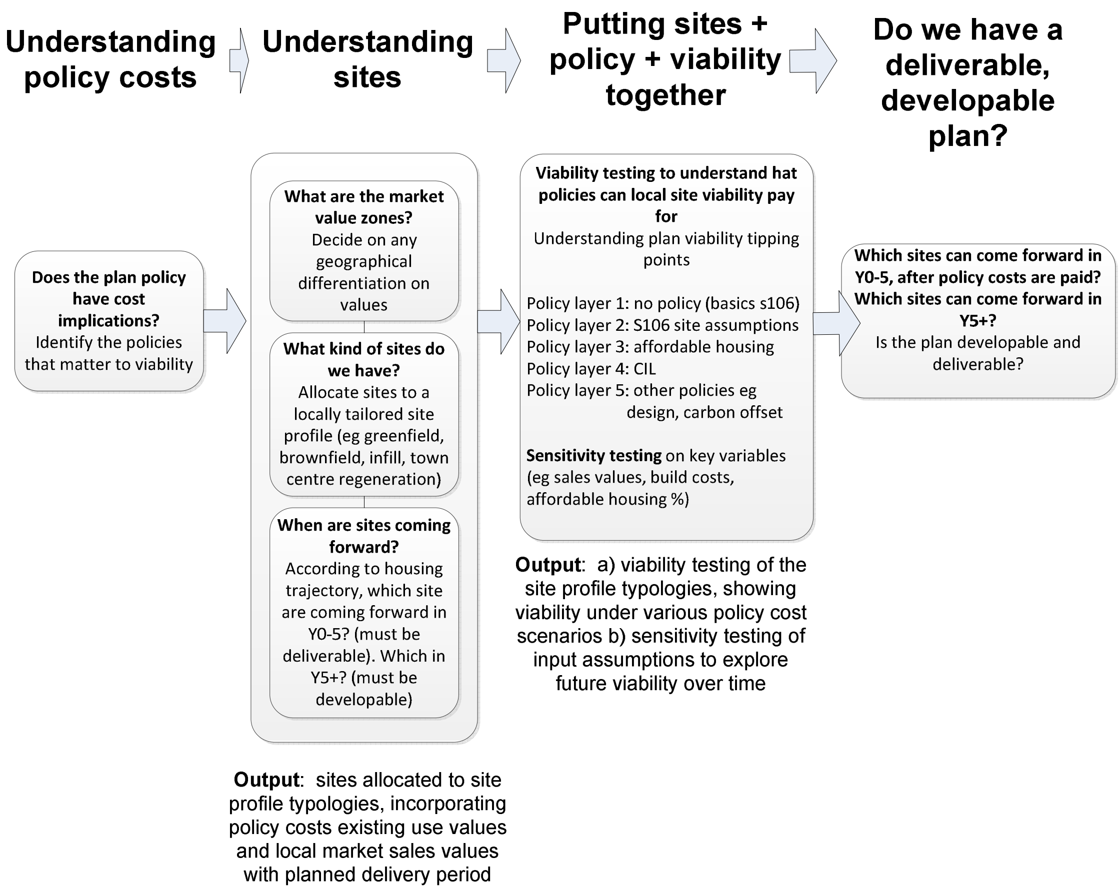
*'At a **Local Plan** level, viability is very closely linked to the concept of deliverability. In the case of housing, a Local Plan can be said to be deliverable if sufficient sites are viable (as defined in the previous paragraph) to deliver the plan's housing requirement over the plan period'.*

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

1.4 Study approach

1.4.1 The study approach is based on Government and industry guidance. Figure 1-1 illustrates the approach adopted to assess the plan level viability and this is explained further below.

Figure 1-1 Plan viability assessment process



Source: PBA 2015

Understanding policy costs

1.4.2 Articulating the impact of policy costs provides a starting point for the analysis. All policies included in the Draft Preferred Options District Plan 2014 have been provided by the client team to assess their impact on viability. This is based on an iterative process, which considers cost implications of policy and then makes refinements to the policy until an acceptable balance between viability and sustainability is reached.

Understanding sites

1.4.3 The next stage is to understand the sort of development sites likely to emerge through the planning process. In order to understand the sites, the following three questions are asked:

- What are the market value zones for the area? An otherwise identical development may have a very different value, depending on its location. The report seeks to understand how this economic geography might affect site viability in the area. Planned sites are allocated to these market value zones.

- What kind of sites are emerging through the plan? Different sites might have different viabilities depending on the existing use or condition of the site. This is taken into account. Planned sites are allocated to different typologies or categories tailored to local conditions.

- When are sites coming forward? An analysis is undertaken of the emerging housing trajectory to understand the time period that different developments are expected to come forward, and explore whether a site would be considered to be 'deliverable' in Years 0-5 of the plan, or 'developable' in Years 6 onwards in accordance with the NPPF.

Viability testing the sites

1.4.4 The next stage is to assess the viability of the site typologies. The approach is to add gradually escalating levels of policy costs in order to judge the point at which policy costs make development unviable.

1.4.5 Understanding the basic viability of sites and then adding policy costs such as affordable housing, infrastructure, and other policy requirements is the starting point. Further to this is to establish an understanding of the trade-offs involved between these policy choices, so that elected members and their officers may arrive at a reasoned and prioritised set of policy 'trade-offs'.

Assessing whether the plan is developable and deliverable

1.4.6 The output from this stage forms the central response to the overall study question – which is do we have a deliverable and developable plan?

1.4.7 With regards to the housing supply, the National Planning Policy Framework states that evidence must show the Inspector that the plan is 'deliverable' for the first five year period following adoption. The approach required for land for years 6-10 and beyond is different to that adopted for the sites expected in Years 0-5 of the plan. These residential sites need to be 'developable' and take account of longer term timescales and proactive interventions that may be put in place.

Stakeholder engagement

1.4.8 We are grateful for the valuable inputs provided by a range of stakeholders. The following stakeholder engagement has taken place as part of this study:

- A range of semi-structured interviews have been undertaken with local agents operating in the area during autumn 2014.
- A developer workshop and site promoter surgeries were held in autumn 2014.
- Interviews with some infrastructure providers were held in autumn 2014.

1.4.9 Appendix A provides details of the consultees.

1.5 Report structure

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

- Section 2 sets out the policy and legal requirements relating to plan viability, affordable housing and community infrastructure levy.
- Section 3 outlines the planning and development context and considers past delivery.

- Sections 4 to 7 work through each stage of the study approach outlined in figure 1.1 to arrive at the assumption inputs for the viability appraisals that are specific to East Hertfordshire.

- Sections 8 and 9 set out the viability assumptions and appraisal findings for the residential and non residential developments.

- Section 10 concludes by setting out the main findings and translates this into recommendations for the plan viability, affordable housing and preliminary CIL charge schedule.

2 NATIONAL POLICY CONTEXT

2.1 Introduction

2.1.1 This Section sets out the relevant national planning policy for plan viability.

2.2 National planning policy framework

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

2.2.2 The National Planning Policy Framework (NPPF) advises that cumulative effects of policy should not combine to render plans unviable:

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

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

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

2.3 Deliverability and developability considerations in the NPPF

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

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[2] DCLG (2012) National Planning Policy Framework (41, para 173)
[3] NPPF (para 160)

***To be deliverable**, "sites should be available now, offer a suitable location for development now, and be achievable, with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable."* [4]

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

2.3.2 This study deals with the viability element only, the assessment of availability, suitability, and achievability, infrastructure funding gap, and the timely delivery of infrastructure is dealt with by EHDC as part of the wider evidence base for the Local Plan and infrastructure planning.

2.3.3 The NPPF advises that a more flexible approach may be taken to the sites coming forward in the period after the first five years. Sites coming forward after Year 6 might not be viable now – and might instead be only viable at that point in time. This recognises the impact of economic cycles and variations in values and policy changes over time.

2.4 National policy on affordable housing

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

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

- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);

- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and

- where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.[7]

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

2.4.4 Note that the NPPF has not amended the definition of affordable housing to take account of the variety of first time buyer mortgage support schemes offered by both the government and developers. It is unclear how long such products will be on the market, but they are not

[4] NPPF (para 47, footnote 11 – note this study deals with the viability element only, the assessment of availability, suitability, and achievability is dealt with by the client team as part of the site selection process.
[5] NPPF (para 47, footnote 12)
[6] NPPF (para 50 and bullets)
[7] NPPF (p13, para 50)

classified as an 'affordable product'[8], although they may in some areas impact on the delivery of affordable products.

Threshold limits for affordable housing

2.4.5 At the start of this study we were working to the amended the National Planning Practice Guidance following the issue of a Ministerial Statement in November 2014[9] to require local authorities to adopt a national threshold for affordable housing. For areas such as East Herts the NPPG states that:

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

2.4.6 During the preparation of this study the national affordable housing threshold has been successfully challenged in July 2015 at the High Court by Reading Borough Council and West Berkshire District Council. Since this High Court decision, the NPPG notes that the threshold will be removed. So for the purpose of this study, EHDC have confirmed that the appraisals should test scenarios at the policy level without the previous national affordable housing threshold.

2.5 National policy on infrastructure and developer contributions

2.5.1 The NPPF requires authorities to demonstrate that infrastructure will be available to support development:

'It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up.' [11]

2.5.2 Understanding the type of infrastructure needed for the delivery of the plan and how this is to be funded is an important element of the delivery consideration. The local authority will need to determine which mechanism will be adopted to support future infrastructure delivery via developer contributions – see CIL section below.

Clarity on developer contributions and future SPD's

2.5.3 The Local Authority will need to clearly set out policies on developer contributions which are grounded in an assessment of viability. The NPPG states:

2.5.4 'Policies for seeking obligations should be set out in a development plan document to enable fair and open testing of the policy at examination. Supplementary planning documents should not be used to add unnecessarily to the financial burdens on development and should not be used to set rates or charges which have not been established through development plan policy.[12]*'*

2.5.5 Note the infrastructure assessment to inform the delivery considerations of the District Plan will be undertaken by EHDC. There will then be a consideration of which developer contribution mechanism to use for funding specific items of infrastructure, and ensuring that future SPD's do not introduce new financial burdens that have not been tested.

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[8] This is because the purpose of affordable housing is to help provide affordable housing for households in need over the long term.

[9] Ministerial Statement in Nov 2014 DCLG Support for Small Scale Developers

[10] NPPG Paragraph: 012 Reference ID: 23b-012-20141128

[11] Ibid (p42, para 177)

[12] NPPG Paragraph: 003 Reference ID: 23b-003-20140306

2.6 National policy on community infrastructure levy

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

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

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[13], as amended in 2011[14] , 2012[15], 2013[16] and 2014[17].
- The CIL Guidance which was updated in February 2014[18].

2.6.3 The 2014 Regulations have altered key aspects of setting the charge for authorities who publish a Draft Charging Schedule for consultation. The key points from these various documents are summarised below.

Striking the appropriate balance

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

- The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and
- The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.6.5 By itself, this statement is not easy to interpret. The guidance explains its meaning. A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for an authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

> *'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.*
>
> *This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area. .*

[13] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[14] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[15] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[16] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[17] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf
[18] DCLG (February 2014) Community Infrastructure Levy Guidance

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

'must strike an appropriate balance…' i.e. it is recognised there is no one perfect balance;

and the guidance states:

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

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence …… There is room for some pragmatism.' [19]

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

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole…..'[20]

2.6.8 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole. The focus is on seeking to ensure that the CIL rate does not threaten the ability to develop viably the sites and scale of development identified in the Local Plan. Accordingly, when considering evidence the guidance requires that charging authorities should:

'*use an area based approach, involving a broad test of viability across their area', supplemented by sampling '…an appropriate range of types of sites across its area…' with the focus '...on strategic sites on which the relevant Plan relies and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).* [21]

2.6.9 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable (some schemes will be unviable with or without CIL). The levy may put some schemes at risk, however, in aiming to strike an appropriate balance overall, the charging authority should avoid threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

Keeping clear of the ceiling

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

'…..if the evidence pointed to setting a charge right at the margins of viability………It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[22]

[19] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)
[20] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)
[21] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)
[22] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

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

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

Varying the CIL charge

2.6.12 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[23] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.6.13 The guidance also points out that charging authorities should avoid '*undue complexity*' when setting differential rates, and *'….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.'* [24]

2.6.14 Moreover, generally speaking, '*Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'*; otherwise the CIL may fall foul of state aid rules.[25]

2.6.15 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [26]

Supporting evidence

2.6.16 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[27]. The guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[28]

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

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

[24] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)

[25] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2.2.2.6)

[26] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)

[27] Planning Act 2008 section 211 (7A)

[28] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

Chargeable floorspace

2.6.18 CIL will be payable on most buildings that people normally use and will be levied on the net additional new build floorspace created by any given development scheme[29]. The following will not pay CIL:

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

Approaches to developer contributions to fund infrastructure

2.6.19 The approaches to developer contributions to fund infrastructure includes CIL and S106, as well as site enabling infrastructure provided directly by the developer. Each approach has different rules governing its application and it is important to avoid duplication.

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

2.6.21 Some developers have expressed concerns about 'double dipping' (i.e. being charged twice for the same infrastructure by requiring to pay CIL and S106). To overcome this concern, it is imperative that charging authorities are clear about the authorities' infrastructure needs and what developers will be expected to pay for and through which route. The guidance expands this further in explaining how the Regulation 123 list should be scripted to account for generic projects and specific named projects (see section 2:6:2:2 of the 2014 CIL guidance).

2.6.22 The guidance states that '*it is good practice for charging authorities to also publish their draft (Regulation 123) infrastructure lists and proposed policy for the scaling back of S106 agreements*.'[30] This list now forms part of the 'appropriate available evidence' for consideration at the CIL examination.

2.6.23 The guidance identifies the need to assess past evidence on developer contributions, stating '*as background evidence, the charging authority should also provide information about the amount of funding collected in recent years through Section 106 agreements, and information on the extent to which affordable housing and other targets have been met'*.[31]

2.6.24 Similarly, there are restrictions on using Section 278 highway agreements to fund infrastructure that is also included in the CIL infrastructure list[32]. This is done by placing a limit on the use of planning conditions and obligations to enter into Section 278 agreements to

[29] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Sections 2:1:1, 2:1:2 and 2:3:12)

[30] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:3)

[31] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:3)

[32] See section 2.6.5 of the DCLG (February 2014) *Community Infrastructure Levy Guidance*

provide items that appear on the charging authority's Regulation 123 infrastructure list. Note these restrictions do not apply to highway agreements drawn up by the Highway Agency.

The use of S106 is now part of a statutory test

2.6.25 The Council will levy S106 contributions in the now tightly controlled circumstances set out in CIL legislation. The CIL Regulations 2010 (as amended) Regulation 122(2) tests state that any S106 charge must meet three tests of being:

- Necessary to make the development acceptable in planning terms. For the local planning authority (LPA) to take account of S106 in granting planning permission it needs to be convinced that, without the obligation, permission should be refused.[33]
- Directly related to the development. If the LPA fails to show a real connection to the development in question, then it will be unlawful for the LPA to take account of S106 in granting permission.
- Fairly and reasonably related in scale to the development proposed.

2.6.26 From recent research we have undertaken elsewhere on S106 case law, we found that inspectors are now looking at:

- How the authority has taken account of infrastructure requirements (taking account of capacity evidence);
- How the authority has arrived at its infrastructure requirement.

2.6.27 A recent case that we are aware of in Chelmsford reinforces this view. At the appeal hearing, planning contributions were not at issue, but the inspector took issue at the way that contributions for open space (undertaken on a formula basis) had been applied. The Council was unable to demonstrate which project the open space funding contribution was going to be spent on, how it related to the development, and when it was going to be delivered. The inspector ruled that the tests for S106 contributions had been failed, and these contributions could not be sought. We understand that Thurrock has also been in a similar position.

2.6.28 The CIL Regulations specifically exclude affordable housing from the collection and expenditure of CIL revenues. Therefore, if affordable housing is sought as part of a development, this must still be undertaken through a S106 agreement.

2.6.29 A charging authority must be able to refer to a Local Plan policy, supporting S106 SPD, Area Action Plan for the site or similar formal policy document which says that, as a matter of policy, a Charging Authority requires the S106 costs it is taking into account. Policies would need to define not only the new developments but also the required infrastructure on a strategic site.

It is hard to pool S106 contributions for strategic infrastructure

2.6.30 From April 2015, five or more separate S106 agreements cannot be pooled to pay for strategic infrastructure. If there is no CIL, a local authority has no effective mechanism to raise money for strategic infrastructure. Because of this fact, there is a risk that a large development could be broken into five or more separate planning permissions, and escape paying for necessary supporting infrastructure. To be comfortable, the Council would need to be in a position to refuse applications that came in for parts of strategic sites, or would need to be clear about

[33] Planning Officers Society (2011) *Section 106 Obligations and the Community Infrastructure Levy* accessed 7 June
http://www.planningofficers.org.uk/downloads/pdf/POS_Advice_Note_S106_and_CIL_final_version_Apr2011.pdf

directing S106 payments to discrete elements of supporting infrastructure, but great care needs to be taken to manage this risk.

2.6.31 Some have suggested that scope of splitting a large project into smaller distinct part and then seeking contributions to that element. However, the general view from Government is to look to simplify the process in funding strategic infrastructure by using CIL to speed up the process and transparency.

What the CIL examiner will be looking for

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

- The charging authority has complied with the requirements set out in legislation.
- The draft charging schedule is supported by background documents containing appropriate available evidence.
- The proposed rate or rates are informed by and are consistent with the evidence on economic viability across the charging authority's area.
- Evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole.[34]

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

[34] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)

3 LOCAL DEVELOPMENT CONTEXT

3.1 Introduction

3.1.1 This Section briefly outlines the local development context in East Hertfordshire reviewing past development that has taken place, and outlining the planned growth in the emerging Local Plan. This development context has informed the viability appraisal assumptions and the study conclusions.

3.2 Past development patterns

3.2.1 Patterns of past development provide a guide to the likely patterns of future development (though note that this is highly dependent on the type of development sites available in the past). Table 3.1 below show the amount of residential completions over the period 2000/01 to 2011/12. The table shows that housing delivery has generally fallen short of the annual projected requirement of 750 dwellings per annum contained within the Draft District Plan Preferred Options 2014.

Table 3.1 Residential completions since 2000 - 2001

Year	Completions	Cumulative Completions
2000/01	464	464
01/02	605	1069
02/03	376	1445
03/04	250	1695
04/05	347	2042
05/06	562	2604
06/07	777	3381
07/09	557	3938
09/10	553	4491
10/11	469	4960
11/12	200	5160

Source: EHDC

Scale and type of past delivery

3.2.2 Table 3.2 overleaf shows the scale of permission granted over the past five years. This shows that the majority of recent planning applications have tended to be for developments under 10 dwellings (below the 2014 affordable housing threshold which has now been removed due to a High Court challenge). There were just a few schemes of 15 units or more.

