Telford & Wrekin COUNCIL

Whole Plan Viability Assessment

June 2023

Planning & Development

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1. Introduction

Scope

1.1 The Telford & Wrekin Local Plan (TWLP) was adopted in January 2018 and allocates 148 ha of employment land alongside the housing requirement of 17,280 dwellings (864 dwellings per year) for the Plan period 2011-2031. A significant proportion of this employment and housing growth has been delivered through site allocations and commitments.

1.2 In his report, the TWLP Inspector instructed the Council to prepare a 'Housing Site Allocations Local Plan'. The rationale was to help meet the shortfall in the housing requirement. Given the need to identify further employment land and to maintain a rolling five year housing land supply, as well as the obligation to review Local Plans within a five year period from adoption, Telford & Wrekin Council (the Council) is taking the opportunity to review the TWLP as a whole. As part of this work the Council is commissioning a combined EHDNA to address economic and housing growth needs.

1.3 HDH Planning & Development Ltd has been appointed to update the Council's viability evidence and produce this Whole Plan Viability Assessment as required by the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG). Initially this was to be undertaken in two stages, as described below:

a. Part 1 – Strategic Housing & Employment Land Availability Assessment (SHELAA) Viability Assessment

   A high level assessment (general commentary, net yield, possible achievability rating) of sites submitted to the Council via the Call for Sites process to determine whether they are viable in line with SHELAA guidance. This included a breakdown of the area into high level areas of viability.

b. Part 2 – Whole Plan Viability Assessment

   An assessment of the draft Local Plan Review to assess the cumulative policy (developer contributions) and infrastructure requirements set out in the Local Plan Review.

1.4 There is a considerable overlap between these parts, both relying on similar assumptions. To fit in with the wider plan-making timetable and process, Part 1 and Part 2 have been brought into a single report. An early draft of this report formed the basis of a consultation process with the development industry, to elicit comments on the approach, the methodology and the main cost and value assumptions. This consultation took place in February and March 2023. This report was then completed, having regard to the consultation comments. The completion of this report was delayed due to the May 2023 local elections.

1.5 As part of its preparation, the new Local Plan needs to be tested to ensure the planned development is deliverable in line with tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG). This includes:

- assessing the cumulative impact of the emerging policies, including affordable housing.
- testing the deliverability of the key development site allocations that are earmarked to come forward over the course of the Local Plan period.
- considering the ability of development to accommodate developer contributions alongside other policy requirements.

1.6 This viability work is being undertaken to inform the development of policy and explore the impact on the economics of development, of the options that are under consideration. This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

1.7 The methodology used in this report is consistent with the updated NPPF, the CIL Regulations (as amended) and the updated PPG. In the autumn of 2020, the Government published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The implications in relation to viability are set out in Chapter 2 below, but are not material to this report.

1.8 In December 2022, the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. Whilst these changes will have a significant impact on the overall plan-making process, they do not alter the place of viability in the current Local Plan process. The Bill includes reference to a new national Infrastructure Levy that would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*.

1.9 In March 2023, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy (*published 17 March 2023*)* to seek views on technical aspects of the design of the Infrastructure Levy. Under the proposals set out in the consultation, CIL and the delivery of affordable housing would be combined into a single levy, that would be calculated as a proportion of a scheme's value. This is considered further in Chapter 2 below.

1.10 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be deliverable. It will be necessary to consider the findings of this report in the wider context including the availability external funding and whether or not sites are in the ownership of the public sector.

Report Structure

1.11 This report follows the following format:

Chapter 2 The reasons for, and approach to viability testing, including a review of the requirements of the NPPF, the CIL Regulations, and updated PPG.

Chapter 3 The methodology used.

Chapter 4 An assessment of the housing market, including market and affordable housing, with the purpose of establishing the worth of different types of housing in different areas.

Chapter 5 An assessment of the non-residential market.

Chapter 6 An assessment of the costs of land to be used when assessing viability.

Chapter 7 The cost and general development assumptions to be used in the development appraisals.

Chapter 8 A summary of the various policy requirements and constraints that impact on viability and influence the type of development that come forward.

Chapter 9 A summary of the range of modelled sites used for the financial development appraisals.

Chapter 10 The results of the appraisals and consideration of residential development.

Chapter 11 The results of the appraisals and consideration of non-residential development.

Chapter 12 Conclusions in relation to the deliverability development sites in the context of the emerging policy options.

HDH Planning & Development Ltd (HDH)

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

a. District wide and site-specific viability analysis.

b. Community Infrastructure Levy.

c. Housing Market Assessments.

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

Caveat and Material Uncertainty

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

1.15 Whilst the RICS withdrew the formal advice in relation to the uncertainty last year (March 2022), due to the nature of this assessment it is important to note the uncertainty in the current market. The impact from the pandemic continues to impact on the global economy, which continues to be faced with circumstances caused by the pandemic, uncertainty around world trade and the ongoing war in Ukraine, with the impact on energy costs and inflationary pressures in the economy. Consequently, in respect of this report, the assessment of viability is less certain so a higher degree of caution should be attached to our findings than would normally be the case.

1.16 For the avoidance of doubt this does not mean that the report cannot be relied upon. Rather, this note has been included to ensure transparency and to provide further insight as to the market context under which the report was prepared. In recognition of the market conditions, it is important to keep the findings under review as the plan-making process continues.

Compliance

1.17 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).

1.18 *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published in May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that the May 2019 Guidance has been followed in full.

a. HDH confirms that in preparing this report the firm has acted with objectivity, impartially and without interference and with reference to all appropriate available sources of information.

b. HDH is following a collaborative approach involving the LPA, developers, landowners and other interested parties.

c. The instructions under which this project is undertaken is included as **Appendix 1** of this report.

d. HDH confirms it has no conflicts of interest in undertaking this project. HDH confirms that, in preparing this report, no performance-related or contingent fees have been agreed.

e. The presumption is that a viability assessment should be published in full. HDH has prepared this report on the assumption that it will be published in full.

f. HDH confirms that a non-technical summary will be provided (in the form of Chapter 12). Viability in the plan-making process is a technical exercise that is undertaken specifically to demonstrate compliance (or otherwise) with the NPPF and PPG. It is firmly recommended that this report only be published and read in full.

g. HDH confirms that the programme allowed for adequate time to allow engagement with stakeholders through this project.

h. This assessment includes appropriate sensitivity testing in Chapters 10 and 11. This includes the effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change.

1.19 The Guidance includes a requirement that, '*all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm*'. Much of the information that informed this viability assessment was provided by the Council or its consultants. This information was not provided in a subcontractor role and, in accordance with HDH's instructions, this information has not been challenged nor independently verified.

Metric or Imperial

1.20 The property industry uses both imperial and metric data – often working out costings in metric (£ per sqm) and values in imperial (£ per acre and £ per sqft). This is confusing so metric measurements are used throughout this report. The following conversion rates may assist readers.

1m	=	3.28ft (3' and 3.37")	1ft	=	0.30m
1m^2	=	10.76 sqft	1sqft	=	0.0929sqm
1ha	=	2.471acres	1acre	=	0.405ha

1.21 A useful broad rule of thumb to convert sqm to sqft is simply to add a final zero.

2. Viability Testing

2.1 Viability testing is a core part of the planning process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF) and the Community Infrastructure Levy (CIL) Regulations. In each case the requirement is slightly different, but they have much in common.

National Planning Policy Framework

2.2 Paragraph 34 of the 2021 NPPF says that Plans should set out what development is expected to provide, and that the requirement should not be so high as to undermine the delivery of the Plan.

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

2.3 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The NPPF does not include detail on the viability process, rather stresses the importance of viability. The changes made in July 2021, do touch on matters where viability will be factor:

> *Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.*
>
> *NPPF, Paragraph 22*
>
> *To ensure faster delivery of other public service infrastructure such as further education colleges, hospitals and criminal justice accommodation, local planning authorities should also work proactively and positively with promoters, delivery partners and statutory bodies to plan for required facilities and resolve key planning issues before applications are submitted.*
>
> *NPPF, Paragraph 96*

2.4 The Council has identified five Sustainable Urban Extensions that could potentially come forward for allocation so the emerging options are tested. It will be necessary to engage further with the promoters of the potential Sustainable Urban Extensions and service and infrastructure providers as the plan-making process continues.

2.5 The NPPF does not include detail on the viability process, rather stresses the importance of viability. The main change is a shift of viability testing from the development management stage to the plan-making stage.

> *Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the*

viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

NPPF Paragraph 58

2.6 Consideration has been made to the updated PPG (see below). The Part 2 Whole Plan Viability Assessment will become the reference point for viability assessments submitted through the development management process in the future.

2.7 Of particular importance to this viability assessment is deliverability. The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the NPPF which includes an updated definition:

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

a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).

b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.

NPPF Glossary

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

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

a) specific, deliverable sites for years one to five of the plan period[32]; and

b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.

NPPF Paragraph 68

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

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

NPPF Paragraph 121

2.10 In December 2022, the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. Whilst these changes may have a significant impact on the overall plan-making process, they do not alter the place of viability in the current Local Plan process. It will be necessary for the Council to monitor the progress of the updated NPPF.

2.11 The NPPF does not include technical guidance on undertaking viability work. This is included within the Planning Practice Guidance (PPG).

Planning Practice Guidance

2.12 The viability sections of the PPG (Chapter 10) were rewritten in 2018, and then subsequently further updated in 2019. The changes provide clarity and confirm best practice, rather than prescribe a new approach or methodology. Having said this, the underlying emphasis of viability testing has changed. The, now superseded, requirements for viability testing were set out in paragraphs 173 and 174 of the 2012 NPPF which said:

> *173 ... To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.*
>
> *174 ... the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle...*

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

> *... ensure policy compliance and optimal public benefits through economic cycles...*
>
> *PPG 10-009-20190509*
>
> *... and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *PPG 10-010-20180724*

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

2.15 The core requirement to consider viability links to paragraph 58 of the NPPF (as quoted above):

> *Plans should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards including the cost implications of the Community Infrastructure Levy (CIL) and planning obligations. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and the total cumulative cost of all relevant policies will not undermine deliverability of the plan.*
>
> *PPG 23b-005-20190315*

2.16 This viability assessment takes a proportionate approach to considering the cumulative impact of policies and planning obligations.

2.17 The updated PPG includes 4 main sections:

Section 1 - Viability and plan making

2.18 The overall requirement is that:

> *...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106...*
>
> *PPG 10-001-20190509*

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

> *Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan. ... Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.*
>
> *PPG 10-002-20190509*

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

> *It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.*
>
> *PPG 10-002-20190509*

2.21 Consultation forms part of this Whole Plan Viability Assessment process.

> *Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.*
>
> *PPG 10-002-20190509*

2.22 A range of levels of policy requirements have been tested against a range of levels of developer contributions (including CIL).

> *It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies.*
>
> *PPG 10-002-20190509*

2.23 Consultation has formed part of this Whole Plan Viability Assessment. The Council has identified five potential Sustainable Urban Extensions, as part of the wider site selection process. These are modelled so to inform the site selection process and, in due course, as the site selection process develops, the Council will engage with the promoters of any preferred Sustainable Urban Extensions.

2.24 The modelling in this assessment has been informed by the long list of sites submitted to the Council through the call for sites process. These are being assessed for allocation or not. The purpose of this viability assessment is to ensure the deliverability of the overall Plan.

> *Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*
>
> *PPG 10-003-20180724*

2.25 This study is based on typologies[1] that have been developed by having regard to the potential development sites that are most likely to be identified through the emerging Plan. In addition, the five emerging potential Sustainable Urban Extensions are tested, so as to inform a decision as to whether or not they are to be included in the Plan.

> *Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology.*
>
> *PPG 10-004-20190509*

2.26 This study draws on a wide range of data sources, including those collected through the development management process.

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

[1] The PPG provides further detail at 10-004-20190509:

> *A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.*
>
> *In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.*

> *Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.*
>
> *PPG 10-005-20180724*

2.27 For the purpose of this viability assessment, potential Sustainable Urban Extensions (i.e. strategic sites) are those that are larger than 1,000 units that are being considered for allocation.

> *Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.*
>
> *It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.*
>
> *PPG 10-006-20190509*

2.28 Consultation has formed part of the preparation of this viability assessment. It specifically considers the total cumulative cost of all relevant policies (local and national).

