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Rotherham Metropolitan Borough Council

Whole Plan Viability Assessment
Final report

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EXECUTIVE SUMMARY

Study scope

1. This report sets out the findings for the whole plan viability assessment of the draft Rotherham Core Strategy undertaken by Peter Brett Associates.

2. The need for the whole plan viability assessment arose after the following comments were received from the Planning Inspector to the Publication Draft Core Strategy consultation:

   - The Inspector recommended that in the light of the NPPF and the (then recently) launched 'Viability Testing Local Plan Report[1] Rotherham Metropolitan Borough Council (RMBC) should demonstrate that they have given some consideration to assessing the viability of the whole plan.
   - The Inspector stated that a 'light touch' assessment, utilising existing information where possible was sufficient.

3. The draft report was reviewed by the Planning Advisory Service on behalf of RMBC and found to be robust and viability assumptions were considered appropriate for the area.

The NPPF recognises the importance of viability and deliverability

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

5. The guidance contained in the 'Viability Testing Local Plan Report - an advice note for Planning Practitioners' prepared by the Local Housing Delivery Group chaired by Sir John Harman in June 2012 (abbreviated as the Sir Harman Report) provides the basis for informing our approach to this whole plan viability assessment.

Identifying policies that impact on the whole plan viability

6. A client workshop helped to identify the policies in the Publication Draft Core Strategy that have a cost implication on the plan delivery. A range of policies were identified and costed, including affordable housing, infrastructure, energy, and landscape management. We estimated the total cost of the policy impact on each dwelling was approximately £13K; this was additional to the 25% affordable housing requirement.

Approach to viability assessment and key appraisal findings

7. We assessed a range of commercial uses and residential scenarios using the residual approach to development viability. Our viability assumptions were informed by interviews with agents, developers and local authority officers and research based on the type of

[1] This report is an advice note for Planning practitioners' prepared by the Local Housing Delivery Group Chaired by Sir John Harman in June 2012. RTP were part of the group that helped Sir Harman produce this Viability Testing Local Plan report.

development taking place in the area and likely to come forward in the short term. The appraisal findings are summarised in the appendix to this report.

Policy choices will have to be made by RMBC

8. We found that most development scenario appraisals were able to contribute something towards policy requirements; however, once the cost of providing 25% affordable housing is deducted, there is very little balance available to fund other policy requirements. The amount of money that development proposals can contribute towards policy costs is limited if development is to remain viable. If members want to see growth accompanied with critical infrastructure and meet other sustainability objectives, then important decisions will have to be made about policy priorities. Indeed in many instances, other sources of funding that used to help support the delivery of infrastructure is no longer available (e.g. education, transport and affordable housing). This means that there is a greater reliance on growth to meet its own infrastructure requirements at a time when there is a growing need for development to fund other policy requirements too.

Main study findings

9. Table 1 below summarises the residential appraisal outputs before deducting any policy requirements. This shows there is some balance available to support policy cost after taking off the benchmark land cost from the residual value.

Table 1 Appraisal balance before deducting any policy costs

No of dwellings	Net site area ha	Density	Residual Value Per Ha	Benchmark Per Ha	Affordable Per Ha	Policy Per ha	Balance Per Ha
14	0.40	35	£1,205,744	£600,000	£0	£0	£605,744
20	0.57	35	£1,202,364	£600,000	£0	£0	£602,364
35	1.00	35	£1,188,970	£600,000	£0	£0	£588,970
70	2.00	35	£1,159,556	£600,000	£0	£0	£559,556
250	7.14	35	£1,029,068	£500,000	£0	£0	£529,068

10. Table 2 below shows that if the 25% affordable housing policy remains the priority for Rotherham, then there is very little balance left to support other policy requirements.

Table 2 Impact of 25% affordable housing on the balance available for other policy

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£600,000	£545,454	£0	£60,290
20	0.57	35	1,800	£1,202,364	£600,000	£545,454	£0	£56,910
35	1.00	35	3,150	£1,188,970	£600,000	£545,454	£0	£43,516
70	2.00	35	6,300	£1,159,556	£600,000	£545,454	£0	£14,102
250	7.14	35	22,500	£1,029,068	£500,000	£545,454	£0	-£16,386

Developer and Infrastructure Provider Workshop findings

11. The assumptions inputs and appraisal findings above were consulted on at a Developer and Infrastructure Provider workshop held in December 2012. The consultees at this workshop raised concerns that the benchmark land value was set too low and would not incentivise landowners to sell. They also suggested that the developer's profit margin was not set high enough to reflect the risk involved in bringing development forward. The

consultees highlighted that choices would have to be made about policy priorities. Whilst applauding the inclusion of flexibility in the policy wording to allow site specific negotiations based on viability, developers also wanted to see a degree of certainty over what was likely to be required from development.

Study recommendations

Recommendation One: RMBC will need to make important choices about policy requirements and trade-offs

12. If RMBC continues requesting developer contributions at a rate of 25% for affordable housing, then a number of policy requirements tested as part of this study, (including some essential infrastructure to support the delivery of growth), cannot be funded through developer contributions and other means will have to be sought to fund items such as essential infrastructure. Alternatively, important choices will need to be taken between the balance of affordable housing and other policy requirements to be funded via developer contributions.

Recommendation Two: Need for longer term flexibility and short term certainty in policy

13. The feedback from some consultees representing landowners was that the proposed benchmark land value has been set too low and concern was raised at the unfair expectation on the 'landowner to take the hit' for future policy requirements. Those representing developers stated that the developer's margin has been set too low in the appraisals. Similarly the residual value and balance available for policy requirements is insufficient to meet all the policy costs. It is considered that sales values are unlikely to increase by much in the short term.

14. Given the current unstable economy, all the Preferred Draft Core Strategy policies have been worded in such a way as to allow for flexibility to reflect fluctuations in the housing and commercial markets. This is for the following reasons:

- To allow developers to negotiate current delivery based on site specific circumstances whilst there is uncertainty and marginal viability.
- To allow the local authority to adjust policy requirements to reflect changes (particularly improvements) in the future.

15. However, it will be important for RMBC to provide some clarity as to what the policy requirements will be for the short term (say next three to five years) and then review these closer to the target policy levels depending on changes in the viability evidence and actual development taking place. To inform policy reviews, we suggest that RMBC implements a programme of monitoring of key development market indicators to inform future refinements to policy. We would recommend that the 25% affordable housing should remain a longer term aspirational objective, however for the short term, this should be reduced to 15% (or similar) to reflect the current market and wider policy requirements.

Recommendation Three: Deliverable sites allocations for the first five years

16. It is clear that development viability is currently challenging. However, there is still an appetite to deliver if the viability can be made to 'stack up'. It will be important to ensure

that sites included in the first five years of the plan are in locations where developers can build without the need for high infrastructure costs and in areas where they can readily sell. Our market analysis of what is currently being developed shows that there are a number of locations where some of the major national house builders are delivering in Rotherham. The infrastructure assessment does not identify any major show stoppers to this type of delivery, providing development can meet their specific infrastructure requirements and contribute something (via a CIL) towards improvements of strategic infrastructure.

17. A separate detailed viability appraisal has been undertaken of the Bassingthorpe Farm strategic site, which is expected to deliver post the first five years of the plan, and highlights the parameters to ensure the site can be developable in accordance with paragraph 47 of the NPPF.

Recommendation Four: Innovative approaches to infrastructure funding and securing income from infrastructure

18. Going forward, developers, landowners, infrastructure providers and RMBC will need to work together to deliver growth, infrastructure and other policy requirements in as cost efficient way as possible, incorporating flexibility to allow for staged developer contribution payments and investigating mechanisms to help forward fund critical infrastructure using various local authority powers and exploring new and innovative mechanism to help delivery. RMBC can also investigate opportunities to secure longer term revenue stream by investing in energy generating projects and other capital infrastructure. Such a proactive approach will require a dedicated delivery mechanism to support infrastructure delivery.

1 STUDY SCOPE AND APPROACH

Scope of the whole plan viability study

1.1 This report sets out our findings for the whole plan viability assessment. Peter Brett Associates was commissioned by Rotherham Metropolitan Borough Council (RMBC) to undertake a Community Infrastructure Levy (CIL) viability assessment. Work on assessing the assumptions inputs for the CIL study had commenced in early 2012. In parallel to this work, RMBC were consulting on the Publication Core Strategy Draft. The need for the whole plan viability assessment arose after the following comments were received from the Planning Inspector to the Core Strategy Publication Draft consultation:

- The Inspector recommended that in the light of the NPPF and the (then recently) launched 'Viability Testing Local Plan Report[2] RMBC should demonstrate that they have given some consideration to assessing the viability of the whole plan.
- The Inspector stated that a 'light touch' assessment, utilising existing information where possible was sufficient.

1.2 Following the feedback from the Planning Inspector, RMBC agreed a variation to the original CIL study to be replaced by this whole plan viability assessment of the draft Rotherham Core Strategy. Our scope was to build on the evidence already gathered for the CIL viability study and assess the impact of the draft Publication Core Strategy policies in terms of the viability of the whole plan.

1.3 It is important therefore to emphasise that this study has been undertaken in the spirit of the Inspectors comments of a 'light touch' based on an adaptation of an earlier piece of work (CIL study assessment) and with limited resources. A later addition to our scope was to undertake a Developer and Infrastructure Provider workshop to seek views on the assumptions and findings of the whole plan viability assessment. This took place on 12th December 2012 and comments arising from this consultation have been captured in this report.

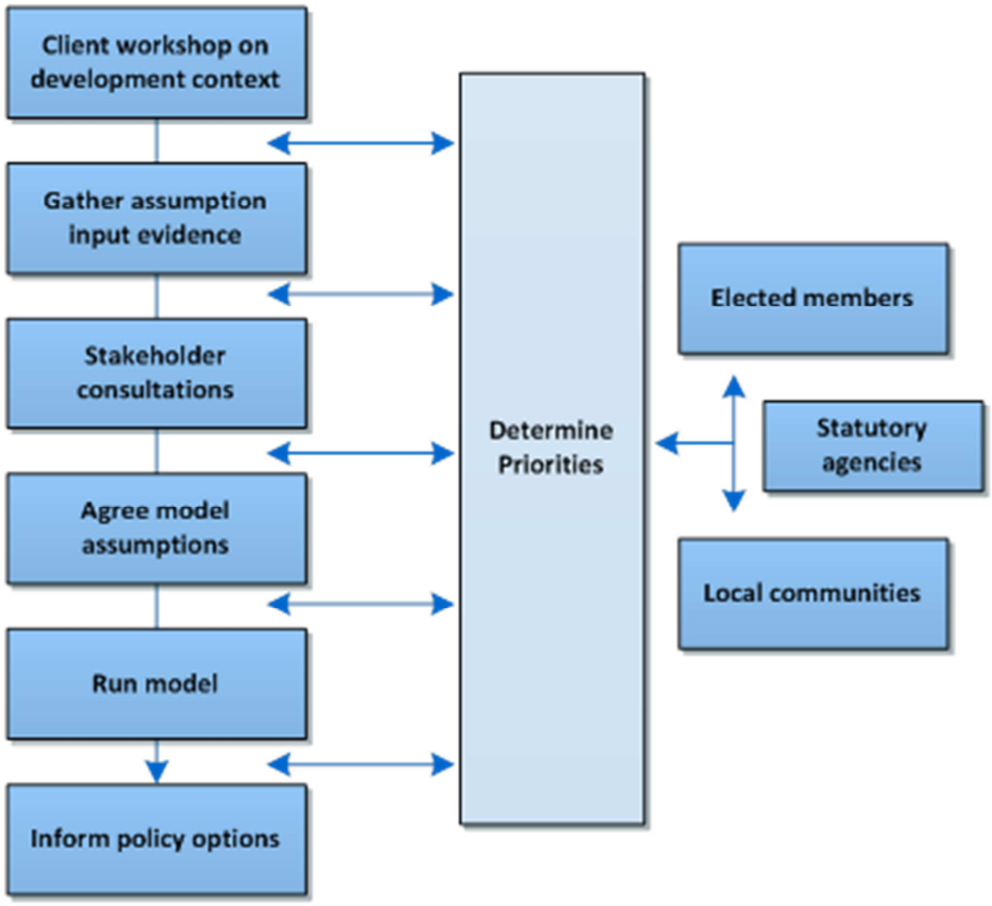
1.4 A draft version of this report was reviewed by the Planning Advisory Service on behalf of RMBC and found to be robust and viability assumptions were considered appropriate for the area.

Our approach

1.5 Our approach to this assessment is presented in figure 1.1

[2] This report is an advice note for Planning practitioners' prepared by the Local Housing Delivery Group Chaired by Sir John Harman in June 2012. RTP were part of the group that helped Sir Harman produce this Viability Testing Local Plan report.

Figure 1.1 Overview of collaborative approach to plan viability assessment



The report structure

1.6 The rest of this report is structured as follows:

- Section 1 the rest of this section outlines the national policy requirements for whole plan viability assessment and outlines some important guiding principles.
- Section 2 set out the whole plan viability policy assessment matrix. This identifies the main policies that are likely to impact on viability and estimates costs for these.
- Section 3 sets out our approach to residential and commercial viability appraisals, summarises the assumption inputs used to inform the viability appraisals, and outlines the key messages from the Developer and Infrastructure Provider workshop and summaries the key appraisal outputs.
- Section 4 sets out the study conclusions and makes recommendations for RMBC members to consider.

Whole plan viability and legislation requirements

The NPPF recognises the importance of viability and deliverability

1.7 The National Planning Policy Framework (NPPF), recognises that the 'developer funding pot' or residual value, is finite and decisions relating to how this pot is distributed between

affordable housing, infrastructure, and other policy requirements have to be considered as a whole, they cannot be considered in isolation of each other.

1.8 Paragraph 173 of the NPPF introduces the policy on plan wide viability assessment, including statements about ensuring that the scale of obligations and how policy burdens should not threaten the viability of development. This paragraph also introduces concepts such as competitive returns based on a willing land owner and willing developer to enable the development to be deliverable. The following is an extract from paragraph 173 of the NPPF:

> *"to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, local standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and on-site mitigation, provide acceptable returns to a willing land owner and willing developer to enable the development to be deliverable." NPPF paragraph 173*

1.9 The central objective of the whole plan viability evidence is to show that the overall development aspirations of a particular area should not be put at serious risk once an Authority has taken account of the cumulative burden of policy costs such as CIL, affordable housing, space standards, green infrastructure, flood mitigation measures, design standards etc. There is also a need to ensure that the first five years housing supply is 'deliverable' and that the remainder of the supply is developable.[3]

1.10 Figure 1.2 below illustrates the range of viability input considerations required for a whole plan viability assessment

[3] Paragraph 47 and footnotes 11 and 12 of the NPPF.

Figure 1.2 Inputs informing whole plan viability assessment

Source: Viability Testing Local Plans – Advice for Planning Practitioners – June 2012

1.11 The guidance contained in the 'Viability Testing Local Plan Report - an advice note for Planning practitioners' prepared by the Local Housing Delivery Group, and chaired by Sir John Harman in June 2012 (abbreviated as the Sir Harman Report) provides the basis for informing our approach to this whole plan viability assessment.

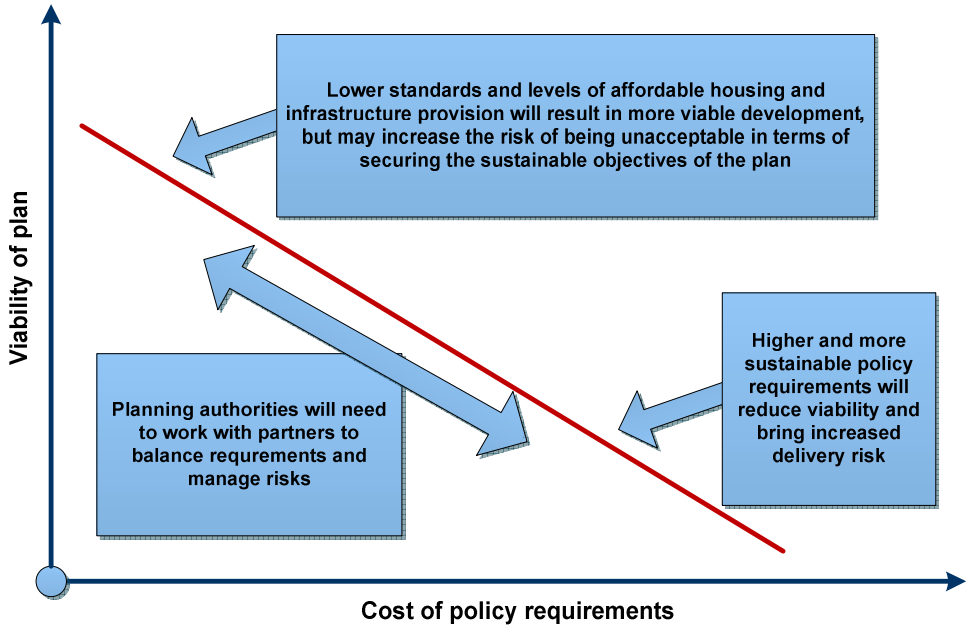
Balancing sustainable development with the realities of economic viability

1.12 Local Plan making will involve decisions about striking a balance between policy requirements that are deemed necessary in order to provide sustainable development and the realities of economic viability. The Sir Harman Report recognises, that except for the highest value areas, it is unlikely that all policy aspirations will be met via developer funding.

> *The challenge for planning authorities is to balance this (sustainable development) with the realities of economic viability and develop plans that can deliver sustainable development – that is, to balance aspirational objectives with realistic and deliverable policies. NPPF paragraph 154*

1.13 Local elected members will need to make important decisions based on the right balance for their area. The role of this assessment is to help inform the decisions made by elected members when preparing and adopting a Local Plan. The Sir Harman Report uses the illustration in figure 1.3 to demonstrate the important trade-offs between delivering viable development and securing policy requirements.