Table 3.2 Residential planning permission granted by unit size since 2008 – 2013

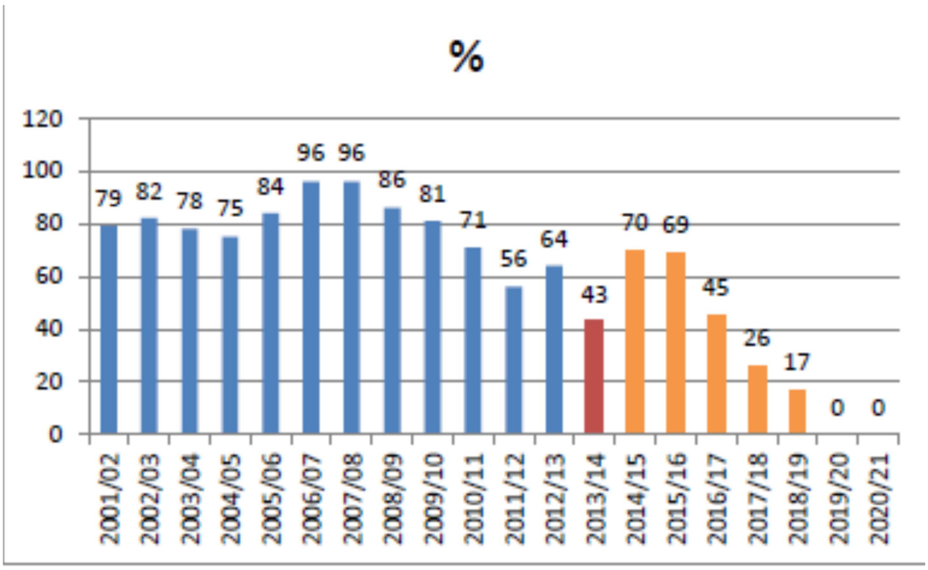
Permissions Granted since 2008-2014						
No. of units	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
1	58%	48%	59%	57%	52%	44%
2	14%	19%	15%	10%	19%	18%
3	6%	5%	3%	6%	6%	10%
4	6%	6%	4%	2%	6%	4%
5-9	12%	14%	10%	10%	7%	12%
10-14	5%	3%	4%	3%	0%	3%
Under 15	**100%**	**95%**	**97%**	**91%**	**93%**	**94%**
15-24	0	1%	1%	1%	1%	6%
25-49	0	1%	1%	1%	2%	6%
50-99	0	0%	0%	4%	1%	1%
100-199	0	1%	0%	1%	2%	1%
200+	0	0%	0%	0%	0%	6%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: East Hertfordshire District Council

Brownfield delivery

3.2.3 The delivery on brownfield land is forecast to fall in the future due to the majority of the brownfield allocated sites in the Local Plan having been developed as shown in Figure 3-1 below.

Figure 3-1 East Hertfordshire past housing completions on brownfield land



Source: East Herts Council and Hertfordshire County Council Monitoring (CDP reports), 2014

3.2.4 Two strategic brownfield sites are identified as important to the delivery of the plan – these include the Bishop's Stortford Goods Yard (200 units) and Mead Lane area (300 units).

3.3 Future development proposed in the East Herts Draft District Plan

3.3.1 During May 2014, the Council consulted on the East Herts Draft Preferred Options District Plan 2014. This sets out the vision and strategy for development across East Hertfordshire District Council for the period 2011 to 2031.

3.3.2 The housing trajectory included in the Draft Preferred Options District Plan 2014, shows the remaining element of the 15,000 dwellings spread over three five year timeframes. Note the actual quantum of housing growth to be provided is currently being reviewed in parallel with this study and will be finalised shortly. For this study, we have used the figures outlined in the Draft Preferred Options District Plan 2014.

3.3.3 Due to the limited capacity to accommodate the planned growth within the existing settlements, the bulk of the future housing supply is to be met through sites on the edge of settlements and within Broad Locations for Growth. The four largest schemes included in the Draft Preferred Options District Plan 2014 are:

- Gilston Area (5,000 – 10,000 units, 3,000 units of which to be delivered within the Plan period)
- North and East of Ware (200 – 3,000 units)
- East of Welwyn Garden City (1,700 units)
- Bishop's Stortford South (750 – 1000 units)

3.3.4 These four sites are considered in a separate report and not duplicated here. The large brownfield sites at Bishop's Stortford Goods Yard (400 units) and Mead Lane area (300 units) are considered as case studies in this report.

3.3.5 A range of smaller sites consisting of 50 to 300 dwellings have also been identified to help meet the immediate short term housing supply needs and these will be complemented with an allowance of windfall and smaller urban infill sites.

3.3.6 It is expected that delivery on smaller sites of less than 10 dwellings will continue due to the windfall allowances included in the trajectory.

3.4 Employment land

3.4.1 The Draft Preferred Options District Plan 2014 identifies that an additional 11 – 13 hectares (ha) of employment land will be delivered at the following locations:

- 3 ha to the north of Buntingford Business Park.
- 4 - 5 ha within the development at North of Bishop's Stortford.
- 4 – 5 ha within the development at South of Bishop's Stortford.

3.4.2 In addition, a number of existing locations have been formally designated as Employment Areas. The Council also envisages new employment land will be created through mixed-use developments at sites such as Bishop's Stortford Good's Yard to accommodate small scale business units.

3.5 Retail land

3.5.1 The Draft Preferred Options District Plan 2014 identifies the need to encourage the delivery of the following retail floorspace during the plan period:

- Convenience retail – an additional 7,100 sq.m of new floorspace
- Comparison retail – an additional 5,700 sq.m of new floorspace.

3.5.2 Note these floorspace figures do not include any existing commitments, and therefore the figures are for entirely new provision. This floorspace is likely to be channelled in the main town centres of the District.

Uses less likely to come forward

3.5.3 Some uses are currently considered unlikely to come forward over the plan period. These do not currently merit special treatment but will be kept under review. They are as follows:

- Hostels
- Scrap yards
- Petrol filling stations
- Selling and/or displaying motor vehicles
- Nightclubs
- Launderettes
- Taxi businesses
- Amusement centres
- Casinos

3.5.4 The land uses which are central to the delivery of the East Hertfordshire District Plan are expected to fall within a limited number of development types. The most important development types are:

- Residential – predominantly edge of settlement greenfield sites and a few strategic brownfield sites
- Industrial and warehousing
- Comparison and convenience retail (based on possible speculative development).

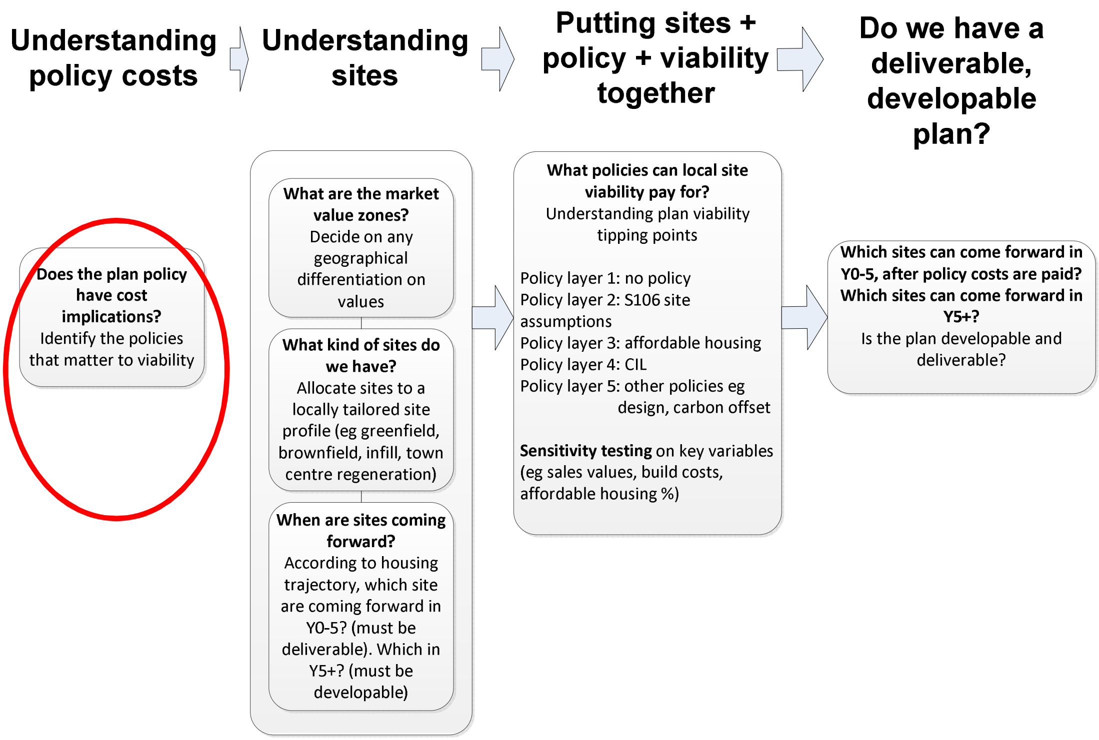
3.5.5 This report thus focuses on these types of development, aiming to ensure that they remain broadly viable after taking account of policy and CIL charge.

4 LOCAL PLAN POLICIES

4.1 Introduction

4.1.1 This section assesses the impact of local plan policies on viability as shown in Figure 4-1. The policies were identified by East Hertfordshire District Council officers who are most familiar with the emerging plan.

Figure 4-1 Process flow – understanding the policy cost



Source: PBA

4.1.2 The following sets out some guiding principles in terms of whole plan policy assessment and viability.

Viability testing is an iterative process

4.1.3 The Harman Report clearly identifies that viability assessment is an iterative process. The following extracts from the report help to demonstrate this point:

4.1.4 *'The assessment process should be iterative. Draft policies can be tested based on the assumptions agreed with local partners, and in turn those assumptions may need to be revised if the assessment suggests too much development is unviable.*

4.1.5 *This dynamic process is in contrast to the consideration of viability during development management, when policy is already set. This approach does make viability assessment more challenging, particularly when considering the potential viability of plan policies over the whole plan period and across the different sub-markets of the plan area. However, a demonstration of viability across time and local geography will be of much more value to local decision making and will help develop a local shared understanding of deliverability. None of the above is intended to suggest that the outcome of a viability assessment should dictate individual policy decisions. Rather, the role of an assessment is to inform the decisions made* *by local elected members to enable them to make decisions that will provide for the delivery of the development upon which the plan is reliant. What is important is that consideration of overall viability is part of the evidence base on which those decisions rest and which is subjected to test, challenge and debate at examination. Carrying out an assessment is a means of reducing the risk of plan policies based on aspirations that are unviable and therefore incapable of being applied in practice*. (Harman Report page 11)

4.1.6 *Therefore, if an initial viability assessment determines that, for example, the plan's housing requirements are not deliverable, factors such as plan policies or the geographical distribution of housing land will need to be reconsidered and balanced until the plan is judged deliverable within the principles of sustainable development*. (Harman Report page 40)

Flexibility and review mechanisms should be incorporated

4.1.7 The Harman report acknowledges that viability will change over the plan period which will frequently cover durations of fifteen years or more. The report recommends that policies should be subject to review to enable planning authorities to take account of changes in market conditions. Otherwise significant changes in market conditions (viability assumptions) could lead to challenges of the plan policies at the point of making planning applications.

Further planning documents should not introduce additional cost

4.1.8 The NPPF clearly states that further planning documents should not be used add to financial burden:

4.1.9 '*Any additional development plan documents should only be used where clearly justified. Supplementary planning documents should only be used where they can help applicants make successful applications or aid infrastructure delivery, and should not be used to add unnecessarily to the financial burdens of development*.' NNPF para 153

4.1.10 The Harman report also advises that because of the key role of the viability assessment in identifying the cumulative impact of policies, once a plan is in place, additional costs to development should not be introduced that will alter the viability and potentially render the plan-wide testing redundant. For this reason, having established the viability of the Local Plan (and associated Community Infrastructure Levy), planning authorities should critically examine the financial implications from the subsequent adoption of any Supplementary Planning Documents (SPDs) or Development Plan Documents (DPDs). Any subsequent polices or SPDs should not be progressed without a robust and proportionate review of the plan's viability.

4.1.11 PBA has undertaken a presentation to East Herts District Council Members on plan viability - outlining the importance of trade-offs in policy that might be required to support the delivery of infrastructure (see October 2015 reports on EHDC website).

4.2 Plan viability policy assessment matrix

4.2.1 We have reviewed the planning policies contained in the East Herts Draft District Plan Preferred Options Consultation document (February 2014 to May 2014). The findings are set out in Appendix B. As part of this process, where appropriate, we have worked with the District Council officers to suggest changes to the draft policies in order to:

- Avoid duplication in policy cost burden with other existing national standards e.g. through Building Regulations or the emerging Housing Standards Review, so that focus can be given to locally important policy requirements.

- Merge or cross reference the policy cost element relating to infrastructure requirements into a single overarching infrastructure policy so that it is clear and transparent for developers to articulate the requirement and cost implications for infrastructure.

- Incorporate flexibility and review mechanisms to allow for a review of the policy if market conditions change or if site specific viability is challenging.

4.2.2 After discussion with the client team, we have recommended the removal of some policy requirements that create a cost burden or are already incorporated with Building Regulation or other national requirements included a cost estimate in the viability assessment for those policies that still remain or suggested merging with other policies.

4.2.3 Appendix B summarises the assessment undertaken to inform the plan viability assessment. Some of the policy costs are included within existing appraisal assumptions. However, other additional costs are identified as 'separate policy layers' which are taken forward in the viability cost assumptions.

4.3 Policy costs arising from whole plan policy assessment

4.3.1 Based on the policy matrix assessment set out in Appendix B, the main policies identified as having an impact on viability are:

- **Affordable housing policy HOU3** – the viability assessment undertaken as part of this study will inform the affordable housing policy. We provide a brief summary of past delivery later in this section.

- **Infrastructure requirements DEL1** – there are a number of policies which have an implication on infrastructure requirement, including thematic policies relating to health, open space, transport and site specific policies relating to various sites identified in the Plan. We set out a simplified and more flexible approach to managing infrastructure delivery later in this section.

- **Efficient use of water resources WAT3** – as East Herts is in a water stress area, a policy layer to include the provision of features to promote the efficient use of water have been incorporated as an additional policy layer tested as part of the viability assessment.

- **Gypsies and Travellers and Travelling Show People HOU7 –** the policy requirement is developing, for this study a cost estimate per pitch has been factored into each of the strategic sites delivery study appraisals (separate study).

4.4 Affordable housing need, policy and past delivery

Needs assessment and draft policy

4.4.1 The Strategic Housing Market Assessment (SHMA) informing the Draft Preferred Options District Plan 2014 identified an affordable housing requirement of 49% of all housing provided. Policy HOU3 in the Draft Preferred Options District Plan 2014 has evolved from previous work undertaken on affordable housing need and viability. This draft policy sets out the following requirements:

- Up to 30% on sites of 5 to 14 gross additional dwellings, or between 0.17 and 0.49 ha.

- Up to 40% on sites of 15 or more gross dwellings or 0.5 ha or more in size.

- For 5 to 199 dwellings, a mix of 75% social / affordable rent and 25% intermediate tenure.

- 200 or more dwellings to provide a mix of 60% social / affordable rented and 40% intermediate tenure.

4.4.2 The policy allows flexibility from these percentages to reflect site specific infrastructure priorities and viability evidence being provided. It is also assumed that the there is a threshold of 5 units, so units of four or less are not required to provide any affordable housing.

4.4.3 During the preparation of this study the national affordable housing threshold has been successfully challenged in July 2015 at the High Court by Reading Borough Council and West Berkshire District Council. Since this High Court decision, the NPPG notes that the threshold will be removed. So for the purpose of this study, EHDC have confirmed that the appraisals should test scenarios at the policy level without the previous national affordable housing threshold.

Past delivery and future direction

4.4.4 In terms of actual delivery, based on research undertaken by EHDC the majority of schemes were not eligible to provide any affordable contribution due to the fact they were below the local threshold of14 units.

4.4.5 Of the schemes that were eligible to make contributions towards affordable housing, eleven made the full 40% affordable housing contribution. A further six schemes contributed between 35% and 39% affordable housing.

4.4.6 Going forward, this Plan Viability study will review the policy requirement and make recommendations for the percentage of affordable housing based on viability which reflects the changes to thresholds, and takes account of infrastructure requirements.

4.5 Infrastructure need, policy and past delivery

Infrastructure needs assessment

4.5.1 EHDC has prepared an Infrastructure Topic Paper which identifies various issues in relation to infrastructure requirements. The work will inform the preparation of a district wide Infrastructure Delivery Plan. Our approach to the wider planned growth infrastructure assessment has been informed by interviews with the following service providers (see Appendix A for stakeholders consulted and Appendix E for infrastructure critical path chart):

- **Education** - The response was that most schools in East Herts are at, or near, capacity, and existing consented sites will absorb any available capacity. The service providers are exploring options for expanding capacity at present, and new growth, including the first five year delivery will need additional capacity. The initial assessment indicates this will be created through expansion of existing schools and standalone new schools as part of the strategic sites.

- **Health -** The response was that most GP surgeries in East Herts are at, or near, capacity, particularly in Bishop’s Stortford and Hertford. The service providers are exploring options for expanding capacity, and new growth, including the five year delivery will need additional capacity.

- **Foul water** - Capacity from unrealised growth (due to the downturn in housing development and efficiency measures) means that there is foul water capacity to cater for growth over the wider catchment area up to 2026 (depending on the rate of delivery). After that time it is likely that additional provision will need to be made. Additional plant capacity could be provided without any extension of the Rye Meads treatment works site and without any encroachment into the adjacent SSSI. However, it is important to note that the overall impact and treatment capacity will be affected by the cumulative effects of development from all the adjacent local authority areas also served by Rye Mead. Thus the current view expressed by Thames Water is a snap shot in time.

- **Transport** assessment – PBA sought to understand the site specific and cumulative impact on town centres and strategic transport networks arising from the proposed growth based on documented evidence and consultation with a wide range of stakeholders. The findings are incorporated in the accompanying Delivery Study report.

4.5.2 The Draft Preferred Options District Plan 2014 does include an indication of the type of likely infrastructure requirements to support the planned growth for some of the larger sites, and account has been taken of these requirements in informing the deliverability considerations of the plan. None of the wider plan sites, apart from the strategic sites, are expected to provide any major site specific infrastructure such as a school or doctor's surgery or community facility. In most cases, there will be a need to expand existing provision or create new strategic shared provision which could be funded by CIL in the future.

4.5.3 No major issues have been identified to prevent the delivery of the non strategic growth. The concern from service providers is the cumulative impact of growth on transport, health, education etc. and the need to ensure that appropriate additional infrastructure capacity continues to be provided in a timely manner. Ongoing engagement with infrastructure delivery service providers should form part of the infrastructure delivery mechanism to inform a 'live infrastructure delivery plan'.

4.5.4 A separate infrastructure delivery plan to be prepared by EHDC will detail the type and range of infrastructure to support the delivery of planned growth for the Local Plan and the evidence base for the CIL funding gap and Regs 123 list to avoid duplication with S106 contributions.

Infrastructure policy

4.5.5 There are a number of local plan policies in the assessment matrix that relate to the delivery of infrastructure. This can make it very difficult for a developer to assess the 'total ask' for a scheme. Similarly, in informing the plan viability assessment, it is important to have clarity as to the likely cost of infrastructure. Appendix D includes a summary table which identifies the majority of policies currently in the draft Local Plan, including those that relate to infrastructure requirements.

4.5.6 We would suggest that these individual policies on infrastructure should be simplified and approach to their delivery and funding mechanism should be linked to a single overarching infrastructure requirements and delivery policy. This would be linked to an Infrastructure and Delivery Plan. The aim of this is to provide a better understanding of the cumulative impact of infrastructure costs on viability and delivery and provide clarity over the scale of contributions likely to be required from developers, and avoid duplication of contributions by clarifying which mechanism will be adopted to pay for infrastructure (S106 / S278 or CIL).

4.5.7 For this study, in consultation with EHDC, we have assumed that the various policies relating to infrastructure will be grouped together and addressed through the live infrastructure delivery plan. Various sources of funding will be used to support the delivery of infrastructure, including developer contributions, either in the form of a community infrastructure levy charge (CIL) or a planning obligation.

4.5.8 There is a Planning Obligations SPD dated October 2008 which sets out thresholds and guidance for different infrastructure contributions for EDCU and Hertfordshire County Council infrastructure provision, in addition there is a toolkit prepared by Hertfordshire County Council. These precede the legislation on planning obligations through the Planning Act 2008 and subsequent CIL Regulations, and will require updating to be compliant with the changes in the way developer contributions can now be sought, pooled and spent.

4.5.9 PBA has prepared a member briefing note in November 2014 (See EHDC website for a copy of this) considering the policy trade-offs and recent planning legislation affecting infrastructure delivery and provided guidance to EHDC officers on the effect of legislation changes to such issues a pooling infrastructure, and differentiating between site specific and strategic infrastructure.

4.5.10 A key point to note is that there has been a threshold of 10 units for all other contributions including health and county council infrastructure. Schemes under ten dwellings have generally not been required to make a S106 contribution (as the most common contributions relate to education, transport and health infrastructure). They have also not been required to make a contribution towards affordable housing. Thus any future developer contributions could be difficult to accept.