Section 2 - Viability and decision taking

2.29 It is beyond the scope of this assessment to consider viability and decision taking. This study will form the starting point for future development management consideration of viability.

Section 3 - Standardised inputs to viability assessment

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

> *Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return. ...*
>
> *... Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.*
>
> *In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *PPG 10-010-20180724*

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

> *Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.*
>
> *For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.*
>
> *PPG 10-011-20180724*

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

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

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

2.34 All these costs are taken into account.

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

> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner*

to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

PPG 10-013-20190509

2.36 The PPG goes on to set out the use of Benchmark Land Values (BLV) and how these should be derived:

Benchmark land value should:

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

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

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

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

PPG 10-014-20190509

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

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

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

PPG 10-015-20190509

2.38 This report has applied this methodology to establish the EUV.

2.39 The PPG sets out an approach to derive the developers' return:

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

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

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2.40 As set out in Chapter 7 below, this approach is followed.

Section 4 - Accountability

2.41 This section of the PPG sets out requirements on reporting. These are covered, by the Council, outside this report.

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

Community Infrastructure Levy Regulations and Guidance

2.43 The Council has not adopted CIL. In any event, the CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking any plan-wide viability assessment and considering the deliverability of development. The CIL Regulations came into effect in April 2010 and have been subject to subsequent amendment[2].

[2] **SI 2010 No. 948**. The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987**. The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918**. The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975**. The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th February 2014, Coming into force 24th February 2014.* **S1 2015 No. 836**. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015*. **SI 2018 No. 172** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES. The Community Infrastructure Levy (Amendment) Regulations 2018. Made 8th February 2018. Coming into force in accordance with regulation 1. **SI 2019 No. 966** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **SI 2019 No. 1103** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) (No. 2) Regulations 2019 *Made 9th July 2019. Coming into Force 1st September 2019*. **SI 2020 No. 781** The Community

2.44 From April 2015, councils were restricted in pooling S106 contributions from more than five developments[3] (where the obligation in the s106 agreement / undertaking is a reason for granting consent). The CIL Regulations were amended from September 2019 lifting these restrictions, however payments requested under the s106 regime must still be (as set out in CIL Regulation 122):

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

b. directly related to the development; and

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

2.45 As set out at the start of this report, in December 2022 the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. The Bill includes reference to a new national Infrastructure Levy to replace CIL and reform the current developer contribution system. The limited information available suggests that the new Infrastructure Levy that would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. It will be necessary for the Council to monitor the progress of the Bill and to review this report when the Regulations are published.

Wider Changes Impacting on Viability

2.46 There have been a number of changes at a national level since the Council's existing viability work.

Affordable Housing Thresholds

2.47 Paragraph 64 of the NPPF now sets out national thresholds for the provision of affordable housing:

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

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

> ***Major development:*** *For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m2 or more, or a site of 1 hectare or more, or as otherwise*

Infrastructure Levy (Coronavirus) (Amendment) (England) Regulations 2020. *Made 21st July 2020, Coming into force 22nd July 2020*. **SI 2020 No. 1226** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND, The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020. Made *5th November 2020. Coming into force 16th November 2020*.

[3] CIL Regulations 123(3)

provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.

2.49 Parts of the Council area are within a 'Designated Rural Area'[4], so a lower threshold than 10 units will be tested.

Affordable Home Ownership

2.50 The NPPF (paragraph 65) sets out a requirement for a minimum of 10% affordable home ownership units on larger sites.

> *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership[5], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*
>
> *a) provides solely for Build to Rent homes;*
>
> *b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
>
> *c) is proposed to be developed by people who wish to build or commission their own homes; or*
>
> *d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*
>
> *Paragraph 65, NPPF*

2.51 The 10% relates to all the homes on a site. This is assumed to apply.

First Homes

2.52 In May 2021, the Government introduced requirements for First Homes:

> *What is a First Home?*
>
> *First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*
>
> *a. must be discounted by a minimum of 30% against the market value;*
>
> *b. are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
>
> *c. on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*

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[4] Designated rural areas applies to rural areas (the civil parishes of Church Aston, Hadley and Lilleshall & Donnington) described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty (see PPG Paragraph 23b-023-20190901).

[5] Footnote 29 of the 2018 NPPF clarifies as 'As part of the overall affordable housing contribution from the site'.

> d. *after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*
>
> *First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*
>
> *PPG: 70-001-21210524*

2.53 The Council has set out its approach to First Homes in a Position Statement[6] that seeks a 40% discount and a £180,000 cap. This is assumed to apply.

Accessible and Adaptable Standards

2.54 In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes[7] saying:

> *73. Government proposes that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes – option 2 in the consultation. M4(1) will apply by exception only, where M4(2) is impractical and unachievable (as detailed below). Subject to a further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.*

2.55 The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard. No timescale has been announced. This is considered in Chapter 8 below.

Environmental Standards

2.56 The outcome of the Government consultation on 'The Future Homes Standard'[8] was announced during January 2021[9]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring options in this regard, including going further than the minimum national standards sought under Building Regulations. This is considered in Chapter 8 below and a range of options are tested.

2.57 In November 2021, the Government announced that from 2022, all new homes would be required to include an electric vehicle charging point. This is assumed to apply.

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[6] https://www.telford.gov.uk/downloads/file/19857/homes_for_all_spd

[7] Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK (www.gov.uk)

[8] https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

[9] The Future Buildings Standard - GOV.UK (www.gov.uk)

Biodiversity

2.58 The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development.

2.59 Green improvements on-site are preferred (and expected), but in the circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere. This requirement is considered in Chapter 8 below.

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

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

> ***Assessments of housing need, viability and environmental impacts are too complex and opaque****: Land supply decisions are based on projections of household and business 'need' typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environ improvements nor ensure sites are brought forward and delivered;*
>
> ***Local Plans should be subject to a single statutory "sustainable development" test****, and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished. This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*

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

> *<u>Proposal 19</u>: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> *<u>Proposal 21</u>: The reformed Infrastructure Levy should deliver affordable housing provision*

2.62 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report (June 2023) a viability assessment is a requirement.

Fire Safety Standards

2.63 A number of further national consultations were announced during December 2022. These included proposed Changes to Approved Document B, sprinklers in care homes, and staircases in residential buildings. In this context, the National Fire Chiefs Council (NFCC) Single Staircases Policy Position Statement 14 December 2022 is relevant.

2.64 The regulations around second staircases, particularly in taller buildings (although it is important to note that the Council is not planning for buildings of 6 storeys or taller in Telford) follows the 2017 Grenfell Tower fire and will be reflected in the net saleable area assumptions in the modelling (see Chapter 9 below).

2.65 The costs of sprinklers are considered in Chapter 8 below.

National Model Design Code

2.66 The Government published the *National Model Design Code* as part of the PPG in 2021, when the NPPF was updated:

> *128. To provide maximum clarity about design expectations at an early stage, all local planning authorities should prepare design guides or codes consistent with the principles set out in the National Design Guide and National Model Design Code, and which reflect local character and design preferences. Design guides and codes provide a local framework for creating beautiful and distinctive places with a consistent and high quality standard of design. Their geographic coverage, level of detail and degree of prescription should be tailored to the circumstances and scale of change in each place, and should allow a suitable degree of variety.*
>
> *129. Design guides and codes can be prepared at an area-wide, neighbourhood or site-specific scale, and to carry weight in decision-making should be produced either as part of a plan or as supplementary planning documents. Landowners and developers may contribute to these exercises, but may also choose to prepare design codes in support of a planning application for sites they wish to develop. Whoever prepares them, all guides and codes should be based on effective community engagement and reflect local aspirations for the development of their area, taking into account the guidance contained in the National Design Guide and the National Model Design Code. These national documents should be used to guide decisions on applications in the absence of locally produced design guides or design codes.*

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

Queen's Speech 2021 and 2022

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

> *Planning Bill "Laws to modernise the planning system, so that more homes can be built, will be brought forward…"*
>
> *The purpose of the Bill is to:*
>
> - *Create a simpler, faster and more modern planning system to replace the current one ...*
> - *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*
>
> *The main benefits of the Bill would be:*

> - *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*
>
> *The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.*

2.69 In the late summer of 2021, the Ministry of Housing Communities and Local Government was renamed as the Department for Levelling Up, Housing and Communities (DLUHC). Various ministers have commented about revisiting some of the subjects that had been consulted on, however, beyond statements that housebuilding remains a priority, no further detail have been released. The Council will need to keep this under review.

2.70 The Government's further thinking was set out in the 2022 Queen's Speech which included the following:

> *A bill will be brought forward to drive local growth, empowering local leaders to regenerate their areas, and ensuring everyone can share in the United Kingdom's success. The planning system will be reformed to give residents more involvement in local development.*
>
> *The main benefits of the Bill would be:*
>
> - *Laying the foundations for all of England to have the opportunity to benefit from a devolution deal by 2030 – giving local leaders the powers they need to drive real improvement in their communities.*
> - *Improving outcomes for our natural environment by introducing a new approach to environmental assessment in our planning system. This benefit of Brexit will mean the environment is further prioritised in planning decisions.*
> - *Capturing more of the financial value created by development with a locally set, non-negotiable levy to deliver the infrastructure that communities need, such as housing, schools, GPs and new roads.*
> - *Simplifying and standardising the process for local plans so that they are produced more quickly and are easier for communities to influence.*

Levelling-up and Regeneration Bill

2.71 In December 2022, the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. Whilst these changes will have a significant impact on the overall plan-making process, they do not alter the place of viability in the current Local Plan process.

Technical consultation on the Infrastructure Levy (Published 17 March 2023)

2.72 In March 2023, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy (Published 17 March 2023)*[10] to seek views on technical aspects of the design of the Infrastructure Levy. The responses

[10] Technical consultation on the Infrastructure Levy - GOV.UK (www.gov.uk)

will inform the preparation and content of regulations, which will themselves be consulted on, should Parliament grant the necessary powers set out in the Levelling Up and Regeneration Bill.

2.73 The consultation suggests (paragraph 7.11) the levy would be fully rolled out from 2029, but there would be a 'test and learn' roll out starting in 2025.

2.74 Under the proposals set out in the consultation, CIL and the delivery of affordable housing would be combined into a single levy, that would be calculated as a proportion of a scheme's value. Affordable housing could be provided on site as an in-kind payment. Under the proposals some aspects of the current s106 regime would remain:

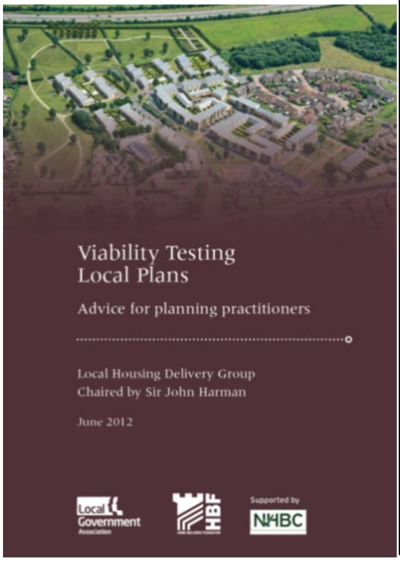
> *1.34 The Levy aims to create a simpler and more consistent system than the current system of CIL and s106. However, paying the Levy may not always be enough to fully mitigate the impact of a development and make it acceptable in planning terms. Indeed, there are some situations where sites have very complex infrastructure needs, which necessitates retaining a negotiated approach to developer contributions. That is why we do not propose to remove s106 agreements altogether.*
>
> *1.35 New Section 204Z1 of the Bill sets out that regulations can provide for how s106 of the Town and Country Planning Act may or may not be used. This power enables s106 planning obligations to be crafted in the new system, to support how infrastructure will be delivered under the Levy. To create a clear distinction over how s106 agreements should be used in different circumstances, we propose creating three distinct routeways for securing developer contributions. How infrastructure is secured and how s106 agreements operate in each routeway will vary, and this will reflect the size and type of site being brought forward.*
>
> *1.36 The 3 routeways are as follows:*
>
> 1. *The core Levy routeway*
> 2. *Infrastructure in-kind routeway*
> 3. *S106-only routeway*
>
> *1.37 An overarching framework for these 'routeways' will be set out in regulations, following further consultation. Based on this framework, the routeway which will apply to a particular kind of site will be set out in the Local Plan.*
>
> *Technical consultation on the Infrastructure Levy (Published 17 March 2023)*

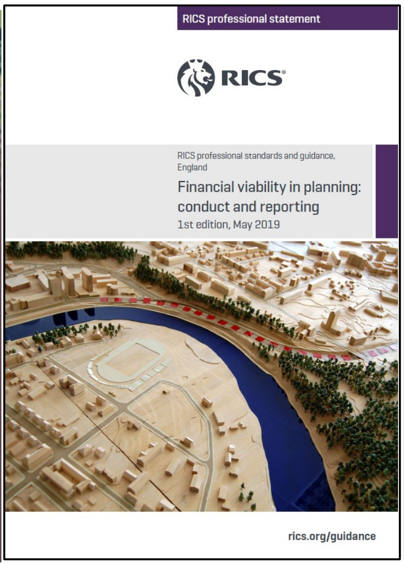
2.75 At this stage the relationship with s106 is not known and it would be premature to test possible thresholds and percentages. It will be necessary for the Council to continue to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.