Figure 1.3 Balancing delivery risk and sustainable plan policies



Source: Viability Testing Local Plans – Advice for Planning Practitioners – June 2012

1.14 It is understood at the outset of this study that once all requirements are taken into account, Rotherham members will need to make important decisions about prioritising policy requirements based on the evidence presented in this report.

Guiding principles to inform the whole plan viability assessment

1.15 The Sir Harman Report provides some important guiding principles to inform whole plan viability assessment. We set out some of these here to inform the approach to this study.

Principle 1: Understanding the difference between whole plan viability and site specific assessment

1.16 It is important to clarify that the whole plan assessment is different to a site specific assessment. With a site specific assessment, the appraisal is informed by an actual site value and costs and will be assessed against existing policies. Whereas a whole plan assessment will be based on hypothetical development scenarios and helps to shape future policy which developers will then need to factor into their viability assessments. It is important that all parties involved in the development process appreciate what this means (explained below).

Sir Harman Report notes:

This means that the assessment should allow for a process of iteration of assumptions and policy goals, leading to a final set of policies that will ensure the plan's strategic objectives are deliverable. Although this will be more challenging, it will increase the prospect of being able to successfully balance viability and sustainability considerations within the Local Plan.

1.17 This advice goes to the very heart of the benchmark land value assumptions used for the viability appraisal. The benchmark values need to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations[4] (just as future planning policy will impact on the use of land and so affect the value of the land). A balancing is needed to reflect a benchmark that enables future policy to be delivered, but it should not be set at a level that will lead to the creation of an 'unwilling seller'.

1.18 The precise figure for the benchmark value will be determined locally, and depends on a local authority's attitude to development risk. An authority that is very confident of the level of demand and competition for sites coming forward for development may take a more bullish attitude to development risk and pitch the benchmark lower and secure greater policy contributions and vice versa. It is also true that the developer's return will need to reflect the risk and return required and landowner will have an expectation for their assets.

Principle 2: This is a high level strategic assessment

1.19 It is important to note that a strategic viability assessment of this nature helps to provide plan wide assurance that the policies within the plan are set in a way that the bulk of the development is likely to be economically viable and the Inspectors will be looking to ensure that the first five years supply is deliverable. However as with the CIL regulations, this approach acknowledges that some development may be put at risk – i.e. there are no guarantees that every development in the plan period will be viable. The infrastructure delivery plan identifies measure that will support longer term development.

Principle 3: We are testing at current values and costs

1.20 The Sir Harman Report[5] clarifies that current costs and values based on NPPF (paragraph 47 and footnote 11) should be used to support the five year deliverable supply. The guidance recognises that this approach helps to keep data requirements simpler, but more importantly, in a turbulent economic market as now, this approach avoids potentially misplaced assumptions about future economic change that might render viability judgements incorrect. For longer term a more flexible approach may be taken, recognising the impact of economic cycles and policy changes over time.

Principle 4: Importance of the 'Duty to Cooperate' in assessing viability

1.21 The Harman Report highlights[6] the importance of the Duty to Cooperate stemming from the NPPF (paragraph 157) for two reasons:

- Planning authorities need to collaborate with a range of agencies; some of whom will make a significant contribution to the viability assessment exercise.
- The duty is a means through which neighbouring authorities will collaborate on strategic planning matters that go beyond the boundary of a single authority.

[4] Extract from the Harman report page 29.
[5] See page 26 of the Sir Harman Report
[6] See page 14 of the Sir Harman Report

Principle 5: Viability is an art not a science

1.22 The Sir Harman report highlights the limitations of whole plan viability assessment (page 18), stating that it is important to have realistic expectations of the scope and accuracy of viability testing for a whole plan – it is not a science, and is based on a number of assumptions at a set point in time. Much can change and no two sites will be the same. So a pragmatic approach to viability testing based on sensible assumption inputs and a sense test with what is happening on the ground has been adopted for this study. We acknowledge that the assumptions used will not apply to all or any particular site scenario, but it is intended to provide a broad representation of the likely development for the short term delivery of the area.

2 POLICIES IMPACTING ON WHOLE PLAN VIABILITY

2.1 To identify the policies that might affect the viability of the local plan, a detailed workshop was held with the client team to go through each policy in the Publication Draft Core Strategy and consider the cost implications to assess for the viability appraisals. The findings of this workshop are captured and refined in the Whole Plan Policy Assessment Matrix set out in table 2.1. This assessment process also involved refinements of various policies to ensure sufficient flexibility was built into them and appropriate linkages made where appropriate to the infrastructure policy.

Whole plan viability assessment matrix

2.2 Table 2.1 is a summary of the policy assessment undertaken to inform this study.

Table 2.1 Policy assessment to inform the whole plan viability assessment

Plan policy	Policy cost implication?	What does the policy apply to?	Flexibility introduced	How has cost implications on viability been estimated?	How is the policy requirement being addressed for viability assessment?
CS1 Delivering Rotherham's spatial strategy	Not directly	2 Broad Locations for Growth identified	Yes.	Infrastructure costs via IDP	Infrastructure requirements to deliver the strategy managed via the IDP policy CS32 –policy link included by RMBC. Flexibility defined by housing trajectory - CS6 defines "from 2018".
CS2 Delivering development on major sites	Not directly	2 Broad Locations & 'large scale major sites'.	Yes.	Masterplanning / Design Code costs – industry standards in viability.	Viability assessment includes an allowance for professional fees which will include planning application and accompanying inputs.
CS3 Location of new development	No	n/a	n/a	n/a	n/a
CS4 Green Belt	No	n/a	n/a	n/a	n/a
CS5 Safeguarded land	No	n/a	n/a	n/a	n/a
CS6 Meeting housing requirement	No.	n/a	n/a	n/a	n/a
CS7 Housing Mix and Affordability	Yes	Most housing applications	Yes	Affordable housing on site/ commuted sum –detailed viability assessment.	Affordable housing viability assessment undertaken in 2011. WPV assessment includes affordable housing in the assessment.
CS8 Gypsy and	No.	n/a	n/a	n/a	n/a

Plan policy	Policy cost implication?	What does the policy apply to?	Flexibility introduced	How has cost implications on viability been estimated?	How is the policy requirement being addressed for viability assessment?
traveller accommodation					
CS9 Transforming Rotherham's economy	No.	n/a	n/a	n/a	n/a
CS10 Improving skills and employment opportunities.	Not directly	Some developments	yes	Difficult to estimate so policy has been re-worded to remove cost impact.	It is proposed to change this policy so that we seek local labour agreements where appropriate and viable which will make the policy more flexible – rather than specifying that we will deliver through conditions or planning obligations.
CS11 Tourism and the visitor economy	No.	n/a	n/a	n/a	n/a
CS12 Managing change in Rotherham's retail and service centres	No	n/a	n/a	n/a	n/a
CS13 Transforming Rotherham Town Centre, p90	No.	n/a	n/a	n/a	n/a
CS14 Accessible places and managing	Yes	Potentially most developments	n/a	Travel plan prep – subject to thresholds – industry	Travel plans included within the % allocation for professional fees in the viability assessment.

Plan policy	Policy cost implication?	What does the policy apply to?	Flexibility introduced	How has cost implications on viability been estimated?	How is the policy requirement being addressed for viability assessment?
demand for travel				standards in viability.	
CS15 Key routes and the strategic road network	Not directly	Aimed at employment growth	Yes	Various site specific and strategic – cost estimates included in IDP to be kept updated.	Via developer contribution element of the WP viability assessment (kept flexible at this stage to account for strategic and site specific). Through allowance for external costs to allow for some S278 type road schemes.
CS16 New roads, p101	No	n/a	Yes	Strategic schemes of regional importance costed and funded via partners.	Some funding for strategic transport schemes in place, other schemes not expected to come forward in the plan period.
CS17 Passenger rail connections	Not directly	Some developments		Safeguarding former rail routes	Where land for development is affected, cost will be factored into land value and also in the gross to net viability assumptions allow for some non-developable land.
CS18 Freight	Not directly	Potentially most developments	Yes	Safeguarding sites with potential canal wharfage and rail sidings.	Where land for development is affected, cost will be factored into land value and through the allowance for external costs in the viability to allow for some on site infrastructure.
CS19 Green Infrastructure	Yes	Potentially most developments	Yes	Cost estimates included in the IDP.	Via developer contribution element of the viability assessment (kept flexible at this stage to account for strategic and site

Plan policy	Policy cost implication?	What does the policy apply to?	Flexibility introduced	How has cost implications on viability been estimated?	How is the policy requirement being addressed for viability assessment?
					specific). Through allowance for external costs to allow for site specific provision.
CS20 Biodiversity and Geodiversity	Not directly	Potentially most developments	No	Safeguarding sites of special biodiversity and geodiversity quality.	Where land for development is affected, cost will be factored into land value and through the allowance for net developable land that will include areas of open space that need to be safeguarded or via the IDP and viability assessment.
CS21 Landscape	Yes	Potentially most development	Yes	Landscape cost estimates included in the IDP. Separate estimation for on-going management costs for this assessment.	Where land for development is affected, cost will be factored into land value and through the allowance for external costs in the viability assessment to allow for some on site infrastructure. Other contributions will be via S106 requirements included in the viability assessment. Further testing to assess long term management cost implications of larger sites included in the viability assessment.
CS22 Green space, p124	Yes	Potentially most development	Yes	Green space cost estimates included in the IDP. Separate estimation for on-going management costs for this assessment.	Where land for development is affected, cost will be factored into land value and through the allowance for external costs in the viability assessment to allow for some on site infrastructure. Other contributions will be via S106 requirements included in the viability assessment. Further testing to assess long term management cost implications of larger sites included in the viability assessment.
CS23 Valueing	No.	n/a	n/a	n/a	n/a

Plan policy	Policy cost implication?	What does the policy apply to?	Flexibility introduced	How has cost implications on viability been estimated?	How is the policy requirement being addressed for viability assessment?
the Historic Environment					
CS24 Conserving and Enhancing the Water Environment, p131	Neutral	Potentially most development	Yes	Consultation with specialist landscape architects on design and cost of SuDs	Costs of new SuDs measures (e.g. balancing ponds, soak away and wetlands to manage surface water run off) would replace other engineered drainage cost solutions so cost neutral if designed from outset.
CS25 Dealing with Flood Risk	Yes	Potentially most developments in regeneration area		Higher level contributions in Rotherham Regeneration Area - IDP includes cost estimate.	This affects central regeneration area and any abnormal flood mitigation costs will come from land value offer to land owner.
CS26 Minerals, p142	No.	n/a	n/a	n/a	Viability assessment includes an element for professional fees to cover such items required as part of planning application and any abnormal costs identified as a result of mineral deposits will come off the land cost.
CS27 Community Health & Safety.	Yes	Potentially most development	No	As part of viability assessment	Viability assessment includes an element for professional fees to cover such items required as part of planning application and any abnormal costs identified as hazard mitigation will come off the land cost.
CS28 Sustainable design	Yes	Potentially most development	Yes	As part of the viability assessment	All requirements stemming from national regulations will be included in Building Regulations and factored into build cost assumptions.

Plan policy	Policy cost implication?	What does the policy apply to?	Flexibility introduced	How has cost implications on viability been estimated?	How is the policy requirement being addressed for viability assessment?
					Viability includes build costs based on latest energy requirements and allowance for new requirements coming into force in Oct 2013
CS29 Community and social facilities	Yes	Potentially residential developments	Yes	Cost estimates included in IDP to be kept updated.	Via developer contribution element of the WP viability assessment (kept flexible at this stage to account for strategic and site specific).
CS30 Renewable energy generation	Yes	Potentially most development	Yes	Additional research based on Zero Carbon Hub included for residential.	An additional energy policy option has been included in the viability assessment for residential – though potential for cost neutral depending on technology and mechanism adopted. The requirement will make speculative unviable commercial development more unviable.
CS31 Mixed use areas	No	n/a	n/a	n/a	n/a
CS32 Infrastructure delivery and developer contributions	Yes	Potentially most development	Yes	Via a detailed infrastructure delivery plan	Via developer contribution element of the WP viability assessment (kept flexible at this stage to account for strategic and site specific).
CS 33 Presumption in Favour of Sustainable Development	No	n/a	n/a	n/a	n/a

Source: PBA 2012 based on input from RMBC officers

Cost of policies impacting on viability

2.3 Having identified the main policies that have an impact on viability, certain assumptions were made, and costs estimated and agreed by RMBC and by us for each of the policies that give rise to a cost impact for the viability model (note various existing studies have been used to inform the cost estimates included in this study). The policy cost assumptions made are as follows:

- The provision of affordable housing at 25% policy requirement.
- The provision of infrastructure estimated at £5,000 per unit based on our assessment in the Infrastructure Study[7] as a combination of site specific and strategic costs. Note the actual cost to meet the full growth related funding gap would require an estimated contribution of £9,000 per unit.
- The provision of special low carbon energy[8] measures estimated at £11,700 per unit based on the Zero Carbon Hub's latest recommendations[9] (option 2 of the impact assessment). Lower cost figures have been published by DCLG[10] ranging from £3000 - £8000 however; it is unclear what these figures are based on. It is possible that site specific assessments will vary considerably in achieving zero carbon as this is complicated by the allowable solutions adopted by the developer and technology costs may change considerably over time. For this assessment, we have adopted a mid point cost between the DCLG estimate of £5,500 per dwelling but note that allowable solutions could change this figure.
- Cost implications of requiring some larger schemes to provide long term landscape management plans of £2,400 per unit – based on consultation with a local provider or such service.
- Planning application / pre application allowance of 8% of build costs allowance for professional fees in the viability assessment which allows for these types of costs.

2.4 If all these costs were to apply to a scheme, then the cost of incorporating all the policy requirements is approximately £13,000 per dwelling and an additional requirement to provide 25% of the dwellings as affordable housing.

2.5 It is important to note that not all the requirements identified here will necessarily apply to all developments e.g. landscape management and the low carbon energy costs could be substantially reduce or not apply. Also the cost estimates included here are a snap shot in time based on the available evidence at the time. Changes technology and other impacts will lead to changes in costs and account will have to be taken of these changes at the time of determining specific applications.

[7]:http://www.rotherham.gov.uk/downloads/file/6668/rotherham_infrastructure_study_report_may_2012

[8]Low Carbon & Renewable Energy Study:
http://www.rotherham.gov.uk/downloads/file/6300/low_carbon_and_renewable_energy_study_2011

[9] Carbon Compliance Setting an Appropriate Limit for Zero Carbon New Homes Findings and Recommendations, February 2011.

[10] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6288/1905485.pdf

3 VIABILITY APPRAISAL ASSUMPTIONS AND OUTPUTS

3.1 This section sets out:

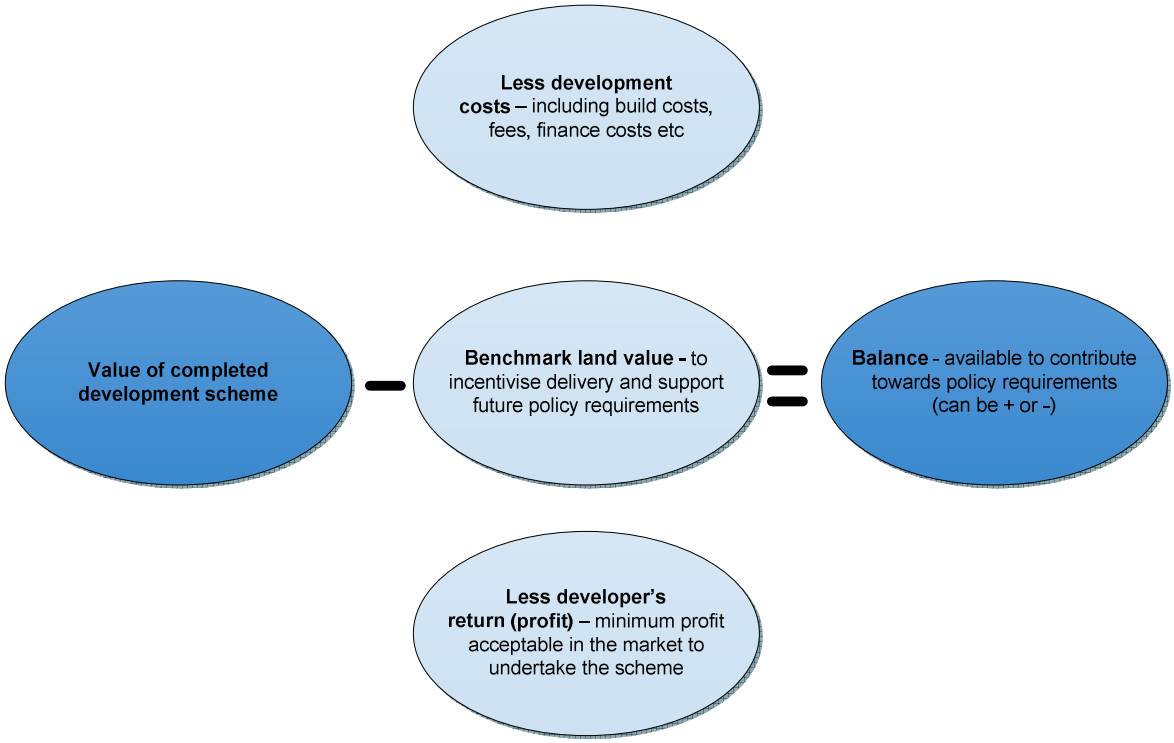
- Our approach to residential and commercial viability appraisal.
- The assumptions we used to inform the viability appraisals.
- The viability appraisal outputs stemming from the viability modelling.
- The key messages from the Developer and Infrastructure Provider workshop held in December 2012.

Residential viability assessment

3.2 We use the residual approach to development viability assessment for residential development. Our financial viability model takes the difference between the value and costs of a development scenario and compares the 'residual' with a land value benchmark to determine the balance available to support policy costs. This approach is in line with accepted practice and as recommended 'Viability Testing Local Plans Guidance' by the Local Housing Delivery Group chaired by Sir John Harman (June 2012).