Developer contributions secured and future direction

4.5.11 East Herts District Council has produced a summary table of past developer contributions of twenty four schemes of varying sizes since 2009. The main findings from this assessment are as follows:

- Most of the developer contributions have been for education and to a lesser extent for transport contributions. Some schemes have made contributions for open space, community facilities, waste and recycling, library, youth facilities. However, the majority of contributions have been for education. The total contributions achieved range from £300 per unit to £8,000 per unit. The total average S106 contributions of the schemes reviewed is £5,300 per unit.

- Schemes of 100 to 200 dwellings have provided variations of affordable housing ranging from 20% to 40% and infrastructure contributions ranging from £2,000 to £8,000 as S106.

4.5.12 Going forward, EHDC will only be able charge a planning contribution (S106) in the tightly controlled circumstances set out in recent legislation. With the exception of affordable housing requirements, the CIL Regulation 122(2) tests require that developer contribution charge must meet three statutory tests of being:

- Necessary to make the development acceptable in planning terms.

- Directly related to the development.

- Fairly and reasonably related in scale to the development proposed.

4.5.13 If a planning obligation does not meet all of these tests it cannot legally be taken into account in granting planning permission, and any off site or strategic infrastructure cost requirements can only be collected if EHDC has a Community Infrastructure Levy in place (apart from the pooling of five contributions). This study will inform the level of CIL charge for the preliminary draft consultation stage and will guide the infrastructure delivery assessment being undertaken by EHDC

4.6 Other policies that impact on viability and deliverability

Mineral policy and impact on delivery timeframes and layout

4.6.1 The NPPF encourages the prior extraction of minerals, where practicable for non-mineral development to take place. Hertfordshire County Council (HCC) has an adopted Minerals Local Plan policy and Minerals Consultation Areas (MCA) Supplementary Planning Document[35]. The Minerals Local Plan includes a Mineral Sterilisation Policy. The effect of the

[35] http://www.hertsdirect.org/services/envplan/plan/hccdevplan/mlp/

policy is particularly important to the planned growth in East Herts as much of this is within the identified MCA for sand and gravel.

An initial review by HCC suggests that some of the sites that form part of this Plan Viability study may have mineral deposits[36] and would benefit from a mineral assessment scoping report to assess the economic viability for extraction prior to development. In most cases we are likely to be dealing with fairly small sites (apart from the strategic sites) and it would be helpful if the Local Authorities could review the sites in the plan and provide a threshold size to inform the minimum scale at which point a site might be considered as not economically viable and so would be required to undertake further mineral assessment.

[36] These sites include Sawbridgeworth, land north, west and south of Hertford,

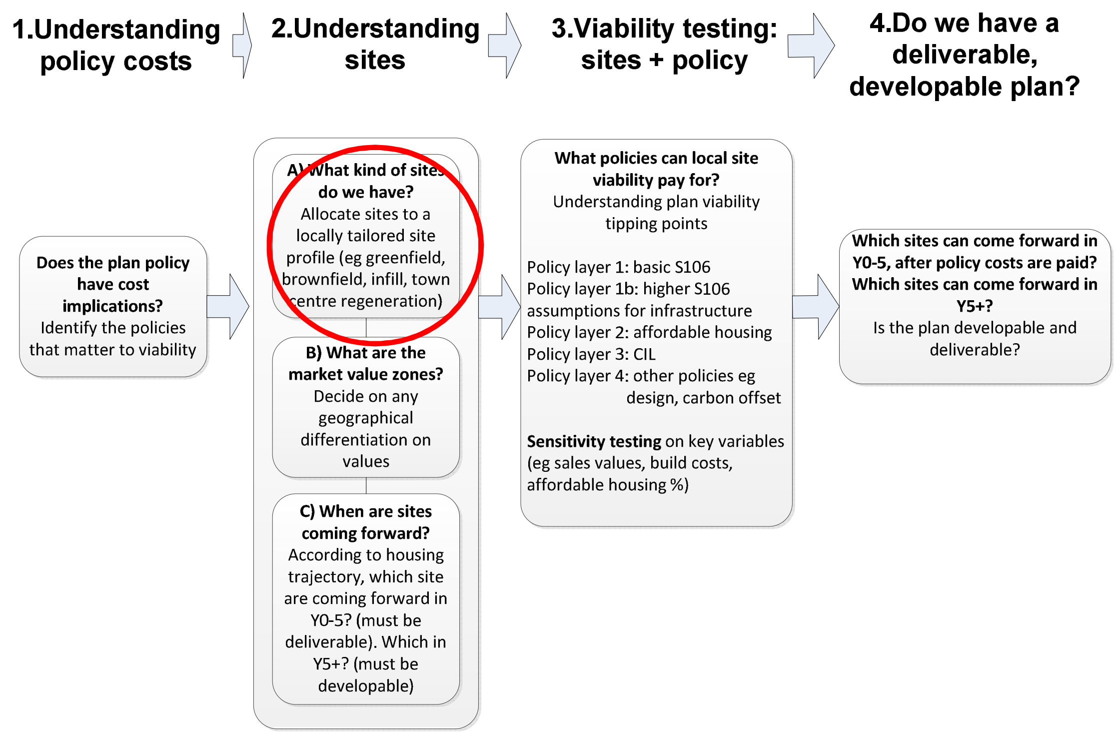
5 THE SITE TYPOLOGIES

5.1 Introduction

5.1.1 This section, as shown in Figure 5-1 seeks to allocate the development sites to an appropriate development typology. This allows the study to deal efficiently with the very high level of detail by adopting typologies that are representative of the type of sites that make up the bulk of the Plan supply. This approach is proposed by the Harman Report, which suggests ‘a more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies’.[37]

5.1.2 The typologies are supported with a selection of case studies (see Delivery Study report) reflecting CIL guidance (2014) which suggests that ‘a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).

Figure 5-1 Process flow – understanding the plan typologies



5.2 East Hertfordshire site typologies

5.2.1 The sites were allocated to typologies that best reflect the type of sites likely to come forward in East Hertfordshire based on the Strategic Land Availability Assessment (SLAA) sites but also on the review of past delivery of sites. The site typologies created for the East Hertfordshire viability study are summarised in Table 5.1.

Table 5.1 East Hertfordshire residential site typologies and case studies

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

Typology and case studies	No units	Density (dph)
Housing 4 units	4	30
Housing 10 units	10	30
Housing 20 units	20	30
Housing 50 units	50	30
Housing 150 units	150	30
Flats 4 units	4	75
Flats 15 units	15	75
Flats 60 units	60	75
Mead Lane, Hertford brownfield	300	100
Bishop's Stortford Goods Yard brownfield	450	115

Source PBA

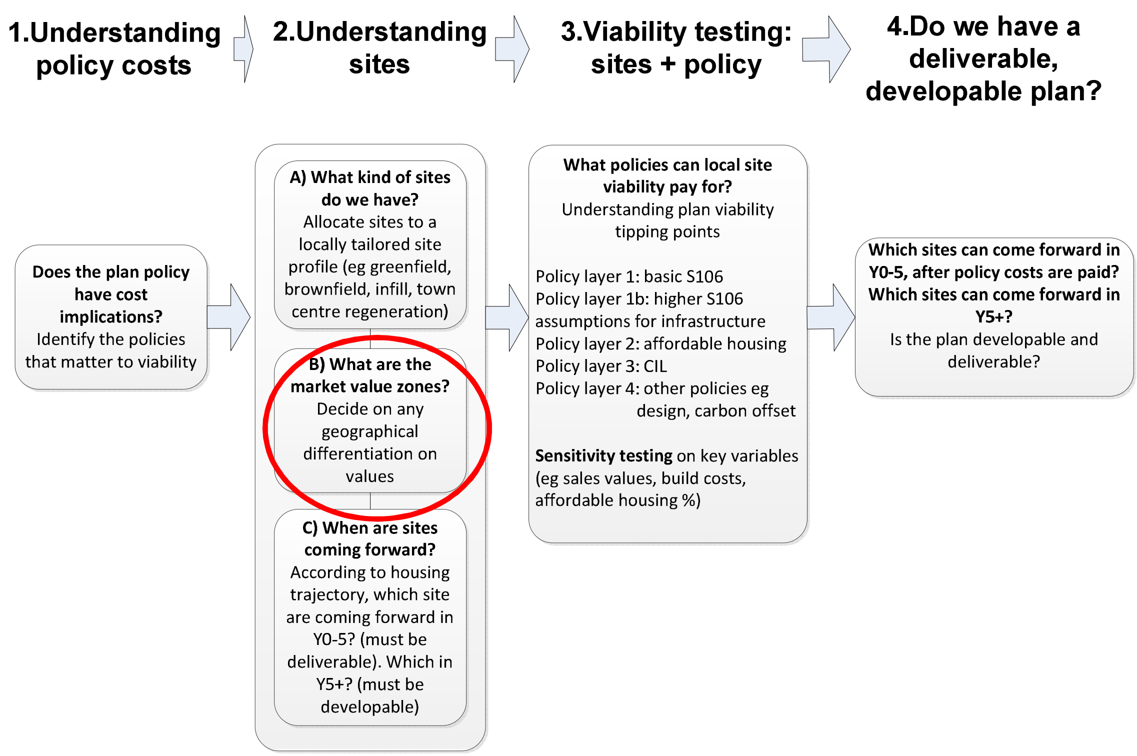
5.2.2 In addition, a selection of strategic sites (see separate report) and two brownfield case studies for Bishop’s Stortford Goods Yard and Mead Lane were tested, with input from agent and developer consultations and developer workshops. It is assumed that bigger schemes are likely to be sold in smaller parcels represented in the site typologies.

6 THE MARKET VALUE ZONES

6.1 Introduction

6.1.1 A major determinant of the viability of a site is its location. Site locations affect viability through the interaction of supply and demand for land in a particular location. This feeds through into house prices and land values and thus site viability, assuming that other things are equal. This section, as shown in Figure 6-1 looks at the make-up of the market value zones for residential development based on sales value.

Figure 6-1 Process flow – understanding the market value zones



Source: PBA

6.2 Setting viability zones for residential development

6.2.1 We arrive at the value zones based on interviews with local agents, and an analysis of recent new build property values on the market based on web research. Unfortunately there were just over 40 new properties on the market providing a very small sample size. We have also reviewed some 10,000 historic transactional data from 2010 to 2014 of both new and old property transactions based on data provided by the Land Registry. Finally in arriving at the market value zones, we take account of where the bulk of growth is likely to create a simplified zonal area.

Market commentary from local agents on value zones

6.2.2 The feedback from local agents operating in the area has highlighted the following comments in relation to value zones:

- There is a very high demand for property in the district as not much new development has been forthcoming, so anything tends to sell quickly.

- The highest value areas are those to the south of the district closest to London. Rural areas and towns to the north of the district, further away from fast train links to London lose value quickly.
- Values are highest in town centres with fast rail links to London. To the very north of the district, values for new properties can be up to 20% lower.
- In terms of highest to lowest value, the areas are - Welwyn village and Garden City; Hertford; Ware; Bishop's Stortford; Buntingford & rural north.
- There is a particular shortage of two bedroom houses in the area.
- Generally locations closest to train stations, within walking distance of town or village centres and well performing schools command the highest values.

Research of sales values based on transactional data

6.2.3 Sales values are a reasonable, though imperfect proxy for value zones. An average house value range may be broadly correct, however, it is possible to have some individual house price variations. Even between areas with different average prices, the prices of similar houses in different areas may considerably overlap.

6.2.4

sets out finding of average sales prices from our research of past transactional data for new build properties and

6.2.5 Table 6.2 sets out the average sales values for new and old build properties based on a review of some 10,000 properties.

Table 6.1 Average values for new build properties transacted during 2010 – 2014

	Flat		House	
Row Labels	**Average of HousePrice**	**Count of HousePrice**	**Average of HousePrice**	**Count of HousePrice**
BISHOP'S STORTFORD	£215,265	118	£446,567	30
BUNTINGFORD	£210,000	2	£350,289	126
HERTFORD	£282,691	148	£437,609	163
SAWBRIDGEWORTH	£186,938	8	£418,679	61
WARE	£190,745	77	£425,412	93
Grand Total	**£237,514**	**353**	**£416,307**	**498**

Source: PBA based on Land Registry data of some 850 new build dwellings transacted

Table 6.2 Average values for new and old properties transacted during 2010 - 2014

	Flat		House	
Row Labels	**Average of HousePrice**	**Count of HousePrice**	**Average of HousePrice**	**Count of HousePrice**
BISHOP'S STORTFORD	£172,890	547	£325,679	2140
BUNTINGFORD	£154,333	24	£361,442	600
HARLOW	£501,667	3	£450,921	19
HERTFORD	£211,972	748	£365,625	2078
MUCH HADHAM			£560,355	80
SAWBRIDGEWORTH	£161,666	114	£360,024	585
STEVENAGE	£170,964	14	£457,285	193
WARE	£172,163	723	£355,134	1849
Grand Total	**£185,749**	**2173**	**£355,580**	**7544**

Source: PBA based on Land Registry data of just under 10,000 new and old dwellings transacted

6.2.6 Note all the properties included in these two tables relate to properties within East Hertfordshire, though they may have postcodes that relate to adjoining local authority areas.

6.2.7 The research findings are generally consistent with the feedback from the agent interviews, that properties in Welwyn Garden City and surrounding settlements with East Herts command some of the highest values. Areas in the south of the district, including Hertford, Ware and villages close to Harlow with access to the train stations to London also have some of the strongest values.

6.2.8 The findings for Buntingford and Bishop's Stortford suggest that new properties in Buntingford have a lower value than older properties, whilst the opposite is true in the case of Bishop's Stortford, where the small sample of new properties have a considerably higher value than the general average values for the area for old and new properties.

6.3 Arriving at a simplified value zones map

6.3.1 An important determinant of viability of a site is its location and accompanying value zone, particularly for residential use. This feeds through into house prices and land values and thus site viability. So the starting point is to articulate the market value zones affecting the bulk of the development. The value zones are based on 'appropriate available evidence' available from a range of sources.

6.3.2 Sales values are a reasonable, though imperfect proxy for value zones. An average house value range may be broadly correct; however it is possible to have some individual house price variations. Even between areas with different average prices, the prices of similar houses in different areas may considerably overlap. Therefore, to keep the process simple, account is taken of the likely future patterns of growth, and where appropriate broader value zones are merged.

6.3.3 It is important to highlight that these are approximations of values aimed at creating a simplified approach at this plan level assessment - however we acknowledge there are considerable variations which will be picked up at planning application stage. The research did identify some exclusive developments for very large, expensive properties in the central rural villages in the northern zone, however given the scale of development proposed in these locations, it is suggested this area is best grouped with the northern zone in order to avoid a complex CIL charging schedule. Our assessment of new build properties in Ware and Hertford also suggests very similar values exist for new properties and so these areas have been merged to create one value zone area.

6.3.4 We have also reviewed the sales prices for new build properties on the market during October 2014, to provide an indication of the per square metre sales values for the zones. Appendix C provides a summary of recent sales values for new properties being transacted. Although this is based on a small sample it is useful evidence when considered alongside the wealth of other sales value data gathered for this study, the feedback from agents and the developer workshop, previous viability research undertaken by Lambert Smith Hampton (LSH) for East Herts and an assessment of where the bulk of the planned growth is likely to take place in the future.

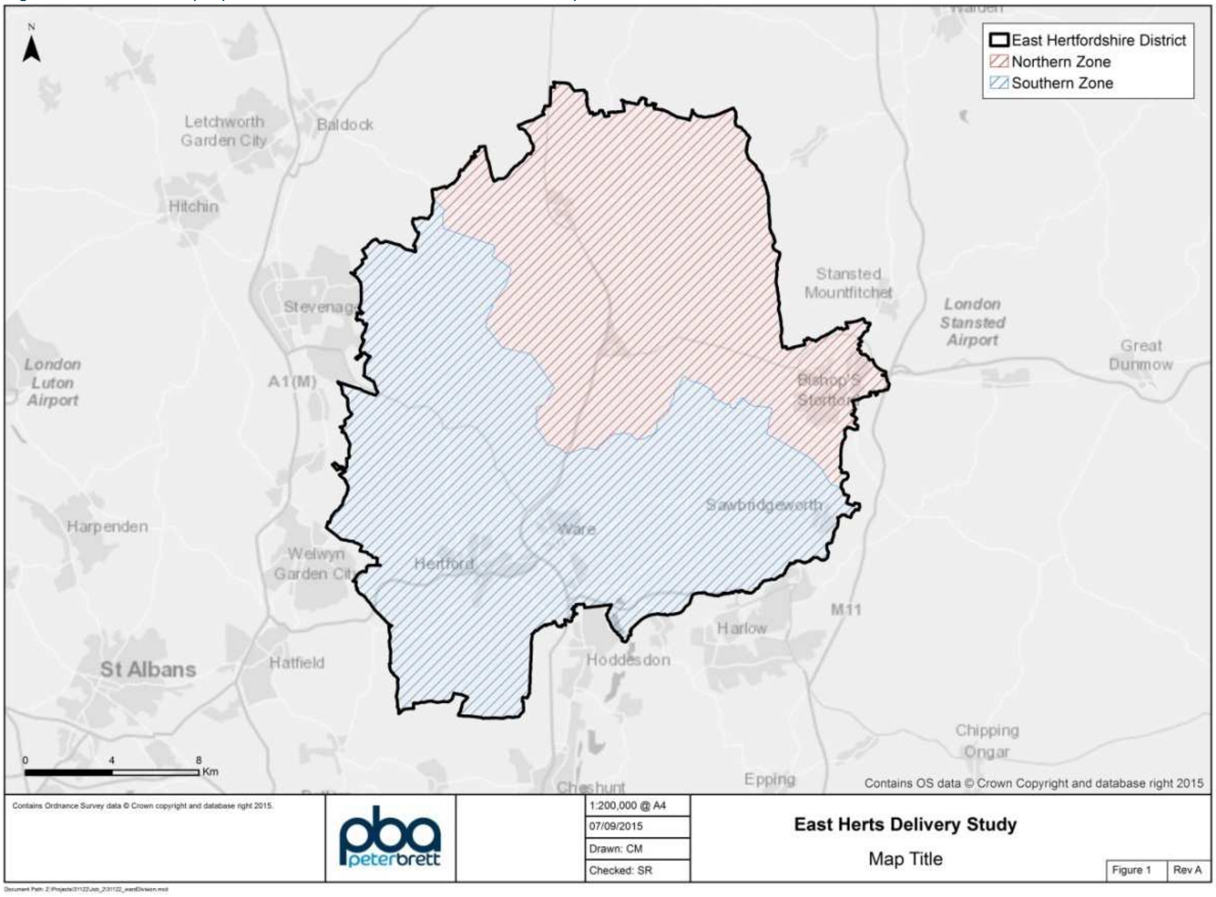
6.3.5 The assessment in this section, including the consultations with the client team favours allocating the East Hertfordshire residential market into two simplified value zones which reflects the bulk of the planned development sites.