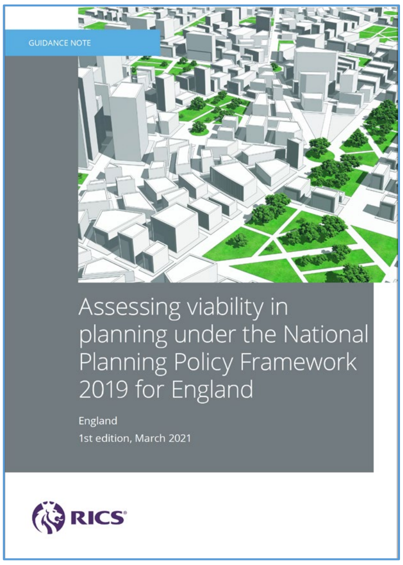
Viability Guidance

2.76 There is no specific technical guidance on how to test viability in the NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions[11] that support the methodology HDH has developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[12] (known as the **Harman Guidance**).

2.77 The planning appeal decisions and the HCA good practice publication[13] suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell. This approach is now specified in the PPG. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities that supports this approach.







2.78 As set out at the start of this report, there are two principal pieces of relevant RICS guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England* (1st Edition, May 2019) and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).

2.79 Neither of these specify a step-by-step approach, rather they make reference to the NPPF and provide interpretation on implementation.

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

[12] Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

[13] *Good Practice Guide*. Homes and Communities Agency (July 2009).

2.80 In line with the updated PPG, this assessment follows the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the value of the land both with and without the benefit of planning consent. This approach is in line with that recommended in the Harman Guidance.

2.81 In September 2019, the House Builders Federation (HBF) produced further guidance in the form of *HBF Local Plan Viability Guide* (Version 1.2: Sept 2019). This guidance draws on the Harman Guidance and the 2012 RICS Guidance, (which the RICS is updating as it is out of date), but not the more recent May 2019 RICS Guidance. This HBF guidance stresses the importance of following the guidance in the PPG and of consultation, both of which this report has done. We do have some concerns around this guidance as it does not reflect '*the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission*' as set out in paragraph 10-009-20190509 of the PPG. The HBF Guidance raises several 'common concerns'. Regard has been had to these under the appropriate headings through this report.

3. Methodology

Viability Testing – Outline Methodology

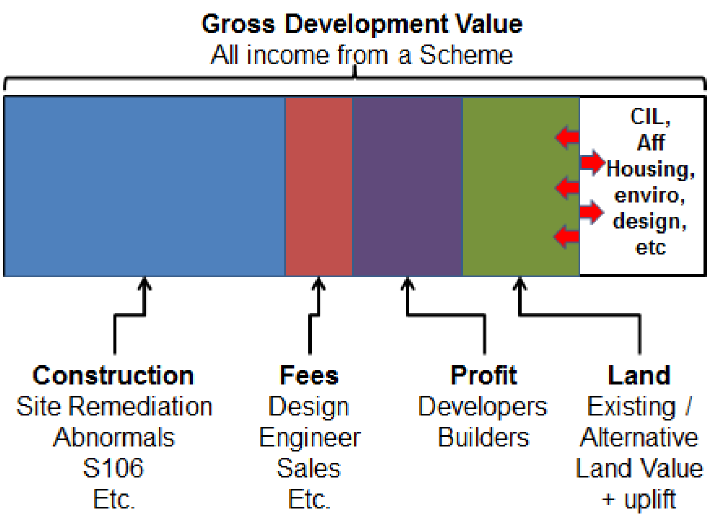
3.1 This report follows the Harman Guidance and RICS Guidance. An early iteration was put to industry and stakeholder consultation in February and March 2023. There was a consensus that the approach was correct, although a number of specific comments were made, as set out through the report.

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

Gross Development Value
(The combined value of the complete development)
LESS
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)
=
RESIDUAL VALUE

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

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



3.5 The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions a planning authority asks for, the less the developer can afford to pay for the land. The purpose of this assessment is to quantify the costs of the Council's policies, to assess the effect of these, and then make a judgement as to whether or not land prices are reduced to such an extent that the Plan is not deliverable. It is necessary to take a cautious approach and ensure that policies are not set at the limits of viability.

3.6 The land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift' above the EUV which would make the landowner sell.

3.7 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the NPPF (and CIL Regulations). The approach taken in this report is different from the approach taken by developers when making an assessment to inform commercial decision making, particularly on the largest sites to be delivered over many years.

Limitations of viability testing in the context of the NPPF

3.8 High level viability testing does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind, and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is worth, a community may extend a village hall even though the value of the facility, in financial terms, is not significantly enhanced, or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

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

The meaning of Landowner Premium

3.10 The phrase *landowner premium* is new in the updated PPG.

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

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

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

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

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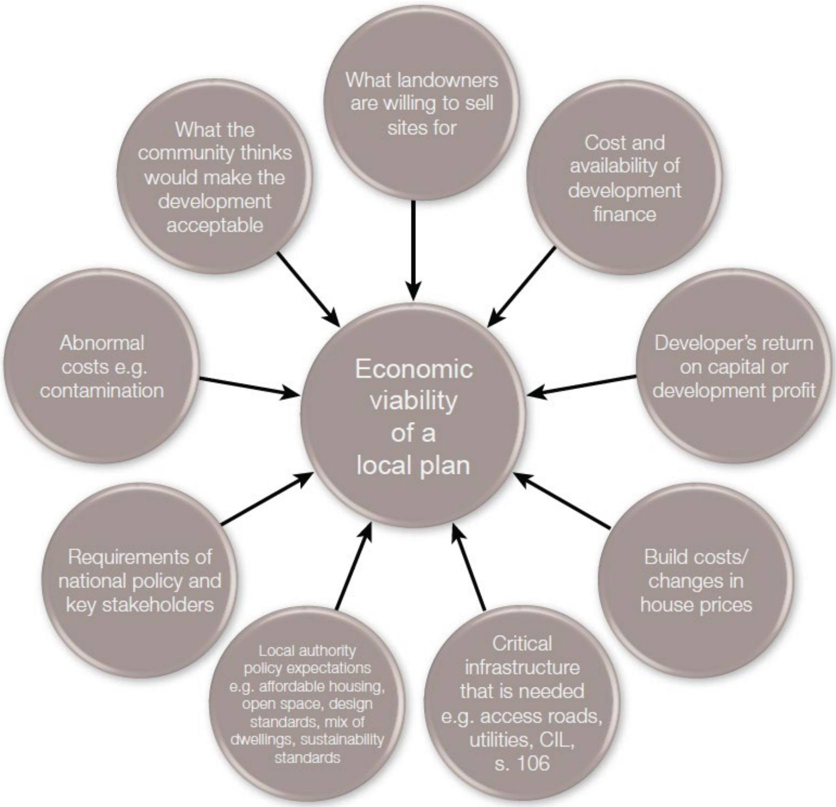
3.11 The term *landowner's premium* has not been specifically defined through the appeal, Local Plan examination or legal processes. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.

3.12 This report is about the economics of development however, viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.



Existing Available Evidence

3.13 The NPPF, the PPG, the CIL Regulations and CIL Guidance (within the PPG) are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from the Council has been reviewed.

3.14 The main reports are the *SHLAA Site Viability Study* (PBA, September 2014) and the *Telford & Wrekin Local Plan - Local Plan Viability Study* (TWC 2016). These built on a series of earlier reports, but are now rather historic.

3.15 The Council also holds development appraisals that have been submitted by developers in connection with specific developments to support negotiations around the provision of affordable housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it – see **Appendix 5**. In some cases, the appraisals are based on detailed cost plans that are not directly comparable with the BCIS. Only the figures that are comparable on a like for like basis are presented.

3.16 It is important to note that some of these figures are the figures submitted by developers for discussion at the start of the viability process and are not necessarily the figures agreed between the parties.

3.17 The Council also holds evidence of what is being collected from developers under the s106 regime. This is being collected by the Council outside this study[14].

Stakeholder Engagement

3.18 The PPG requires stakeholder engagement. The preparation of this viability assessment includes specific consultation and engagement with the industry. A consultation process was conducted during February 2023 when a presentation was given, and a draft of this report and a questionnaire circulated. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited to comment. **Appendix 2** includes a list of the consultees, **Appendix 3** includes the consultation presentation and **Appendix 4** the questionnaire circulated with the draft report.

3.19 The comments of the consultees are reflected through this report and the assumptions adjusted where appropriate.

[14] Paragraphs 10-020-20180724 to 10-028-20180724 of the PPG introduce reporting requirements in this regard. In particular 10-027-20180724 says:

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

a. The general approach and methodology are appropriate[15] [16] [17] [18].

b. A potential Sustainable Urban Extension of 2,000 to 2,500 units should be included in the typologies / testing[19].

3.20 The consultation process was carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance.

Viability Process

3.21 The assessment of viability as required under the NPPF and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) '*...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106*'.

3.22 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, and the Sustainable Urban Extensions, and using these to assess whether development, generally, is viable. The typologies were modelled based on discussions with Council officers, the existing available evidence supplied by the Council, and on experience of development. Details of the modelling are set out in Chapter 9 below. This process ensures that the appraisals are representative of typical development in the Council area over the plan-period.

[15] J Pearce of Harris Lamb for David Wilson Homes re Land at Bratton.

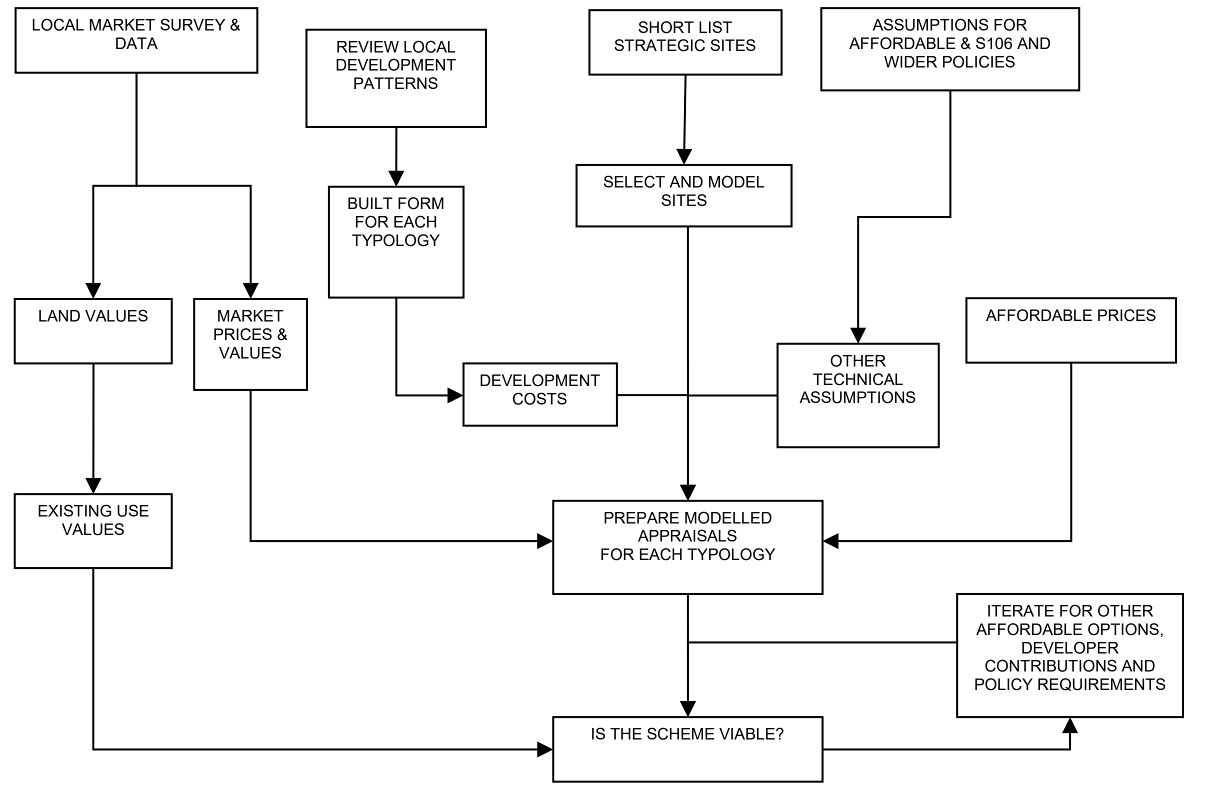
[16] R Sadler of Marrons.