3.3 The assessment is based on current costs and values and the appraisal of hypothetical development schemes. Our method is illustrated in the figure 3.1 below.

Figure 3.1 Approach to residual land value assessment for whole plan viability



3.4 We undertook this assessment using our whole plan viability model which Peter Brett Associates have developed in Microsoft Excel. The model provides the flexibility to input a wide range of policy variables across a number of development scenarios.

Assumptions used to inform the residential appraisals

3.5 The main assumption used for the viability appraisals are summarised in the tables 3.1 – 3.4. These are based on a consideration of national standards, market evidence and interviews with agents held in spring 2012 (see appendix one). Our assumptions have also been informed by a review of viability evidence submitted to RMBC by developers to re-negotiate S106 agreements and other S106 delivery information provided by RMBC.

3.6 It is important to emphasise that in reality, the assumptions outlined here will vary considerably for site specific scenarios. For the purpose of this high level, assessment the assumptions are appropriate and sufficiently evidenced.

Table 3.1 Revenue assumptions

Assumption	Source	Notes
Sales value of completed scheme	Analysis of new development within the Rotherham area	The following property values are derived from values achieved on current new schemes in the Rotherham area. Schemes assessed include new developments in Treeton, Wickersley, Brinsworth, Thurcroft, Kimberworth, Greaseborough, Rawmarsh & Wath. 1 **Flats –** £0 sq m 1 **Houses –** £1,776 sq m
Affordable housing transfer values	Analysis of new development within the Rotherham area and information proivided by Rotherham Council	The following affordable housing transfer values are based upon analysis of schemes within the Rotherham area and discussions with the local authority. **Affordable Rent** **Ref** **Type** **Value** 1 **Flats –** £0 sq m 1 **Houses –** £888 sq m **Intermediate** **Ref** **Type** **Value** 1 **Flats –** £946 sq m 1 **Houses –** £1,332 sq m

Table3.2 Cost assumptions

Assumption	Source	Notes
	BCIS Quarterly Review of Building Prices Issue No 126 August 2012	BCIS is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification. The following build costs used are derived from recent data of actual prices in the marketplace. As early as 2009, the market across the UK was building at round Code for Sustainable Homes Level 3 to 4 for private and Level 4 for social housing . This overall rate includes an allowance for external works of 15% of build costs. **Private** Flats – £0 sq m Houses – £890 sq m **Social Rent** Houses – £890 sq m **Intermediate** Houses – £890 sq m
Professional Fees	Industry standards	Professional fees are based upon accepted industry standards and has been calculated as a percentage of build costs at 8%
Contingency	Industry standards	Contingency is based upon the risk associated with each site and has been calculated as a percentage of build costs at 5%
Sale costs	Industry standards	These rates are based on industry accepted scales at the folllowing rates: Legals - 1% per unit Sales agents fee - 0.50% private sale value Marketing cost - £1,000 per unit
Finance costs	Industry standards	Based upon the likely cost of development finance we have used current market rates of interest. 7%
Stamp Duty on Land Purchase	HMRC	These are the current rates set by Treasury at the following rates: up to £125,000 0.00% Over £125,000 to £250,000 1.00% Over £250,000 to £500,000 3.00% Over £500,000 to £1m 4.00% Over £1 million 5.00%
Professional fees on Land Purchase	Industry standards	Fees associated with the land purchase are based upon the following industry standards: Surveyor - 1.00% Legals - 0.75%
Profit		
	Industry standards	Gross development profit (includes overheads) taken as a percentage of costs 20%
Time-scales - build rate units/per annum		
	Market analysis of comparable schemes	**These have been based upon current demand in the Rotherham market.** Small sites up to 10 10 Medium Schemes up to 100 50 Large Schemes 50

Table 3.3 Unit size, density and scenarios tested

Assumption	Source	Notes			
		We have produced indicative development appraisals of hypothetical schemes, comprising:			
			Houses	14	Units
			Houses	20	Units
			Houses	35	Units
			Houses	70	Units
			Houses	250	Units
Densities			Houses	35	dwph
Housing Mix		**Ref**			
		1	Houses –	100%	
Unit sizes		**Private**			
		Ref			
		1	Houses –	90	sq m
		Affordable Rent			
		Ref			
		1	Houses –	90	sq m
		Intermediate			
		Ref			
		1	Houses –	90	sq m

Table 3.4 Affordable mix and policy assumptions

Assumption	Source	Notes		
			Percentage of affordable	
Affordable Housing			25%	
			Social rented	**Shared ownership**
Affordable Tenure Mix			56%	44%
		Apartments	0%	0
		Houses	56%	44%
				Calculate
		Apply?		
Policy Requirements		**No**	per unit	£5,500
		No	per unit	£2,400
		Apply?		
		No	per unit	£5,000

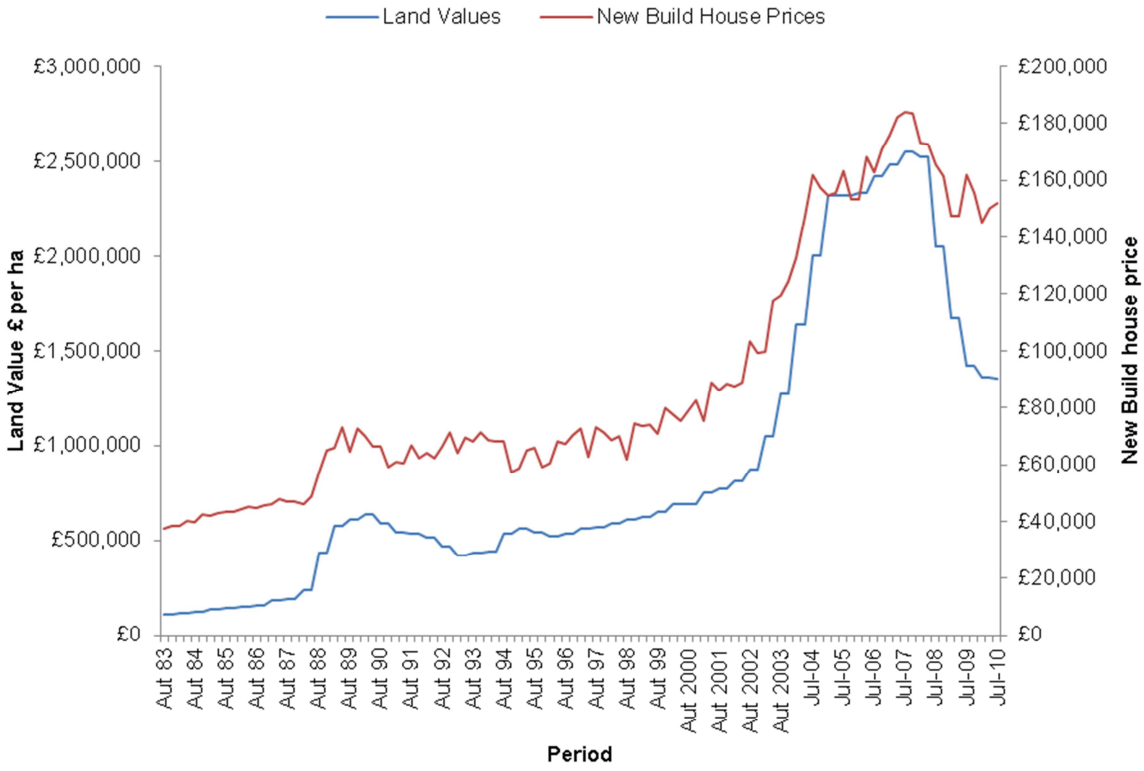
Approach to land cost benchmarking

3.7 Figure 3.2 below shows there is a clear interaction between changes in house prices in the Yorkshire & Humber region and land values. In general terms as house prices increase so do land values. During the market upturn in1987 house prices in the Yorkshire and Humber region increased by 40 per cent, and land values increased by two and half times. The subsequent downturn saw average new build house prices across the region fall by 18 per cent from their peak and land values across the region fell by 28 per cent. The peak to trough on house prices was over a four year period. Effectively the market bottomed out in mid-1994.

3.8 Following 1994 both land values and house prices steadily increased until the early 2000s. From the early 2000s to 2007 average houses prices in the region increased by two and a quarter times from £64,000 to £184,000, during the same period land prices

increased three and half times from £690,000 per hectare to £2.5 million per hectare. Since the peak of the market average house prices have seen a peak to trough fall of 20 per cent and land values have halved (as at July 2010).

Figure 3.2 House price values compared with land values in Yorkshire



Source: Valuation Office Agency January 2010 and Nationwide House Price Index 'November 2012

3.9 It is clear from the medium term trend analysis that during the market upturn of the late 1980s the increase in land values was much higher than the increase in house prices. Looking back land values only fell marginally after the late 1980's peak and not falling anywhere near to their pre 'boom' value.

The effects of past policy may not have been reflected in land values

3.10 For the majority of the period which has been analysed the main policy requirement for developer contributions (in financial terms) has been for affordable housing, and this was introduced near the end of the period (2008 in the case of RMBC). The effects of these policy requirements have only just started to filter through in the land value negotiations (and this has been combined with the downturn in the market).

3.11 Furthermore, the impact of affordable housing has been 'cushioned' in some circumstances by way of substantial Homes and Communities Agency (HCA) grant to support any gap funding to deliver affordable housing. Going forward, the availability of HCA housing grant has been dramatically reduced so this cannot be relied upon to finance development.

Our benchmark land value takes account of future policy requirements

Our approach to benchmark setting considers the value of land with planning permission and acknowledges that land owners will generally have an aspirational land value based on the planning consent that can be achieved for the land. However, we recognise that going forward, the price offered for land will need to reflect future policy requirements, but still ensure the land value is set at a level that provides some incentive for the land owner to release the site – this is entirely consistent with the Sir Harman approach.

3.12 Our approach to arriving at a benchmark land value is based on consultation with local property agents, research into past property trends and our own professional assessment. Research indicates that land values for fully serviced sites have nearly halved from 2010 data with typical land values which were about £1,000,000 per acre (£2,471,000 per hectare) are now generally down to £300,000 per acre (£741,000 per hectare)[11]. These figures are based on sites with planning consents and current policy requirements.

We are assuming 'fully serviced sites' in respect of development

3.13 It is difficult to predict land values for non-serviced sites that don't have the benefit of planning consent, as they will all have different servicing issues with varying costs. For this reason, we have appraised a 'fully serviced site' this takes the guess work out of abnormal and infrastructure costs and looks at the land value of a site that is ready to develop. A contaminated site with abnormal costs may cost the owner / promoter of the site more to fully service, but once the contamination has been removed by the landowner, the site will be sold for the same amount as one with no contamination.

3.14 In formulating a benchmark land value, for sites without planning consent, we have arrived at a value of between £500,000 to £600,000 per hectare for a fully serviced site[12]. This is in keeping with the NPPF and the Sir Harman guidance which states that land values should be set to provide sufficient incentives to encourage delivery of sites but at the same time look to secure future policy requirements.

3.15 Note the benchmark we propose here serves as a guide for this strategic high level viability appraisals reflecting the likely type of land to come forward in the short term. It is important to note that at a site specific assessment, there can never be a single benchmark land value, indeed land is likely to come forward at a level higher and lower than this in practice. The actual value of land paid to a landowner will be determined by many factors, including the landowner's financial circumstances, market demand and site specific residual valuations which may find a site is cheaper to develop than we have estimated, or requires less in the way of infrastructure and opening up costs etc It is crucial to recognise that in practice there can never be a single benchmark land value which we can say definitively that land will come forward for development – the benchmark used here serves as a guide.

[11] Based on 'fully serviced' sites that is ready to develop with no abnormals.

[12] Note this is not the value that will be paid to the land owner as the cost of policy requirements, any site abnormals and site opening up costs will come off this value to arrive at a price.

The actual amount paid to land owners will be considerably less

3.16 In reality, a developer will often agree to pay something close to the existing use value for say agriculture or employment (depending on the sites credible current use), and there will be an agreement in place with the landowner to share any profits after costs (including an appropriate developers return) have been deducted. Thus there is scope, once the planning policy requirements and site investigations have been undertaken to assess the worth of the land more specifically to the site. This will have to factor in the actual planning policy requirements for such items as infrastructure, affordable housing, flood mitigation, energy etc and come to a more realistic view on the actual value of the land.

Approach to gross and net developable land

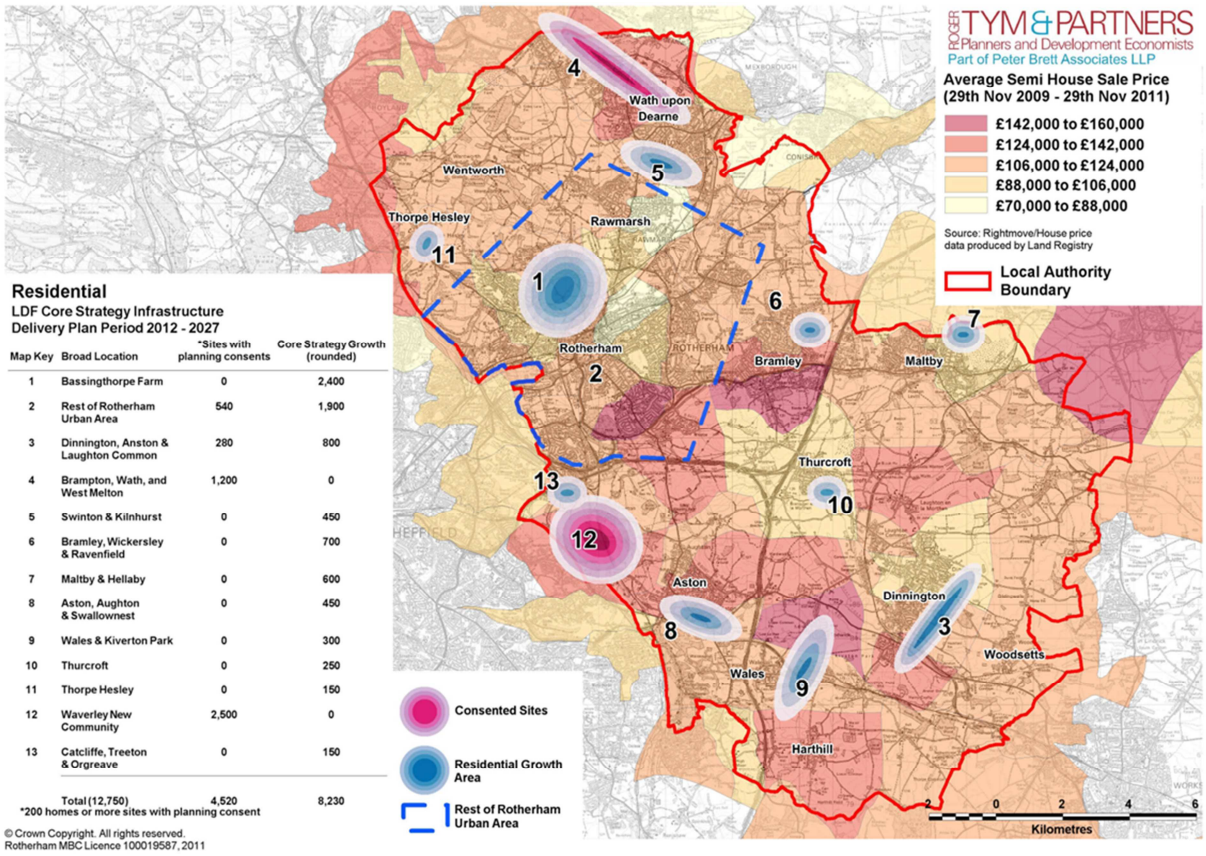
3.17 Our approach to differentiating between gross and net land within the larger schemes, is to assume that the land values per hectare assume that land to be used for 'non developable' areas are included within the cost of the net land value paid. As part of the overall land acquisition figure, we have assumed that the developers would acquire land for non-developable uses as part of the overall package based on a price paid for net developable land. Much depends on the shape, constraints and orientation of the site and policy requirements for open space, green infrastructure, roads, cycle ways, SuDs schemes and other land requirements which will impact on the land take.

Approach to assessing sales values – location of growth

3.18 Our assessment to inform house sales values is based on reviewing Land Registry sales data, and consultation with the main promoters of schemes and agents which took place when this assessment was first commenced to a inform a Community Infrastructure Levy Viability Study in 2012[13]. The values where growth is proposed are generally similar in terms of sales values as illustrated in figure 3.3. Note this figure includes the sales values of second hand properties as well as new build.

[13] See section one – reason and scope for study.

Figure 3.3 sales value heat map showing average price of semi's over two years



Source: PBA

3.19 The quantum and broad locations of growth displayed in figure 3.3 is based on client consultations prior to the Publication Core Strategy (2012) and the Focused Changes consultation document (2013) to be consulted on shortly. We are aware that there may be some variations to the quantum indicated in figure 3.3. However, we are assured by RMBC that based on current information, the general growth levels and directions of growth reflected in this figure is correct and our viability assessment is therefore representative of the bulk of the proposed growth.

3.20 The details relating to likely sites will be developed later in the Sites and Policies document. For the purpose of this study, we have based our viability assumptions to reflect the type of developments that are taking place at present under the current economic climate and likely to continue to do for some years to come – it will be important to ensure the first five years sites are in this sort of easy to deliver locations. Developers coming forward in the next five years will look for sites that require limited infrastructure and site opening costs and are located in areas where there is effective demand. Detailed viability assessment has been undertaken for the strategic site at Bassingthorpe Farm as part of the Sites and Policies assessment and Community Infrastructure Levy assessment. It should be noted that the bulk of the Bassingthorpe Farm site does not form part of the five year delivery considerations but does form part of the 'developable' considerations for the six year and beyond supply period.