6.3.6 Figure 6.2 shows the value zone areas and values adopted for this study. The following value zones have been adopted:

- Northern zone consisting of Buntingford, Central rural villages and Bishop's Stortford @ £3,500 per sq. m

- Southern zone consisting of Ware, Hertford and western rural villages @ £3,700 per sq.m

Figure 6.2 East Herts proposed value zones for residential development



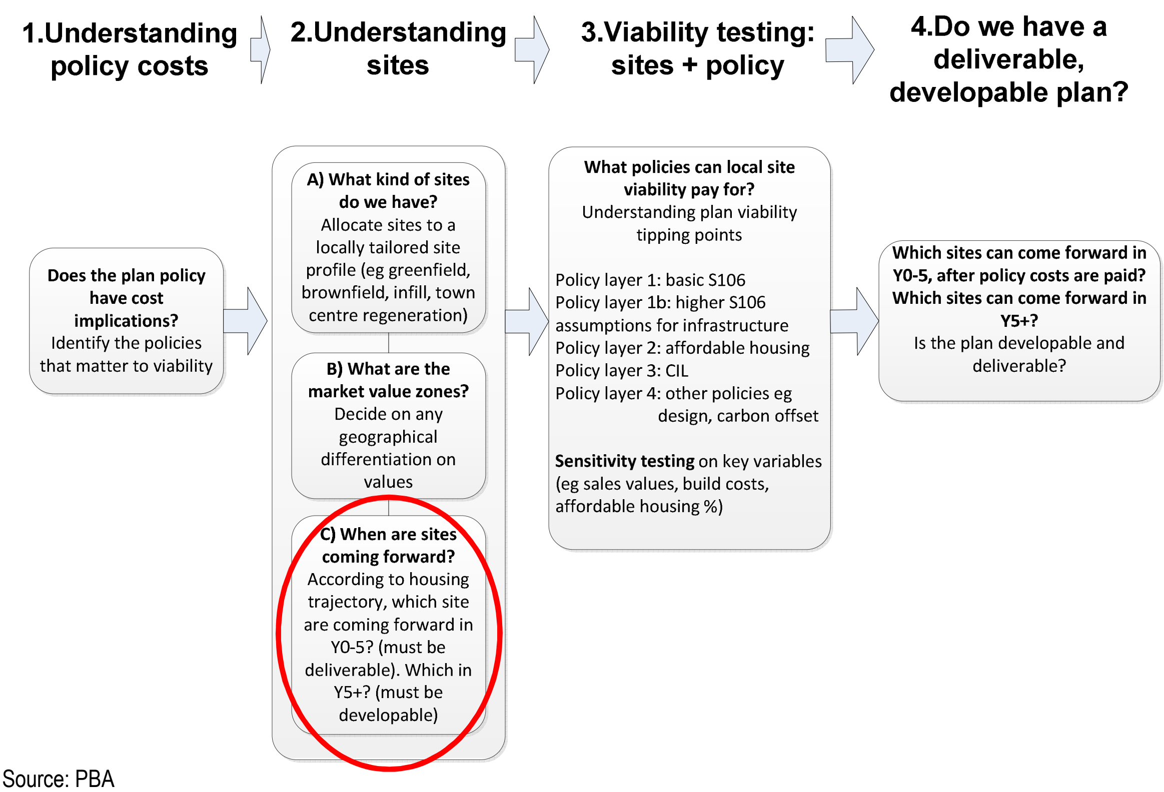
Source: PBA

7 THE PLANNED RESIDENTIAL TRAJECTORY

7.1 Introduction

7.1.1 The objective in this section, as shown in Figure 7-1 is to understand and allocate development sites to an appropriate timescale. This has been achieved through analysis of the emerging housing trajectory to understand the broad time frames that different developments are expected, and explore whether sites are 'deliverable' in Years 0-5 of the plan, or 'developable' in Years 6 onwards.

Figure 7-1 Process flow – understanding when the planned growth will take place



Source: PBA

7.2 Timescales when sites are expected to come forward

7.2.1 The Draft Plan sets out the vision and strategy for development across East Hertfordshire for the period to 2031. Table 7.1 Draft Preferred Options District Plan 2014 housing trajectory overleaf is a copy of the draft Local Plan trajectory, setting out the estimated delivery of the various sites in five yearly timescales.

7.2.2 As can be seen from this, the first five year housing supply consists of some 4,400 dwellings based primarily on sites with planning permission - the largest of these is the North of Bishop's Stortford development consisting of 1,300 dwellings during the first five year phase of 2016 – 2021.

7.2.3 The unconsented sites during the first five years comprise of smaller edge of settlement greenfield sites ranging from around 50 units to 500 units. The main unconsented brownfield site within the first five year allocation is the Hertford Mead Lane site, which involves the regeneration of an underused employment site to a mixed use development[38]. Other brownfield sites such as land south of Buntingford on land formerly known as the Sainsbury's Distribution Depot site have been granted planning consent and 300 dwellings are assumed to form part of the five year housing supply.

7.2.4 Given the importance of understanding the delivery of the larger strategic sites, a separate report has been prepared for the four larger strategic sites – including an assessment of the South of Bishop's Stortford site which is included in the five year housing trajectory. This site is currently unconsented though we are informed that the promoters are preparing to submit a planning application imminently.

7.2.5 The housing trajectory making up the five year supply has been carefully considered to ensure that the appraisal assumptions reflect the sites coming forward. The past delivery trend analysis presented earlier has also helped to shape the assumption inputs.

[38] See HERT 2 Mead Lane Area policy in Draft Preferred Options District Plan 2014.

Table 7.1 Draft Preferred Options District Plan 2014 housing trajectory

	A	B	C	D	E	F	G	H
1			**2011-2016**	**2016-2021**	**2021-2026**	**2026-2031**	**2011-2031**	**After 2031**
2	Other	Windfall allowance	0	450	400	350	**1200**	
3	Other	Completions	1,082	0	0	0	**1082**	
4	Other	Commitments	1,572	0	0	0	**1572**	
5	Other	Group 1 Villages	0	250	125	125	**500**	
6	SLAA	Bishop's Stortford Urban Area	0	75	172	0	**247**	
7	Allocation	Bishop's Stortford Goods Yard	0	0	200	0	**200**	
8	Allocation	Hadham Road Secondary School Reserve Site, Bishop's Stortford (increase to 250 in 2016-2021 if secondary school not required)	0	0	0	0	**0**	
9	Allocation	North of Bishop's Stortford (reduce to 2,350 if secondary school required)	0	1300	800	500	**2600**	
10	Allocation	South of Bishop's Stortford (reduce to 750 if secondary school required)	0	500	500	0	**1000**	
11	Allocation	East of Bishop's Stortford	0	150	0	0	**150**	
12	SLAA	Buntingford Urban Area	0	13	0	0	**13**	
13	Allocation	Buntingford South (former Depot)	0	300	0	0	**300**	
14	Allocation	Buntingford North	0	0	180	0	**180**	
15	SLAA	Hertford Urban Area	0	365	36	50	**451**	
16	Allocation	North of Hertford	0	0	150	0	**150**	
17	Allocation	South of Hertford	0	50	0	0	**50**	
18	Allocation	West of Hertford	0	550	0	0	**550**	
19	SLAA	Sawbridgeworth Urban Area	0	0	5	0	**5**	
20	Allocation	West of Sawbridgeworth	0	400	0	0	**400**	
21	SLAA	Ware Urban Area	0	20	12	0	**32**	
22	Broad Location	Gilston Area	0	0	1,250	1,750	**3000**	7000
23	Broad Location	North and East of Ware	0	0	800	1,000	**1800**	1200
24	Broad Location	East of Welwyn Garden City	0	0	0	450	**450**	1250
25		**TOTAL SUPPLY - including contingency of c.6%**	**2654**	**4423**	**4630**	**4225**	**15932**	
26		**Projected Need (750 dwellings per year)**	**3750**	**3750**	**3750**	**3750**	**15000**	
27		**Shortfall spread over 2016-2031**		**365.3**	**365.3**	**365.3**	**1096**	
28		**Need plus shortfall**		4115	4115	4115		
29		**5% buffer moved forward from 2021-2031 to 2016-2021**		206	-103	-103		
30		Total Requirement	2654	**4321**	**4012**	**4012**	**15000**	
31								
32	Shortfall	2011-2016 shortfall (3,750-2,654)	1096					
33		Shortfall per year spread over remaining 15 years (2016-2031)	73.1					
34		Shortfall over 5 years (73.1 * 5 years)	365.3					
35								
36	Contingency (mainly post 2021)	Supply	15932					
37		Requirement	15000					
38		Contingency	932					
39		**% contingency**	**6%**					
40								
41	**Note on Bishop's Stortford housing numbers**							
42	A secondary school could be provided at one of three locations: a) Hadham Road, b) North of Bishop's Stortford, c) South of Bishop's Stortford							
43	Numbers at any of these sites would therefore reduce to accommodate a new secondary school.							
44	To avoid double counting, for the purpose of the district-wide strategy the full amount at b) and c) is shown but 250 homes at the allocated Hadham Road site are not shown.							

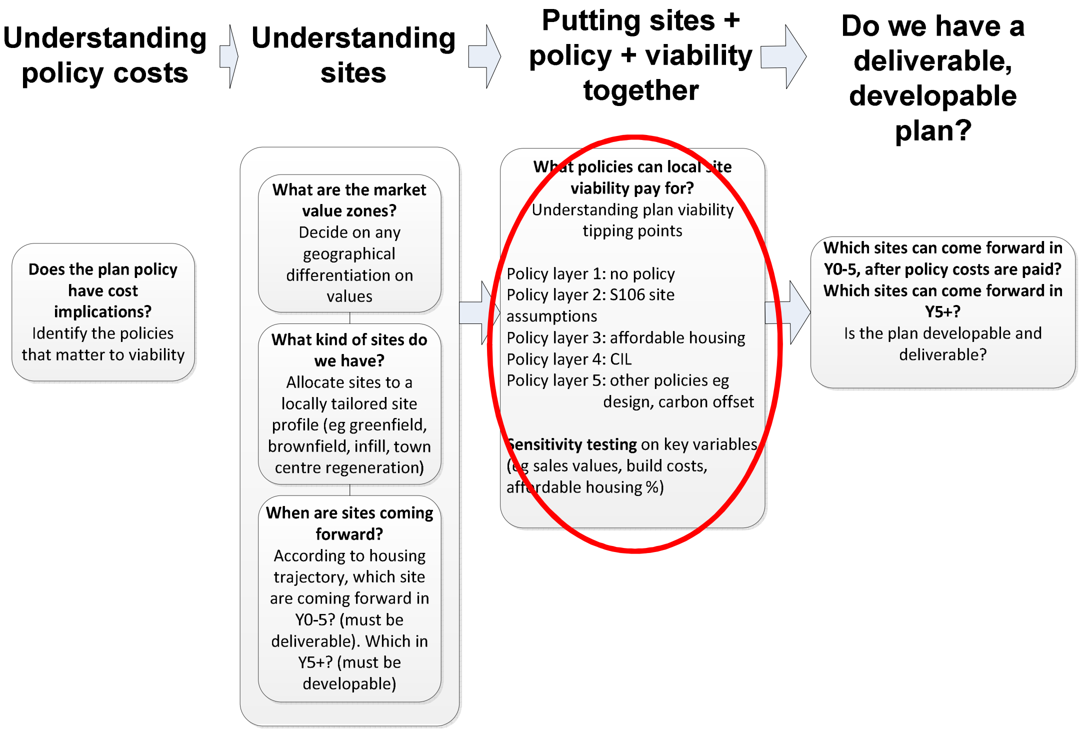
Source: EHDC – East Herts Draft Preferred Options District Plan Consultation 2014

8 RESIDENTIAL VIABILITY TESTING

8.1 Introduction

8.1.1 Previous stages have provided an understanding of how location and policy costs might affect viability. In effect, policy costs have been identified, the future development sites have been allocated to the site profile typologies, and market sales values have been estimated, and the planned delivery periods understood. As shown in Figure 8-1, this next stage is about undertaking the viability testing to assess the ability of developments to pay for policy cost.

Figure 8-1 Process flow – putting together the policies, sites and viability



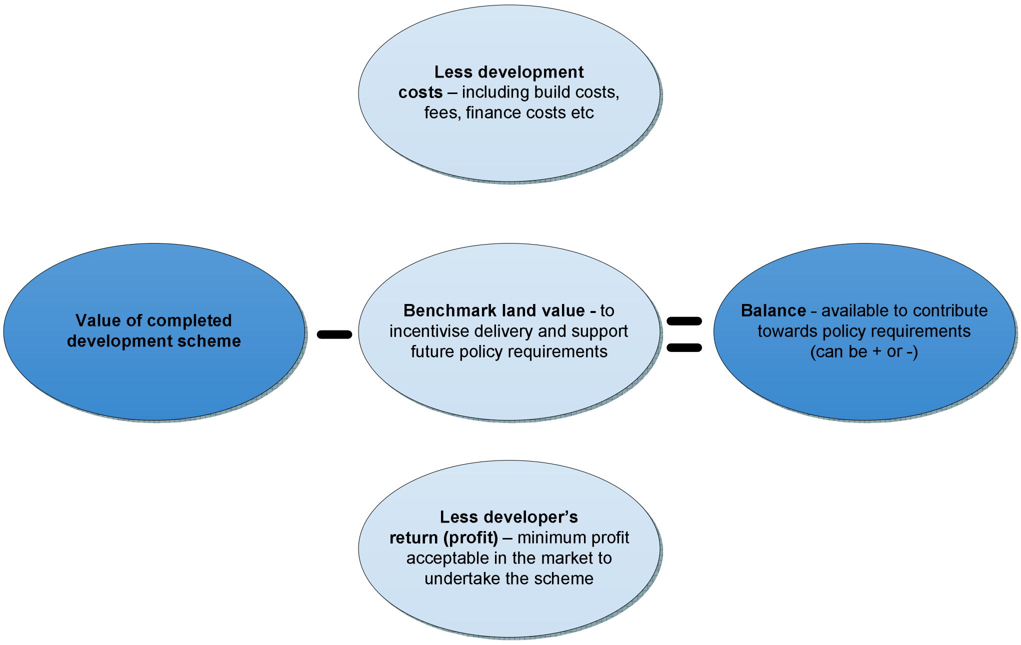
Source: PBA

8.2 Approach used for the development viability appraisals

8.2.1 The PBA development viability model uses the residual approach to development viability. The approach takes the difference between the development value and costs and compares the 'residual land value' with a threshold land value to determine the balance that could be available to support policy costs such as affordable housing and infrastructure. The method is illustrated in the Figure 8-2 overleaf.

8.2.2 As noted in section 3, the policy costs relevant for generic typology assessment for this plan viability assessment for East Hertfordshire were affordable housing, local water efficiency measures and infrastructure. All other policy cost considerations (e.g. design, low carbon, site delivery layout) have been incorporated in the development cost assumptions for the appraisals.

Figure 8-2 Approach to residual land value assessment for plan viability



8.2.3 The purpose of the assessment is to identify the balance available to pay for policy costs at which the bulk of the development proposed in the development plan is financially viable.

8.2.4 Work in the previous stages provides an understanding of the types of sites in the area, and how location might affect their viability. When added to a set of locally based assumptions on new-build sales values, threshold land values and developer profits, a set of area-wide and case study development viability appraisals are produced.

8.3 Viability assumptions

8.3.1 Given the range of sites within the East Hertfordshire area, it is not possible to get a perfect fit between a site, the site profile and cost/revenue categories. A best fit in the spirit of the Harman Report guide has been attempted. For this, the viability testing requires a series of assumptions about the size coverage and floorspace mix to generate an overall sales turnover and value of land, which are discussed here.

Net developable area and density

8.3.2 The net (developable) area of the site informs the likely land value of a residential site. Typically, residential land values are normally reported on a per net hectare basis, since it is only this area which delivers a saleable return. The housing densities adopted are summarised in Table 8.1

Table 8.1 site densities for typologies and case studies

Site	Dwellings per net developable ha
All residential typologies	30 dph
Flats	75 dph
Mead Lane case study	100 dph assumed net site area of 3 ha
Goods Yard case study	110 dph assumed net site area of 4.5 ha

Floorspace

8.3.3 The residential floorspace for new builds reflects a combination of average sizes based on floorspace details in marketing brochures for recent new builds in East Hertfordshire and discussions with stakeholders. The average floorspace assumptions used are presented in Table 8.2.

Table 8.2 Sales areas

	GIA	NIA
Houses – market	95 sq.m	n/a
Houses – affordable	75 sq.m	n/a
Flatted schemes	76 sq.m	65 sq.m

8.3.4 Two floor areas are displayed for flatted schemes: the Gross Internal Area (GIA), including circulation space, is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue. Also, based on feedback from local providers of affordable units sizes are assumed to mirror the open market unit standards for apartments, whilst house sizes are smaller.

Sales values

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

- Websites research such as the Right Move and the Land Registry data to look at new property sales values and second hand values.
- Consultation with agents operating in the area.
- Comparison with values in previous CIL study by LSH.

8.3.6 The evidence for the sales assumptions and value zones has been discussed in the value zone sections of this report. It is important to note that there are relatively few examples of new build properties on the market in East Herts. The values used for this study are set out in Table 8.3.

Table 8.3 Sales values

Zone	Market housing	Flats
Northern zone Buntingford, rural central and Bishop's Stortford	£3,500 psm (£332,500 aver property price)	£3,462 psm (£225,000 aver property price)
Southern zone East of Welwyn, Hertford, Ware, rural west and south	£3,700 psm (£351,500 aver property price)	£3,846 psm (£250,000 aver property price)

8.3.7 The testing assumes the following transfer values for affordable housing:

- Affordable rent 55% of market value
- Intermediate 65% of market value

Forecast changes in sales values

8.3.8 Looking forward **Error! Reference source not found.** provides the latest projections of house prices prepared by Savills in their Residential Property Focus (Q1, 2015). This suggests that house prices for the outer commute area such as East Hertfordshire are expected to grow by around 24.5% over the next five years, which is considerably higher than the national UK forecast of 19.3%.

Table 8.4 Prime Markets - five year forecast of sales values

Market Area	2015	2016	2017	2018	2019	5-year
Central London	-1.05%	8.0%	6.5%	5.0%	5.0%	25.5%
Other London	0.0%	6.0%	5.0%	4.0%	4.0%	20.4%
Suburbs	1.0%	7.0%	6.0%	5.0%	4.5%	25.7%
Inner Commute	1.0%	7.0%	5.5%	5.0%	4.5%	25.1%
Outer Commute	1.0%	6.0%	5.5%	5.0%	5.0%	24.5%
Wider South of England	1.0%	4.5%	5.0%	5.0%	5.0%	22.2%
Midlands/North	1.0%	4.0%	4.0%	5.0%	5.0%	20.4%
Scotland	0.0%	4.0%	4.5%	4.0%	4.0%	17.5%

*Assuming no mansion tax but allowing for revision of the council tax system. NB These forecasts apply to average prices in the second hand market. New Build values may not move at the same rate.

Source: Savills Residential Property Forecast Issue 1 - 2015

Threshold land values

8.3.9 There are two land values that are important to informing viability, the 'residual' land value and the 'threshold' land value. If the residual land value exceeds the threshold land value, the development is viable and can support a CIL charge. The distinction between the two is explained as follows:

- The residual land value is the value generated by a scheme, assuming that affordable housing and other policy costs are paid, and the developer makes a target profit after deducting development costs;
- The threshold land value is the price that a landowner will require to supply the land. For an unserviced site, as in the case of the strategic sites, without planning permission, a landowner will receive considerably less for the site, in order to allow the master developer / promoter to first service the site and fund the initial promotion costs to secure the planning consent to a fully serviced state. It is important to appreciate that assumptions on threshold land values can only be broad approximations, subject to wide variations. This is taken account of in drawing conclusions and recommendations on setting the affordable housing policy and CIL charge.

8.3.10 The approach used to arrive at the threshold land value is based on a review of recent viability evidence of sites currently on the market, viability appraisal submissions, published data on land values and discussions with various stakeholders. The approach considers current market value and existing use / alternative use values. Account has also been taken of current and 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 as well as ensuring a reasonable return to a willing landowner and developer.

8.3.11 In collecting evidence on residential land values, greenfield sites are assumed to be fully serviced or 'oven-ready' residential sites. In reality, the land value will be lower for those sites that are likely to require greater opening up infrastructure. We take account of this uncertainty in drawing conclusions and recommendations from our analysis. We have also distinguished between sites that deliver flats and housing sites, with a higher threshold land value cost assumption to reflect the higher density for flatted schemes resulting in market expectation on the value of a site.

8.3.12 Table 8.5 sets out the threshold residential land value assumptions used for the generic site appraisals.

Table 8.5 Threshold land values

Zone	Land value per net developable ha		Site servicing costs
	Housing sites	Apartment sites	Fully serviced site
Southern	£2,250,000	2,500,000	Fully serviced site
Northern	£2,000,000	£2,250,000	Fully serviced site
Case studies Land values per net developable ha			**Site servicing cost**
Bishop's Stortford Good's Yard		£1,482,000	£150,000 per net ha
Mead Lane, Hertford		£1,605,500	£150,000 per net ha

8.3.13 Brownfield site values have been based on existing employment land values plus a premium. This methodology is consistent with the Harman Report which recommends threshold land values be based on existing use plus a landowner premium. The Mead Lane site is based on commercial land values plus 30% premium whilst the Goods Yard is based on existing use plus 20% - the higher premium represents the higher value residential area the Mead Lane site falls within.