[17] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[18] S Gregory of Savills for Orleton Estate re sites around M54, J7.

[19] R Sadler of Marrons.

Figure 3.1 Viability Methodology



Source: HDH 2023

3.23 The local housing markets were surveyed to obtain a picture of sales values. Land values were assessed to calibrate the appraisals and to assess EUVs. Local development patterns were considered, to arrive at appropriate built form assumptions. These in turn informed the appropriate build cost figures. Several other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still make an appropriate return. The Residual Value was compared to the EUV for each site. Only if the Residual Value exceeded the EUV, and by a satisfactory margin (the Landowners' Premium), could the scheme be judged to be viable. The amount of margin is a difficult subject, it is discussed, and the approach taken in this study is set out, in the later parts of Chapter 6 below.

3.24 The appraisals are based on existing and emerging policy options as summarised in Chapter 8 below. The preparation of draft policies within the Local Plan Review is still ongoing, so the policy topics used in this assessment may be subject to change. For appropriate sensitivity testing, a range of options are tested. If the Council allocates different types of site or develops significantly different policies to those tested in this study, it may be necessary to revisit viability and consider the impact of any further or different requirements.

3.25 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the NPPF and CIL Regulations[20]. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality, and to provide high level advice to assist the Council in assessing the deliverability of the Local Plan.

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

4. Residential Market

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

The Residential Market

4.2 Telford & Wrekin is situated to the north west of Birmingham. The Council area is highly varied and contains a number of different housing markets, subject to a range of influences:

a. The Council area is midway between Shrewsbury and Wolverhampton and has strong links with the wider Birmingham conurbation. The M54 provides links to the wider motorway network. Telford has three train stations (Wellington, Telford, Oakengates) and benefits from regular services to the mainline stations of Wolverhampton and Birmingham.

b. The Council area is centred on Telford. Telford is a third wave new town which was designated in the late 1960s. The town was created from the merger of the settlements of Wellington, Oakengates, Madeley and Dawley. Like many new towns, much of the development of the 1970s and 1980 is relatively homogenous estate housing that is seen by some as being rather un-aspirational and having relatively low values. Having said this, most of the development of that era is well sized and benefits from relatively low densities and good-sized gardens.

c. Telford itself is focussed on the Telford town centre which includes a large shopping centre which is typical of other shopping centres build between the 1970s and early 2000s. Telford Town Park is a large (nearly 200ha), attractive and well laid out open space to the south of the centre.

d. Newport is a smaller market town to the northeast of the Council area. The town has close links with Harper Adams Agricultural College (a university) which is located nearby.

e. The north of the Council area is largely open countryside, with several smaller settlements and villages. The south of the Council area includes the northern side of the Ironbridge Gorge and much of the UNESCO World Heritage Site.

4.3 Overall, the market is perceived to be active, with a strong market for the right scheme in the right place, with the Council delivering about 1,000 new homes per year[21]. Having said this,

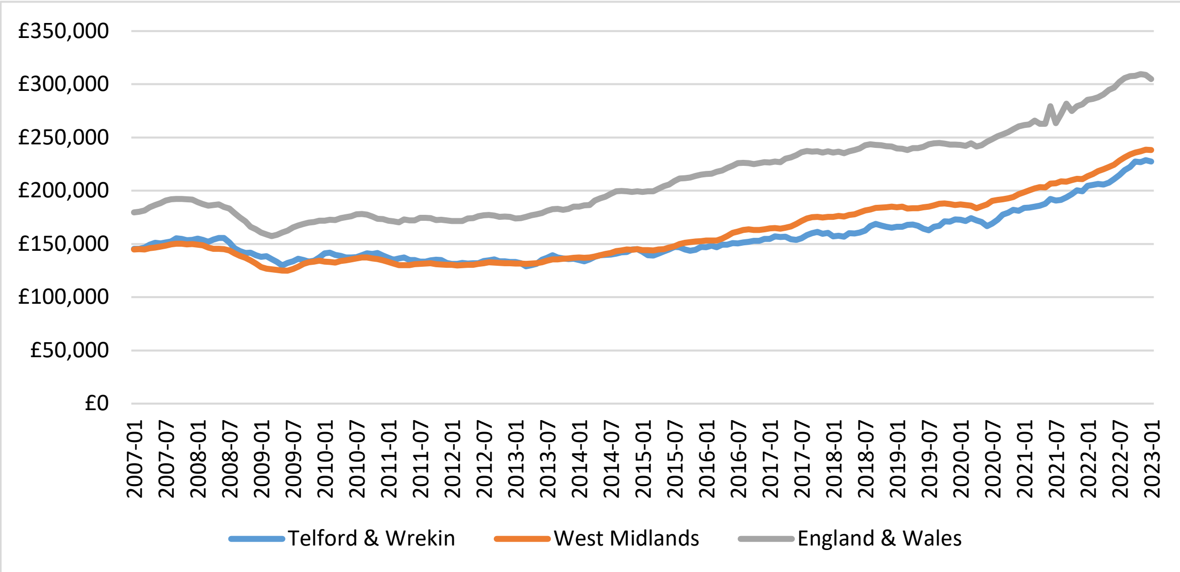
[21] Table 2.1 Telford & Wrekin Council - Annual Monitoring Report 2021.

some areas are challenging and the relatively low house prices in some areas do make the delivery of new housing less easy.

National Trends and the relationship with the wider area

4.4 The local housing market peaked early in September 2007 and then fell considerably in the 2008/2009 recession during what became known as the 'Credit Crunch'. Since then, house prices have increased steadily, but are now widely perceived to have peaked and may be falling. Locally, average house prices in the area returned to their pre-recession peak in February 2017 and are now about 46% above the 2007 peak. Whilst this is a substantial increase, it is significantly less than the increase across the West Midlands region (64%) and England and Wales (65%).

Figure 4.1 Average House Prices (£)



Source: Land Registry (April 2023). Contains public sector information licensed under the Open Government Licence v3.0.

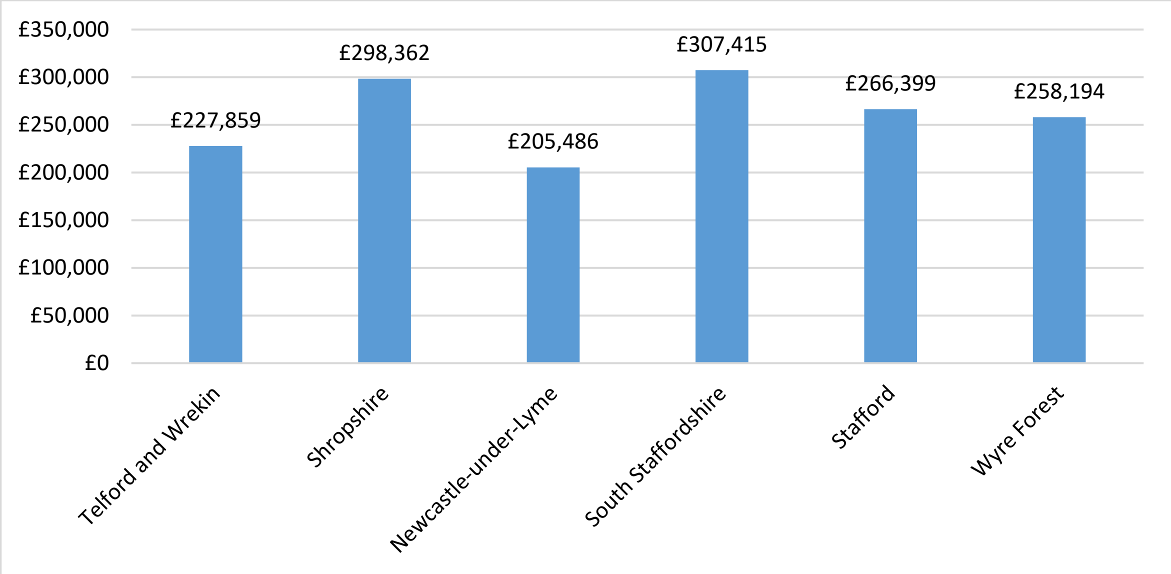
4.5 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Telford & Wrekin is 250th (out of 331) at £227,859[22]. To set this in context, the council at the middle of the rank (166th – Exeter), has an average price of £326,429. The Telford & Wrekin median price is lower than the average at £205,000[23].

[22] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 22nd March 2023).

[23] Median house prices for administrative geographies: HPSSA dataset 9 (Release 22nd March 2023)

4.6 The average prices in Telford & Wrekin are somewhat less than in most nearby authority areas.

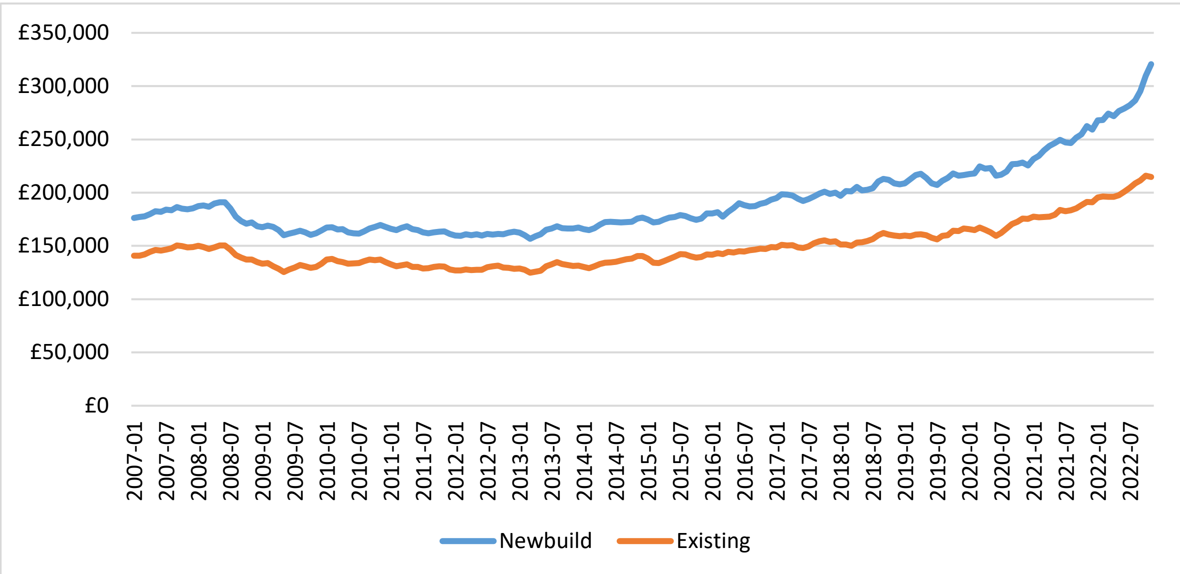
Figure 4.2 Average House Prices (£)



Source: Mean house prices for administrative geographies: HPSSA dataset 12 (Release 22nd March 2023). Contains public sector information licensed under the Open Government Licence v3.0

4.7 This study concerns new homes. The figure above shows that prices in the Council area have seen a significant recovery since the bottom of the market in 2009. Newbuild homes have increased more quickly than existing homes.