Residential development market in Rotherham

3.21 Our assessment of new houses currently on the market is based on interviews with agent's currently promoting development in the area and site visits. The housing sales values follow a similar pattern to the wider Yorkshire housing market.

3.22 The majority of current developments areas are on former pit villages where new land has been allocated and new communities are being developed such as at Wath, Waverley, and Treeton. These all have similar values. The land is normally reclaimed former colliery land with developments generally comprising thirty five units or more. The agent opinion is that Rotherham does not have a particular strong market and dwellings need to be competitively priced. The strongest demand at present in most locations is for provision of 'move on' accommodation of three and four bedroom dwellings. The apartment market is very difficult and there has been a definite shift away from this product.

3.23 A number of schemes were analysed to assess sale values together with asking values and rate of sales. Barratt Homes are developing a number of schemes within the Rotherham boundary including schemes at Parkland Gardens in Brinsworth, The Edge at Catcliffe (Waverley) and Meadow Walk at Brampton. In addition, they are bringing forward the Hedgerows at Thurcroft. The majority of these developments provide three and four bedroom dwellings with the schemes at Brinsworth and Catcliffe, including 1 bedroom apartments. Other active developers in the area include Taylor Wimpey with schemes at the Wickets at Rawmarsh, the Banks at Catcliffe and Kingfisher Walk at Wath. In addition, Jones Homes have developed the Arundel Park scheme at Treeton.

Market sales values and values achieved

3.24 Discussions were held with the sales offices of the various developments currently taking place. We supplemented this with an analysis of land registry data against sold plots to estimate the sales values achieved for particular house types on the new estates. We compared the achieved values to the asking values to arrive at an informed estimate of the actual sales values achieved. This information is summarised in table 3.5 below.

Table 3.5 House sales values being achieved in different areas of Rotherham

	2 bed apt	3 bed townhouse	3 bed semi	4 bed town house	4 bed detached	5 bed
Rawmarsh		£175K		£200k	£230k - £250k	£269k
Brinsworth			£142k			
Kimberworth					£235k	
Greasborough						

Wikersley	£118k	£200k	-	£215 – 260k	£250K	
Treeton			£145k	£235k		
Wath		£144k				

3.25 The sales values being achieved range from:

- £1699 - £1829 per sq.m at Field View, Brinsworth.
- £1611 - £2,190 per sq.m at Arundel Park, Treeton

3.26 There will be variations up and down from this, but this in our opinion reflects the type of delivery currently taking place and the general opinion is the market is not likely to change much in the short term. Comparable rates at poorer locations were obtained at a sales rate of £1322 sq.m with stronger locations of around the £2000 sq.m however this did not reflect the vast majority of the development that was taking place. Discussions with sales offices provided a rough indication of sales rates being achieved, with a general average of between 1 – 2 sales per month. The consensus from all sales offices was one of a difficult market with lack of finance being the main contributory factor resulting in every deal being challenging.

3.27 As is to be expected, there were some value differences between locations and certain streets in particular locations did carry a premium. However, these value differences were insubstantial[14] and there were not large areas where values were at a significant premium. Based on the research and interviews with sales agents and Land Registry data the sales value adopted for the hypothetical scenarios is £1,776 per sq.m (allowing for incentives).

Impact of policy requirements on development viability

3.28 Our assessment in section two identified various policy requirements in the proposed Publication Draft Core Strategy that will impact on the overall viability of development including:

- Affordable housing at 25% affordable and then other variations to inform possible variations.
- Infrastructure cost at £5,000, based on both S106 and CIL contributions (note the actual final amount applied will vary depending on the need for S106 and CIL charge).
- Energy for zero Carbon Hub levels estimated £5,500 per dwelling but will only apply to some schemes and should not be holistically applied.
- Landscape management costs at £2,400 per dwelling, but will only apply to large sites and should not be holistically applied.

[14] For instance, Treeton had a one off house for £1322 and Wickersley had the stronger value however, these were one offs due to e.g. plots that were bigger because of shape of land or had extra garages etc.

3.29 The sum of the various requirements listed above (excluding affordable housing) is approximately £13,000 but note that not all of this will necessarily apply to all developments.

3.30 To date, RMBC's priority has been on securing affordable housing and very limited developer contributions have been sought for other policy requirements. This is partly explained by the fact that to date, much of the infrastructure to meet the needs of growth has been supported by either existing infrastructure capacity or other sources of funding and RMBC have not had to pursue developers for infrastructure contributions.

3.31 Affordable housing ranging from 10% to 33% has been secured. S106 contributions ranging from £330 to £3,600 per dwelling (averaging about £1,700) has been secured for various transport, education and open space type initiatives, as well as some landscape management agreements. However this position is changing as much of the surplus infrastructure capacity has been absorbed and individual service providers are all seeking contributions from the finite developer pot to support wider infrastructure requirements.

Residential viability appraisal output

3.32 We have jointly considered a variety of 'iterations' to reflect various policy requirements in the viability appraisals. The aim of this assessment is to enable RMBC to make informed choices about policy and broad land allocations.

3.33 To simplify the presentation of this 'iterative process', we only outline the scenario options most likely to help RMBC make informed choices[15] about the 'whole ask from the finite developers residual pot.' The critical question is:

- What is the impact on development viability of including some or all of the above policy requirements and is the plan deliverable and developable as a result of the cumulative impact of policy?

3.34 The next section responds to this question by illustrating what happens to the residual value once a combination of the policy requirements are factored into the viability appraisals.

An explanation of how to interpret the appraisal output tables

3.35 By necessity the presentation of this section is complicated. To minimise this, we have produced a selection of appraisals in appendix three for residential to illustrate the approach used. The approach to arriving at the residual appraisals is as shown in figure 3.1 earlier in this section.

3.36 For each of the five development scenarios we have assessed the following:

[15] Note RMBC is investigating the scope for introducing a Community Infrastructure Levy (CIL) and decisions relating to how some of the policy requirements relating to landscape management or energy schemes will be funded and spent will be considered as part of that research.

- Calculated the overall development value of the completed scheme.
- From this, we deducted the development cost to build the scheme and the developer's profit margin.
- This provides us with the 'residual value per ha' figure available to pay for the land and policy requirements.
- We then deduct the benchmark land value per ha to arrive at the balance available to contribute towards policy requirements. Note that in reality this will vary as discussed earlier, but we use a fixed figure to inform this assessment.
- The residual value after deducting the benchmark land value forms the basis for assessing how it can fund the range of policy requirements.
- We then consider the implications on viability by incorporating the cost of the various policy requirements assessed in this study.
- If there is a positive balance remaining after all deductions (the build costs, developer profit, benchmark land value, affordable housing and other policy cost), then the scheme is considered to be viable. A negative/red figure indicates that the scheme is not viable or maybe marginal.

Residual balance with no policy requirements

3.37 Table 3.6 shows that without any policy requirements all the development scenarios tested show a positive residual balance indicating that development is viable in the sort of locations and sites that are currently taking place. This is also reflected in the fact that development is taking place on the ground.

Table 3.6 Residual value with no policy requirements

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£600,000	£0	£0	£605,744
20	0.57	35	1,800	£1,202,364	£600,000	£0	£0	£602,364
35	1.00	35	3,150	£1,188,970	£600,000	£0	£0	£588,970
70	2.00	35	6,300	£1,159,556	£600,000	£0	£0	£559,556
250	7.14	35	22,500	£1,029,068	£500,000	£0	£0	£529,068

Affordable housing delivery at 25% and no other policy requirements

3.38 Table 3.7 overleaf shows that the 25% affordable housing policy requirement is achievable based on the future policy level benchmark land value adopted for this WPV assessment. Note the benchmark value assumes a fully serviced site (whereas in reality any site opening costs will come off this value so the actual amount paid to the land owner could be considerably less than the benchmark value, and more likely to be close to its existing use value).

3.39 To provide an indication of whether this scenario is viable at current land values, we have undertaken some sensitivity testing and the appraisals are set out in appendix 2 which show that viability becomes marginal and negative for the larger size scenarios (due to the longer development time and cost of finance incurred).

Table 3.7 Residual with 25% affordable housing policy requirements

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£600,000	£545,454	£0	£60,290
20	0.57	35	1,800	£1,202,364	£600,000	£545,454	£0	£56,910
35	1.00	35	3,150	£1,188,970	£600,000	£545,454	£0	£43,516
70	2.00	35	6,300	£1,159,556	£600,000	£545,454	£0	£14,102
250	7.14	35	22,500	£1,029,068	£500,000	£545,454	£0	-£16,386

3.40 The findings in table 3.7 reflect the percentage of affordable housing sought since RMBC introduced the affordable housing policy in 2008. We have been informed by RMBC that seventy five per cent of the planning applications in the last three years have been approved with a contribution of 25% affordable housing. Of the remaining twenty five percent of planning applications, a reduction in the level of affordable housing contribution has been negotiated on the basis of viability. An analysis of the selection of schemes that are actually being delivered (also provided by the client team – see appendix 2), indicates, that where contributions are sought for other policy requirements, then the affordable housing percentage secured is generally reduced to around 10% to 15%.

Review of affordable housing minimum threshold

3.41 At present schemes below fifteen units are not required to contribute to affordable housing. Our appraisals show that scenarios for 14 units are viable and could be considered to contribute something towards the delivery of affordable housing (either on or off site).

The effect of factoring in policy (infrastructure, energy etc) contributions and affordable housing

3.42 Table 3.8 shows the effect on viability of introducing a developer contribution of £5,000 towards wider policy requirements and continuing with a requirement of 25% affordable housing. Note we have tested a range of policies individually too before arriving at this.

Table 3.8 Policy contribution at £5k & affordable housing at 25%

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£600,000	£545,454	£175,000	-£114,710
20	0.57	35	1,800	£1,202,364	£600,000	£545,454	£175,000	-£118,090
35	1.00	35	3,150	£1,188,970	£600,000	£545,454	£175,000	-£131,484
70	2.00	35	6,300	£1,159,556	£600,000	£545,454	£175,000	-£160,898
250	7.14	35	22,500	£1,029,068	£500,000	£545,454	£175,000	-£191,386

3.43 The balance column in table 3.8 shows that scenarios are unviable (minus red number) when 25% affordable and £5K developer contribution is requested. Thus where infrastructure contributions are required, there needs to be some flexibility on the level of affordable housing. This is consistent with what is currently being delivered as illustrated by the assessment of recent planning applications (see appendix 2). This shows that the majority of schemes are providing between 10% - 15% affordable housing and between £1000 to £3,500 s106 contributions (with one scheme delivering 33% affordable).

3.44 If the policy requirements to meet some of the needs of growth are to be partly met by development, there will need to be some flexibility of affordable policy requirements. It is

clear that the entire affordable housing and developer contribution requirement cannot be met in the current economic climate. The Core Strategy policies have been constructed to allow for flexibility to reflect this.

Table 3.9 Policy contributions at £5K and affordable housing at 15%

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£600,000	£327,272	£175,000	£103,471
20	0.57	35	1,800	£1,202,364	£600,000	£327,272	£175,000	£100,091
35	1.00	35	3,150	£1,188,970	£600,000	£327,272	£175,000	£86,697
70	2.00	35	6,300	£1,159,556	£600,000	£327,272	£175,000	£57,283
250	7.14	35	22,500	£1,029,068	£500,000	£327,272	£175,000	£26,796

3.45 Table 3.9 above shows that with a reduction in affordable housing, to around 15% - 20%, and £3k to £5K developer contributions towards wider policy requirements, all the development scenarios are showing a viable position. Thus with a reduction in the policy level of affordable housing, together with some movement in the amount offered to the land owner, this option sets the parameter for delivery which reflects current market delivery values and still leaving some 'slack' to reflect local circumstances. The smaller 14 unit scenario is also viable with the affordable housing requirement, and so any reductions in affordable housing percentage elsewhere, could partly be recouped by removing the current minimum threshold of fifteen dwellings (permitted by the NPPF).

Summary of residential appraisal findings

3.46 The important message from this assessment reflecting the current economic and housing market, is that the residual pot available from development to fund policy requirements is finite and trade-offs will be required. All parties involved in the process will need to 'compromise' if they want to see development taking place. So some important decisions will need to be taken by RMBC on whether to continue with the current requirement for 25% affordable housing in the short term or whether to reduce this in order to meet other policy requirements.

3.47 In summary, the trade-off between affordable housing and infrastructure / other policy are clearly demonstrated in the above tables. These range from 15% to 25% towards affordable housing and £0K to £5k towards policy and infrastructure funding. The precise nature of this balance will be considered further as part of the CIL viability assessment.

Commercial viability assessment

3.48 We used the Argus appraisal model for our commercial viability assessments using a residual value approach to assess viability. The following scenario were agreed with the client team at our initial inception meeting (CIL Study brief February 2012) and revised to reflect the type of growth most relevant to Rotherham:

3.49 **Office scenarios tested** - We have produced indicative development appraisals of hypothetical schemes, comprising 2787 sq.m (typical 2-3 storey business park style scheme).

3.50 **Employment scenarios tested -** We have produced indicative development appraisals of a hypothetical scheme, comprising a scheme of 3,500 sq. m which could be potentially either let as a single unit or subdivided into smaller units.

3.51 **Retail scenarios tested -** We have produced indicative development appraisals of hypothetical schemes for convenience and comparison retail.

Convenience retailing:

- An out of town grocery store of 1,500 sq. m;

Comparison retailing

- A 650 sq. m in-town high street scheme,
- A 3530 sq. m out-of-centre retail park /retail warehouse type scheme.

Consultation feedback to inform the assumption inputs

3.52 Our appraisals were informed by stakeholder consultations with leading commercial agents active in Rotherham (see appendix one). The main points made by these agents are summarised below:

- **Office development** – is operating in a very difficult market. Sheffield has a stronger office market but currently there is lack of demand from occupiers which has resulted in prime quoting rents at £15 psf with vast incentives. Rotherham has a much weaker market and there are existing brand new offices which are available at £10 psf or less with incentives. These have been empty for a number of years.
- **Industrial** – there is reasonable demand for good quality industrial units around the Templeborough area and to a lesser extent around Dinnington and South Rotherham. Rents are between £4 - £6 psf with incentives. Very few schemes have been developed in the last 5 years without grant assistance. Land values have dropped since the peak with current values around £100 - £175k per acre for potential schemes. Sites with good infrastructure and close to motorways command better values closer to the peak while secondary areas are discounted heavily.
- **Retail** - town centre retail has struggled and values have reflected the current state of the market. Out of town retail has reasonable demand and can command higher rents for units with good parking. Comparable evidence is scarce, and there is little evidence of new build accommodation being brought forward in the current market. So where possible, we have based our assumptions on existing developments. For instance, Rotherham has two areas (Cortonwood and Parkgate) with very strong out of town retail parks and our values have been based on these figures.

Assumptions used to inform the commercial appraisals

3.53 There will always be a range of data and options on the assumptions to use in a study such as this. We have made reasonable assumptions which lie within the range of figures we generally see for typical new build schemes (rather than high specification or particularly complex schemes). However, we caution that these assumptions reflect this strategic assessment and any site specific assessment could vary considerably from this. The main assumptions are summarised in table 3.10 below.

Table 3.10 Commercial assumptions used for the viability model

Assumption	Source	Notes
Revenue		
Sales value of completed scheme	Land Registry, CoStar and EGi	Property values are derived from different sources, depending on land use. For non-residential uses, we used the **CoStar**[16] and **EGi** databases[17], supplemented by discussions with local property agents. Offices: £134.55 sq m capitalised at 9% Light industrial: £53.80 sq m Capitalised at 9.5% Retail (convenience): £161.46 sq m capitalised at 7.5% Retail Warehouse(comparison): £135.00 sq m capitalised at 7.5% Retail (Town Centre) : £130.00 sq m capitalised at 8%
Fees		
Architect	Industry standard	We assumed 8% of development costs based on accepted industry standards
Marketing	Industry standard	We assume £1000 per unit based on accepted industry standards. For non-residential appraisals, we have assumed 10% of the first year's annual rental. This is supplemented with appropriate legal and marketing costs based on the quantum of development.
Sales agent	Industry standard	1% of Gross Development Value on the market sale property for residential and commercial properties.
Sales legal	Industry standard	Approximately £5000-£20,000 per transaction on commercial properties depending on the size and nature of the product.
Finance		
Finance	Industry standard	Commercial: Our finance charges for commercial projects are also at 7%.
Commercial	DCLG[18]	To take account of unoccupied property rates on commercial property during void periods. Rates are set by HM Treasury at 48.5 pence in the pound.
Profit	Industry standard	For non-residential appraisals, we also have assumed a 20% profit as a minimum return. This is based on our knowledge of comparable schemes and on knowledge of institutions lending criteria. It represents a developer's minimum return on a speculative project. In practice this may vary with pre-let commercial

[16] http://www.costar.co.uk/
[17] http://www.egi.co.uk/
[18] http://www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/

Assumption	Source	Notes
		projects being able to proceed with a reduced profit (reflecting the lower risk) and more speculative projects in uncertain markets requiring a higher profit margin.

Source: PBA (2012) based on various sources

Publication Draft Core Strategy policies impact on development

3.54 The assessment matrix included in table 2.1 for all the policies showed that the policies related to flood and energy may affect some commercial developments. The effect of these policy requirements would simply worsen the already non – viable position of the requirements.

Commercial appraisal outputs

3.55 The summary appraisals for each of the commercial uses appraised are included in Appendix Four. We use the same approach as for the residential appraisal, in that we look to see what surplus or overage is available after the land value is deducted.

3.56 The overage values from the commercial appraisals are summarised in table 3.11. The final overage column shows that in the current economic climate, very little speculative development is viable apart from convenience retail and retail warehouse type developments. That is not to say that commercial developments for some users, especially tailor made products for expansions or relocation would not come forward.