Build costs

PBA's viability assessment is based on build cost data published by the Building Cost Information Service (BCIS) as shown in

8.3.14 Table 8.6. The BCIS is part of the Royal Institution of Chartered Surveyors and is generally adopted by surveying practices for plan level viability appraisals. The building prices used in the BCIS data are averages taken from a wide range of different contracts and tenders in the BCIS data bank, which is based on the analysis of about one thousand new projects each year.[39]

8.3.15 Our approach has been to use the BCIS data as it represents the most robust source for this type of plan wide study. We acknowledged that the method of preparing the BCIS cost data does not necessarily reflect the build costs for the volume house builders (who are likely to benefit from greater economies of scale) and their costs are generally acknowledged as being lower than the regional and local developers. However, our market research has also shown that currently in East Hertfordshire there is a mix of national developers, regional and local developers. Smaller and medium sized developers of houses are usually unable to attain the same economies, so their construction costs may be higher; however, anecdotally the higher cost of small builds is also likely to reflect higher standards and specifications to match local demand for standalone units which consequently command higher values than those assumed in this study.

[39] BCIS (February 2015) *Page 3, Quarterly Review of Building Prices Issue 136*

Table 8.6 Median build costs for East Hertfordshire

Dwelling type	£ psm
Flats – generally	£1,225
Houses – general estate housing	£1,036

Source: BCIS December 2014

8.3.16 Note the BCIS build costs adopted are not an ‘all in build cost’ and are exclusive of external works, contingencies, fees, VAT and finance charges, and other revenue costs which are added to the build cost assumptions.

External cost allowance

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

8.3.18 The external works variable has been set at a rate of 10% of build cost.

Other development costs

Professional fees

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

Contingency allowance

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

S106 infrastructure, site enabling and policy costs

8.3.21 A decision is yet to be made on which funding mechanism (CIL or S106) EHDC and HCC would like to pursue in the future. For this study, we have assumed a nominal cost of £500 per unit as a S106 contribution towards the cost of site specific requirements. The infrastructure requirements anticipated for the majority of the urban sites are likely to be met through off site delivery of infrastructure such as schools expansions, improved access to and open space enhancements, or transport improvements (Appendix E provides a summary of the feedback from service providers concerning infrastructure capacity). This could be met either through a CIL or the pooling of S106 contributions and will be dependent on meeting the legislative test for S106 relating to each specific schemes. In the past the requirement for such schemes has varied considerably depending on size of scheme and existing capacity of infrastructure.

8.3.22 The PBA viability model tests the residual available to support a CIL contribution towards the cost of strategic infrastructure such as the expansion of existing secondary schools, doctor’s surgeries, upgrade of existing open space, libraries and so.. If a CIL charging schedule is adopted then a CIL Regs 123 list will have to be prepared to avoid any potential double funding with S106 contributions.

8.3.23 It should be noted, that EHDC will continue to develop the infrastructure delivery schedule assessment for ‘other’ infrastructure requirements such as libraries, open space, sport, social services, emergency services etc. This will in turn inform the overall infrastructure funding gap for the purposes of the CIL assessment.

Affordable housing policy costs

8.3.24 One of the most significant items of S106 sought from residential development sites is affordable housing. This has been tested at different percentages to enable the Council to understand the implications of affordable housing policy (HOU3) on the balance available to support wider infrastructure costs via CIL.

Water efficiency policy costs

8.3.25 The Government has stated that in water stressed areas, it would be possible to request additional water efficiency measures – given that East Herts is in such a water stressed area, the draft local plan includes a policy to allow for a higher water efficiency standard. The Housing Standards Review includes cost estimates based on Government assessment of water efficiency measures and these have been applied to this appraisal based on an additional cost of £68 for a house and £43 for a flat for an efficiency standard of 110 litres per day / per person.

Opening cost allowance

8.3.26 There will be varying levels of site specific opening costs, such as utilities, drainage, and S278 highway requirements to secure the delivery of the generic sites. For the appraisals, we have assumed fully serviced site land values the sites assessed in this report, so any site specific costs will come off the value paid for the land.

Brownfield site remediation costs

8.3.27 The appraisals for the brownfield sites include an allowance of £150,000 per net ha for abnormal and remediation costs. This cost will vary depending on site conditions, and once detailed ground investigation is undertaken there will be a better understanding of these costs to inform site specific assessments.

Land purchase costs

8.3.28 The land value needs to reflect additional purchase cost assumptions, shown in Table 8.7. These are based on surveying costs and legal costs to a developer in the acquisition of land and the development process itself, which have been established from discussions with developers and agents, and are also reflected in the Harman Report (2012) as industry standard rates.

Table 8.7 Land purchase costs

Land purchase costs	Rate	Unit
Surveyor’s fees	1%	Land value
Legal fees	0.75%	Land value
Stamp Duty Land Tax	HMRC rate	Land value
Development finance for land purchase (pa)	7%	Land value

8.3.29 A monthly cashflow based on a finance cost of 7% has been used throughout the site appraisals. Note given the strength of the current market, some developers maybe able to negotiate rates below 7%, and make cost savings.

Sales fees

8.3.30 The Gross Development Value (GDV) on open market units need to reflect additional sales cost assumptions relating to the disposing of the completed residential units. This will include legal, agents and marketing fees at the rate of 3% of the open market unit GDV. Some agents have suggested costs are higher than this allowance, though cost savings elsewhere and the CIL buffer will reflect any adjustments.

Developer's profit

8.3.31 The developer's profit is the expected and reasonable level of return that a private developer would expect to achieve from a specific development scheme. The open market residential dwellings elements are assumed to achieve a profit of 20%, which is applied to their GDV. This also allows for internal overheads. It is possible in a strong market such as East Herts, that some developers may be able to go below this percentage.

8.3.32 For the affordable housing element, because they will have some, albeit lower, risks to the developer, a 6% profit margin is assumed on a nil grant basis.

8.4 Residential viability appraisal findings

8.4.1 This section sets out the findings for the residential development viability assessment. Each generic typology has been subjected to a detailed appraisal, complete with cashflow analysis. A range of different scenarios were appraised. The percentage of affordable housing cost and water efficiency policy costs are treated as a cost input in the appraisal. Examples of the typology appraisals are included in Appendix C.

8.4.2 The financial headroom is the difference between the residual land value of the appraised scenario and the threshold land value. This shows the maximum balance available to accommodate developer contributions. Note that the CIL overage is not a direct calculation of deducting the threshold value from the residual land value. As affordable housing is not liable to CIL charge.

Residential appraisal summary findings

8.4.3 The appraisal summary table 8.8 overleaf shows the effect on viability of introducing the HOU 3 policy level affordable housing contribution of 40% on schemes of above 15 dwellings, 30% on schemes of 5 to 14 dwellings and 0 % on 4 dwellings or less. This shows that apart from the flatted schemes, all other typologies are viable at the policy level with varying levels of financial headroom to support a CIL charge for strategic infrastructure.

8.4.4 Further testing of 35% affordable housing on the generic scenarios, and 20% and 10% for the flatted schemes was also tested to inform the affordable housing and CIL charge options. The summary tables for these further iterations are presented in Appendix C.

Table 8.8 Affordable housing @ HOU 3 policy levels, S106 @ £500 per dwelling for generic scenarios and £2000 per dwelling for two brownfield case studies

Site typology	Zone	Dwellings	Affordable housing	Net site area	Total floorspace	chargeable floorspace	Residual land value	Threshold land value	Headroom	
Policy HOU3 affordable assumptions		No.	%	Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	able Sqm
Housing 4 units	Southern zone	4	0%	0.13	380	380	£3,764,163	£2,250,000	£1,514,163	£531
Housing 10 units	Southern zone	10	30%	0.33	890	665	£2,934,541	£2,250,000	£684,541	£343
Housing 20 units	Southern zone	20	40%	0.67	1,740	1,140	£2,626,049	£2,250,000	£376,049	£220
Housing 50 units	Southern zone	50	40%	1.67	4,350	2,850	£2,589,180	£2,250,000	£339,180	£198
Housing 150 units	Southern zone	150	40%	5.00	13,050	8,550	£2,535,181	£2,250,000	£285,181	£167
Flats 4 units	Southern zone	4	0%	0.05	306	306	£4,596,449	£2,500,000	£2,096,449	£366
Flats 15 units	Southern zone	15	40%	0.20	1,147	688	£2,469,703	£2,500,000	-£30,297	-£9
Flats 60 units	Southern zone	60	40%	0.80	4,588	2,753	£2,354,835	£2,500,000	-£145,165	-£42
Housing 4 units	Northern zone	4	0%	0.13	380	380	£3,411,717	£2,000,000	£1,411,717	£495
Housing 10 units	Northern zone	10	30%	0.33	890	665	£2,606,069	£2,000,000	£606,069	£304
Housing 20 units	Northern zone	20	40%	0.67	1,740	1,140	£2,321,240	£2,000,000	£321,240	£188
Housing 50 units	Northern zone	50	40%	1.67	4,350	2,850	£2,289,910	£2,000,000	£289,910	£170
Housing 150 units	Northern zone	150	40%	5.00	13,050	8,550	£2,243,954	£2,000,000	£243,954	£143
Flats 4 units	Northern zone	4	0%	0.05	306	306	£3,061,927	£2,250,000	£811,927	£142
Flats 15 units	Northern zone	15	40%	0.20	1,154	688	£1,240,120	£2,250,000	-£1,009,880	-£293
Flats 60 units	Northern zone	60	40%	0.80	4,616	2,753	£1,137,117	£2,250,000	-£1,112,883	-£323
Mead Lane	Southern zone	300	40%	3.00	23,082	13,765	£3,133,742	£1,605,500	£1,528,242	£333
Goods Yard	Northern zone	450	40%	4.50	34,624	20,647	£1,553,536	£1,482,000	£71,536	£16

Source: PBA

The cost of borrowing impacts on larger schemes

8.4.5 Table 8.8 shows that as the number of units increases from 20 dwellings to 150 dwellings, the financial headroom reduces. This is due largely to the impact of the cost of borrowing from holding the land on day one. The appraisal assumes for the generic scenarios land is drawn down on day one. Scenarios 50 and 150 dwellings require more land to build on than the other scenarios and as a result the lump sum paid for the land is greater. Interest is incurred on day one to borrow for the land, this results in more interest charges, (or higher costs) which in turn reduces overall viability. It is assumed that any higher costs for these schemes will be negotiated on the price paid for the land. There may also be a need for some negotiation, depending on site specific issues on larger schemes of 150 units in the northern zone

Flatted schemes are not viable at policy level affordable housing

8.4.6 Most of the flatted scheme findings in Table 9.8 are not viable at 40% affordable housing. This is because flats are generally more expensive to build than houses, and the increase in cost is not captured through a proportionate increase in sales values. The difference in sales values between the norther zone and southern zone also impacts on the flatted schemes. For this reason, further appraisals were carried out for flatted schemes and summary tables are included at Appendix C.

Mead Lane and Bishop’s Stortford Good’s Yard case studies treated differently

8.4.7 We have been informed that planning applications are expected imminently for the Mead lane and Bishop’s Stortford Good’s Yard sites, and so are unlikely to be affected by a CIL. However, there are likely to be higher site specific costs related to transportation works inparticular. The exact amounts are unknown; however it has been agreed with EHDC to test a cost of £2000 per dwelling for these two sites. The appraisal summaries for these two sites are included at Appendix C include and show the higher S106 allowed for these case studies.

8.4.8 It has also been assumed that there will be some site remediation costs associated with these sites. By their nature these costs are ‘abnormal’ and as yet unknown. For now an allowance of £150,000 per net ha has been allowed. However, both sites are likely to have significant cost associated with land reclamation due to the previous uses that took place.

8.4.9 Due to the nature of these two sites, although they are viable at policy level affordable housing, it is likely that once detailed masterplans and evidence is prepared, the viability assumptions should be refined.

8.5 Residential CIL charge and affordable housing policy recommendations

8.5.1 The CIL Regulations allow the charging authority to introduce charging variations by geographical zone, by use, or by scale or a combination of these. All differences in rates need to be justified by reference to the economic viability of development. Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required. However, it may be worthwhile if the additional complexity generates important additional revenues for contributing to the delivery of infrastructure and therefore growth.

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

8.5.3 Having reviewed the type and location of the bulk of development proposed in East Hertfordshire, and taking account of the comments made at the developer surgery relating to the variation in individual schemes, particularly smaller developments, our recommendation is for a simple CIL charging schedule, maintaining a larger buffer to reflect the scope for higher on-site enabling infrastructure costs or build cost for the range of schemes that may come forward.

8.5.4 Based on the appraisal findings presented in Table 8.8 and other iterations included in Appendix C, we consider the following CIL and affordable housing policy refinements can be sustained in the area without putting at risk the bulk of development required to support the future housing growth in the Local Plan:

- Developments of less than 5 dwellings, which are not required to contribute to any affordable housing, can contribute a CIL charge of up to £200 per sq.m. This affordable housing threshold is currently included in policy HOU3.

- Typologies of between 5 and 14 dwellings can contribute upto 35% affordable housing and a CIL charge of up to £150 per sq.m. This is an increase from the policy HOU 3 which stipulates an affordable housing requirement of 30% affordable housing for schemes in this range.

- Typologies of 15 dwellings and above, can contribute 40% affordable housing and a CIL charge of up to £100 per sq.m. This is consistent with policy HOU 3.

- Flatted schemes in the Southern Zone can contribute 20% affordable housing and a CIL charge of up to £50 per sq.m. This is a refinement to policy HOU3 which does not differentiate between houses and flats.

- Flatted schemes in the Northern Zone can contribute either a 10% affordable housing contribution or a £40 per sq.m CIL charge, but cannot sustain both. This is a refinement to policy HOU3 which does not differentiate between houses and flats

- The brownfield case studies are expected to be submitted as a planning application before a CIL charging schedule is in place and so will be managed through the S106 developer contribution mechanism.

8.5.5 Note the strategic sites CIL charge and affordable housing policy options are set out in the Strategic Sites Delivery Study (September 2015).

8.5.6 The residual land values created in the viability model and the corresponding threshold land values that they are assessed against to determine viability, do not make an allowance for site enabling or site abnormal costs i.e. the values are fully serviced greenfield sites pre planning consent. It is assumed that the site enabling / site abnormal costs are deducted from the figures shown.

8.5.7 A considerable buffer has been included between the maximum financial headroom and the proposed CIL charge to allow for any site specific variations in costs and values.

8.5.8 An important message from the various viability appraisals is that once the percentage of affordable housing is increased, the balance available to support strategic infrastructure costs reduces. This is to be expected, and some policy trade-offs will be required between the level of affordable housing and infrastructure. This will be determined once there is a better indication on the scale of strategic infrastructure needed to support the delivery of the planned growth.

9 NON RESIDENTIAL VIABILTY TESTING

9.1 Introduction

9.1.1 There are no notable Local Plan policies which will impact on non-residential development viability in East Hertfordshire. Nonetheless, it is important to consider the viability of non-residential development, not least because if there is some headroom in values then this could usefully contribute to meeting local infrastructure requirements through CIL. The assumptions and typologies were consulted on at the developer workshop held in October 2014 (see Appendix A).

9.2 Non residential viability assumptions

9.2.1 The test for non-residential development is based on hypothetical schemes that are most likely to come forward in East Hertfordshire over the Plan period. These are described in Table 9.1.

Table 9.1 Non-residential use typologies

Use	GIA sq.m	NIA sq.m
Business Park	500	425
Warehousing	1000	1000
Town centre comparison retail	278	236
Out of town comparison retail	1850	1650
Retail convenience	1500	1350

9.2.2 Table 9.2 sets out the assumed net to gross site coverage percentages, (also expressed as total net developable area per ha) to allow for roads, landscaping, open space, pedestrian movement and SuDs and the net developable area.

Table 9.2 Site coverage ratios

Use	Net developable area (ha)	Site area coverage
Business Park	0.13	40%
Warehousing	0.25	40%
Town centre comparison retail	0.09	30%
Out of town comparison retail	0.05	40%
Retail convenience	0.43	35%

Establishing gross development value (GDV)

9.2.3 Establishing gross development value (GDV) for non-residential uses a different approach than that used for residential. This is because the sales value is most likely to reflect the value in the rented market which accounts for most of the non-residential property supply in East Hertfordshire.

Values

9.2.4 Table 9.3 outlines the rental values for the non-residential uses, expressed in square metres (sq.m) and square feet (sq.ft) of net rentable floorspace, and likely yields. A market incentive of six to nine months free rent is assumed in the assessment.

Table 9.3 Rent and yields assumptions

Use	Rent per sq.m	Yield	Rent free (months)
Business Park	£205	7.0%	9
Warehousing	£75	5.25%	6
Town centre comparison retail	£210	6.5%	6
Out of town comparison retail	£210	7.0%	6
Retail convenience	£230	5.00%	6

9.2.5 Although investment in supermarkets has fallen among the big five supermarkets, some operators are still looking for new stores to gain market share, and the covenants of this use can be very strong which is reflected in the keen yields of less than 5% in many cases. For this study we have accounted for the current uncertainties in the supermarket and adjusted the yield rate to a conservative value of 5%.

Costs

9.2.6 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS) median prices at the time of this study (current build cost values) accessed on 13th January 2015 and adjusted for East Hertfordshire prices. These are shown in Table 9.4.

Table 9.4 Build cost assumptions

Use	BCIS Median build cost (p sq.m)
Business Park	£1,446
Warehousing	£566
Town centre comparison retail	£888
Out of town comparison retail	£888
Retail convenience	£1,309

Source: BCIS Jan 2015

External works

9.2.7 Plot externals relate to costs for internal access roads, car parking, drainage, utilities within the site and hard and soft landscaping associated with the site curtilage of the built area. We have allowed a rate of 15% of build costs for these items. This excludes abnormal site development costs and exceptional offsite infrastructure costs.

Other development costs

Professional fees

9.2.8 Professional fees relate to the costs incurred to bring the development forward and cover items such as; surveys, architects, quantity surveyor etc. Professional fees are based upon accepted industry standards and are calculated as a percentage of build costs and externals at 8% of build costs plus external cost allowance.

Contingency

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

Acquisition fees and Land Tax

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

9.2.11 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost against the residual land value at the standard variable rates set out by HMRC (0 – 4% of land value).

Finance costs

9.2.1 A monthly cashflow based on a finance cost of 7% has been used throughout the site appraisals. This is used to account for the cost of borrowing and the risk associated with the economic climate and near term outlook and associated implications for the market specific to the proposed development.

Sales fees

9.2.2 This cost representing marketing fees at £25,000, letting agent fees at 10% and letting legal fees at 5%:

Policy costs

9.2.3 The review of the local plan polices in section 3 has informed the assessment of policy costs arising from the Draft Preferred Options District Plan 2014. Policy TRA 3 relating to vehicle parking provision includes a requirement for non – residential car parks to provide for charging points for low and zero carbon vehicles. Although there can be a cost attached to these, we are aware of a number of companies[40] that are providing these free of charge and so a cost has not been included.

9.2.4 Most development will still be expected to make S106/S278 etc. contributions to mitigate direct impacts of the development. These will be specific to individual developments, and often centre on highways improvements but could also relate to design and access. No other Local Plan policies are considered to apply. However, no S106/S278 cost have been factored into the appraisal costs and therefore any financial headroom in the viability assessment is treated as being suitable for charging CIL and/or any S106/S278 subject to there being no other demands that the Council may seek to apply.

[40] British gas, Telstra and Ecotricty install car charge points for free.

Threshold land value assumptions

9.2.5 Our estimates of threshold land values are based on market comparable derived through consultation with stakeholders and analysis of published data on CoStar. At this current point in the economic cycle there is much uncertainty surrounding land values due to the small number of transactions occurring. Where necessary we have considered transactions in the wider market and adjusted for the East Herts area. The threshold value assumptions are shown in Table 9.5.