Figure 4.3 Change in House Prices. Existing v Newbuild

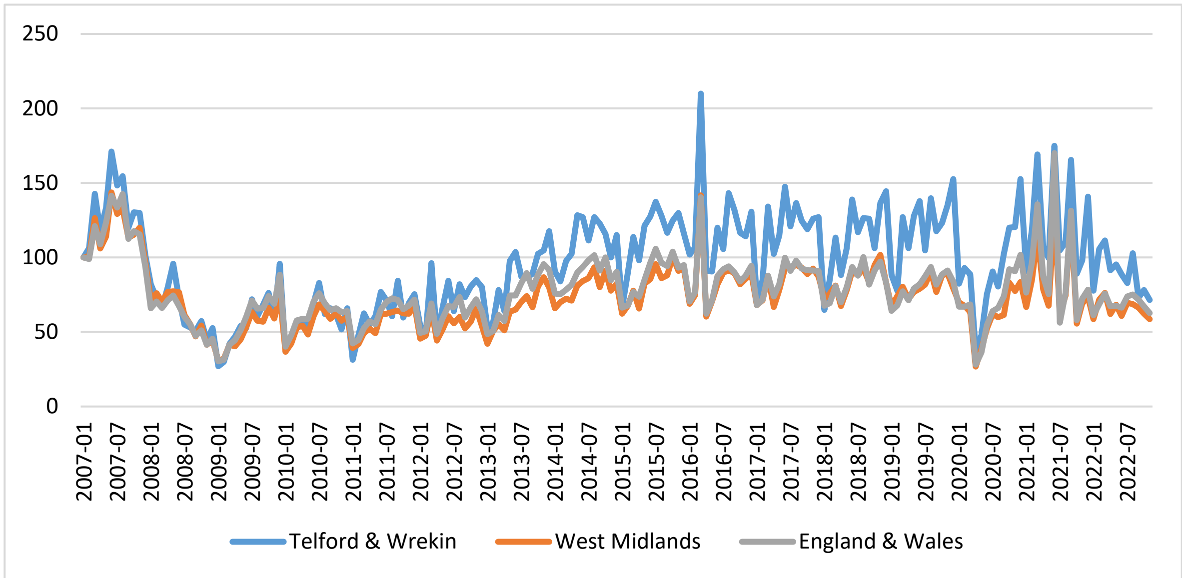


Source: Land Registry (April 2023). Contains public sector information licensed under the Open Government Licence v3.0.

4.8 The Land Registry shows that the average price paid for newbuild homes in Telford & Wrekin (£320,595) is £106,008 (or 50%) more than the average price paid for existing homes (£214,587).

4.9 The rate of sales (i.e. sales per month) in the area is a little greater than the wider country, suggesting that the local market is an active market. At the time of this report, the most recent data published by the Land Registry is that for November 2022.

Figure 4.4 Sales per Quarter – Indexed to January 2008



Source: Land Registry (April 2023). Contains public sector information licensed under the Open Government Licence v3.0.

4.10 The rise in house prices over the last 12 or so years has, at least in part, been enabled by the historically low mortgage rates offered to home buyers. In addition, the housing market has been actively supported by the Government through products and initiatives such as Help-to-Buy, although Help-to-Buy ended in March 2023. A Stamp Duty 'holiday' was introduced to support prices during the COVID-19 pandemic, although this was phased out between July and October 2021. Stamp duty rates were again reduced for properties at the lower end of the market and for first time buyers in the September 2022 'mini-budget'.

4.11 There is a degree of uncertainty in the housing market as reported by the RICS. The March 2023 RICS UK Residential Market Survey[24] said:

> *Sales market activity remains subdued although some forward-looking indicators turn less downbeat*
>
> - *Metrics on buyer enquiries, agreed sales and new instructions all remain negative*

[24] https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/

- *House prices still falling at the national level*
- *Twelve-month sales expectations point to a more stable trend emerging further out*

The results of the March 2023 RICS UK Residential Survey continue to depict a generally weak market backdrop, with indicators on demand, sales, new listings and house prices all remaining in negative territory. Moreover, near-term expectations suggest this pattern will remain in place for a while longer amid the tighter lending environment. That said, the twelve- month view on sales volumes has improved in the latest feedback, with respondents anticipating a more stable trend coming through further ahead.

Looking at new buyer enquiries, a headline net balance of -29% of contributors reported a fall in demand during March (more or less unchanged from a reading of -30% last month). When disaggregated, the downturn in buyer demand remains widespread across the UK, with virtually all regions/countries posting a negative reading in the latest returns.

For the agreed sales metric, the national net balance slipped to -31% this month, down from a figure of -25% last time (but still slightly less negative than the recent low of -43% seen back in October). Looking ahead, near-term expectations point to sales remaining under pressure over the next few months, returning a net balance of -29%. Nevertheless, this is less downcast than the reading of -45% seen in February. Furthermore, the negativity in near-term sales expectations has diminished to some degree in each of the past three reports. At the twelve-month time horizon, the net balance for sales expectations came in at +1%, representing the first time this measure has been out of negative territory since March 2022.

Alongside this, the supply backdrop remains tight, with the volume of fresh listings coming onto the market falling slightly during March according to respondents (net balance -6% vs -4% previously). Likewise, the number of appraisals undertaken over the month continues to run below the level seen during the same period last year, with the net balance for this series sitting at -20% (albeit this is the least depressed reading since August 2022). Meanwhile, the inventory on agents books was little changed over the month.

Alongside this, house prices continue to dip, evidenced by a headline net balance of -43% of respondents reporting a decline in the latest results. Although this remains consistent with a clear downward trend in prices, the latest reading is marginally less negative than the figure of -47% seen in previous iteration of the survey. As such, this breaks a sequence of ten consecutive months in which this metric had deteriorated between April 2022 and February 2023. On a regional comparison, the most significant declines in prices at this point in time are being reported across East Anglia, the South East, the West Midlands and London (in net balance terms).

Going forward, near-term price expectations remain downbeat, returning a net balance reading of -49% compared to -53% last month. Regarding the outlook over the next twelve months, a net balance of -24% of survey participants foresee a further decline in prices over the year ahead (even if this is the least negative reading since September last year). Interestingly, twelve-month price expectations are now broadly flat in London, while contributors based in Northern Ireland, Scotland and Wales envisage a rise in house prices over this time-frame.

In the lettings market, the survey's tenant demand growth indicator reached a five month high, posting a net balance of +46% (part of the non-seasonally adjusted monthly dataset). Strong demand is being seen pretty much across the country. At the same time, the landlord instructions metric remains mired in negative territory, returning a net balance of -21% in March.

In keeping with this demand/supply imbalance, respondents continue to anticipate rents being squeezed higher, with the net balance for near-term rent expectations rising to +59% from +45%. This is back towards the highs seen in the early part of last year. For the year ahead, contributors are pencilling in roughly 4% growth in rental prices at the national level. Moreover, all parts of the UK are expected to see an increase in rents during the coming twelve months.

4.12 The housing market and wider economy has been through various uncertainties, including that of the COVID-19 pandemic and Brexit. A range of views as to the impact on house prices of the pandemic and Brexit were expressed which covered nearly the whole spectrum of possibilities, but the general consensus was that there would be a fall in house prices. As can be seen from the above, prices actually increased substantially. The pandemic, Brexit and more recently Russia's invasion of Ukraine, all add uncertainty. It is not possible to predict the impact of these, however HM Treasury brings together some of the forecasts in its regular *Forecasts for the UK economy: a comparison of independent forecasts* report.

Table 4.1 Consolidated House Price Forecasts

Table 2 - 2023: Growth in prices and monetary indicators (% change)

Forecasters and dates of forecasts			CPI (Q4 on Q4 year ago, %)		RPI (Q4 on Q4 year ago, %)	Average earnings	Sterling index (Jan 2005=100)	Official Bank rate (level in Q4, %)	Oil price (Brent, $/bbl)	Nominal GDP	House price inflation (Q4 on Q4 year ago, %)	
City forecasters												
Bank of America - Merrill Lynch	Oct'21		-		-	-	-	-	-	-	-	
Barclays Capital	May	*	3.8		5.3	-	-	4.75	92.0	-	-	
Bloomberg Economics	Apr		3.0		-	-	-	4.25	-	-	-	
Capital Economics	May	*	3.7		5.2	5.6	74.5	4.50	90.0	4.4	-7.0	
Citigroup	Dec		3.8		5.8	3.2	-	4.00	-	1.8	-7.5	
Credit Suisse	Jan		4.5		-	-	-	4.50	-	-	-	
Daiwa Capital Markets	Feb'22		1.6		-	3.0	80.0	1.00	80.0	-	2.5	
Deutsche Bank	Feb		4.1		4.9	-	-	4.25	-	-	-	
Goldman Sachs	Feb		3.8		-	-	-	4.25	92.0	-	-	
HSBC	May	*	4.1		5.8	4.9	-	4.75	-	-	-	
JP Morgan	May	*	4.4		-	-	-	4.75	-	-	-	
KPMG	May	*	2.4		-	-	-	4.50	75.7	-	-	
Morgan Stanley	Mar		2.4		3.1	-	-	4.25	-	-	-	
Natwest Markets	May	*	3.7		5.9	6.6	-	4.50	82.0	4.6	-	
Nomura	May	*	3.6		5.2	-	-	4.25	-	-	-	
Pantheon	Feb		1.9		3.1	-	-	4.00	-	-	-7.0	
Schroders Investment Management	Mar		3.7		4.0	-	-	4.00	-	5.8	-3.3	x
Societe Generale	Dec		7.4		10.1	3.6	-	4.50	-	6.5	-	
UBS	May	*	3.2		9.2	4.2	-	4.75	88.0	4.3	-	
Non-City forecasters												
British Chambers of Commerce	Mar		5.0		-	4.5	-	4.25	-	-	-	
Beacon Economic Forecasting	May	*	5.2		6.3	6.1	79.9	5.00	80.6	8.5	-4.2	
CBI	Mar		3.9		5.8	5.2	74.8	-	83.8	5.4	-5.2	
CEBR	May	*	4.2		4.9	5.5	78.2	4.42	-	-	-11.7	
Economic Perspectives	Apr		5.8		6.8	6.0	78.0	3.50	80.0	6.2	-4.5	x
Experian Economics	May	*	4.0		6.2	5.4	-	4.33	77.1	n/a	-3.6	
EIU	Jul		3.1		-	-	-	2.25	-	-	-	
Heteronomics	May	*	4.7		5.0	4.9	78.6	4.75	88.5	-	-3.9	
ICAEW	Mar		4.5		-	3.9	-	4.50	-	-	-	
ITEM Club	May	*	3.0		4.6	4.2	79.5	4.33	-	3.2	-7.0	z
Kern Consulting	Apr		6.9		-	4.9	-	3.50	84.0	-	-	
Liverpool Macro Research	May	*	4.1		6.3	5.4	77.5	4.50	-	-	-	k
NIESR	May	*	5.4		11.0	4.0	-	4.50	-	-	-6.4	
Oxford Economics	May	*	3.2		5.2	5.3	79.6	4.50	82.7	4.4	-4.9	k
OECD	Mar		-	h	-	-	-	-	-	-	-	
IMF	Apr		4.2		-	-	-	-	-	-	-	
Average of forecasts made in the last 3 months (excludes OBR forecasts)												
Independent			4.1		5.9	5.1	77.8	4.4	83.7	5.2	-5.6	
New (marked *)			3.9		6.2	5.2	78.3	4.6	84.1	4.9	-6.1	
City			3.4		5.5	5.3	74.5	4.5	85.5	4.8	-5.2	
Range of forecasts made in the last 3 months (excludes OBR forecasts)												
Highest			6.9		11.0	6.6	79.9	5.0	92.0	8.5	-3.3	
Lowest			2.4		3.1	3.9	74.5	3.5	75.7	3.2	-11.7	
Median			4.0		5.6	5.2	78.2	4.5	83.3	4.6	-4.9	
OBR	Mar		2.9		4.9	5.0	-	4.2	80.6	2.7	-7.2	

Source: *Forecasts for the UK economy: a comparison of independent forecasts No430*(HM Treasury, May 2023).