Table 3.11 Commercial appraisal summary of residual outputs

Scenario	Site Area	Floorspace	Residual Land Value		Bench Land Value		Overage
	ha	sq m (private only)	Total	Per ha	Total	Per ha	Per ha
Industrial	0.50	3,500	-£ 1,250,642	-£ 2,501,284	£ 216,125	£ 432,250	-£ 2,933,534
Office	0.50	2,787	-£ 1,710,640	-£ 3,421,280	£ 216,125	£ 432,250	-£ 3,853,530
Convenience Retail	0.40	1,500	£ 735,413	£ 1,838,533	£ 592,800	£ 1,482,000	£ 356,533
Comparison Retail - Town Centre	0.05	650	-£ 75,072	-£ 1,501,440	£ 43,225	£ 864,500	-£ 2,365,940
Comparison Retail - Warehouse	0.80	3,530	£ 1,007,049	£ 1,258,811	£ 691,600	£ 864,500	£ 394,311

Source: PBA (2012)

Developer and infrastructure provider workshop

3.57 As part of this study a Developer and Infrastructure Provider workshop was held on 12th December 2012. The purpose of this workshop was to explain the study scope and seek views on the viability assumptions and appraisal findings. A list of those attending the workshop and comments submitted is included in appendix two. The main points high lighted at the workshop and subsequent feedback to RMBC are summarised below. We have also included a brief commentary on the points raised.

Comment One: Beware of the cumulative impact of policies on viability

3.58 Achieving viable development in Rotherham in the current economic climate is difficult, and further policy burdens will simply compound the problem. The message from the consultees was that the cumulative impact of the policies identified cannot be met and important choices will have to be made on prioritising policy requirements.

3.59 To quote a consultee '*the initial research shows that there is a limited pot of residual value left from residential development and the council needs to be extremely cautious that it does not insist on policies and contributions that have the effect of preventing land from coming forward due to viability issues.'*

3.60 The consultees were keen to point out the cumulative impact of the policy costs were not viable and that RMBC will need to prioritise and provide some level of certainty about the level of contributions likely to be required.

PBA Comment:

3.61 This study recognises that in the current economic climate, the cumulative impact of policies does make development unviable. Our assessment and subsequent recommendations show that the residual development value is finite and important choices will have to be made by RMBC between different policy requirements. Flexibility in the policy requirements has been incorporated to enable site specific negotiations where viability might be an issue. However, developers will need a degree of certainty at least in the short term to assess the likely impact of planning policy and decide whether to proceed with a scheme. To do this, members may have to set out their policy priorities and expectations on a short term basis and review these to reflect changes in the property markets and policy requirements. This could be on an annual, three year or five year basis depending on monitoring of key assumptions informing the viability appraisal.

3.62 It is however, important to note that some developments are currently taking place, based on the existing policy contributions of 15% affordable housing and a small provision of other infrastructure. The key therefore is for RMBC to ensure that a sufficient supply of low risk and low opening up cost housing sites are included in the trajectory to meet the first five years housing supply. The cumulative impact of policies requirements is also needs to be considered holistically to ensure development viability is retained.

Comment Two: The developer profit margins has been set too low to reflect risk

3.63 The developer's expressed concern at the amount of developer's profit included, and felt that the levels included should be increased; stating that banks are now looking for higher levels of profit to safeguard against risk and will not lend at levels below 20% of gross development value which equates to about 24% of gross margin on cost.

3.64 Conversely, those representing land owners expressed concern that our viability assessment has sought to 'protect' developer profit whilst we have reduced land values at a level where land owners will not sell.

PBA comment

3.65 Depending on whom the consultees represent, the profit was seen to be set as either too high or too low. The developer's profit of 20% margin on cost is linked to the potential returns available on various other investments (e.g. equities, interest rates, gilts etc). In order to reflect the risk of building houses - 20% of margin on cost is considered to be an appropriate current rate of return. If we assumed any less than this, then development may not happen in the current market. In reality the developer's profit margin is not fixed, it could be lower or higher depending on the specific site risk and opportunity cost (see detailed discussion on approach to developers profit and assessment of past trends included in the Rotherham Affordable Housing Study October 2012).

3.66 In reality a developer will look for 'slack' in range of cost assumptions to create a better return. In our view the profit margin has been set at an appropriate level. Our assumptions have been informed by stakeholder consultations, the policy guidance, the NPPF and a review of recent viability appraisals submitted to RMBC to review affordable housing. We note that there maybe some variations at a site specific level.

Comment Three: The benchmark land values have been set too low

3.67 The general response to the benchmark land value was that current land values are already too low and so the proposed benchmark should be revised upwards. Those representing landowners considered that the landowners are being unfairly treated.

3.68 To quote a consultee '*setting benchmark levels this low runs the very real risk of land not being released for development due to the reward to the landowner not being sufficient to make them part with their assets'*.

PBA Comment

3.69 We acknowledge that the benchmark land value is lower than that currently being achieved. Current transactions are based on negotiations for fully serviced sites with the benefit of planning consents; whereas we are appraising for a plan area that does not have planning consent and will need to reflect future policy requirements. The NPPF highlights the need to set the land value at a level that will incentivise development but also take account of future policy requirements – hence assuming that there will need to be some change to the historic trends in land value expectations.

3.70 It is important to note that the benchmark value used for this strategic assessment is not what will be offered to landowners. In reality the amount offered to the land owner will be negotiated on a very different basis to incentivise development. A developer will often agree to pay something close to the existing use value for say agriculture or employment (depending on the sites current use), and there will be an of agreement in place with the landowner to share the profits after costs (including an appropriate developers return) have been deducted. Thus there is scope, once the planning policy requirements and site investigations have been undertaken to assess the worth of the land more specifically to the site. This will factor in the actual planning policy requirements for such items as infrastructure, affordable housing, flood mitigation, energy etc and come to a more realistic view on the actual value of the land.

3.71 We have highlighted the potential risk of going slightly below current market value to the client team. It is quite possible that some landowners who are not in a hurry to sell may hold out for land values to improve thus risking immediate delivery, whilst others may sell. We consider the benchmark land value is pitched about right to help incentivise future delivery and reflect the need to support a considerably reduced level of future policy requirements. We consider in the short term an affordable housing target of 15% - 20% is realistic combined with policy funding to support the provision of essential infrastructure and landscape management that will enable growth to take place and create an improved image of the area.

Comment Four: The generic assumptions are too broad brush and do not reflect the breadth of development scenarios

3.72 There were a few comments questioning the usefulness of a strategic assessment of this nature, and whether further site specific and more detailed viability assessment would be helpful - or at least modelling other value ranges to make this study more representative. On the other hand, some respondents stated that they considered the assumptions were generally about right and this study was very comprehensive.

PBA comment

3.73 The Planning Inspector responding to Rotherham's Preferred Draft Core Strategy stated that this should be a light touch exercise, using existing information where available and that he was not looking for an in-depth study. Accordingly the scope and resources agreed for this work was to ensure that the policy implications of the whole plan were taken account of in the viability assessment. Every plan policy has been reviewed to consider the cost implications of the policy and their implications on viability have been assessed to guide policy formulation. We have worked closely with RMBC to ensure that the Core Strategy policies have been worded to allow for a degree of flexibility for those sites that might come forward with viability issues.

3.74 There is a danger of doing too many appraisals in that it is easy to get lost in the detail and fail to see the wood for trees, which for a strategic study of this sort is not helpful. Our professional judgement has been used to ensure that the viability assumptions reflect the type of development that is most likely to come forward in the next five years. In a turbulent economic market as now, this approach avoids potentially misplaced

assumptions about future economic changes that might render the viability judgements incorrect. We have undertaken a series of sensitivity tests and some of these are included in appendix 2. The critical point is to ensure that the next five year housing supply is deliverable, and that future supply is developable. This study has identified the parameters for policy levels which ensure the cumulative impact of policy still ensures development remains viable, but that critical infrastructure will be supported by development.

Comment Five: Infrastructure service providers acknowledged the study findings as helpful

3.75 A number of service providers have responded acknowledging that this was a comprehensive assessment and were pleased to see infrastructure being considered at the outset. Some sought to ensure that developers minimised overall costs by incorporating infrastructure requirements in the initial design e.g. sustainable urban drainage measure, sustainable transport and flood mitigation. Most infrastructure providers welcomed the opportunity to be involved and wished to remain involved in the future delivery of growth.

PBA Comment

3.76 Part of this study is to consider delivery and developable nature of the plan – this relies on the need to ensure timely delivery of infrastructure to support growth as well as ensuring development is viable. The infrastructure study for Rotherham has identified a funding gap and with reduced central government funding, there is a greater reliance on development to meet more of the infrastructure needs, and for infrastructure service providers to explore innovative means of reducing the need for and cost of infrastructure.

3.77 We suggest that an infrastructure forum should be set up to share information and explore innovative delivery between infrastructure providers. We market tested the idea for such a forum as part of the Infrastructure Study and there was over whelming support for this. Key service providers would like to meet once or twice a year, in order to understand where growth is taking place, discuss any delivery issues, inform medium term investment planning and look to innovative ways to meet future needs.

4 CONCLUSION AND RECOMMENDATIONS

Study conclusions

4.1 This section sets out the whole plan viability study conclusions and our recommendations.

The National Planning Policy Framework and whole plan viability

4.2 The National Planning Policy Framework (NPPF) sets out a requirement to assess the viability of the whole plan. We have assessed the impact of all the policy requirements in the Publication Draft Core Strategy. As a result of the assessment, the policies most likely to have a cost implication on viability were identified and costed. These include affordable housing, infrastructure, flood mitigation, sustainable urban drainage, transport plans, lifetime homes standards, energy, and landscape management. Some of these will dealt with directly in terms of 'site design' and mitigating abnormal costs, others will be a direct cost to the development and has been factored into the whole plan viability.

The NPPF introduces the concept of delivery and developable

4.3 The NPPF[19] introduces a time consideration for the viability assessment, one that states that the viability assessment should focus on demonstrating, for the short term at least, that the five year land supply is deliverable. We are operating in an unstable market, with some uncertainty about the future direction of values. For the present time, we note that some delivery is taking place in Rotherham, especially on sites with low infrastructure costs and stronger market demand. Our viability assumptions have reflected current circumstances for sites that do not require any major critical infrastructure to bring them forward. Going forward, it will be important to ensure that the Sites and Allocations document reflects this sort of site for it five year supply.

The viability assessment reflects current values and hypothetical scenarios

4.4 Our viability assessment is based on current values and prices and hypothetical scenarios for a range of residential and commercial development scenarios that reflect the type of growth that is likely to come forward in the short term. In a turbulent economic market, this approach avoids potentially misplaced assumptions about future economic changes that might render the viability judgements incorrect. We have provided some sensitivity testing of 'what if' scenarios in appendix 2. A selection of the appraisals are included in the appendix 4 of this report. We would remind readers of the principle five included in section one that viability appraisal is not a science but an art.

Development viability is marginal and other funding sources are limited

4.5 Our research demonstrates that house prices have fallen and this is affecting development viability. Our stakeholder interviews revealed that landowner expectations are still high and developers are looking for higher profit margins to compensate for greater risk. To compound this situation, the general policy requirements impacting on the

[19] NPPF paragraph 47 and footnote 12)

cost of development have increased whilst past funding sources in the form of HCA affordable housing grant or funding for education from Building Schools for the Future programmes and various transport infrastructure funds to support delivery have all but disappeared. Thus in the future, more of the growth related infrastructure requirements will be reliant on some funding from the development (either direct costs via S106 or strategic costs via CIL) to support the needs of planned growth.

There is some residual value available but policy trade-offs will be needed

4.6 Table 4.1 below is a summary table of the residential appraisal output based on the assumptions explained in section 3. This shows the balance available to support policy cost after taking off the benchmark land cost from the residual value.

Table 4.1 Appraisal balance before deducting any policy costs

No of dwellings	Net site area ha	Density	Residual Value Per Ha	Benchmark Per Ha	Affordable Per Ha	Policy Per ha	Balance Per Ha
14	0.40	35	£1,205,744	£600,000	£0	£0	£605,744
20	0.57	35	£1,202,364	£600,000	£0	£0	£602,364
35	1.00	35	£1,188,970	£600,000	£0	£0	£588,970
70	2.00	35	£1,159,556	£600,000	£0	£0	£559,556
250	7.14	35	£1,029,068	£500,000	£0	£0	£529,068

4.7 One of the main policy priorities for RMBC has been to secure affordable housing and until recently developers were not being asked to contribute to any other requirements. However, more recently this situation has changed, as funding from other sources and existing infrastructure capacity has disappeared, service providers are increasingly looking to development to meet the needs of infrastructure costs from development.

4.8 Table 4.2 shows the effect on viability once a proportion of contribution towards the wider polices (assessed in section two) and 25% affordable is factored in.

Table 4.2 Policy contribution at £5k & affordable housing at 25%

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£600,000	£545,454	£175,000	-£114,710
20	0.57	35	1,800	£1,202,364	£600,000	£545,454	£175,000	-£118,090
35	1.00	35	3,150	£1,188,970	£600,000	£545,454	£175,000	-£131,484
70	2.00	35	6,300	£1,159,556	£600,000	£545,454	£175,000	-£160,898
250	7.14	35	22,500	£1,029,068	£500,000	£545,454	£175,000	-£191,386

4.9 The balance column in table 4.2 above shows that scenarios are unviable (minus red number) when 25% affordable and £5K developer contribution is requested. Thus where infrastructure/ wider policy contributions are required, there needs to be some flexibility on the level of affordable housing. This is consistent with what is currently being delivered as illustrated by the assessment of recent planning applications (see appendix 2). This shows that the majority of schemes are providing between 10% - 15% affordable housing and between £1000 to £3,500 s106 contributions (with one scheme delivering 33% affordable).

Study recommendations

Recommendation One: RMBC will need to make important choices about policy requirements and affordable housing thresholds

4.10 Table 4.2 above shows that if the 25% affordable housing policy remains the priority, then there is very little balance left to support the cumulative impact of other policy requirements. RMBC will need to make important choices about policy priorities.

Table 4.3 Policy contributions at £5K and affordable housing at 15%

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£600,000	£327,272	£175,000	£103,471
20	0.57	35	1,800	£1,202,364	£600,000	£327,272	£175,000	£100,091
35	1.00	35	3,150	£1,188,970	£600,000	£327,272	£175,000	£86,697
70	2.00	35	6,300	£1,159,556	£600,000	£327,272	£175,000	£57,283
250	7.14	35	22,500	£1,029,068	£500,000	£327,272	£175,000	£26,796

4.11 Table 4.3 above shows that with a reduction in affordable housing, to around 15% - 20%, and £3k to £5K developer contributions towards wider policy requirements, all the development scenarios are showing a viable position.

4.12 Thus with a reduction in the level of affordable housing sought in the short term, together with some movement in the amount offered to the land owners and developers profit, this option sets the parameter for delivery which reflects current market values and still retains a buffer to reflect local circumstances.

4.13 The smaller 14 unit scenario is also viable with the affordable housing requirement, suggesting that RMBC may wish to remove the current threshold for affordable housing. This could partly help to recoup some loss in affordable housing from the larger units by

4.14 If RMBC continues requesting developer contributions at a rate of 25% for affordable housing, then a number of policy requirements tested as part of this study, (including some essential infrastructure to support the delivery of growth), cannot be funded through developer contributions and other means will have to be sought. Important choices have to be made between the balance of affordable housing and other policy requirements to be funded via developer contributions.

4.15 There are a number of strategic infrastructure schemes that will depend on developer contributions collected via a Community Infrastructure Levy (CIL). However, any CIL funds will have to be collected from the residual values assessed in table 4.1 (as part of infrastructure costs). Development cannot viably afford to pay any CIL contributions over and above the requirements identified here. Therefore, before a CIL can be assessed, RMBC members will need to take key decision on the level of affordable housing contributions to be sought from development and to explore other innovative ways to fund and deliver affordable housing.

Recommendation Two: Policy reviews based on market monitoring of key indicators

4.16 The Sir Harman Report[20] recognises the importance of including a flexible approach to policy to account of changes in economic cycles and also to meet longer term policy targets. The further away we move from the current timescales the harder it is to estimate the direction of future markets. Appendix 2 does include some sensitivity testing.

4.17 Given the current unstable economy, all the Publication Draft Core Strategy policies, have as a result of this study, been revised in such a way as to allow for flexibility to reflect fluctuations in the housing and commercial markets. This is for the following reasons:

- To allow developers to negotiate current delivery based on site specific circumstances whilst there is uncertainty and marginal viability.
- To allow the local authority to adjust policy requirements to reflect changes (particularly improvements) in the market in the future.

4.18 Having said this, developers stated at the workshop and in their responses that they require a degree of certainty at least for the short term as to what will be required by way of developer contributions. So policy requirements for the next five years should be set based on the current market conditions. For instance, in the short term there may be a reduction in the level of affordable housing to fund other policy requirements. The viability assessment should then be kept under review to reflect changes in the market and to move closer towards target based policy requirement for the medium to longer term.

4.19 There are no prescribed review periods in legislation. Much will depend on market conditions and their impacts on development viability, as well as lessons learnt from the implementation of the S106 / CIL / affordable housing and other requirements. We suggest that the council implements a programme of monitoring market conditions. We suggest this monitoring takes place on an annual basis to tie in with the annual monitoring reports.

4.20 The residential development viability is most sensitive to changes in development value so typically a 10% change in the value of development can increase or decrease viability by c30%. Similarly, a 10% change in build costs can affect development viability by c20% (see appendix two for sensitivity testing). Other factors which have a significant impact on viability include landowner value expectations, the density of development and policy requirements. These assumption inputs should be kept under review and used as triggers for reviewing policy linked to viability.

Recommendation Three: Delivery considerations for the Site Allocations for the first five years

4.21 Delivery of the Preferred Draft Core Strategy objectives will also depend on whether sufficient sites have been identified in lower risk areas, which have low servicing costs

[20] See section on 'Treatment of viability over time' pages 26 and 27of the Sir Harman Report

and where developers can generate sufficient value, to offer a better price for the land and be confident that the properties they build will sell (effective demand).