Table 9.5 Assumed threshold land values in East Hertfordshire

Use	Threshold land value per net developable hectare
Business Park	£1,235,000
Warehousing	£1,235,000
Town centre comparison retail	£3,000,000
Out of town comparison retail	£4,000,000
Retail convenience	£4,000,000

9.3 Non-residential viability appraisal findings

9.3.1 The rest of this section sets out the assessment of non-residential development viability based on the assumptions set out in above. Table 9.6 below summarises the appraisal results, and represent the net value per sq.m, the net costs per sq.m (including an allowance for land cost) and the balance between the two.

Table 9.6 Non-residential viability appraisal results

East Herts Plan Viability 2014/15				Residual value		Threshold land value		CIL overage	
	GIA	NIA	Net site area ha	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm
Business Park Office	500	425	0.13	-£592,228	-£148	£1,235,000	£309	-£1,827,228	-£457
B8 Warehousing	1,000	1,000	0.25	£1,163,496	£291	£1,235,000	£309	-£71,504	-£18
In town comparison retail - High Street	278	236	0.09	£2,242,122	£747	£3,000,000	£1,000	-£757,878	-£253
Out of town comparison retail	1,850	1,647	0.46	£3,036,297	£759	£4,000,000	£1,000	-£963,703	-£241
Retail convenience	1,500	1,350	0.43	£4,583,493	£1,310	£4,000,000	£1,143	£583,493	£167

Source: PBA

9.3.2 It is important to note that the analysis considers speculative development that might be built for subsequent sale or rent to a commercial tenant. These results do not identify that employment space will not come forward, because in reality there will be development to accommodate specific users based on the profitability of the occupier's core business activities rather than the market values of the development. Importantly this viability assessment relates to speculative build for rent.

9.3.3 The analysis suggests that for most of the non-residential uses it is not appropriate to charge a CIL, apart from convenience retail, where there is positive viability and after allowing for a suitable buffer, scope for a CIL charge of up to £80 per sq.m

Other non-residential development

9.3.4 In addition to the development considered above there are other non-residential community type uses that might be delivered. It would not be helpful to set a CIL for the type of facilities that may be treated as infrastructure in turn and paid for by CIL (amongst other sources).

9.3.5 The approach to this issue is that the commercial values for community uses are £0 but there are build costs of over £1,000 per sq.m plus the range of other development costs; with a net negative residual value. Therefore we recommend a £0 CIL for these uses.

9.4 Non-residential development CIL charge recommendations

9.4.1 The findings from this section illustrate the levels of value in the tested schemes when all costs have been subtracted from the values. As can be seen, positive values exist for convenience retail development but nothing more.

9.4.2 The findings suggest that if EHDC were minded to set a CIL charge on convenience retail developments there is scope for a CIL charge of up to £80 per sq.m, thus leaving sufficient buffer for any site specific costs.

9.4.3 It is recommended that a zero CIL charge should apply to all the other forms of non-residential development. All other tested uses show negative values, although, it is important to note that this does not mean that these uses will never come forward in East Hertfordshire. Specific business operation plans and bespoke schemes with identified end users, and land owners willing to sell at lower prices, will enable development to come forward in the future.

10 CONCLUSIONS AND RECOMMENDATIONS

10.1 Introduction

10.1.1 The final stage of this viability assessment is to draw conclusions on whether the East Hertfordshire District Plan is deliverable and developable and make recommendations for the affordable housing, infrastructure and CIL charge options. Note we do not refer to the strategic sites here, as these are documented in a separate accompanying report.

10.2 General study conclusions

Generic site viability assessment (non strategic sites)

10.2.1 Of the unconsented sites that form part of the housing supply, the majority are on edge of urban centres, generally in greenfield locations, apart from Mead Lane in Hertford and Bishop's Stortford Good's Yard, which are on complicated brownfield sites. The type and location of sites has informed our viability assessment. For the greenfield sites, we have assumed fully serviced site land values based on net developable area, and any site opening costs will be reflected within the value paid for the site.

10.2.2 The housing market is strong in East Herts, fuelled particularly by the London and Cambridge commuter market, and those searching for housing near to good schools and in attractive villages. The supply of housing has been constrained by the limited availability of new developments. The situation going forward is likely to remain strong, but account should be taken of the wide range of strategic housing sites due to come onto the market and their effect on values is as yet unknown. Future forecasts of sales values by Savills predict an anticipated annual increase in values of over 5% per annum over the next four years.

10.2.3 Based on the research and interviews, two value zones are considered to best reflect the bulk of the planned growth. Generally, values for sites most accessible to London command the highest values. The Southern Zone generally represents the higher value areas of the District from the borders with Welwyn Garden City, Hertford, Ware, and the southern rural areas; whilst the Northern Zone comprising of Buntingford, Bishop's Stortford and the central rural areas are slightly lower values (though there are exceptions, especially due to the shortfall in current supply of new developments).

10.2.4 The viability assessment has been tested at current costs and current values. There has not been a need to test the impact of longer term variations in assumptions, as the plan has been demonstrated to be viable based on current values and with the inclusion of a sensible mix of policies. However the viability should be kept under regular review to help refine the affordable housing and developer contributions policies.

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

10.2.6 The assessment identified the policies most likely to impact on the residential viability of the District Plan were those concerned with affordable housing, infrastructure requirements and local water efficiency measures. Other policy costs identified are already factored into the viability appraisal 'inputs'. No additional policies were identified to impact on non-commercial development beyond site specific requirements.

10.2.7 Section 9 shows all the residential development scenarios relevant to the planned trajectory are viable when there is no additional policy cost included. Once the draft Plan affordable housing policy requirements are factored into the assessment, some of the flatted schemes become unviable, and the overage remaining to support CIL relevant infrastructure in general is reduced. Affordable housing has been tested at the HOU 3 policy level which includes a local threshold. A local water efficiency measure cost allowance has been incorporated in all schemes to reflect local plan policy.

10.2.8 The scale of the sites that form part of this study are not likely to require any major site specific infrastructure requirements. A nominal allowance of £500 per dwelling has been factored into the appraisal assessment for any site specific S106 requirements that might arise. Other known policy costs, inparticular affordable housing policy cost have been factored into the appraisals as a cost input, to identify the maximum financial headroom to support a possible CIL charge to support the cost of strategic infrastructure.

10.2.9 An important message from the various viability appraisals is that once the percentage of affordable housing is increased, the balance available to support strategic infrastructure costs reduces. This is to be expected, and some policy trade-offs will be required between the level of affordable housing and infrastructure. This should be undertaken once there is a better indication on the scale of strategic infrastructure needed to support the delivery of the planned growth. We suggest a review of the viability and policy trade-off is undertaken after the infrastructure delivery plan and transport vision have been prepared.

10.2.10 At this stage there should be further consideration on the most appropriate developer funding mechanism to adopt. The final decision on the developer funding mechanism of CIL or S106 has not yet been decided by EHDC.

Infrastructure costs are unknown and further assessments will be needed to inform the Plan's developability

10.2.11 The general conclusion in terms of our infrastructure consultations is that some expansion and improvement will be needed to existing schools and doctor's surgeries as most facilities are at or near capacity. This is not likely to prevent development taking place, but will require some off-site expansion of existing facilities or the provision of new facilities to support the planned growth. The type of infrastructure needed is most likely to form part of the CIL Regs 123 list. There are unlikely to be any site specific requirements (such as primary schools or health facilities) to be funded via a S106 contribution.

10.2.12 EHDC in preparing an infrastructure delivery plan, which will help to inform the infrastructure funding gap and refine the thinking on the infrastructure delivery mechanism. An important element of the infrastructure delivery plan will be the transport assessment. A letter from Hertfordshire County Council (HCC) to East Hertfordshire District Council on 27th July 2015 recent, state that they consider that following the first five year delivery of the planned trajectory, the anticipated severe traffic congestion on the A414 arising from the scale of planned development cannot be accommodated by the existing A414 corridor in Hertford. As such HCC have now commissioned work on a new Countywide Transportation Model (COMET) which will provide a platform for testing strategic mitigations to growth across the County. This will inform a 'Transport Vision' and identify packages of transport interventions to enable growth across the county to 2050.

10.2.13 Hence although this study has assessed the viability of the plan in relation to the known plan policy costs, in particular the affordable housing policy, the plan infrastructure assessment, cost and funding to support the long term developability is as yet unknown. So the actual scale of the funding gap is not yet known, and will only be made clear once the Transport Vision and action plan have been prepared and the infrastructure delivery plan has been prepared by EHDC.

10.2.14 Therefore it is not possible to bring together the viability and infrastructure assessment to inform the deliverability of the Plan. Once the overall infrastructure delivery plan has been prepared, then the viability assessment will need to reconsider the deliverability of the plan, and it may require further policy trade-offs between the scale of affordable housing and delivery of essential enabling infrastructure to support planned growth. The final decisions on this will be for EHDC to make and so will have to be reviewed when the infrastructure funding gap and infrastructure priorities are known.

10.3 Study recommendations

Recommendation 1: The 'developability' of the post five year planned supply will need to be reviewed

10.3.1 Based on the information known at this stage in the plan making process, we confirm that the housing sites represented by the development typologies (non strategic sites) included in the housing trajectory are viable subject to the current scale of affordable housing policy. Some of these schemes could form part of the five year 'deliverable' supply as they do not require complicated site specific infrastructure and the letter from HCC has confirmed that these sites are acceptable subject to local requirements. However, liaison will be needed with the service providers, particularly those concerned with education and health provision, to ensure infrastructure capacity can be provided in a timely manner.

10.3.2 Any sites that form part of the longer term supply will need to be reviewed once the infrastructure delivery plan, including the Transport Vision, has been completed and there is a better understanding of the infrastructure requirements. This may necessitate the need for some policy trade-offs between affordable housing and infrastructure. This assessment of infrastructure and viability will need to be undertaken prior to preparing the Submission Version of the District Plan.

Recommendation 2: Mead Lane and Good's Yard brownfield sites will require proactive delivery strategies

10.3.3 With respect to the Bishop's Stortford Good's Yard site, PBA have supported EHDC at a developer surgery with Network Rail and have produced a number of reports to inform the site delivery and transport assessment which were presented to EHDC Members in December 2014. Further discussions are now progressing in developing a masterplan and a planning application is expected in 2015. The Mead Lane area is a complicated site due to its historic uses and is owned by the National Grid, but again we are informed by EHDC that a planning application is expected soon on this site.

10.3.4 Both these sites require considerable site specific ground investigations to inform the developable area and any abnormals that need to be addressed. For this study, we have included a generic allowance for these costs and assumed that both schemes will be based on apartment style developments. In both cases, the site owners are in discussion with EHDC to bring the site forward for delivery within the next five years. Development viability, policy requirements and infrastructure requirements for these sites will be refined. Given the individual site context and background, PBA considers that a cautious approach is needed to the likely timeframes when delivery might take place and it is more likely to form part of the post five year supply.

Recommendation 3: Policy on percentage and threshold for affordable housing

10.3.5 The viability appraisal findings demonstrate that policy trade-off decisions are required between the need to deliver infrastructure to support the delivery of growth and meeting the affordable housing need if the overall delivery of the District Plan is to remain viable.

10.3.6 These decisions will be informed in part by the infrastructure assessment undertaken by EHDC and political priorities. The infrastructure assessment undertaken by EHDC will inform the CIL funding gap evidence, and this in turn will then inform the policy trade-off decisions relating to funding infrastructure and affordable housing. We have tested the Draft Preferred Options District Plan HOU3 affordable housing policy and found, subject to minor refinements, it is viable and provides scope for varying levels of CIL charge to support the delivery of infrastructure.

Recommendation 4: CIL charge recommendations to support strategic infrastructure

10.3.7 The CIL charge options have been considered as part of the wider plan viability assessment and reflect the current legislation which allows for variation by area, use and scale. We have been mindful of the cost and value variations that exist at a site specific level and have sought to retain a substantial CIL buffer. The options of a more complicated CIL charging schedule based on variations linked to the value zones was considered, however, this was out-weighed by the advantage of a simple CIL charging schedule which reflects the types of site likely to form the first five year supply.

10.4 Proposed Preliminary Draft Charging Schedule

10.4.1 Table 10.1 below summarises the proposed Preliminary Draft CIL Charging Schedule.

Table 10.1 Proposed Preliminary Draft CIL Charging Schedule

Use	Affordable housing policy / refinements	CIL charge per sq. m
Residential (less than 5 dwellings)	0%	Up to £200 per sq.m
Residential (5 – 14 dwellings)	Amend to 35%	Up to £150 per sq.m
Residential (15 dwellings or more)	40%	Up to £100 per sq.m
Southern Zone flats	20%	Up to £50 per sq.m
Northern Zone flats	Either 10%	Or up to £40 per sq.m
Convenience retail	n/a	Up to £80 per sq.m
All other developments	n/a	£0 per sq.m

10.4.2 If a CIL charging schedule is adopted, then EHDC will need to produce a Regulation 123 infrastructure list as part of the preliminary draft consultation stage of the CIL setting out the relevant infrastructure to be funded by CIL and where s106 developer contributions will be scaled back and how double dipping will be avoided with s106 and s278 highway contributions.

Recommendation 5: A flexible approach should be incorporated to affordable housing and infrastructure delivery policy

10.4.3 The above CIL charge options are based on the current affordable housing policy. However, once the final infrastructure delivery plan has been prepared, further refinements may be needed to inform overall developability considerations and could require some adjustments. The affordable housing and infrastructure delivery policies (and CIL charging schedule) should be scripted as flexible policies which will be adjusted at regular intervals to reflect changes in viability and to manage the delivery of planned growth. Review periods could be on a 3 – 5 year basis, so as to give some certainty to developers, but also allow flexibility to adapt policy to reflect changes in market fluctuations and delivery. EHDC will need to seek legal advise on whether the Local Plan mechanism will permit draft a policy that can be regularly reviewed and updated to reflect changes in market fluctuations in viability assumptions.

Recommendation 6: Infrastructure policy should reflect the cumulative impact of infrastructure requirements and to become more delivery orientated

10.4.4 Our assessment has identified a large number of individual policies in the Draft Preferred Options District Plan which are all related to infrastructure delivery – there is a need to bring these various policies together under one overarching infrastructure policy and delivery mechanism linked to a ‘live’ infrastructure delivery plan and schedule.

10.4.5 The infrastructure delivery process needs to adopt a proactive approach to managing the timely delivery of infrastructure. This will start with a clear assessment of infrastructure requirements, cost and funding, and developer funding mechanisms and be supported by a strong policy which reflects the latest legislation in relation to developer contributions.

10.4.6 This will allow EHDC and it partners to have a clear handle on what infrastructure is needed to enable the timely delivery of growth. This will also provide a better understanding of the cumulative impact of infrastructure costs, and will provide clarity to developers over the scale of contributions likely to be required for their schemes, and will avoid duplication of contributions by clarifying which mechanism will be adopted to part pay for the infrastructure (S106 / S278 or CIL).

Recommendation 7: The SPD on developer contributions needs to be updated to reflect the latest legislation

In compliance with the CIL guidance, EHDC should update the current SPD on developer contributions to reflect the changes in legislation and the issues covered by this report and our Member briefing reports, especially the need to avoid having a range of separate policies that could have a cumulative impact on the viability of development. This should be linked to work on recommendation 6 above to ensure consistency and avoid introducing new additional policies that might impact on viability.

Appendix A Stakeholder Consultations

A.1 Developer workshop held on 9th October 2014

A.1.1 The notes of all meetings listed below and a list of attendees have been posted to East Herts Council's website at www.eastherts.gov.uk/deliverystudy

Agent telephone interviews were held with the following during autumn 2014:

- Fordyce Furnival (Bishop's Stortford)
- Jonathan Hunt (Ware)
- William H Brown (Ware and north)
- Country Properties (Welwyn Village & wider district area)
- Fine & Country
- Keith Ian

A.1.2 Responses from these have informed our viability assessments.

Telephone interviews were held with the following infrastructure service provider:

- Richard Reeves of Thames Water (sewage infrastructure) held on 23rd September 2014
- Andrea Gilmour of HCC (education infrastructure) held on 26th September 2014
- Laura Griggs, Lin Dalton and James Gleed (health infrastructure) held on 13th October 2014
- Joan Hancock Hertfordshire LEP held on 9th December 2014

Dates of site promoter surgery, transport meetings and Parish Council meetings:

- Gilston Area - Places for People/City and Provincial Properties (3 November 2014)
- East of Welwyn Garden City - Lafarge Tarmac Ltd (8 October 2014)
- South of Bishop's Stortford - Countryside Properties (8 October 2014)
- North and East of Ware – Leach Homes and Ptarmigan (8th October 2014)
- Viability Developer Workshop (9 October 2014)
- Transport meeting on M11 Junction 8 assessment/modelling (27 August, 13 November 2014)
- Initial transport workshop with adjoining Local Planning Authorities, Highways Agency, and Hertfordshire County Council (9 September 2014)
- Transport meeting with Hertfordshire County Council (10 October, 24 November 2014)
- East Herts Association of Parish and Town Councils (6 November 2014)
- Bishop's Stortford Neighbourhood Plan Group (13 November 2014)

Appendix B Plan Viability Policy Assessment

B.1 East Herts draft district plan policy assessment

Table B1 Easts Herts Draft Preferred Options District Plan policy assessment

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
DPS1: Housing, Employment and Retail Growth (pg 25)	No		N/A	N/A
DPS2: The Development Strategy 2011-2031 (pg 28)	No		N/A	N/A
DPS3: Housing Supply 2011-2031 (pg 30)	No		N/A	
DPS4: Broad Locations for Development (pg 32)	Yes	No duplication	Plan preparation, site promotion - pre-application, and site delivery.	Input from site promoters to inform site specific viability assessments/
DPS5: Infrastructure Requirements (pg 34)	Yes	Some duplication with DEL 1 on page 264.	Depending on type of infrastructure requirement – mainly site opening and site delivery.	Recommend merging of two policies into an infrastructure delivery and developer contribution policy linked to a separate Infrastructure Delivery Schedule, CIL and revised S106 SPD. For this study an estimate of S106 has been included in the viability assessment.
DPS6: Long Term Planning (pg 35)	No		N/A	
DPS7: Presumption in Favour of Sustainable Development (pg 36)	No		N/A	
DPS8: Neighbourhood Planning (pg 37)	No		N/A	
GBR1: Green Belt (pg 41)	No		N/A	
GBR2: Rural Area Beyond the Green Belt (pg 42)	No		N/A	
GBR3: Major Developed Sites (pg 44)	No		N/A	
BISH1: Development in Bishop's Stortford	No		N/A	

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
(pg 50)				
BISH2: The Mill Site (pg 51)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL, S106 and site specific costs will be reflected in value paid for the site.	Site specific – not tested for this study. Policy relates to requirements should the site come forward for re-development in the longer term. Suggest infrastructure requirements are considered in a separate 'live' Infrastructure Delivery Schedule allowing regular updates which take account of wider infrastructure developments.
BISH3: The Goods Yard (pg 53)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL, S106 and site specific costs will be reflected in value paid for the site.	Site specific – developer surgery hosted with site promoters, and PBA reports submitted to Council on approach to policy requirements. If there are delays the promoters maybe required to provide a site specific viability assessment to show the site can be delivered. Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
BISH4: The Causeway/Old River Lane (pg 55)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL, S106 and site specific costs will be reflected in value paid for the site.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
BISH5: Reserve Secondary School Site, Hadham Road (pg 57)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL, S106 and site specific costs will be reflected in value paid for the site.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
BISH6: East of Manor Links (pg 59)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL, S106 and site specific costs will be reflected in value paid for the site.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
BISH7: South of Bishop's Stortford (pg 62)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. Some of the viability assumption inputs agreed with promoter for a site specific assessment to inform the PV assessment	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
BISH8: North of Bishop's Stortford (pg 65)	Yes	N/A	N/A.	Consented site – no further action.
BISH9: Essential Off-Site Infrastructure (pg 67)	Yes	Some duplication with DEL 1 on page 264. .	Generic strategic infrastructure	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
BISH10: Employment in Bishop's Stortford (pg 68)	No	N/A	N/A	N/A
BISH11: Retail in Bishop's Stortford (pg 70)	No	N/A	N/A	N/A
BUNT1: Development in Buntingford (pg 76)	No	N/A	N/A	N/A
BUNT2: South of Buntingford (pg 78)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL and site specific S106 costs and these will be included in the PV	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
			appraisals.	include approaches to developer contributions – CIL, S106 and other.
BUNT3: North of Buntingford (pg 79)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL and site specific S106 costs and these will be included in the PV appraisals.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
BUNT4: Employment in Buntingford (pg 81)	No	N/A	N/A	N/A
HERT1: Development in Hertford (pg 87)	No	N/A	N/A	N/A
HERT2: Mead Lane Area (pg 88)	Yes	No	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL and site specific S106 costs and these will be included in the PV appraisals.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
HERT3: West of Hertford (pg 91)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid though a combination of CIL and site specific S106 costs and these will be included in the PV appraisals.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
HERT4: North of Hertford (pg 93)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL and site specific S106 costs and these will be included in the PV appraisals.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
HERT5: South of	Yes	Some duplication	Design, site opening and	Suggest infrastructure