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

Table 4.2 Savills Residential Price Forecasts						
	2023	2024	2025	2026	2027	5 Year
Mainstream UK	-10.0%	1.0%	3.5%	7.0%	5.5%	6.2%
Mainstream West Midlands	-9.0%	1.5%	4.0%	7.5%	5.5%	8.9%
Prime Midlands/North	-5.0%	3.0%	4.5%	5.5%	5.0%	13.3%

Source: Savills Mainstream House Price Forecasts (November 2022)[25] and Savills Spotlight: Prime Residential Property Forecasts(November 2022)[26]

4.14 In this context is relevant to note that the Nationwide Building Society reported in April 2023:

House price growth shows signs of stabilisation in April

- *April saw a 0.5% rise in house prices after seven consecutive falls*
- *Annual rate of house price growth improves to -2.7% from -3.1% in March*

Headlines	Apr-2023	Mar-23
Monthly Index*	518.7	515.67
Monthly Change*	-0.5%	-0.8%
Annual Change	-2.7%	-3.1%
Average Price (not seasonally adjusted)	£260,441	£257,122

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

4.15 The regional data (published in April 2023) suggests that prices have increased by 1.4% in quarter to March 2023 and by 6.1% over the previous year.

4.16 The Halifax Building Society reported a more positive picture in April 2023:

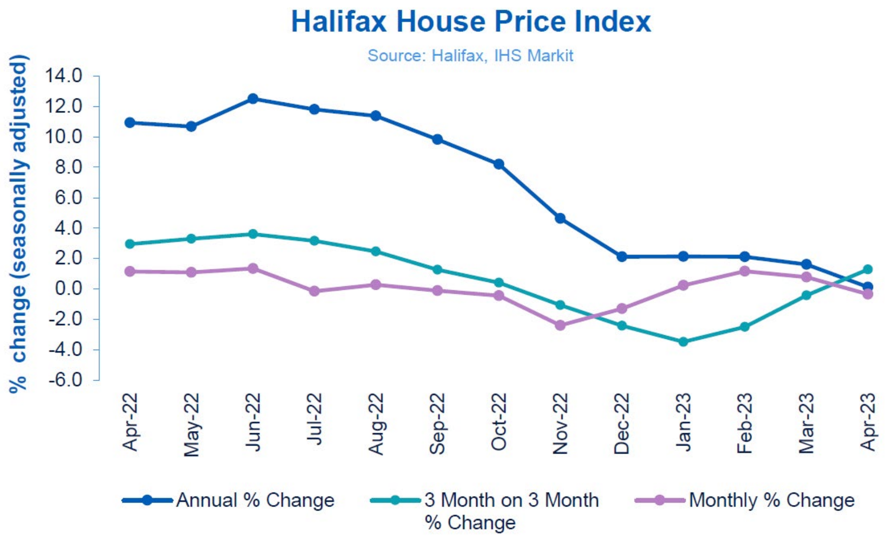
UK house prices dipped in April, but market is more stable

- *Average house price decreased by -0.3% in April (following +0.8% rise in March)*
- *Annual rate of house price growth slowed to +0.1% (vs +1.6% in March)*
- *Typical UK property now costs £286,896 (compared to £287,891 in March)*

[25] Mainstream+GT11.pdf (savills.com)

[26] Prime+Forecasts.pdf (savills.com)

- *First-time buyer market remains resilient in the face of rising rental costs*
- *House prices in the south of England under the greatest pressure*

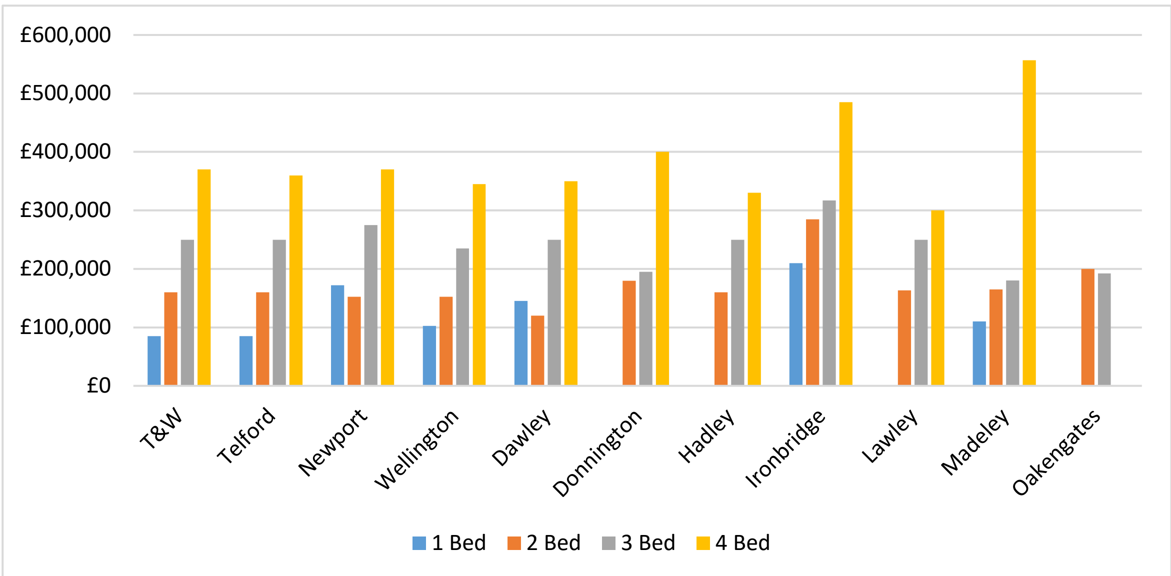


4.17 There is clearly uncertainty in the market, and the substantial growth reported over the last few years seems unlikely to continue.

The Local Market

4.18 A survey of asking prices across the Council area was carried out in October 2022. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

Figure 4.5 Median Asking Prices (£)



Source: Rightmove.co.uk (October 2022)

4.19 The above data are asking prices which reflect the seller's aspiration of value, rather than the actual value, they are however a useful indication of how prices vary across areas. This data shows a very substantial increase over the last 4 years across all the sub-areas.

4.20 As part of the research, we have used data from Landmark. This brings together data from the following sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms using the following data sources:

Table 4.3 Landmark Data Sources

Attribute	Source
Newbuild	HMLR Price Paid
Property Type	HMLR Price Paid
Sale Date	HMLR Price Paid
Sale Value	HMLR Price Paid
Floor Area Size(m)	Metropix
	EPC
Bedroom Count	Metropix
	LMA Listings (Property Heads)
Price per square meter (Sale Value / Floor Area)	HMLR Price Paid
	Metropix
	EPC

Source: Landmark

4.21 This data includes the records 5,853 sales since the start of 2020. Of these, floor areas are available for 5,303 sales and the number of bedrooms is available for 2,275 sales. There is a significant delay in the Land Registry updating the dataset, with only 13 sales recorded in 2022.

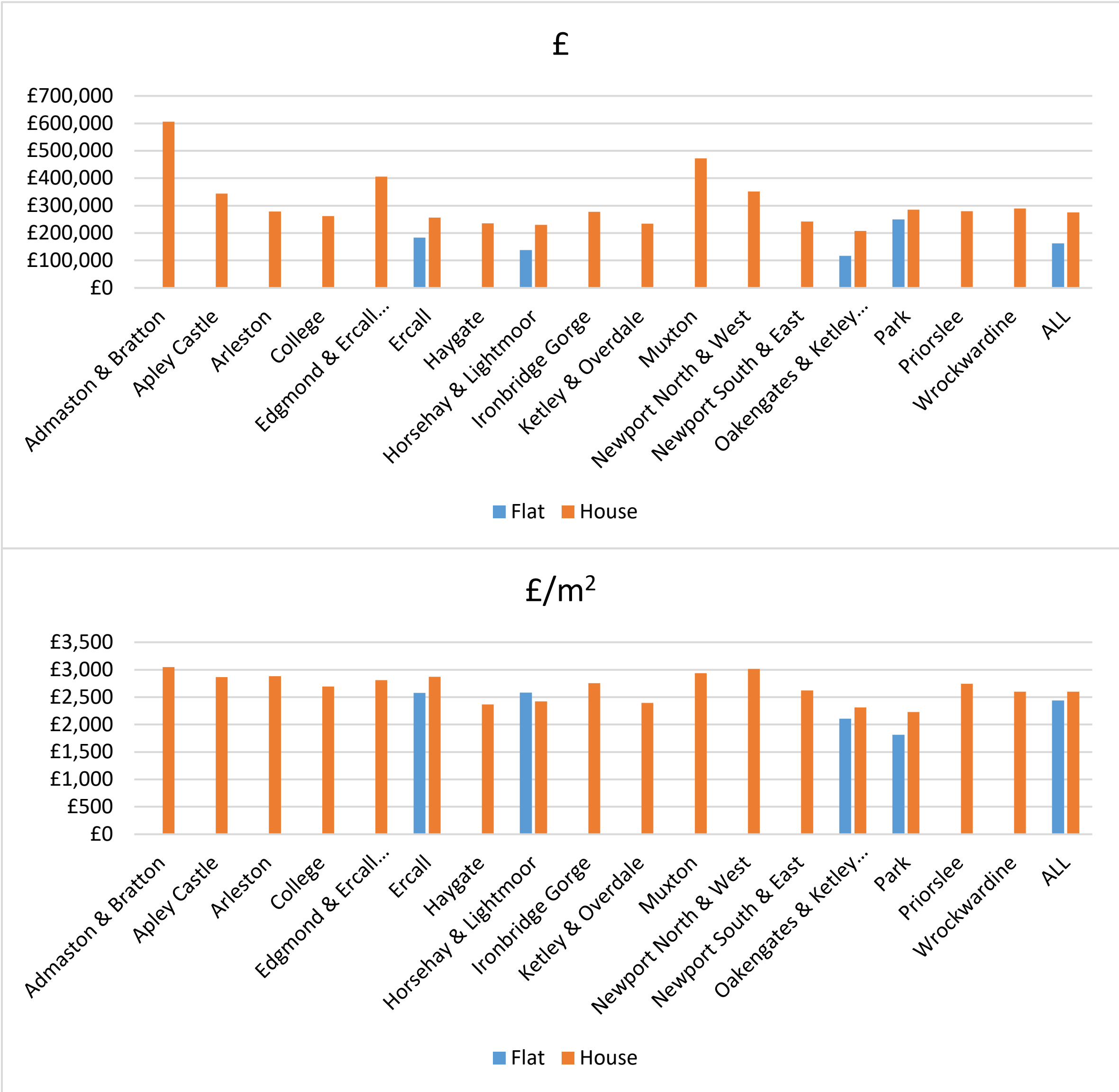
Table 4.4 Landmark Data – Sample Sizes			
	Count of Sale Value	Count of Floor Area (m)	Count of Bedrooms
Newbuild			
2020	422	422	1
2021	374	374	0
2022	13	13	0
	809	**809**	**1**
Non Newbuild			
2020	1,761	1,533	892
2021	2,388	2,143	983
2022	895	818	399
	5,044	**4,494**	**2,274**
All			
2020	2,183	1,955	893
2021	2,762	2,517	983
2022	908	831	399
	5,853	**5,303**	**2,275**

Source: Landmark (October 2022)

4.22 The data is available for newbuild and existing homes and by ward and can be summarised as follows:

Figure 4.6 Residential Prices Paid – From January 2020

Newbuild Only



Source: Landmark (October 2022)