4.22 There is development taking place within RMBC, indicating that schemes are viable based on historic policy requirements. It will be important to ensure that sites included in the first five years of the plan are in locations where developers can build without the need for high infrastructure costs and in areas where they can readily sell. Our market analysis of what is currently being developed shows that there are a number of locations where some of the major national house builders are still building.

Recommendation Four: Innovative approaches to infrastructure funding and securing income from infrastructure

4.23 Going forward, the developer, infrastructure provider, landowner and RMBC will need to work together to deliver growth, infrastructure and other policy requirements in as cost efficient way as possible. There is a need to have flexibility to allow for staged developer contribution payments. Assessment should be undertaken to investigate mechanisms to help forward fund critical infrastructure using various local authority powers. There should be some consideration of the new and innovative mechanisms to help deliver the much needed affordable housing requirements off site. RMBC can also investigate opportunities to secure longer term revenue income streams by investing in energy generating projects, maximising carbon reduction measures (without the high cost implications) and reduce infrastructure requirements by innovative delivery of capital infrastructure.

APPENDIX 1

Agent Consultations

Rotherham Agent Consultations - Spring 2012

Companies	Names of Agent	Contact Number	Office	Industrial	Retail	Industrial Land	Residential
Knight Frank CBRE Chris Rowlands & Co Lambert Smith Hampton	Rebecca Schofield (KF) Peter Whiteley (KF) Tim Botrill (KF) Tearle Phealan (KF) Toby Vernon (CBRE) Roger Haworth (CBRE) Chris Rowlands Mathew Barnsdales (LSH)	Knight Frank 0114 272 9750 CBRE 0844 406 9354 Chris Rowlands 01226 791984 LSH 0114 2753752	Very difficult market. Sheffield has stongest office market but currently there is lack of demand from occupiers which has resulted in Prime quoting rents are £15 with vast incentives. Rotheham has a much weaker market and there are existing brand new offices which are available at £10 psf or less with incentives. Been empty for a number of years.	Reasonable demand for good quaility industrial units around the Templeborough area and to a lesser extent around Dinnington & South Rotherham. Rents of between £4-£6 being achieved with incentives. Very few schemes have been developed in the last 5 years without grant assistance.	Town centre retail has struggled and values have reflected the current state of the market. Out of town retail has reasonable demand and can compand higher rents for units with good parking.	Land values have dropped since the peak with values of between £100 - £175k for potential schemes. Sites with good infrastructure and close to motorways command good values closer to the peak while secondary areas are discounted heavily.	Residential demand has been steady and schemes being brought forward have to be priced attractively. Poorer quality stock is being driven down my investment yield which is having an impact on new build.. Land at peak was selling at circa £1m per acre. Now level is £300k.

APPENDIX 2

Sensitivity Testing

Appendix 2 Sensitivity testing – current delivery

Review of recent planning applications – affordable housing, density and s106

The following table is a summary of recent planning application that are being delivered.

Recent planning applications being delivered	•Greenfield or previously developed?	•Number of units (e.g.100 units)	•Average density per ha (e.g. 39 dph net area)	•Average size of dwelling (blended mix = net residential floorspace / number of units)	•% Affordable housing (e.g. 25%)	•Mix of affordable housing (social rent 65% intermediate 35%)	•S106 /S27
•The Hedgerows – Persimmon Homes @ Thurcroft,	Greenfield	373	34.8	1004 square feet	33%	56% Social / 44 % Intermediate	£433.78
•Meadow Walk – Barratt Homes @ Bierlow	Greenfield	112	36.2	1007 square feet	15%	53% Social / 47% Shared Ownership	£1,444.26
•Parkside Gardens – Barratt Homes @ Brinsworth	Brownfield	129	38.6		15%	58% Social / 42% Shared Ownership	£2,581.40
•Arundel Park – Jones Homes @ Treeton	Greenfield	92	31.7				£815.22
•Wharf Road - Ben Bailey Homes@ Kilnhurst	Greenfield	198	38		Legal Agreement	Legal Agreement	£328.28
•Wentworth Grange – Ben Bailey Homes @ Manvers	Greenfield	292	41	929 square feet			£534.25
•Oak Dene Mount – Harron Homes@ Waverley	Brownfield	66	27.5		10%		£3,619.55
•Kingsbrook Park – Harron Homes @ Wath-upon-Dearne	Greenfield	62	27.4		7.5%		£3,093.45
•Kingfisher Walk – Taylor Wimpey@ Rotherham	Greenfield	339					£1,106.19
•The Wicketts – Taylor Wimpey @ Harsling Avenue, Rotherham	Greenfield	279	28	1144 square feet	7.5%	56% Social / 44% Shared Ownership	£930.36
•The Banks – Taylor Wimpey@ Waverley	Brownfield	89	30.1		10%		£3,619.55

The above table shows that affordable housing delivery ranges from 7.5% to 33%, and s106 / s278 contributions range from £300 to £3,600.

Appendix 2 – Sensitivity testing – viability appraisals

In this appendix we set out various 'iterations and sensitivity testing undertaken.

Scenario 1 -What if benchmark land values remain at £740k per net ha - is development viable without any policy requirements?

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£740,000	£0	£0	£465,744
20	0.57	35	1,800	£1,202,364	£740,000	£0	£0	£462,364
35	1.00	35	3,150	£1,188,970	£740,000	£0	£0	£448,970
70	2.00	35	6,300	£1,159,556	£740,000	£0	£0	£419,556
250	7.14	35	22,500	£1,029,068	£740,000	£0	£0	£289,068

Without any policy requirements, a developer can afford to pay the 'current market value for land' and still ensure the scheme is viable.

Scenario 2 – What if benchmark land value remains at £740k per net ha and 25% affordable housing is introduced?

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£740,000	£545,454	£0	-£79,710
20	0.57	35	1,800	£1,202,364	£740,000	£545,454	£0	-£83,090
35	1.00	35	3,150	£1,188,970	£740,000	£545,454	£0	-£96,484
70	2.00	35	6,300	£1,159,556	£740,000	£545,454	£0	-£125,898
250	7.14	35	22,500	£1,029,068	£740,000	£545,454	£0	-£256,386

Once affordable housing is introduced, those developers that have paid the market value will struggle to deliver a viable scheme at 25% affordable housing. Not that this does look more viable once affordable housing is reduced to about 15% affordable and assuming no other policy costs.

Scenario 3 – What if the benchmark land value is reduced to £650k per net ha, 15% affordable and £5k policy requirements is introduced?

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,205,744	£650,000	£327,272	£175,000	£53,471
20	0.57	35	1,800	£1,202,364	£650,000	£327,272	£175,000	£50,091
35	1.00	35	3,150	£1,188,970	£650,000	£327,272	£175,000	£36,697
70	2.00	35	6,300	£1,159,556	£650,000	£327,272	£175,000	£7,283
250	7.14	35	22,500	£1,029,068	£650,000	£327,272	£175,000	-£123,204

At this adjustment, most of the development scenarios are still viable, although the larger scenario is marginal and may require some reductions in build costs, land values and interest payments to make it viable – which as we are seeing is currently happening.

Going forward if a percentage of affordable housing and other policy requirements are to be met, assuming that sales values are unlikely to change by much in the short term, there will need to be a reduction in one or some of the following - the land values, policy requirements, developers profit margins, and build costs. If developers cannot negotiate a lower price for the land to make their schemes viable they are unlikely to take the risk of developing in RMBC.

We have adopted a cautious benchmark land value of £600,000k per net ha (243,000 per net acre) and £500,000k per net ha for the larger scenario to reflect the some future policy requirement but at a reduced level. Note we are aware that CIL Examiners are advocating that policy requirements will come off the value of the land, as is the Harman guidance. It remains uncertain as to whether landowners will be willing to release sites at this value or will simply wait for possible improvements in the future.

Scenario 4 - What if sales values increase by 10% to £1954?

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£1,643,121	£650,000	£600,122	£175,000	£217,998
20	0.57	35	1,800	£1,638,515	£650,000	£600,122	£175,000	£213,392
35	1.00	35	3,150	£1,620,262	£650,000	£600,122	£175,000	£195,140
70	2.00	35	6,300	£1,580,178	£650,000	£600,122	£175,000	£155,056
250	7.14	35	22,500	£1,402,357	£650,000	£600,122	£175,000	-£22,766

The above table shows that if house prices increase by 10% then 25% affordable housing together with £5k towards wider policy contributions becomes viable and the land value benchmark will increase too. All the measures being pursued by RMBC to improve the economy, local wages and quality of living environment will help to contribute towards increasing the value of houses as 'effective demand' will impact on sales values.

Scenario 5 – what is sales values decrease by 5% to £1687?

No of dwellings	Net site area ha	Density	Floor Space	Residual Value Per Ha	Benchmark Per Ha	Cost of Affordable Per Ha	Policy Costs Per ha	Balance Per Ha
14	0.40	35	1,260	£987,055	£600,000	£248,698	£105,000	£33,358
20	0.57	35	1,800	£984,288	£600,000	£248,698	£105,000	£30,591
35	1.00	35	3,150	£973,324	£600,000	£248,698	£105,000	£19,626
70	2.00	35	6,300	£949,245	£600,000	£248,698	£105,000	-£4,453
250	7.14	35	22,500	£842,424	£500,000	£248,698	£105,000	-£11,274

The above table shows that if house prices decrease by 5% then at 12% affordable housing and £3k contributions towards policy is viable for most scenarios.

APPENDIX 3

Developer and Infrastructure Provider Workshop

Rotherham Whole Plan Viability Consultation Comments and PBA Responses

Organisation	Comments	PBA Responses
SYPTE	Slide 7 – Plan Viability: In terms input of our major projects and essential infrastructure, these have been outlined through previous consultation and most recently through the work completed for the Sheffield City Region Investment Fund (SCRIF). Although the SCRIF has not prioritised its final schemes, it will give an indication of strategic level infrastructure that is needed for growth and regeneration. From a land use perspective, by following the principles of locating new development in existing local centres and near public transport services, the need for costly public transport schemes decreases, and as such the cost of development will also be reduced (increasing viability). Slide 14 – Cost Estimates: 'Other costs' related public transport can be expensive. Travelmaster passes are a typical condition to residential development and these amount to £485 per unit. On larger sites, there is also the possibility of bus stops and bus services enhancements. These are often expensive and as each development is judged on its merits, it's very difficult to anticipate these requirements.	Noted. The developer contribution assessment includes costs such as these which will vary depending on site specific infrastructure priorities.
South Yorkshire Forest	Supports the assumptions, questions raised and that the initial conclusions are broadly correct. Planning and delivery of green infrastructure improvements offers excellent potential to reduce costs and improve value for money.	Noted
Eye (Development & Asset Management Services)	Supports the comprehensive nature of the work and agrees with most of the figures (based on own experience). However, the figure for convenience retail stood out as being too low as £2-2.5million per hectare is typically being achieved on these schemes.	Noted. We have assumed lower land cost based on comparable assuming the site is being developed by a developer.
Wentworth Estates	Discussion surrounding the imbalance between supply and demand with the increasing burden of affordable housing and S106 costs meaning that from the consultees perspective the incentive to sell land for development has evaporated.	Land supply and allocation being dealt with via Core Strategy – the suggestion here is about increasing competition in land by increasing land supply so that if one land owner does not sell another may – a simple economic principle but still reliant on landowners need to sell.

Organisation	Comments	PBA Responses
	It is interesting how developers profits are regarded as warranting protection, yet the WPV assessment treats residual land values as malleable, utilising a benchmark which appears to equate to just 11% of gross development value. This is way too low to expect willing land sales to occur, considering that historically the range has been between 25% and 33%, with land values achieving 20 to 25% net of gross sale value. There is a fear that there is currently no residue to enable the building of truly sustainable long-term attractive places and expecting landowners to sell land at half the value achievable in 2010 and a quarter of the value achievable in 2007 is unrealistic.	**Developers Profit** The consultee is concerned that developer profits have been 'protected' whilst we have sought to reduce land values at a level where land owners will not sell. The developer's profit of 20% is linked to the potential returns available on various other investments (e.g, equities, interest rates, gilts etc). In order to reflect the risk of building houses 20% is considered to be an appropriate current rate of return. If we assumed any less then development would not happen in the current market. In reality the developer's profit margin is not fixed, it could be lower or higher depending on the specific site risk and opportunity cost (see detailed discussion on approach to profit included in the Rotherham Affordable Housing Study October 2012[1]). We consider 20% margin on cost represents an appropriate assumption in the current market. **Land values** The NPPF encourages the need to set the land value at a level that will incentivise development but also take account of future policy requirements – hence there will be a need for some change to the historic trends in land value expectations. Obviously the value at which land is sold depends on circumstances under which the land is sold and landowner's need to sell. We acknowledge that the benchmark land value is lower than that currently being achieved. However, current transactions are based on negotiations for fully serviced sites with the benefit of planning consents; whereas we are appraising for a plan area that does not have planning consent and will need to reflect future policy requirements. It is possible that some landowners who are not in a hurry to sell may hold out for land values to improve thus risking immediate delivery. A trade-off will be required and sufficient flexibility is

[1] http://www.rotherham.gov.uk/downloads/file/6762/housing_viability_study_affordable_housing_requirements_on_large_sites_volume1_2010

Organisation	Comments	PBA Responses
		included in the policy framework to allow for site specific negotiations where necessary and to allow members to make the decision on the balance between risking delivery and achieving sustainable development. The residual margin is finely balanced at present and to deliver truly sustainable places, will require a step change in the economy to generate 'effective' demand for housing growth and fund the quality places so desired. In the short term, there is also the need for the developer, landowner and RMBC to work together to deliver growth, infrastructure and other policy requirements in as cost efficient way as possible, incorporating flexibility to allow for staged developer contribution payments and investigating mechanisms to help forward fund critical infrastructure using other local authority powers and look for new and innovative mechanism to help deliver the much needed affordable housing requirements.
Yorkshire Water	The content seems to be very relevant to Yorkshire Water (YW), so if there are any areas which require further information, YW should be contacted. Hoped that there will be further opportunities to contribute in the future.	Noted
Gleeson Homes	There appears to be a total disregard for the abnormal costs in developing brownfield sites. To base the model on an assumption of a completely greenfield site as appears to be the case is unrealistic The assumed residential OM selling price of £1776/ sq m (£165/sq ft) is set far too high. It would be more useful to have a range of prices (£140/160/180/sq ft). Gleeson operate in a market where sales rarely reach over £150/sq ft and as such the findings from the proposed assumed figures are all but meaningless. Overall the discrepancies represent a fundamental flaw in the basis of the appraisal.	It is not true to assume a greenfield site can cost less to service than a brownfield site, much depends on the condition of the site, existing infrastructure and infrastructure required to open the site for development. We have used a land value which would be appropriate for either greenfield or brownfield sites. Our appraisals are based on a 'fully serviced site' this takes the guess work out of abnormal and infrastructure costs and looks at the value for a fully serviced ready to develop site. In some instances where there are high abnormal costs, there will have to be site specific negotiations. It is true that sales values for each site will vary. For this strategic assessment, the level used is within the mid-range of the values highlighted by the consultee. Flexibility has been included in the policy to allow for variations in viability.
Jones Homes	• The sales value of affordable rent properties in slide 20 seem high and should be around £675per square meter	• We have looked at transactional data submitted to RMBC - this results in a similar residual output assumptions included

Organisation	Comments	PBA Responses
	• The build cost assumptions in slide 21 do not allow for any abnormal development costs, it is very rare for any development to have zero abnormal costs. This could have a significant effect on the overall build costs of a scheme • The marketing and sales fees in slide 21 seem very low, this should be in the region of £3500 per dwelling • As was discussed at great length at the presentation the profit level should be taken as a percentage of total sales revenue and not cost, this is the housebuilding industry norm. I would also suggest, given the current climate, that 20% of revenue is at the lower end of the scale. Banks simply will not lend on margins lower than this. • The residential benchmark landvalues of around £200,000 per acre are very low, setting benchmark levels this low runs the very real risk of land not being released for development due to the reward to the landowner not being sufficient to make them part with their asset. • Slide 30 shows there is very little residual land value left for anything above 25% affordable housing even at the low benchmark lad value envisaged. This does not take into account the following: ○ CIL ○ Any other Section 106 costs ○ Any abnormal costs associated with a sites development ○ Increased regulatory burden including CSH, renewable energy and lifetime homes which will see build costs significantly rise over the plan period • In conclusion the initial research shows that there is a limited pot of residual value left from residential development and the council needs to be extremely cautious that it does not insist on policies and contributions that have the effect of preventing land from coming forward due to viability issues.	in our appraisals. • Appraisals assume a fully serviced site and (land cost paid reflects this) so it is assumed the landowner will ensure the site is cleared to remove any abnormals (alternatively the developer will offer a lower price for the land than the assumed benchmark value). • £1000 covers general marketing/brochures etc. only. Estate Agent and lawyers fees are calculated separately, the suggested £3500 per dwelling is too high for pure marketing. • 20% of sales revenues seem's high and not in line with the submissions to RMBC that we have reviewed on S106 negotiations and with general discussions with developers and banks –increasing this would further reduce any surplus. (See also historic trends analysis set out in the Rotherham Affordable Housing Study 2010). We have allowed 20% of margin on cost for all development (including the affordable housing element, which a developer may reduce to 6%) so in the round this is a generous allowance. If banks are looking for higher profit levels due to risk associated with a scheme, then it is likely that the scheme will not proceed for other reasons. In the current climate, developers are selective of the type of schemes that will sell well. • Noted that the benchmark land value is lower than that currently be achieved. However, these are based on current transactions negotiated for fully serviced sites with the benefit of planning consents, whereas we are appraising for sites that do not have planning consent and will need to reflect future policy requirements. It is possible that some landowners who are not in a hurry to sell may hold out for land values to improve thus risking immediate delivery. A trade-off will be required and sufficient flexibility is included in the policy framework to allow for site specific negotiations where necessary. • Accept that the residual pot is finite and the ask is 'big' so going forward, the developer, landowner and RMBC will need to work together to deliver growth, infrastructure and

Organisation	Comments	PBA Responses
		other policy requirements in as cost efficient way as possible, incorporating flexibility to allow for staged developer contribution payments and investigating mechanisms to help forward fund critical infrastructure using other local authority powers and look for new and innovative mechanism to help deliver the much needed affordable housing requirements.
Henry Boot	Although the local authority is considering the Whole Plan it cannot, and should not, lose sight of the fact that the delivery and viability of the Plan is wholly dependent on individual sites coming forward for development. This fact also exposes the dangers of making broad assessments rather than site specific assessments, and the consequences of setting the general level for land values too low. In many cases when site specific assessments are undertaken this will inevitably reduce residual land values still further when additional site specific costs are known and included in the assessment. Having conducted his own viability assessments, based on differing scales of development, the provision of 15% and 25% affordable housing, and the other assumptions provided in the presentation, it was found in each case that the residual land value was either well below the suggested benchmark range or, in some cases, gave a nil value. Where the residual land value was nil the percentage of developer's profit was also less than 20% of the construction costs. It is clear that the 'average' development sites in Rotherham cannot sustain anything like the full level of infrastructure costs (£31,645) set out in the presentation. Assessing the whole of the Rotherham district as a single entity in such a broad manner is wholly unsatisfactory. The approach being suggested of using the average values within the Rotherham area to establish Whole Plan Policy Cost Estimate assumes there will be sufficient higher value sites coming forward to offset both the average sites and the poorer, lower value, developments but there is no guarantee that this will be the case. The residential cost assumptions presented are incorrect in relation to	Noted – by their nature site specific detailed costs and landowner expectations of sales values are not known. Noted, we come to the same general conclusion, and show that some trade-offs will be required. It is likely that during the current unstable market, sites that have low opening up costs or are in 'higher demand' areas are likely to be brought forward by developers. We are assessing for the whole plan, but particularly reflecting the first five years. It is true that some sites will be put at risk in the short term at least. 20% of sales values seems high and not in line with the submissions to RMBC that we reviewed for S106 negotiations and with general discussions with developers and banks. Increasing developer profit margin would further reduce any surplus In reality the developer's profit margin is not fixed, it could be lower or higher depending on the specific site risk and opportunity cost (see detailed discussion on approach to profit included in the Rotherham Affordable Housing Study October 2012[2]). We consider 20% margin on cost represents an appropriate assumption in the current market. We have allowed 20% of margin on cost for all development (including the affordable housing element, which a developer may reduce to 6%) so in the round this is a generous allowance.