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
Hertford (pg 95)		with DEL 1 on page 264.	site delivery costs. The study assumes cost will be paid through a combination of CIL and site specific S106 costs and these will be included in the PV appraisals.	requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
HERT6: Employment in Hertford (pg 96)	**No**	N/A	N/A	N/A
SAWB1: Development in Sawbridgeworth (pg 102)	**No**	N/A	N/A	N/A
SAWB2: Land North of West Road (West of Sawbridgeworth) (Pg 103)	**Yes**	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL and site specific S106 costs and these will be included in the PV appraisals.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
SAWB3: Land to the south of West Road (West of Sawbridgeworth) (pg 105)	**Yes**	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. The study assumes cost will be paid through a combination of CIL and site specific S106 costs and these will be included in the PV appraisals.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions –CIL, S106 and other.
SAWB4: Sports Pitch Provision (pg 107)	**Possibly**	No	Need to clarify whether the intention is to provide a serviced sports pitch or simply a site allocation.	Further clarity would be helpful as to who is expected to provide the sports pitch – it could be linked to the IDS. The notes do not include any justification for this requirement at this location.
WARE1: Development in Ware (pg 112)	**No**	N/A	N/A	N/A.
WARE2: Former Co-op Depot, Star Street (pg. 114)	**Yes**	No	This study will inform scale of affordable housing policy.	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates –

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
				this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
WARE3: Land North and East of Ware (pg 115)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. Some of the viability assumption inputs agreed with promoter for a site specific assessment to inform the PV assessment	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
WARE4: Employment in Ware (pg 117)	No	N/A	N/A	N/A
VILL1: Group 1 Villages (pg 123)	No	N/A	N/A	N/A
VILL2: Group 2 Villages (pg 124)	No	N/A	N/A	N/A
VILL3: Group 3 Villages (pg 126)	No	N/A	N/A	N/A
VILL4: Neighbourhood Plans (pg 127)	No	N/A	N/A	N/A
VILL5: Village Employment Areas (pg 128)	No	N/A	N/A	N/A
VILL6: New Employment Development (pg 128)	No	N/A	N/A	N/A
EWEL1: Land East of Welwyn Garden City (pg 135)	Yes	Some duplication with DEL 1 on page 264.	Design, site opening and site delivery costs. Some of the viability assumption inputs agreed with promoter for a site specific assessment to inform the PV assessment	Suggest infrastructure requirements for this policy are considered in a separate 'live' Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
GA1: Land in the Gilston Area (pg 143)	Yes	Merge infrastructure elements with	Design, site opening and site delivery costs. Some of the viability	Suggest infrastructure requirements for this policy are considered in a separate 'live'

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
		DPS5	assumption inputs agreed with promoter for a site specific assessment to inform the PV assessment	Infrastructure Delivery Schedule (IDS), allowing regular updates – this would then be linked to a stronger Infrastructure and Delivery Policy which would include approaches to developer contributions – CIL, S106 and other.
HOU1: Type and Mix of Housing (pg 150)	Yes	Yes – with Building Regs Requirements and affordable policy HOU 3.	Affordable housing to be tested through appraisal options. Lifetime Homes assumed same as Building Regs – BCIS build costs For Gypsy & Travellers include cost for pitch provision.	Align policy for Lifetime Homes to Building Regulations and new description following Housing Standards Review of level 1, 2, 3 of the Accessibility Standards. Affordable housing policy may need to have some review periods incorporated to reflect fluctuations in viability criteria and also some text about site specific negotiations based on viability.
HOU2: Housing Density (pg 152)	Possibly	No	Densities and sales values factored into appraisal assumption – average of 30 dph	No change.
HOU3: Affordable Housing (pg 155)	Yes	Some - with HOU 1 and most site specific policies.	Planning policy cost factored into the PV appraisals. New national policy threshold tested.	Threshold will need to be revised to 10 dwellings in line with recent national policy amendment on Section 106 for affordable housing and tariffs – Nov 2014.
HOU4: Rural Exception Affordable Housing Sites (pg 157)	NO	N/A	N/A	N/A
HOU5: Dwellings for Rural Workers (pg 158)	No	N/A	N/A	N/A
HOU6: Housing for Older and Vulnerable People (pg 159)	No	N/A	N/A	N/A
HOU7: Gypsies and Travellers and Travelling Show people (pg 161)	Yes	Yes with HOU1	Policy being developed a per pitch cost factored into strategic site appraisals where applicable.	Suggest streamlining two policies into one.
HOU8: Replacement Buildings in the Green Belt and Rural Area Beyond the Green Belt (pg 162)	No	N/A	N/A	N/A
HOU9: Extensions to Dwellings (pg 163)	No	N/A	N/A	N/A

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
HOU10: Extensions and Alterations to Dwellings and their Curtilage (pg 164)	No	N/A	N/A	N/A
HOU11: Residential Outbuildings (pg 164)	No	N/A	N/A	N/A
HOU12: Change of Use of Land to Residential Garden and Enclosure of Amenity Land (pg 165)	No	N/A	N/A	N/A
HOU13: Residential Annexes (pg 166)	No	N/A	N/A	N/A
ED1: Employment (pg 170)	No	N/A	N/A	N/A
ED2: Rural Economy (pg 171)	No	N/A	N/A	N/A
ED3: Communications Infrastructure (pg 172)	No	N/A	N/A	N/A
ED4: Flexible Working Practices (pg 173)	No	N/A	N/A	N/A
ED5: Tourism (pg 174)	No	N/A	N/A	N/A
ED6: Lifelong Learning (pg 175)	No	N/A	N/A	N/A
RTC1: Retail Development (pg 179)	No	N/A	N/A	N/A
RTC2: Primary Shopping Area (pg 180)	No	N/A	N/A	N/A
RTC3: Primary Shopping Frontages (pg 181)	No	N/A	N/A	N/A
RTC4: Secondary Shopping Frontages (pg 182)	No	N/A	N/A	N/A
RTC5: District Centres, Neighbourhood	No	N/A	N/A	N/A

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
Centres, Local Parades and Individual Shops (pg 183)				
DES1: Local Character and Amenity (pg 192)	No	N/A	N/A	N/A
DES2: Crime and Security (pg 194)	No	N/A	N/A	N/A
DES3: Advertisements and Signs (pg 194)	No	N/A	N/A	N/A
TRA1: Sustainable Transport (pg 198)	Possibly	No	PV assessment will determine scope of CIL to contribute to support such strategic infrastructure items.	Consider inclusion of projects in the IDS / Regs 123 list
TRA2: Highway Safety and Trip Generation (pg 199)	No	N/A	N/A	N/A
TRA3: Vehicle Parking Provision (pg 200)	Yes	No	A number of providers are now installing car charging points free of charge to the developer and so no additional cost has been assumed.	None
CFLR1: Loss of open Space, Sport and Recreation (pg 207)	No	N/A	N/A	N/A
CFLR2: Open Space Standards (pg 205)	Yes	Scope to merge with a new merged infrastructure and delivery policy	The requirements of Policy CFLR2 should be considered as part of site infrastructure costs and will form part of the S106 or CIL considerations.	Consider inclusion in the IDS/ Regs 123 list
CFLR3: Local Green Space (pg 205)	No	N/A	N/A	N/A
CFLR4: Water Based Recreation (pg 206)	No	N/A	N/A	N/A
CFLR5: The Lee Valley Regional Park (pg 208)	No	N/A	N/A	N/A
CFLR6: Equine Development (pg 209)	No	N/A	N/A	N/A

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
CFLR7: Community Facilities (pg 211)	No	N/A	N/A	N/A
CFLR8: Health and Wellbeing (pg 212)	Yes	This element of the policy should be crossed linked to the new IDP policy and the IDS should clarify the current capacity and need for new GP surgeries.	The requirements of Policy CFLR8 should be considered as part of site infrastructure costs and will form part of the S106 or CIL considerations.	Consider inclusion in the IDS / CIL Regs 123 list.
CFLR9: Education (pg 213)	Yes	This element of the policy should be crossed linked to the new IDP policy and the IDS should clarify the current capacity and need for new / extended schools.	The requirements of Policy CFLR9 should be considered as part of site infrastructure costs and will form part of the S106 or CIL considerations.	Consider inclusion in the IDS / CIL Regs 123 list
NE1: International, National and Locally Designated Nature Conservation Sites (pg 218).	Yes	No	The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land.	No change to planning policy
NE2: Species and Habitats (pg 220)	Yes	No	The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land.	No change to planning policy
NE3: Green Infrastructure (pg 222)	Yes	Policy should be crossed linked to the new IDP policy and the IDS should clarify areas for green infrastructure enhancement.	The requirements of infrastructure costs should be considered as part of on or off site developer contributions either in the form of the S106 for site specific costs or CIL considerations.	Consider inclusion in the IDS / CIL Regs 123 list
LAN1: Landscape Character (pg 226)	Yes	No	The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land.	No change to planning policy
LAN2: Landscaping	Yes	No	The policy requirements	No change to planning policy

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
(pg 227)			will form part of the professional fees allowance for the viability appraisals.	
HA1: Heritage Assets (pg 230)	No	N/A	N/A	N/A
HA2: Non-Designated Heritage Assets (pg 231)	No	N/A	N/A	N/A
HA3: Archaeology (pg 232)	Yes	No	The policy requirements are part of the professional fees allowance for the viability appraisals.	No change to planning policy
HA4: Conservation Areas (pg 233)	Possibly	No	The requirements of materials costs reflecting the Conservation Area are generally balanced with higher values.	No change to planning policy
HA5: Shopfronts in Conservation Areas (pg 234)	No	N/A	N/A	N/A
HA6: Advertisements in Conservation Areas (pg 234)	No	N/A	N/A	N/A
HA7: Listed Buildings (pg 235)	No	N/A	N/A	N/A
HA8: Historic Parks and Gardens (pg 237)	No	N/A	N/A	N/A
HA9: Enabling Development (pg 238)	No	N/A	N/A	N/A
CC1: Climate Change Adaptation (pg 241)	No	No	N/A.	N/A
CC2: Climate Change Mitigation (pg 242)	Yes	No	BCIS build costs will reflect latest requirements stemming from Building Regulations – Council agree to amend policy so that it is aligned with national standards.	Recommend this policy is aligned to Building Regulation requirements in line with consultation from the Housing Standards Review.
CC3: Renewable and Low Carbon Energy	Yes	No	If policy for higher than Building Regulation requirement, then an	Recommend this policy is aligned to Building Regulation requirements in line with

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
(pg 244)			additional cost of £2,500 would be appropriate for perhaps including PV panels, however, Council will align policy in line with national standards and so costs are reflected in BCIS build costs.	consultation from the Housing Standards Review.
WAT1: Flood Risk Management (pg 249)	Possibly	No	The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land.	No change to policy
WAT2: Water Quality and the Water Environment (pg 251)	Possibly	No	The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land	
WAT3: Efficient Use of Water Resources (pg 252)	Yes	No	Housing Standards Review cost estimate based on Government assessment for water efficiency measure is priced at £68 for a house and £43 for a flat for an efficiency standard of 110 litres per day/ per person.	Recommend policy is aligned to the Housing Standards Review which sets out clear process for introducing policy, and has the allowable target of 110 l/per day in water stressed areas rather than the policy criteria of 105 l/pd.
WAT4: Sustainable Drainage (pg 254)	Yes	No	The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land.	No change to policy
WAT5: Wastewater Infrastructure (pg 255)	Yes	No	The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land.	No change to policy
EQ1: Contaminated Land and Land Instability (pg 258)	Yes		The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land	No change to policy

Plan policy area	Cost	Duplication	Approach to costs	Recommendation
EQ2: Noise Pollution (pg 259)	No	N/A	N/A	N/A
EQ3: Light Pollution (pg 260)	No	N/A	N/A	N/A
EQ4: Air Quality (pg 261)	Possibly	NO	The requirements of site mitigation cost to enable development to take place will be factored into the developers enabling costs and reflected in the value paid for the land	No change to policy
DEL1: Infrastructure and Service Delivery (pg 264)	Yes	Yes with the infrastructure requirement policy DPS5.	Some of the IDS costs will be met through either CIL or S106 depending on the nature of infrastructure and pooling restrictions.	The objective of the IDS should be as a proactive tool which is highly transparent and easy to understand. The IDS should provide clarity to developers of what infrastructure contributions are required and should be set out in one place, (to avoid going to a range of service providers and a list of policies) what infrastructure requirements will be for a development to be considered acceptable in planning terms, thus enabling the developer to take all relevant costs into account when appraising the value of a site and amount to pay the landowner. . This document will be a 'live' document that set's out requirements, and avoids any duplication in charging between CIL, S106 and S278 contributions. Further guidance on delivery mechanism is provided in the Delivery Study section on infrastructure.
DEL2: Community Infrastructure Levy (CIL) and Planning Obligations (pg 266)	Yes	Links with the infrastructure requirement policy DPS5 and DEL 1	CIL charging schedule will be drafted based on the outcome of the residual value of the PV appraisals. S106 cost inputs, based on past contributions and likely future requirements will be incorporated as a cost input into the viability assessment.	Clarity will be required to avoid double charging between CIL or S106 and S278 contributions by preparing a CIL Regs 123 list. Review and installments guidance maybe incorporated. The developer contributions SPD will need to be revised to reflect latest legislation and aligned with the CIL Regs 123 list.

Source: PBA and EHDC

Appendix C Residential viability assumptions

C.1 Residential sales values

Table C1 Average values for new build properties transacted during 2010 – 2014

	Flat		House	
Row Labels	Average of HousePrice	Count of HousePrice	Average of HousePrice	Count of HousePrice
BISHOP'S STORTFORD	£215,265	118	£446,567	30
BUNTINGFORD	£210,000	2	£350,289	126
HERTFORD	£282,691	148	£437,609	163
SAWBRIDGEWORTH	£186,938	8	£418,679	61
WARE	£190,745	77	£425,412	93
Grand Total	**£237,514**	**353**	**£416,307**	**498**

Source: PBA based on Land Registry data of some 500 dwellings new dwellings transacted

Table C2 Average values for new and old properties transacted during 2010 – 2014

	Flat		House	
Row Labels	Average of HousePrice	Count of HousePrice	Average of HousePrice	Count of HousePrice
BISHOP'S STORTFORD	£172,890	547	£325,679	2140
BUNTINGFORD	£154,333	24	£361,442	600
HARLOW	£501,667	3	£450,921	19
HERTFORD	£211,972	748	£365,625	2078
MUCH HADHAM			£560,355	80
SAWBRIDGEWORTH	£161,666	114	£360,024	585
STEVENAGE	£170,964	14	£457,285	193
WARE	£172,163	723	£355,134	1849
Grand Total	**£185,749**	**2173**	**£355,580**	**7544**

Source: PBA research based on Land Registry data of some 10,000 new and old dwellings transacted

Table C3 Estimated average residential sales values by post code in Hertfordshire

Low Value Areas			Medium Value Areas			High Value Areas		
Post Code	£/sqft	£/sqm	Post Code	£/sqft	£/sqm	Post Code	£/sqft	£/sqm
HP2	£259	£2,788	EN10	£328	£3,531	WD23	£416	£4,478
EN8	£285	£3,068	CM21	£330	£3,552	HP4	£431	£4,639
AL10	£286	£3,079	SG12	£335	£3,606	WD3	£433	£4,661
AL7	£296	£3,186	WD19	£341	£3,671	WD17	£434	£4,672
WD25	£299	£3,218	SG14	£349	£3,757	WD4	£437	£4,704
EN11	£300	£3,229	AL4	£353	£3,800	AL6	£455	£4,898
HP3	£300	£3,229	WD6	£354	£3,810	AL3	£461	£4,962
WD24	£306	£3,294	SG3	£356	£3,832	AL9	£462	£4,973
HP1	£309	£3,326	SG9	£356	£3,832	AL1	£478	£5,145
CM23	£318	£3,423	SG13	£364	£3,918	SG10	£492	£5,296
WD18	£323	£3,477	CM22	£374	£4,026	AL5	£515	£5,543
EN7	£324	£3,488	WD5	£377	£4,058	WD7	£543	£5,845
			SG11	£378	£4,069			
			HP23	£378	£4,069			
			AL8	£380	£4,090			
			AL2	£392	£4,219			
			EN6	£402	£4,327			

Source: Lambert Smith Hampton – Hertfordshire CIL study 2013 (Table 13 page 60)

Table C4 Comparison of PBA and LSH average sales values relevant to EHDC (2013 and 2015)

Location	SH Sales values (sq.m) 2013	PBA Sales Value Zone (sq.m) 2015
Ware	£3,606 - £4,069 post codes SG12 and SG11	£3,700 Southern Zone
Hertford	£3,757 - £3,918 post codes SG 13 and SG14	
Buntingford	£3,832 – post code SG9	£3,500 Northern Zone
Much Hadham	£5,296 – post code SG10	£3,700 Southern Zone
Knebworth	£3,832 – post code SG2	£3,700 Southern Zone

Source: Lambert Smith Hampton and PBA

C.2 Further appraisal iterations

C.2.1 Table C5 shows the effect on viability of introducing an affordable housing contribution of 35% on all the generic residential scenarios and a site specific S106 contribution of £500.

Table C5 Residential appraisal summaries with affordable housing at 35% for generic residential typologies

Site typology	Zone	Dwellings	Affordable housing	Net site area	Total floorspace	chargeable floorspace	Residual land value	Threshold land value	Headroom	
35% affordable assumptions		No.	%	Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	able Sqm
Housing 4 units	Southern zone	4	35%	0.13	352	247	£2,823,297	£2,250,000	£573,297	£309
Housing 10 units	Southern zone	10	35%	0.33	880	618	£2,796,194	£2,250,000	£546,194	£295
Housing 20 units	Southern zone	20	35%	0.67	1,760	1,235	£2,762,715	£2,250,000	£512,715	£277
Housing 50 units	**Southern zone**	**50**	**35%**	**1.67**	**4,400**	**3,088**	**£2,724,108**	**£2,250,000**	**£474,108**	**£256**
Housing 150 units	**Southern zone**	**150**	**35%**	**5.00**	**13,200**	**9,263**	**£2,667,509**	**£2,250,000**	**£417,509**	**£225**
Housing 4 units	**Northern zone**	**4**	**35%**	**0.13**	**352**	**247**	**£2,501,134**	**£2,000,000**	**£501,134**	**£271**
Housing 10 units	**Northern zone**	**10**	**35%**	**0.33**	**880**	**618**	**£2,477,100**	**£2,000,000**	**£477,100**	**£258**
Housing 20 units	**Northern zone**	**20**	**35%**	**0.67**	**1,760**	**1,235**	**£2,448,657**	**£2,000,000**	**£448,657**	**£242**
Housing 50 units	**Northern zone**	**50**	**35%**	**1.67**	**4,400**	**3,088**	**£2,415,723**	**£2,000,000**	**£415,723**	**£224**
Housing 150 units	**Northern zone**	**150**	**35%**	**5.00**	**13,200**	**9,263**	**£2,367,345**	**£2,000,000**	**£367,345**	**£198**

Source: PBA

C.2.2 The tables below include further appraisal summaries testing flatted schemes at a lower rate of affordable housing policy to consider if there is financial headroom to support strategic infrastructure costs.