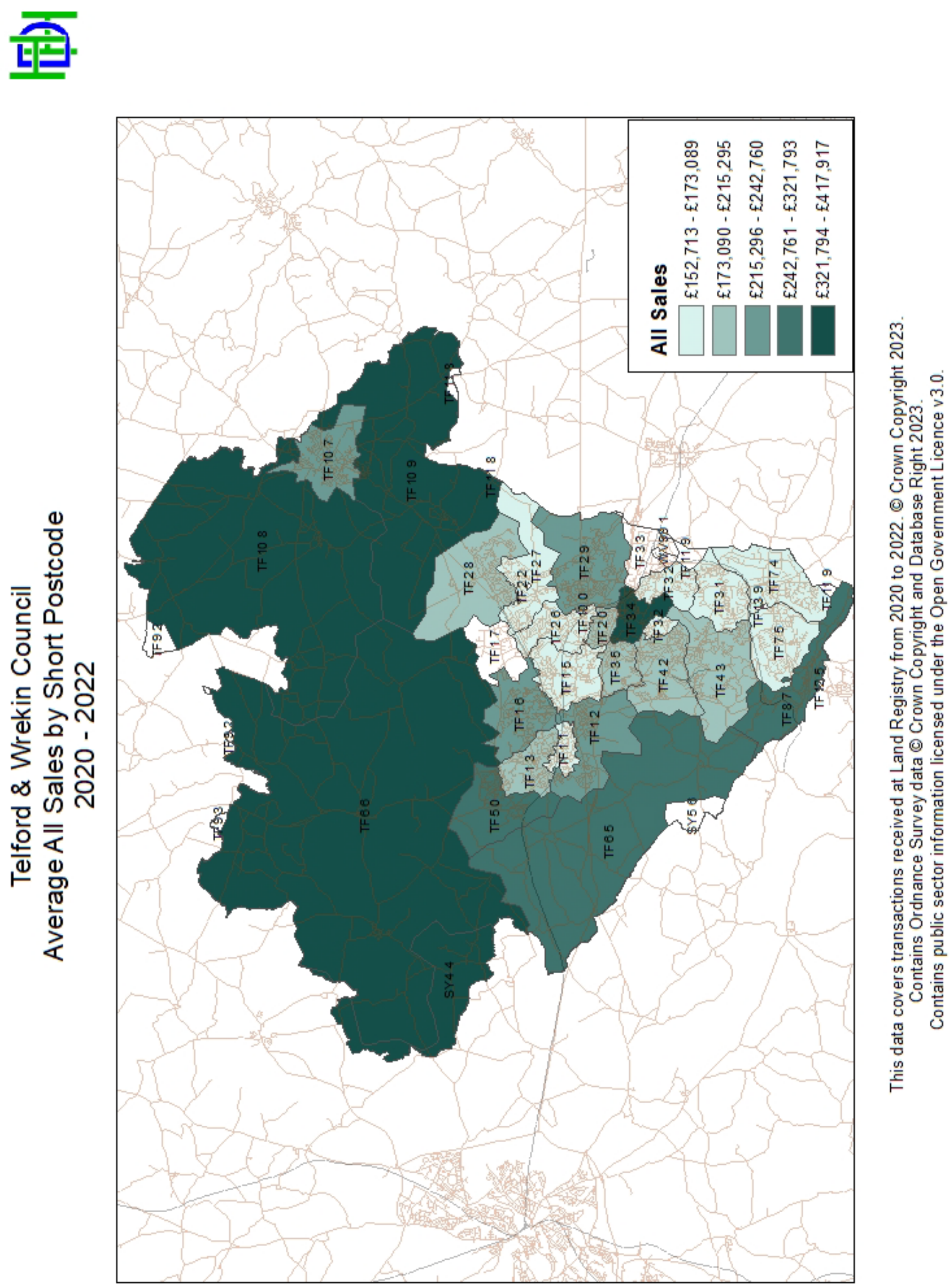
4.23 The full data tables are set out in **Appendix 6** below. This data can be disaggregated by year and between newbuild and existing homes. It is important to note that this data is different to that presented earlier in this chapter so shows a different result.

4.24 In deriving the assumptions in this report, weight has been put on the more recent data to ensure the more recent changes in values is reflected in the assumptions.

4.25 The average price paid varies across the area is illustrated in the following maps. The second map below shows that the distribution of newbuild development is concentrated in relatively few wards:

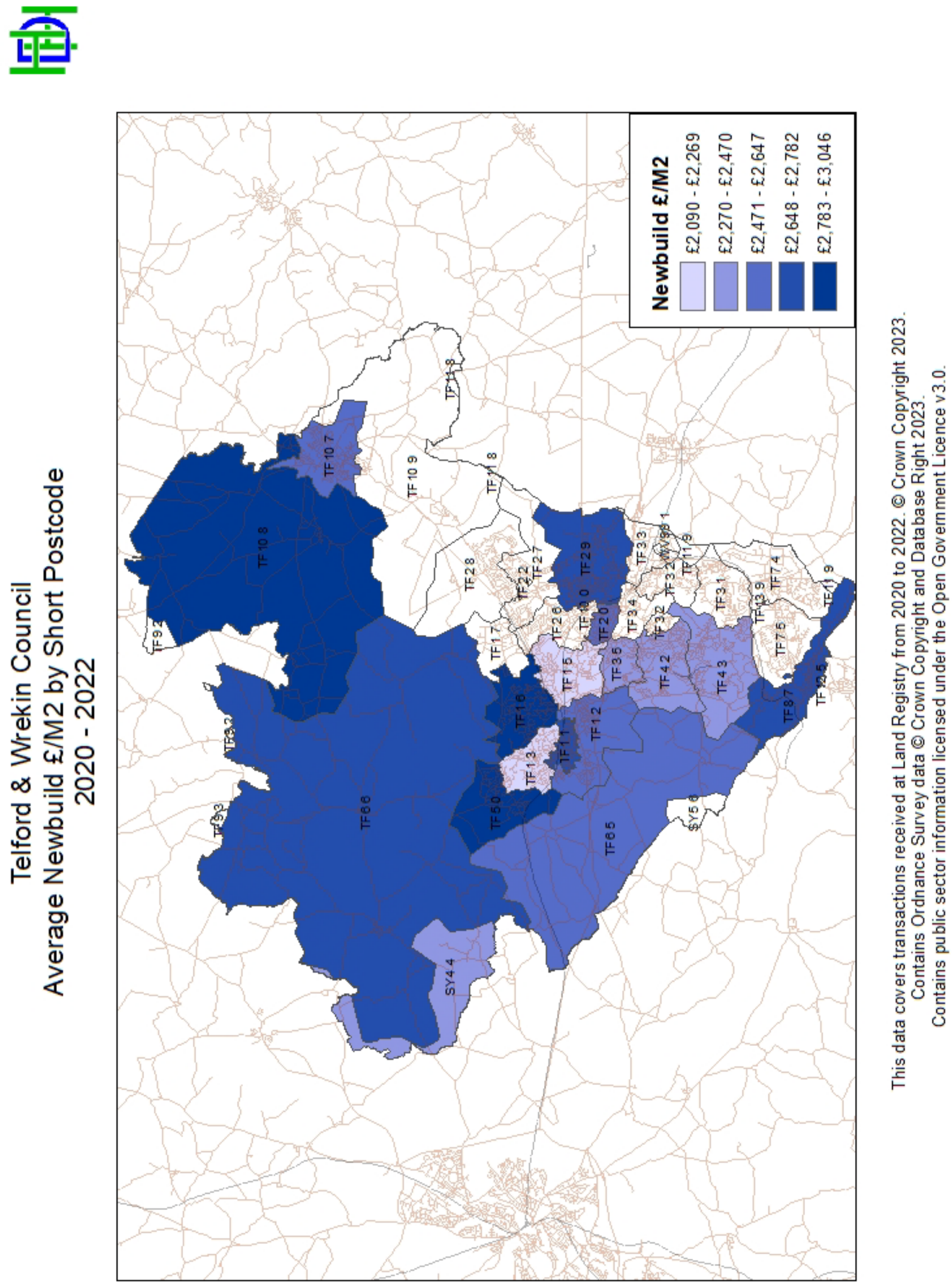
4.26 It is important to note that some of the sample sizes are small so care should be taken when considering a very fine-grained approach.

Figure 4.7 Average Price Paid (£) – All Properties



Source: Land Registry (October 2022). Contains public sector information licensed under the Open Government Licence v3.0.

Figure 4.8 Average Price Paid (£ per sqm) – Newbuild Properties



Source: Land Registry (October 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.27 The ONS provides data at ward level for median house prices as set out in the following table. The lack of data is a result of the limited distribution of newbuild development.

Table 4.5 Median Price Paid by Ward

Year Ending March 2022 (£)

	Newbuild				Existing			
	Detached	Semi-detached	Terraced	Flats	Detached	Semi-detached	Terraced	Flats
Donnington					£250,000	£140,000	£118,000	
Admaston & Bratton	£574,950				£350,100	£220,000	£192,500	
Ercall					£290,000	£201,750	£163,250	£122,000
College					£307,000	£152,500	£136,250	
Apley Castle	£452,500				£315,000		£135,000	
Hadley & Leegomery					£309,375	£160,000	£127,000	£88,000
Dothill					£260,000	£178,750	£145,225	
Edgmond & Ercall Magna	£649,950		£349,950		£442,475	£220,000		
Dawley & Aqueduct					£240,500	£156,125	£125,000	£83,500
Arleston	£286,995	£242,995			£228,500	£161,250	£140,000	
Brookside					£240,000	£145,000	£125,000	
Church Aston & Lilleshall					£400,000	£230,000	£220,000	
Haygate	£292,475	£215,975			£435,000	£179,975	£138,500	
Horsehay & Lightmoor					£292,250	£207,750	£208,475	£124,950
Malinslee & Dawley Bank					£197,500	£153,500	£126,250	
Newport South & East	£299,950				£269,975	£215,000	£195,000	
Wrockwardine	£327,498	£224,500			£365,000	£236,500	£220,000	
The Nedge					£270,000	£160,000	£140,000	£74,000
Wrockwardine Wood & Trench					£182,498	£170,000	£160,000	
Muxton					£275,000	£176,000	£185,000	£122,000
Oakengates & Ketley Bank					£269,000	£165,000	£141,000	£115,000
Park					£260,000	£185,000		
Priorslee	£326,975	£226,225			£325,000	£190,000	£172,000	
Madeley & Sutton Hill					£277,500	£156,500	£125,000	£67,500
Woodside							£101,500	
Ironbridge Gorge					£420,000	£213,500	£225,000	£135,000
St Georges					£230,000	£157,000	£134,000	£93,000
Shawbirch					£283,500	£180,000		
Ketley & Overdale	£314,950	£188,100			£260,000	£177,000	£146,625	£115,000
Newport North & West					£285,000	£187,000	£168,000	£108,500

Source: HPSSA Dataset 37 (Data Release 14th September 2022)

Newbuild Asking Prices

4.28 This study is concerned with new development, so the key input for the appraisals is the price of new units. A survey of new homes for sale was carried out.

4.29 At the time of this research there were 120 new homes being advertised for sale in the Council area. The analysis of these shows that asking prices for newbuild homes start at £180,000 and go up to £825,000. The average is about £356,000. These are summarised in the following table and set out in detail in **Appendix 7**.

Table 4.6 Average Newbuild Asking Prices £ per sqm					
		Detached	**Semi-detached**	**Terraced**	**All**
Avant					
Monkswood	£				
	£/m²				
Barbers					
Summer House	£	£825,000			£825,000
	£/m²	£3,381			£3,381
Barratt					
Castle Gardens	£	£374,566	£275,000		£352,441
	£/m²	£3,293	£4,238		£3,503
Rose Meadow	£	£348,662	£271,440		£334,621
	£/m²	£3,320	£3,619		£3,375
Bovis					
Haygate Fields	£	£489,995			£489,995
	£/m²	£2,832			£2,832
The Quarters@Redhill	£	£393,745			£393,745
	£/m²	£3,263			£3,263
Charles Church					
The Barns	£	£349,950			£349,950
	£/m²	£2,800			£2,800
DWH					
The Grove	£	£381,250		£270,000	£359,000
	£/m²	£3,440		£3,600	£3,480
James Du Pavey					
Donnerville Gardens	£	£800,000			£800,000
	£/m²				
James Madison Homes					
Brook View	£		£228,950		£228,950
	£/m²		£3,180		£3,180
Jessop					
Woodlands	£		£255,000		£255,000
	£/m²				
Lioncourt Homes					
The Paddocks	£	£386,633	£293,713		£333,536
	£/m²				
Lovell					
Wild Walk	£	£379,983			£379,983
	£/m²				
Miller Homes					
Earls Grange	£	£305,917	£248,000		£286,611
	£/m²	£3,289	£3,163		£3,247
Roman Croft	£	£350,833			£350,833
	£/m²				
Nock Deighton					
The Ridings	£			£180,000	£180,000
	£/m²			£2,143	£2,143
Persimmon					
Oak Tree Gardens	£	£314,950			£314,950
	£/m²	£3,105			£3,105
Pickstock Homes					
Apley Manor	£	£330,150	£248,950		£306,950
	£/m²	£3,206	£3,152		£3,191

Redrow					
Abbey Walk	£	£446,995	£314,495	£240,995	£398,638
	£/m²	£3,640	£3,209	£3,766	£3,596
Shropshire Homes					
Crudgington Fields	£	£448,283		£239,950	£396,200
	£/m²	£3,081		£3,809	£3,263
Woodhouse Farm	£	£717,500			£717,500
	£/m²	£3,346			£3,346
SJ Roberts					
Allscott Meads	£			£271,500	£271,500
	£/m²			£2,487	£2,487
Allscott Meads Phase 2	£				
	£/m²				
Allscott Meads Phase 3	£				
	£/m²				
Allscott Meads Phase 4	£				
	£/m²				
Allscott Meads Phase 5	£				
	£/m²				
Taylor Wimpey					
Thornberry Hill	£		£265,000	£245,000	£255,000
	£/m²		£2,624	£3,063	£2,843
Your Move					
Urban Gardens	£			£195,000	£195,000
	£/m²			£1,681	£1,681
All	**£**	**£394,614**	**£269,004**	**£239,243**	**£356,224**
	£/m²	**£3,281**	**£3,377**	**£2,879**	**£3,253**

Source: Market Survey (October 2022) (The blanks indicate where no asking price and or GIA is available.