[2] http://www.rotherham.gov.uk/downloads/file/6762/housing_viability_study_affordable_housing_requirements_on_large_sites_volume1_2010

Organisation	Comments	PBA Responses
	build profit and sales costs. The house builders are now required to demonstrate a build profit of at least 20% total sales value in order to secure finance for the development of sites due to the requirements of lenders. Adjusting the assessments based on a build profit of 20% of total value would further reduce the level of Whole Plan Policy Cost Estimate needed to sustain the viability of the Whole Plan. Currently, in order to secure residential sales the house builders are including a number of sales incentives and part exchanges and these have associated costs which are not reflected in the present assumptions. In addition, where there is a residual land value this will attract Stamp Duty on the land sale and this needs to be included in determining the residual land value. The benchmark land values suggested in the range of £500,000 to £600,000/hectare are considered to be too low and should be revised upwards. On the basis of sales values given in the presentation, at a development density of 35dph would equate to around £1,050,000 per hectare on sites with 25% affordable housing and £1,110,000 per hectare on sites with 15% affordable housing, assuming 20% gross development value. Superficially, the flexibility suggested at the end of the presentation seems both laudable and pragmatic. However, the Plan and its viability need to be realistic, and based on current up to date values and costs etc. These should then be used to identify a realistic level of contributions that could be derived from various forms of development from differing market value areas, to provide certainty to developers rather than the uncertainty that would arise as a result of the suggested flexibility. It is one of the main aims of the CIL regulations to provide certainty regarding the level of infrastructure contributions that will be required from development, and the viability of the Whole Plan should take the same approach.	If banks are looking for higher profit levels based on GDV due to risk associated with a scheme, then it is likely that the scheme will not proceed for other reasons. In the current climate, developers are selective of the type of schemes that will bring forward to minimise the risk of the investment. Purchaser's incentives have been reflected in the sq. m rates used. We have accounted for stamp duty on land sale in the appraisals. The evidence we have gathered is up to date and assumptions have been based on this for a strategic broad area based study of this nature. Noted that developer certainty would be helpful. However flexibility is required as Rotherham is experiencing an unstable economic development market conditions, and it would be very unwise to set requirements on current market conditions, or on 'need'. .. Also site specific requirements could vary considerably – a scheme that has high site related essential infrastructure costs may not be able to contribute as much from a finite residual pot towards other requirements. To provide a degree of certainty we have suggested that RMBC regularly reviews the market conditions to inform contributions policy
RMBC (Library & Information Service)	Support for the work and libraries being thought of as part of infrastructure planning	Noted

Organisation	Comments	PBA Responses
RMBC (Streetpride)	Whilst there is a mention of floods and SUDS there should be more information and guidance added given that land usage could be greatly affected by these issues and consequently it could impact on viability.	Noted

Developer Workshop Attendees 12.02.2012

Name	Organisation
Anthony Barber Lomax	Wentworth Estates
Howard Gray	Jones Homes
Dillon Butters	Henry Boot
Jenny Purple	DTZ
Duncan Smales	NHS Rotherham
David Clark	Consultant
Sean O'Neill	Illiad Group
Andreas Anastasiou	Illiad Group
Steve Brattan	District Valuers
Richard Holmes	Sheffield CC Forward Planning
Amy Sykes	Highways Agency
Anuj Joshi	Peter Brett Associates
Shilpa Rasaiah	Peter Brett Associates
Dave Pickering	Mayor
Simon Currie	Councillor
Graham Kaye	Streetpride
Brad Johnson	Facilities Management
Chris Wilkins	Planning
Dean Fenton	CYPS
Christopher Stone	CYPS
Phil Gill	Greenspaces
Patrick Middleton	Regeneration
David Stimpson	Asset Management
Andrew Newton	Regeneration
Ryan Shepherd	Planning Policy
Andy Duncan	Planning Policy
Lesley Shepherd	Planning Policy

APPENDIX 4

Sample of Residential Appraisals

ITEM							
Net Site Area	7.14	Residual value	£668,186 per ha				
	Total	Private	Affordable				
No. of units	250	213	38				
1.0	Development Value						
Value Zone	1						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	213	90	19,125	£1,776	£33,966,000
			213		19125		
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£946	£0.00
		Houses –	17	90	1,485	£1,332	£1,978,020.00
			17		1485		
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	21	90	1,890	£888	£1,678,320
			21		1890		
			250		22500		£37,622,340
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Residual Site Value						£5,118,238
					Less Purchaser Costs		6.75%
	Net Residual value						4,772,757
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	213	19125	£890		£17,027,561.25
			213				
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	17	1485	£890		£1,322,140.05
			17				
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartmet	0	0	£0		£0.00
		Houses	21	1890	£890		£1,682,723.70
			21				
			250				£20,032,425
2.4	Policy Costs						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per unit			£0
2.4.3	Energy		£5,000	per unit			£1,250,000
2.4.4	Lifetime homes		£0	per unit			£0
							£1,250,000
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£1,602,594
							£1,602,594
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£1,001,621
							£1,001,621
2.7	Developer contributions						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	Sale cost						
2.8.1	Legals -		1.00%				£376,223
2.8.2	Sales agents fee -		0.50%				£188,112
2.8.3	Marketing cost -		£1,000	per unit			£212,500
							£776,835
	TOTAL DEVELOPMENT COSTS						29,436,232
3.0	Developers' Pofit						
3.1	Based upon percentage of construction costs			Rate			
				20%			5,887,246
							£5,887,246
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£35,323,478
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£2,298,862
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£2,298,862
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£37,622,340

ITEM							
Net Site Area	2.00	Residual value	£752,913 per ha				
	Total	Private	Affordable				
No. of units	70	60	11				
1.0	Development Value						
Value Zone	1						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	60	90	5,355	£1,776	£9,510,480
			60		5355		
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£946	£0.00
		Houses –	5	90	416	£1,332	£553,845.60
			5		416		
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	6	90	529	£888	£469,930
			6		529		
			70		6300		£10,534,255
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Residual Site Value						£1,614,827
					Less Purchaser Costs		6.75%
	Net Residual value						1,505,826
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	60	5355	£890		£4,767,717.15
			60				
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	5	416	£890		£370,199.21
			5				
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartmet	0	0	£0		£0.00
		Houses	6	529	£890		£471,162.64
			6				
			70				£5,609,079
2.4	Policy Costs						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per unit			£0
2.4.3	Energy		£5,000	per unit			£350,000
2.4.4	Lifetime homes		£0	per unit			£0
							£350,000
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£448,726
							£448,726
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£280,454
							£280,454
2.7	Developer contributions						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	Sale cost						
2.8.1	Legals -		1.00%				£105,343
2.8.2	Sales agents fee -		0.50%				£52,671
2.8.3	Marketing cost -		£1,000	per unit			£59,500
							£217,514
	TOTAL DEVELOPMENT COSTS						8,411,600
3.0	Developers' Pofit						
3.1	Based upon percentage of construction costs		Rate				
			20%				1,682,320
							£1,682,320
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£10,093,919
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£440,336
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%		-£440,336
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£10,534,255

ITEM								
Net Site Area	1.00	Residual value	£772,012 per ha					
	Total	Private	Affordable					
No. of units	35	30	5					
1.0	Development Value							
Value Zone	1							
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value	
		Flats –	0	0	0	£0	£0	
		Houses –	30	90	2,678	£1,776	£4,755,240	
			30		2678			
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value	
		Flats –	0	0	0	£946	£0.00	
		Houses –	2	90	208	£1,332	£276,922.80	
			2		208			
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value	
		Flats –	0	0	0	£0	£0	
		Houses –	3	90	265	£888	£234,965	
			3		265			
			35		3150		£5,267,128	
2.0	Development Cost							
2.1	Site Acquisition							
2.1.1	Residual Site Value						£819,111	
					Less Purchaser Costs		5.75%	
	Net Residual value						772,012	
2.3	Build Costs							
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs	
		Apartment	0	0	£0		£0.00	
		Houses	30	2678	£890		£2,383,858.58	
			30					
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs	
		Apartment	0	0	£0		£0.00	
		Houses	2	208	£890		£185,099.61	
			2					
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs	
		Apartmet	0	0	£0		£0.00	
		Houses	3	265	£890		£235,581.32	
			3					
			35				£2,804,540	
2.4	Policy Costs							
2.4.1	Flood mitigation		£0	per unit			£0	
2.4.2	Landscape management		£0	per unit			£0	
2.4.3	Energy		£5,000	per unit			£175,000	
2.4.4	Lifetime homes		£0	per unit			£0	
							£175,000	
2.5	Professional Fees							
2.5.1	as percentage of build costs		8%				£224,363	
							£224,363	
2.6	Contingency							
2.6.1	Based upon percentage of construction costs		5%				£140,227	
							£140,227	
2.7	Developer contributions							
2.7.1	Infrastructure		£0	per unit			£0	
2.7.2	CIL		£0	per sq.m			£0	
							£0	
2.8	Sale cost							
2.8.1	Legals -		1.00%				£52,671	
2.8.2	Sales agents fee -		0.50%				£26,336	
2.8.3	Marketing cost -		£1,000	per unit			£29,750	
							£108,757	
	TOTAL DEVELOPMENT COSTS						4,224,899	
3.0	Developers' Pofit							
3.1	Based upon percentage of construction costs			Rate				
				20%			844,980	
							£844,980	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£5,069,878	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£197,249	
4.00	Finance Costs			APR		PCM		
				7.00%		0.565%	-£197,249	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£5,267,128	

ITEM							
Net Site Area	0.57	Residual value	£780,709 per ha				
	Total	Private	Affordable				
No. of units	20	17	3				
1.0	Development Value						
Value Zone	1						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	17	90	1,530	£1,776	£2,717,280
			17		1530		
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£946	£0.00
		Houses –	1	90	119	£1,332	£158,241.60
			1		119		
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	2	90	151	£888	£134,266
			2		151		
			20		1800		£3,009,787
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Residual Site Value						£468,367
					Less Purchaser Costs		4.75%
	Net Residual value						446,119
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	17	1530	£890		£1,362,204.90
			17				
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	1	119	£890		£105,771.20
			1				
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartmet	0	0	£0		£0.00
		Houses	2	151	£890		£134,617.90
			2				
			20				£1,602,594
2.4	Policy Costs						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per unit			£0
2.4.3	Energy		£5,000	per unit			£100,000
2.4.4	Lifetime homes		£0	per unit			£0
							£100,000
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£128,208
							£128,208
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£80,130
							£80,130
2.7	Developer contributions						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	Sale cost						
2.8.1	Legals -		1.00%				£30,098
2.8.2	Sales agents fee -		0.50%				£15,049
2.8.3	Marketing cost -		£1,000	per unit			£17,000
							£62,147
	TOTAL DEVELOPMENT COSTS						2,419,197
3.0	Developers' Pofit						
3.1	Based upon percentage of construction costs			Rate			
				20%			483,839
							£483,839
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£2,903,037
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£106,750
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£106,750
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£3,009,787

ITEM							
Net Site Area	0.40	Residual value	£782,904 per ha				
	Total	Private	Affordable				
No. of units	14	12	2				
1.0	Development Value						
Value Zone	1						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	12	90	1,071	£1,776	£1,902,096
			12		1071		
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£946	£0.00
		Houses –	1	90	83	£1,332	£110,769.12
			1		83		
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	1	90	106	£888	£93,986
			1		106		
			14		1260		£2,106,851
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Residual Site Value						£328,778
				Less Purchaser Costs			4.75%
	Net Residual value						313,161
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	12	1071	£890		£953,543.43
			12				
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	1	83	£890		£74,039.84
			1				
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartmet	0	0	£0		£0.00
		Houses	1	106	£890		£94,232.53
			1				
			14				£1,121,816
2.4	Policy Costs						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per unit			£0
2.4.3	Energy		£5,000	per unit			£70,000
2.4.4	Lifetime homes		£0	per unit			£0
							£70,000
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£89,745
							£89,745
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£56,091
							£56,091
2.7	Developer contributions						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	Sale cost						
2.8.1	Legals -		1.00%				£21,069
2.8.2	Sales agents fee -		0.50%				£10,534
2.8.3	Marketing cost -		£1,000	per unit			£11,900
							£43,503
	TOTAL DEVELOPMENT COSTS						1,694,316
3.0	Developers' Pofit						
3.1	Based upon percentage of construction costs			Rate			
				20%			338,863
							£338,863
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£2,033,179
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£73,672
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£73,672
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£2,106,851

ITEM							
Net Site Area	7.14	Residual value	£1,029,068 per ha				
	Total	Private	Affordable				
No. of units	250	250	0				
1.0	Development Value						
Value Zone	1						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	250	90	22,500	£1,776	£39,960,000
			250		22500		
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£946	£0.00
		Houses –	0	90	0	£1,332	£0.00
			0		0		
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	0	90	0	£888	£0
			0		0		
			250		22500		£39,960,000
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Residual Site Value						£7,882,558
					Less Purchaser Costs		6.75%
	Net residual value						7,350,485
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	250	22500	£890		£20,032,425.00
			250				
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartmet	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
			250				£20,032,425
2.4	Policy Costs						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per uni			£0
2.4.3	Energy		£0	per unit			£0
2.4.4	Lifetime homes		£0	per unit			£0
							£0
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£1,602,594
							£1,602,594
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£1,001,621
							£1,001,621
2.7	Developer contributions						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	Sale cost						
2.8.1	Legals -		1.00%				£399,600
2.8.2	Sales agents fee -		0.50%				£199,800
2.8.3	Marketing cost -		£1,000	per unit			£250,000
							£849,400
	TOTAL DEVELOPMENT COSTS						£30,836,525
3.0	Developers' Profit						
3.1	Based upon percentage of construction costs			Rate			
				20%			£6,167,305
							£6,167,305
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£37,003,831
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£2,956,169
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£2,956,169
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£39,960,000

ITEM							
Net Site Area	2.00	**Residual value**	**£1,159,556 per ha**				
	Total	**Private**	**Affordable**				
No. of units	70	**70**	**0**				
1.0	**Development Value**						
Value Zone	**1**						
1.1	**Private Units**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		Flats –	0	0	0	£0	£0
		Houses –	70	90	6,300	£1,776	£11,188,800
			70		6300		
1.2	**Intermediate**		**No. of units**	**Size sq.m**		**£psm**	**Total Value**
		Flats –	0	0	0	£946	£0.00
		Houses –	0	90	0	£1,332	£0.00
			0		0		
1.3	**Affordable rent**		**No. of units**	**Size sq.m**		**£psm**	**Total Value**
		Flats –	0	0	0	£0	£0
		Houses –	0	90	0	£888	£0
			0		0		
			70		**6300**		**£11,188,800**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Residual Site Value						£2,486,983
					Less Purchaser Costs		6.75%
	Net Residual value						**2,319,112**
2.3	**Build Costs**						
2.3.1	**Private units**		**No. of units**	**Size sq.m**	**Cost per sq.m**		**Total Costs**
		Apartment	0	0	£0		£0.00
		Houses	70	6300	£890		£5,609,079.00
			70				
2.3.2	**Intermediate**		**No. of units**	**Size sq.m**	**Cost per sq.m**		**Total Costs**
		Apartment	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
2.3.4	**Affordable rent**		**No. of units**	**Size sq.m**	**Cost per sq.m**		**Total Costs**
		Apartmet	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
			70				**£5,609,079**
2.4	**Policy Costs**						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per unit			£0
2.4.3	Energy		£0	per unit			£0
2.4.4	Lifetime homes		£0	per unit			£0
							£0
2.5	**Professional Fees**						
2.5.1	as percentage of build costs		8%				£448,726
							£448,726
2.6	**Contingency**						
2.6.1	Based upon percentage of construction costs		5%				£280,454
							£280,454
2.7	**Developer contributions**						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	**Sale cost**						
2.8.1	Legals -		1.00%				£111,888
2.8.2	Sales agents fee -		0.50%				£55,944
2.8.3	Marketing cost -		£1,000	per unit			£70,000
							£237,832
	TOTAL DEVELOPMENT COSTS						**8,895,203**
3.0	**Developers' Pofit**						
3.1	Based upon percentage of construction costs			Rate			
				20%			1,779,041
							£1,779,041
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£10,674,243**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£514,557
4.00	**Finance Costs**			APR		PCM	
				7.00%		0.565%	-£514,557
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£11,188,800