C.2.3 Table C6 shows the effect of reducing the affordable housing target to 20% for the flatted and brownfield schemes and still maintaining the S106 at £500 for flats and £2000 for the two brownfield case studies. This begins to highlight the differential in sales values between the northern and southern zones. The southern zones can afford to support 20% affordable housing and contribute upto £50 sq.m in CIL charge. Whilst at 20% affordable housing most of the northern zones are either marginal or unviable.

C.2.4 Summary Tables C7 and C8 show further testing of the flatted schemes in the northern zone. This shows that flatted schemes in the northern zone maybe able to support an affordable housing contribution of upto 10% or a £40 per sq.m CIL charge but not both.

Table C6 Affordable housing at 20% for flats and brownfield sites

Site typology	Zone	Dwellings	Affordable housing	Net site area	Total floorspace	chargeable floorspace	Residual land value	Threshold land value	Headroom	
20% affordable assumptions		No.	%	Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	able Sqm
Flats 4 units	Southern zone	4	20%	0.05	307	245	£3,701,577	£2,500,000	£1,201,577	£262
Flats 15 units	Southern zone	15	20%	0.20	1,147	918	£3,286,031	£2,500,000	£786,031	£171
Flats 60 units	Southern zone	60	20%	0.80	4,588	3,671	£3,182,134	£2,500,000	£682,134	£149
Flats 4 units	Northern zone	4	20%	0.05	307	245	£2,293,754	£2,250,000	£43,754	£10
Flats 15 units	Northern zone	15	20%	0.20	1,151	918	£1,965,422	£2,250,000	-£284,578	-£62
Flats 60 units	Northern zone	60	20%	0.80	4,602	3,671	£1,868,224	£2,250,000	-£381,776	-£83
Mead Lane	Southern zone	300	20%	3.00	23,012	18,353	£4,141,043	£1,605,500	£2,535,543	£414
Goods Yard	Northern zone	450	20%	4.50	34,518	27,529	£2,327,498	£1,482,000	£845,498	£138

Table C7 Affordable housing at 10% for northern flatted schemes

Site typology	Zone	Dwellings	Affordable housing	Net site area	Total floorspace	chargeable floorspace	Residual land value	Threshold land value	Headroom	
10% affordable assumptions		No.	%	Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	able Sqm
Flats 4 units	Northern zone	4	10%	0.05	306	275	£2,692,887	£2,250,000	£442,887	£86
Flats 15 units	Northern zone	15	10%	0.20	1,149	1,032	£2,339,912	£2,250,000	£89,912	£17
Flats 60 units	Northern zone	60	10%	0.80	4,595	4,129	£2,233,777	£2,250,000	-£16,223	-£3
Goods Yard	Northern zone	450	10%	4.50	34,465	30,971	£2,713,868	£1,482,000	£1,231,868	£179

Table C8 Affordable housing at 0% for northern flatted schemes

Site typology	Zone	Dwellings	Affordable housing	Net site area	Total floorspace	chargeable floorspace	Residual land value	Threshold land value	Headroom	
0% affordable assumptions		No.	%	Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	able Sqm
Flats 4 units	Northern zone	4	0%	0.05	306	306	£3,061,927	£2,250,000	£811,927	£142
Flats 15 units	Northern zone	15	0%	0.20	1,147	1,147	£2,688,734	£2,250,000	£438,734	£76
Flats 60 units	Northern zone	60	0%	0.80	4,588	4,588	£2,599,331	£2,250,000	£349,331	£61
Goods Yard	Northern zone	450	0%	4.50	34,412	34,412	£3,099,983	£1,482,000	£1,617,983	£212

Source: PBA

Tables C9-C12 Example of residential appraisals

Housing 150 unit Greenfield		150 Units		Northern zone		
ITEM						
Net Site Area	5.00	Residual Value £2,243,954 per net ha		Technical Checks:		
				Sqm/ha	13,050	
	Private / Affordable	Affordable rent	Intermediate	Dwgs/ha	30	
Nr of units	90.00 / 60.00	45.00	15.00	Units/pa	49	
				GDV=Total costs	-	

1.0	**Development Value**					
1.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		90.00	95	8,550	£3,500	£29,925,000
		90.00		8550		
1.2	**Affordable rent**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		45.00	75	3,375	£1,750	£5,906,250
		45.00		3375		
1.3	**Intermediate**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		15.00	75	1,125	£2,275	£2,559,375
		15.00		1125		
	Gross Development value					**£38,390,625**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site value (residual land value)					£11,219,770
				Plus Purchaser Costs		5.75%
						11,864,907
2.2	**Build Costs**					
2.2.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
		90.00	95	8,550	£1,036	£8,857,800
		90.00		8550		
2.2.2	**Affordable units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Affordable rent	45.00	75	3,375	£1,036	£3,496,500.00
	Intermediate	15.00	75	1,125	£1,036	£1,165,500.00
		60.00		4500		
		150.00		**13050.00**		**£13,519,800**
2.3	**Extra over construction costs**					
2.3.1	Externals		10%	on build cost		£1,351,980.00
2.3.2	Site abnormals (remediation/demolition)		£0			£0
						£1,351,980
2.4	**Professional Fees**					
2.4.1			10%	on build costs		£1,351,980
						£1,351,980
2.5	**Contingency**					
2.5.1			5%	on build costs (incl: externals)		£743,589
						£743,589
2.6	**Developer contributions**					
2.6.1	Water efficiency		£68	per unit		£10,200
2.6.2	Section 106 standard typologies		£500	per unit		£75,000
2.6.3	CIL		£0	psm on market units		£0
2.6.4	CSH Level 4		£0	per unit		£0
						£85,200
2.7	**Sale cost**					
2.7.1	Private units only		3.00%	on OM GDV		£897,750
						£897,750
	TOTAL DEVELOPMENT COSTS (including land)					**£29,815,206**
3.0	**Developer's Profit**					
3.1	Private units		20%	on OM GDV		£5,985,000
3.2	Affordable units		6%	on Affordable GDV		£558,731
						£6,543,731
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£36,358,938**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£2,031,687
4.0	**Finance Costs**					
			APR		PCM	
4.1	Finance		7.00%	on net costs	0.565%	-£2,031,687
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					**£38,390,625**

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Housing 20 units	Greenfield	20 Units	Southern zone

ITEM

Net Site Area	0.67	Residual Value £2,626,049	per net ha

	Private	Affordable	Affordable rent	Intermediate
Nr of units	12.00	8.00	6.00	2.00

Technical Checks:

Sqm/ha	1,740
Dwgs/ha	30
Units/pa	14
GDV=Total costs	-

1.0	**Development Value**						
1.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		12.00	95	1,140	£3,700	£4,218,000
		12.00		1140		
1.2	**Affordable rent**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		6.00	75	450	£1,850	£832,500
		6.00		450		
1.3	**Intermediate**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		2.00	75	150	£2,405	£360,750
		2.00		150		
	Gross Development value					**£5,411,250**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site value (residual land value)					£1,750,699
				Plus Purchaser Costs		5.75%
						1,851,364
2.2	**Build Costs**					
2.2.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
		12.00	95	1,140	£1,036	£1,181,040
		12.00		1140		
2.2.2	**Affordable units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Affordable rent	6.00	75	450	£1,036	£466,200
	Intermediate	2.00	75	150	£1,036	£155,400
		8.00		600		
		20.00		**1740.00**		**£1,802,640**
2.3	**Extra over construction costs**					
2.3.1	Externals		10%	on build cost		£180,264.00
2.3.2	Site abnormals (remediation/demolition)		£0			£0
						£180,264
2.4	**Professional Fees**					
2.4.1			10%	on build costs		£180,264
						£180,264
2.5	**Contingency**					
2.5.1			5%	on build costs (incl: externals)		£99,145
						£99,145
2.6	**Developer contributions**					
2.6.1	Water efficiency		£68	per unit		£1,360
2.6.2	Section 106 standard typologies		£500	per unit		**£10,000**
2.6.3	CIL		£0	psm on market units		£0
2.6.4	CSH Level 4		£0	per unit		£0
						£11,360
2.7	**Sale cost**					
2.7.1	**Private units only**		3.00%	on OM GDV		£126,540
						£126,540
	TOTAL DEVELOPMENT COSTS (including land)					**£4,251,578**
3.0	**Developer's Profit**					
3.1	Private units		20%	on OM GDV		£843,600
3.2	Affordable units		6%	on Affordable GDV		£78,755
						£922,355
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£5,173,932**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£237,318
4.0	**Finance Costs**					
			APR		PCM	
4.1	Finance		7.00%	on net costs	0.565%	-£237,318
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					**£5,411,250**

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Goods Yard	Brownfield	450 Units	Bishop's Stortford Gyard				
ITEM							
			Residual Value			Technical Checks:	
Net Site Area	4.50		£1,553,536	per net ha		Sqm/ha	34,624
						Dwgs/ha	100
			60%	40%		Units/pa	55
	Private	Affordable	Affordable rent	Intermediate		GDV=Total costs	-
Nr of units	270.00	180.00	108.00	72.00			

1.0	**Development Value**					
1.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		270	65	17,550	£3,385	£59,400,000
		270		17,550		
1.2	**Affordable rent**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		108	66	7,128	£1,692	£12,062,769
		108		7,128		
1.3	**Intermediate**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		72	66	4,752	£2,200	£10,454,400
		72		4,752		
	Gross Development value	**450**		**29,430**		**£81,917,169**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site value (residual land value)					£6,990,912
				Plus Purchaser Costs		5.75%
						£7,392,890
2.2	**Build Costs**					
2.2.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
		270	76	20,647	£1,225	£25,292,647
		270		20,647		
2.2.2	**Affordable units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Affordable rent	108	78	8,386	£1,225	£10,272,705.88
	Intermediate	72	78	5,591	£1,225	£6,848,470.59
		180		13,976		
		450		**34,624**		**£42,413,824**
2.3	**Extra over construction costs**					
2.3.1	Externals		10%	on build cost		£4,241,382.35
2.3.2	Site abnormals (remediation/demolition)		£150,000	per net developable ha		£675,000
						£4,916,382
2.4	**Professional Fees**					
2.4.1			10%	on build costs		£4,241,382.35
						£4,241,382
2.5	**Contingency**					
2.5.1			5%	on build costs (incl: externals)		£2,332,760
						£2,332,760
2.6	**Developer contributions**					
2.6.1	Water efficiency		£43	per unit		**£19,350**
2.6.2	Section 106 standard typologies		£2,000	per unit		**£900,000**
2.6.3	CIL		£0	psm on market units		£0
2.6.4	CSH Level 4		£0	per unit		£0
						£919,350
2.7	**Sale cost**					
2.7.1	**Private units only**		3.00%	on OM GDV		£1,782,000
						£1,782,000
	TOTAL DEVELOPMENT COSTS (including land)					**£63,998,588**
3.0	**Developer's Profit**					
3.1	Private units		20%	on OM GDV		£11,880,000
3.2	Affordable units		6%	on Affordable GDV		£1,486,133
						£13,366,133
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£77,364,721**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£4,552,448
4.0	**Finance Costs**					
			APR		PCM	
4.1	Finance		7.00%	on net costs	0.565%	-£4,552,448
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					**£81,917,169**

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Mead Lane	Brownfield	300 Units	Mead Lane			
ITEM						
			Residual Value			Technical Checks:
Net Site Area	3.00		£3,133,742	per net ha		Sqm/ha 23,082
						Dwgs/ha 100
			60%	40%		Units/pa 277
	Private	Affordable	Affordable rent	Intermediate		GDV=Total costs -
Nr of units	180.00	120.00	72.00	48.00		

1.0	**Development Value**					
1.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		180	65	11,700	£3,846	£45,000,000
		180		11,700		
1.2	**Affordable rent**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		72	66	4,752	£1,923	£9,138,462
		72		4,752		
1.3	**Intermediate**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		48	66	3,168	£2,500	£7,920,000
		48		3,168		
	Gross Development value	**300**		**19,620**		**£62,058,462**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site value (residual land value)					£9,401,227
				Purchaser Costs		5.75%
						£9,941,798
2.2	**Build Costs**					
2.2.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
		180	76	13,765	£1,225	£16,861,765
		180		13,765		
2.2.2	**Affordable units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Affordable rent	72	78	5,591	£1,225	£6,848,470.59
	Intermediate	48	78	3,727	£1,225	£4,565,647.06
		120		9,318		
		300		**23,082**		**£28,275,882**
2.3	**Extra over construction costs**					
2.3.1	Externals		10%	on build cost		£2,827,588.24
2.3.2	Site abnormals (remediation/demolition)		£150,000	per net developable ha		£450,000
						£3,277,588
2.4	**Professional Fees**					
2.4.1			10%	on build costs		£2,827,588
						£2,827,588
2.5	**Contingency**					
2.5.1			5%	on build costs (incl: externals)		£1,555,174
						£1,555,174
2.6	**Developer contributions**					
2.6.1	Water efficiency		£43	per unit		£12,900
2.6.2	Section 106 standard typologies		£2,000	per unit		**£600,000**
2.6.3	CIL		£0	psm on market units		£0
2.6.4	CSH Level 4		£0	per unit		£0
						£612,900
2.7	**Sale cost**					
2.7.1	**Private units only**		3.00%	on OM GDV		£1,350,000
						£1,350,000
	TOTAL DEVELOPMENT COSTS (including land)					**£47,840,930**
3.0	**Developer's Profit**					
3.1	Private units		20%	on OM GDV		£9,000,000
3.2	Affordable units		6%	on Affordable GDV		£1,125,858
						£10,125,858
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£57,966,788**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£4,091,673
4.0	**Finance Costs**					
			APR		PCM	
4.1	Finance		7.00%	on net costs	0.565%	-£4,091,673
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					**£62,058,462**

Appendix D Non-residential viability appraisals

Tables D1Example of non-residential appraisals

Business Park Office

ITEM

Net Site Area	0.13	**residual value** -£592,228	**per ha**				
1.0	**Development Value**						
		No. of units	**NIA sq.m**	**Rent**	**Yield**	**Value per Unit**	**Total Value**
1.1	Business Park Office	1	425	£205	7.0%	£1,244,643	£1,244,643
						Rent free period	**Adjusted for rent free**
					No. of months	9	£1,183,060.40
						Less Purchaser Costs	£71,567
						Adjusted cap value	£1,111,493
		1	**425**				**£1,111,493**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site Value						-£72,755
						Plus Purchaser Costs	1.75%
							-£74,028.46
2.2	**Build Costs**						
		No. of units	**GIA sq.m**	**Cost £ psm**			**Total Costs**
2.2.1	Business Park Office	1	500	£1,446			£723,000
							£723,000
2.3	**Externals**						
2.3.1	External works as a percentage of build costs		15.0%				£108,450
							£108,450
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		8%				£66,516
							£66,516
2.5	**Contingency**						
2.5.1	Based upon percentage of construction costs		5%				£44,898
							£44,898
2.6	**Sale costs**						
2.6.1	Marketing costs		£25,000				£25,000
2.6.2	Letting agent fee		10%	of rent			£8,713
2.6.3	Letting legal fees		5%	of rent			£4,356
							£38,069
	TOTAL DEVELOPMENT COSTS						**£906,905**
3.0	**Developers' Profit**						
			Rate				
3.1	Based upon percentage of total development costs		20%				£181,380.92
							£181,381
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£1,088,286**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						**£23,208**
4.00	**Finance Costs**	APR 7.00%				PCM 0.565%	-£23,208
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						**£1,111,493**

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Retail convenience

ITEM							
		residual value					
Net Site Area	0.43	**£4,583,493**	**per ha**				

1.0	**Development Value**						
		No. of units	**NIA sq.m**	**Rent**	**Yield**	**Value per Unit**	**Total Value**
1.1	Retail convenience	1	1350	£230	5.0%	£6,210,000	£6,210,000
						Rent free period	**Adjusted for rent free**
					No. of months	6	£6,060,339.45
						Less Purchaser Costs	£357,075
						Adjusted cap value	£5,703,264
		1	**1,350**				**£5,703,264**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site Value						£1,857,545
						Plus Purchaser Costs	5.75%
							£1,964,354.34
2.2	**Build Costs**						
		No. of units	**GIA sq.m**	**Cost £ psm**			**Total Costs**
2.2.1	Retail convenience	1	1,500	£1,309			£1,963,500
							£1,963,500
2.3	**Externals**						
2.3.1	External works as a percentage of build costs		15.0%				£294,525
							£294,525
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		8%				£180,642
							£180,642
2.5	**Contingency**						
2.5.1	Based upon percentage of construction costs		5%				£121,933
							£121,933
2.6	**Sale costs**						
2.6.1	Marketing costs		£25,000				£25,000
2.6.2	Letting agent fee		10%	of rent			£31,050
2.6.3	Letting legal fees		5%	of rent			£15,525
							£71,575
	TOTAL DEVELOPMENT COSTS						**£4,596,530**
3.0	**Developers' Profit**						
			Rate				
3.1	Based upon percentage of total development costs		20%				£919,306
							£919,306
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£5,515,836**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						**£187,429**
4.00	**Finance Costs**	APR				PCM	
		7.00%				0.565%	-£187,429
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						**£5,703,264**

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Appendix E Critical path analysis of infrastructure

The following table set's out the critical path analysis for health and waste water infrastructure based on the stakeholder interviews undertaken by PBA.

Infrastructure	place	Short Term (2016-2021)	Medium Term (2021-2026)	Long Term (2026-2031)
Health	Rest of Bishop's Stortford	The majority of existing practices in the area are constrained, although two do have capacity, however, both these surgery premises are not ideally suited for modern general medical services. A key constraint is acquiring a suitable site - various option		
Health	Rest of Bishop's Stortford			
Waste Water	Rest of Bishop's Stortford	Capacity in the treatment works upto medium term due to increased capacity already designed. Development specific network upgrades will be required.		
Waste Water	Rest of Bishop's Stortford			
Health	Buntingford	Currently, both practices within the town have capacity to accept new patients. The proposed development sites amounting to around 500 dwellings would potentially increase the population by circa 1,200 patients, which could be accommodated across both the existing town centre		
Health	Buntingford			
Waste Water	Buntingford	There is capacity at the Sewage Treatment Works, however, network pipe capacity stretched if all consented / appeal sites progress - localised treatment works planned to meet network pressure.		
Waste Water	Buntingford			
Health	Hertford	The existing GP premises capacity within the town is already constrained, particularly in the case of two surgery premises. Therefore, any additional residential development in the area will only add pressure on existing facilities, which would not, as a result, be able to accommodate the projected increase in population without major investment in GP premises provision within the town.		
Health	Hertford			
Waste Water	Hertford	Local network upgrades will be required as the Hertford sites are separated from each other in drainage terms, Thames Water would require each developer to present a drainage strategy for their site for Thames Water to consider with the LPA. There is capacity upto medium term at Rye Meads STW. through the planning process. This is because it is		
Waste Water	Hertford			
Health	Sawbridgeworth	The town is served by one GP practice only which is currently very constrained, therefore any additional development in the area will only add to the present situation. Although overall the development figures proposed on the out skirts of the Town are modest, the close proximity of the proposed development at Harlow North, could add additional pressure on the practice current capacity.		
Health	Sawbridgeworth			
Waste Water	Sawbridgeworth	The location of development sites on the west side of town is already experiencing sewage leak and this location will increase the risk of further sewer flooding. Therefore sewerage network upgrades will be required, possibly in the form of underground balancing tanks. There is capacity at the Rye Meads STW.		
Waste Water	Sawbridgeworth			
Health	Ware	The existing GP premises capacity within the Ware is already constrained. Depending on scale of growth additional on site capacity will be required		
Health	Ware			
Waste Water	Ware	Large scale development would require the provision of a new sewer to the north and east of the town to connect with the trunk sewer. The existing sewer lies underneath the High Street and this new sewer to the north and east would therefore avoid disruption here. There is capacity upto medium term at Rye Meads STW.		
Waste Water	Ware			

Source: PBA with service provider inputs 2014