ITEM							
Net Site Area	1.00	Residual value	£1,188,970 per ha				
	Total	Private	Affordable				
No. of units	35	35	0				
1.0	Development Value						
Value Zone	1						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	35	90	3,150	£1,776	£5,594,400
			35		3150		
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£946	£0.00
		Houses –	0	90	0	£1,332	£0.00
			0		0		
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	0	90	0	£888	£0
			0		0		
			35		3150		£5,594,400
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Residual Site Value						£1,275,035
				Less Purchaser Costs			6.75%
	Net Residual value						1,188,970
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	35	3150	£890		£2,804,539.50
			35				
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartmet	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
			35				£2,804,540
2.4	Policy Costs						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per unit			£0
2.4.3	Energy		£0	per unit			£0
2.4.4	Lifetime homes		£0	per unit			£0
							£0
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£224,363
							£224,363
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£140,227
							£140,227
2.7	Developer contributions						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	Sale cost						
2.8.1	Legals -		1.00%				£55,944
2.8.2	Sales agents fee -		0.50%				£27,972
2.8.3	Marketing cost -		£1,000	per unit			£35,000
							£118,916
	TOTAL DEVELOPMENT COSTS						4,477,015
3.0	Developers' Pofit						
3.1	Based upon percentage of construction costs			Rate			
				20%			895,403
							£895,403
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£5,372,418
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£221,982
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£221,982
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£5,594,400

ITEM							
Net Site Area	0.57	Residual value	£1,202,364 per ha				
	Total	Private	Affordable				
No. of units	20	20	0				
1.0	Development Value						
Value Zone	1						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	20	90	1,800	£1,776	£3,196,800
			20		1800		
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£946	£0.00
		Houses –	0	90	0	£1,332	£0.00
			0		0		
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	0	90	0	£888	£0
			0		0		
			20		1800		£3,196,800
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Residual Site Value						£728,981
				Less Purchaser Costs			5.75%
	Net Residual value						687,065
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	20	1800	£890		£1,602,594.00
			20				
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartmet	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
			20				£1,602,594
2.4	Policy Costs						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per unit			£0
2.4.3	Energy		£0	per unit			£0
2.4.4	Lifetime homes		£0	per unit			£0
							£0
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£128,208
							£128,208
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£80,130
							£80,130
2.7	Developer contributions						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	Sale cost						
2.8.1	Legals -		1.00%				£31,968
2.8.2	Sales agents fee -		0.50%				£15,984
2.8.3	Marketing cost -		£1,000	per unit			£20,000
							£67,952
	TOTAL DEVELOPMENT COSTS						2,565,948
3.0	Developers' Pofit						
3.1	Based upon percentage of construction costs			Rate			
				20%			513,190
							£513,190
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£3,079,138
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£117,662
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£117,662
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£3,196,800

ITEM							
Net Site Area	0.40	Residual value	£1,205,744 per ha				
	Total	Private	Affordable				
No. of units	14	14	0				
1.0	Development Value						
Value Zone	1						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	14	90	1,260	£1,776	£2,237,760
			14		1260		
1.2	Intermediate		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£946	£0.00
		Houses –	0	90	0	£1,332	£0.00
			0		0		
1.3	Affordable rent		No. of units	Size sq.m		£psm	Total Value
		Flats –	0	0	0	£0	£0
		Houses –	0	90	0	£888	£0
			0		0		
			14		1260		£2,237,760
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Residual Site Value						£511,721
				Less Purchaser Costs			5.75%
	Net Residual value						482,298
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	14	1260	£890		£1,121,815.80
			14				
2.3.2	Intermediate		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartment	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
2.3.4	Affordable rent		No. of units	Size sq.m	Cost per sq.m		Total Costs
		Apartmet	0	0	£0		£0.00
		Houses	0	0	£890		£0.00
			0				
			14				£1,121,816
2.4	Policy Costs						
2.4.1	Flood mitigation		£0	per unit			£0
2.4.2	Landscape management		£0	per unit			£0
2.4.3	Energy		£0	per unit			£0
2.4.4	Lifetime homes		£0	per unit			£0
							£0
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£89,745
							£89,745
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£56,091
							£56,091
2.7	Developer contributions						
2.7.1	Infrastructure		£0	per unit			£0
2.7.2	CIL		£0	per sq.m			£0
							£0
2.8	Sale cost						
2.8.1	Legals -		1.00%				£22,378
2.8.2	Sales agents fee -		0.50%				£11,189
2.8.3	Marketing cost -		£1,000	per unit			£14,000
							£47,566
	TOTAL DEVELOPMENT COSTS						1,797,516
3.0	Developers' Pofit						
3.1	Based upon percentage of construction costs			Rate 20%			359,503
							£359,503
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£2,157,019
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£80,741
4.00	Finance Costs			APR 7.00%		PCM 0.565%	-£80,741
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£2,237,760

APPENDIX 5

Commercial Appraisals

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Development Appraisal

Rotherham - Office

Rotherham

Report Date: 11 March 2012

Rotherham - Office
Rotherham

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary

	Units	m²	Rate m²
Office space	3	2,368.95	£134.55

Investment Valuation

Office space			
Market Rent	318,742	YP @	9.0000%
(0yrs 9mths Rent Free)		PV 0yrs 9mths @	9.0000%
GROSS DEVELOPMENT VALUE			
Purchaser's Costs		5.75%	(190,895)
NET DEVELOPMENT VALUE			

NEGATIVE LAND ALLOWANCE

Residualised Price	1,710,640

NET REALISATION

OUTLAY

ACQUISITION COSTS

Negative Land Allowance	(1,710,640)

CONSTRUCTION COSTS

Construction	**m²**	**Rate m²**	**Cost**
Office space	2,787.00	£1,184.00	3,299,808
Contingency		5.00%	164,990

PROFESSIONAL FEES

Professional Fees	8.00%	263,985

MARKETING & LETTING

Marketing		25,000
Letting Agent Fee	10.00%	31,874
Letting Legal Fee	5.00%	15,937

DISPOSAL FEES

Sales Agent Fee	1.00%	31,290
Sales Legal Fee	0.50%	15,645

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)	
Land	(79,169)
Construction	114,488
Letting Void	149,203
Total Finance Cost	

TOTAL COSTS

Rotherham - Office
Rotherham
PROFIT

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	24.30%
Profit on NDV%	25.78%
Development Yield% (on Rent)	7.90%
Equivalent Yield% (Nominal)	9.00%
Equivalent Yield% (True)	9.53%
IRR	45.86%
Rent Cover	2 yrs 6 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Rotherham - Office
Rotherham

	Initial MRV/Unit	Net Rent at Sale	Initial MRV
	£106,247	318,742	318,742
	11.1111		
	0.9374	3,319,917	
	3,319,917		
	3,129,022		
	1,710,640		
	4,839,661		
	3,299,808		
	164,990		
	263,985		
	72,811		
	46,935		
	184,522		
	4,033,051		

Rotherham - Office
Rotherham

806,610

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Development Appraisal

Industrial

Rotherham

Report Date: 11 March 2012

APPRAISAL SUMMARY — LICENSED COPY

Industrial
Rotherham

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary

	Units	m²	Rate m²
Industrial	1	3,500.00	£53.80

Investment Valuation

Industrial			
Market Rent	188,300	YP @	9.5000%
(0yrs 5mths Unexpired Rent Free)		PV 0yrs 5mths @	9.5000%
GROSS DEVELOPMENT VALUE			
Purchaser's Costs		5.75%	(109,742)
NET DEVELOPMENT VALUE			

NEGATIVE LAND ALLOWANCE

Residualised Price			1,250,642

NET REALISATION

OUTLAY

ACQUISITION COSTS

Negative Land Allowance			(1,250,642)

CONSTRUCTION COSTS

Construction	**m²**	**Rate m²**	**Cost**
Industrial	3,500.00	£600.00	2,100,000
Contingency		5.00%	105,000

PROFESSIONAL FEES

Architect		8.00%	168,000

MARKETING & LETTING

Marketing			15,000
Letting Agent Fee		10.00%	18,830
Letting Legal Fee		5.00%	9,415

DISPOSAL FEES

Sales Agent Fee		1.00%	17,988
Sales Legal Fee			5,000

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land			(40,382)
Construction			52,653
Letting Void			82,519
Other			7,188
Total Finance Cost			

TOTAL COSTS

Industrial
Rotherham

PROFIT

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	26.63%
Profit on NDV%	28.25%
Development Yield% (on Rent)	7.41%
Equivalent Yield% (Nominal)	9.50%
Equivalent Yield% (True)	10.09%
IRR	51.43%
Rent Cover	2 yrs 8 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Industrial
Rotherham

	Initial MRV/Unit	Net Rent at Sale	Initial MRV
	£188,300	188,300	188,300
	10.5263		
	0.9629	1,908,553	
	1,908,553		
	1,798,811		
	1,250,642		
	3,049,453		
	2,100,000		
	105,000		
	168,000		
	43,245		
	22,988		
	101,978		
	2,541,211		

Industrial
Rotherham

508,243

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Development Appraisal

Rotherham

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Rotherham

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary

	Units	m²	Rate m²
Convenience Retail	1	1,500.01	£161.46

Investment Valuation

Convenience Retail			
Market Rent	242,192	YP @	7.5000%
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	7.5000%
GROSS DEVELOPMENT VALUE			
Purchaser's Costs		5.75%	(179,086)
NET DEVELOPMENT VALUE			

NET REALISATION

OUTLAY

ACQUISITION COSTS			
Residualised Price (0.40 Ha £1,838,532.51 pHect)			735,413
Stamp Duty		5.00%	36,771
Agent Fee		1.00%	7,354
Legal Fee		0.50%	3,677
CONSTRUCTION COSTS			
Construction	**m²**	**Rate m²**	**Cost**
Convenience Retail	1,500.01	£799.97	1,199,963
Contingency		5.00%	59,998
Other Construction			
Other Construction		10.00%	119,996
PROFESSIONAL FEES			
Professional Fees		8.00%	105,597
MARKETING & LETTING			
Letting Agent Fee		10.00%	24,219
Letting Legal Fee		5.00%	12,110
DISPOSAL FEES			
Sales Agent Fee		1.00%	29,355
Sales Legal Fee		0.50%	14,677
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land			51,468
Construction			45,612
Total Finance Cost			

TOTAL COSTS

PROFIT

Rotherham

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	9.90%
Equivalent Yield% (Nominal)	7.50%
Equivalent Yield% (True)	7.87%
IRR	38.99%
Rent Cover	2 yrs
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Rotherham

	Initial MRV/Unit	Net Rent at Sale	Initial MRV
	£242,192	242,192	242,192
	13.3333		
	0.9645	3,114,538	
	3,114,538		
	2,935,452		
	2,935,452		
	783,215		
	1,199,963		
	59,998		
	119,996		
	105,597		
	36,329		
	44,032		
	97,080		
	2,446,210		

Rotherham

489,242

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Development Appraisal

Comparison Retail Warehouse/Retail Park - Rotherham

Rotherham

Report Date: 12 March 2012

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Comparison Retail Warehouse/Retail Park - Rotherham
Rotherham

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**
Retail	1	3,530.20	£135.00	£476,577
Investment Valuation				
Retail				
Market Rent	476,577	YP @	7.5000%	13.3333
(1yr Rent Free)		PV 1yr @	7.5000%	0.9302
GROSS DEVELOPMENT VALUE				5,911,033
Purchaser's Costs		5.75%	(339,884)	
NET DEVELOPMENT VALUE				5,571,148
NET REALISATION				**5,571,148**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (0.80 Ha £1,258,811.62 pHect)			1,007,049	
Stamp Duty		4.00%	40,282	
Agent Fee		1.00%	10,070	
Legal Fee		0.50%	5,035	
				1,062,437
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Retail	3,716.00	£700.00	2,601,200	**2,601,200**
Contingency		5.00%	130,060	
				130,060
PROFESSIONAL FEES				
Professional Fees		8.00%	208,096	
				208,096
MARKETING & LETTING				
Marketing			25,000	
Letting Agent Fee		10.00%	47,658	
Letting Legal Fee		5.00%	23,829	
				96,487
DISPOSAL FEES				
Sales Agent Fee		1.00%	55,711	
Sales Legal Fee		0.50%	27,856	
				83,567
FINANCE				
Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			69,817	
Construction			90,249	
Letting Void			300,710	
Total Finance Cost				460,776
TOTAL COSTS				**4,642,623**
PROFIT				

Comparison Retail Warehouse/Retail Park - Rotherham
Rotherham

928,525

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	10.27%
Equivalent Yield% (Nominal)	7.50%
Equivalent Yield% (True)	7.87%
IRR	19.69%
Rent Cover	1 yr 11 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Comparison Retail Warehouse/Retail Park - Rotherham
Rotherham

Net Rent at Sale	Initial MRV
476,577	476,577

5,911,033

Comparison Retail Warehouse/Retail Park - Rotherham
Rotherham

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Development Appraisal

Comparison Retail Warehouse - Rotherham

Rotherham

Report Date: 11 March 2012

APPRAISAL SUMMARY — LICENSED COPY

Comparison Retail Warehouse - Rotherham
Rotherham

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**
Retail	1	3,530.20	£135.00	£476,577
Investment Valuation				
Retail				
Market Rent	476,577	YP @	7.5000%	13.3333
(1yr Rent Free)		PV 1yr @	7.5000%	0.9302
GROSS DEVELOPMENT VALUE				5,911,033
Purchaser's Costs		5.75%	(339,884)	
NET DEVELOPMENT VALUE				5,571,148
NET REALISATION				**5,571,148**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (0.80 Ha £1,258,811.62 pHect)			1,007,049	
Stamp Duty		4.00%	40,282	
Agent Fee		1.00%	10,070	
Legal Fee		0.50%	5,035	
				1,062,437
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Retail	3,716.00	£700.00	2,601,200	**2,601,200**
Contingency		5.00%	130,060	
				130,060
PROFESSIONAL FEES				
Professional Fees		8.00%	208,096	
				208,096
MARKETING & LETTING				
Marketing			25,000	
Letting Agent Fee		10.00%	47,658	
Letting Legal Fee		5.00%	23,829	
				96,487
DISPOSAL FEES				
Sales Agent Fee		1.00%	55,711	
Sales Legal Fee		0.50%	27,856	
				83,567
FINANCE				
Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			69,817	
Construction			90,249	
Letting Void			300,710	
Total Finance Cost				460,776
TOTAL COSTS				**4,642,623**
PROFIT				

Comparison Retail Warehouse - Rotherham
Rotherham

928,525

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	10.27%
Equivalent Yield% (Nominal)	7.50%
Equivalent Yield% (True)	7.87%
IRR	19.69%
Rent Cover	1 yr 11 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Comparison Retail Warehouse - Rotherham
Rotherham

Net Rent at Sale	Initial MRV
476,577	476,577

5,911,033

Comparison Retail Warehouse - Rotherham
Rotherham

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Development Appraisal

Comparison Retail - Rotherham Town Centre

Rotherham

Report Date: 11 March 2012

APPRAISAL SUMMARY — LICENSED COPY

Comparison Retail - Rotherham Town Centre
Rotherham

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**
Retail	1	617.50	£130.00	£80,275
Investment Valuation				
Retail				
Market Rent	80,275	YP @	8.0000%	12.5000
(1yr Rent Free)		PV 1yr @	8.0000%	0.9259
GROSS DEVELOPMENT VALUE				929,109
Purchaser's Costs		5.75%	(53,424)	
NET DEVELOPMENT VALUE				875,685
NEGATIVE LAND ALLOWANCE				
Residualised Price			75,072	
				75,072
NET REALISATION				**950,757**
OUTLAY				
ACQUISITION COSTS				
Negative Land Allowance			(75,072)	
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Retail	650.00	£925.00	601,250	**601,250**
Contingency		5.00%	30,063	
				30,063
PROFESSIONAL FEES				
Professional Fees		8.00%	48,100	
				48,100
MARKETING & LETTING				
Marketing			25,000	
Letting Agent Fee		10.00%	8,028	
Letting Legal Fee		5.00%	4,014	
				37,041
DISPOSAL FEES				
Sales Agent Fee		1.00%	8,757	
Sales Legal Fee		0.50%	4,378	
				13,135
FINANCE				
Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			(4,405)	
Construction			20,860	
Letting Void			46,253	
Total Finance Cost				62,709
TOTAL COSTS				**792,298**

Comparison Retail - Rotherham Town Centre
Rotherham

PROFIT

158,460

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	17.06%
Profit on NDV%	18.10%
Development Yield% (on Rent)	10.13%
Equivalent Yield% (Nominal)	8.00%
Equivalent Yield% (True)	8.42%
IRR	23.22%
Rent Cover	1 yr 12 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Comparison Retail - Rotherham Town Centre
Rotherham

Net Rent at Sale	Initial MRV
80,275	80,275

929,109

Comparison Retail - Rotherham Town Centre
Rotherham