4.30 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that significant discounts are not available and were unlikely to be available. This reflects the situation found in the wider country where larger housebuilders tend to say that the asking price is the price to be paid. As yet there is no evidence of asking prices being reduced.

4.31 The above data shows variance across the area, however it is necessary to consider the reason for that variance. An important driver of the differences is the situation rather than the location of a site. Based on the existing data, the value will be more influenced by the specific site characteristics, the immediate neighbours, and the environment, as well as where the scheme is located.

Price Assumptions for Financial Appraisals

4.32 It is necessary to form a view about the appropriate prices for the schemes to be appraised in this study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which is varied) the following approach is taken.

a) Brownfield Sites. Development is likely to be of a higher density than greenfield sites and be based around schemes of flats, semi-detached housing and terraces.

b) Flatted Schemes. This is a separate development type that is only likely to take place in Telford Town Centre. These are modelled as conventional development and as Build to Rent (see below).

c) Greenfield Sites. These are likely to be developed as a broad mix including family housing. They are likely to include only a low proportion of flats.

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

4.34 Care is taken not to simply attribute the values of second hand / existing homes to new homes. As shown by the data above, new homes do not always follow the values of existing homes, particularly in those areas where the existing housing stock is less aspirational. It also necessary to appreciate that there has been a significant increase in values over the last year that is not yet reflected in the ONS data sources.

4.35 In the *Telford & Wrekin Local Plan - Local Plan Viability Study* (TWC 2016), the following assumptions were used:

Table 4.7 2016 Residential Price Assumptions £ per sqm

	1 Bed flat	2 Bed	3 Bed	4 Bed	5 Bed
m^2	51.5	72	86.5	100	113.5
H1 - Priorslee Sustainable Urban Extension[27]	£2,621	£2,361	£2,370	£2,600	£2,863
H3 - Sutherland School site, Trench		£1,875	£1,908	£1,950	
H13 - Land South of Springfield Industrial Estate, Station		£2,222	£2,428	£2,500	£2,731
H16 - Old Park, Telford		£1,875	£2,139	£2,150	£2,203
Minor residential (urban)		£2,153	£2,197	£2,220	
Minor residential (rural)				£2,950	

Source: Table 6, Telford & Wrekin Local Plan - Local Plan Viability Study (TWC 2016)

[27] Whilst Priorslee Sustainable Urban Extension was referred to as H2 in the *Telford & Wrekin Local Plan - Local Plan Viability Study* (TWC 2016), it was subsequently referred to as H1.

4.36 Based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the study area, and the wider data presented, the prices following prices were put to the consultation:

Table 4.8 2023 Price Assumptions £ per sqm	
Greenfield - Telford	£3,000
Greenfield – Newport & Rural	£3,300
Brownfield – Telford	£3,000
Brownfield – Newport & Rural	£3,000
Flats	£2,500
Small Rural Area	£3,350

Source: HDH (October 2022)

4.37 Through the consultation, it was noted[28] [29] that house prices vary considerably across the Council area when it was noted that Telford *'… has areas of lower values due to areas of deprivation and poor quality existing housing stock. That being said, there are more attractive areas, particularly those that can take advantage of good transport links … a range of values from below £168 per sq ft (£1,808 per sq m) to over £260 per sq ft (£2,799 per sq m). We note that these are including both new build and existing stock. However, it is therefore crucial that the disparity in the residential market is considered as part of the viability testing of the Local Plan …'*. It was suggested that rather than the greenfield / brownfield differentiation, a rural / urban distinction should be used.

4.38 It is accepted that the values of existing properties vary considerably. Whilst much of the earlier new-town development was of good proportions in terms of floor area and ceiling height (being to the Parker Morris Standard), and outside space, much of it is seen as un-aspirational and is of low value. It is rather dated, and 'of its era', has limited parking, the boundary treatments are inconsistent and much of the stock poorly insulated.

4.39 Having reviewed the data and the wider housing market within the town of Telford, it is believed that the main driver of values is the specifics of the dwelling, being its design and immediate surroundings. Whilst a new house built within a 1970 estate is likely to have values similar to the surrounding neighbours, future planned development is generally on a larger scale and not within the existing developments, rather it is expected to be on larger scale housing schemes that are of a more contemporary design and specification, so it would not be correct

[28] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[29] S Gregory of Savills for Orleton Estate re sites around M54, J7.

to attribute the values of the low value existing stock to them. Further, they are a sufficient scale to develop their own sense of place and design, with open space provision.

4.40 Whilst careful thought has been given to these values, the assumptions have not been changed. There may well be a case for attributing slightly higher values to the greenfield sites on the edge of the built-up area, however these cannot be robustly evidenced and in a study of this type a cautious approach should be taken.

Ground Rents

4.41 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this study, no allowance is made for residential ground rents[30].

Build to Rent

4.42 This is a growing development format, that is subject to specific guidance within the PPG. The Build to Rent sector is a different sector to mainstream housing.

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

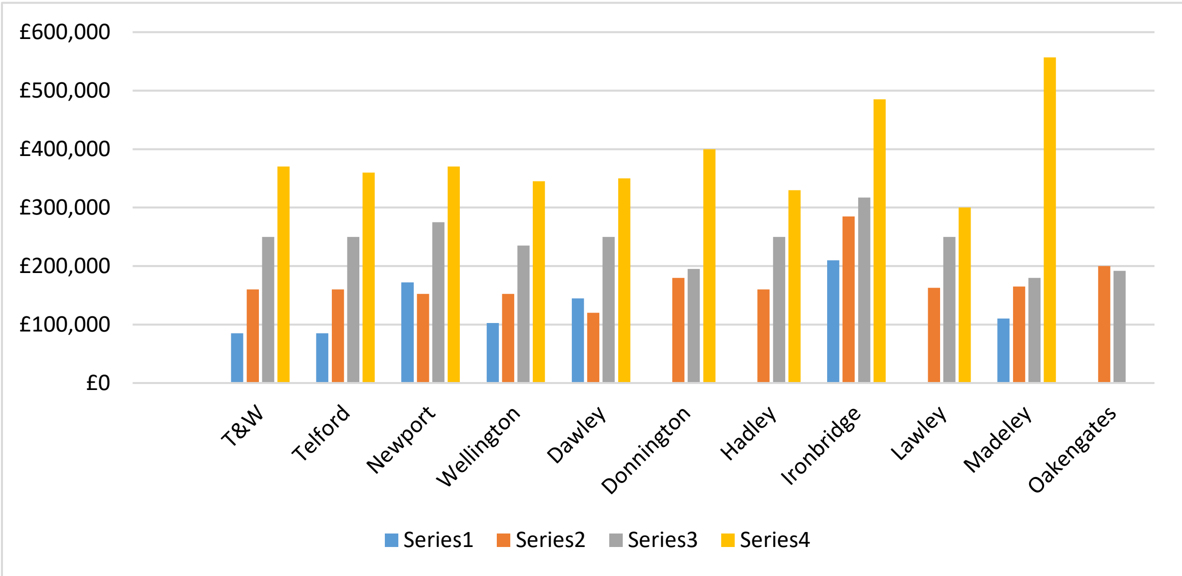
> *A common comment from BTR players is that BTR schemes tend to put a lower value on development sites than for sale appraisals. Residential development is different to commercial in that it has two potential end users - owners and renters. Where developers can sell on a retail basis to owners (or investors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

4.44 In estimating the likely level of rent, a survey of market rents across the area has been undertaken.

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

Table 4.9 Median Asking Rents advertised on Rightmove (£/month)

	1 Bed	2 Bed	3 Bed	4 Bed
Telford & Wrekin	£550	£700	£895	£1,343
Telford	£550	£700	£875	£1,095
Newport			£867	
Wellington	£595	£750	£875	£1,095
Dawley	£605	£650	£875	
Donnington	£595	£680	£950	
Hadley	£600	£795	£850	£950
Ironbridge		£795	£975	£975
Lawley	£595	£850	£895	
Madeley	£535	£695	£625	
Oakengates			£1,000	



Source: Rightmove.co.uk (October 2022)

4.45 It is important to note that the above rents are for all units across the market. It is likely that Build to Rent units are to be amongst the highest quality in the market, offering high quality and reliable management and a greater certainty of tenure.

4.46 Care must be taken when considering the above to recognise the outliers. The Valuation Office Agency (VOA) collects data on rent levels:

Table 4.10 Rents reported by the VOA – Telford & Wrekin 1st April 2021 to 31st March 2022					
	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room	180	£404	£347	£390	£477
Studio	10	£403	£375	£395	£425
1 Bedroom	160	£500	£425	£500	£565
2 Bedroom	540	£615	£550	£600	£670
3 Bedroom	430	£720	£625	£725	£780
4+ Bedroom	110	£968	£850	£925	£1,050

Source: VOA Private rental market summary statistics in England (Released 22nd June 2022))

4.47 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed. Savills in its UK Build to Rent Market Update Q2 2022[31] suggests prime Regional Rents of about 4.25% (the more recent iterations do not report an equivalent figure). Knight Frank in its *Prime Yield Guide* (February 2023)[32] reported a Build to Rent Regional Single Family Housing of 4.00% - 4.25%% yield. CBRE is reporting multifamily prime yields of 3.50% to 4.50% in its *UK Property Market Snapshot Q4 2022*[33].

4.48 Having considered a range of sources, a net yield of 4.25% has been assumed, being at the cautious end of the range. In considering the rents to use in this assessment it is necessary to appreciate that much of the existing rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.

4.49 The assessment of value is based on a net rent basis, having allowed 20% for costs.

[31] UK+Build+to+Rent+Market+Update+-+Q4+2022.pdf (savills.com)

[32] PowerPoint Presentation (knightfrank.com)

[33] UK Property Market Snapshot Q4 2022 | CBRE UK

Table 4.11 Capitalisation of Private Rents			
	1 bed	2 bed	3 bed
Gross Rent (£/month)	£565	£670	£780
Gross Rent (£/annum)	£6,780	£8,040	£9,360
Net Rent (£/annum)	£5,424	£6,432	£7,488
Value	£120,533	£142,933	£166,400
m^2	50	70	84
£ per sqm	£2,411	£2,042	£1,981

Source: HDH (April 2023)

4.50 This approach derives a value for private rent, under Build to Rent, of £2,150 per sqm or so.

4.51 It is assumed that affordable housing within Build to Rent schemes is as 'affordable private rent' with a worth of 80% of the market rented units[34].

Affordable Housing

4.52 A core output of this assessment is advice as to the level of the affordable housing requirement, so it is necessary to estimate the value of such housing. In this assessment it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP).

Affordable Housing Values

4.53 In the *Telford & Wrekin Local Plan - Local Plan Viability Study* (TWC 2016) affordable housing was assumed to have a value of 60% of market value.

4.54 The values of affordable housing have been considered from first principles.

Social Rent

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

[34] As per paragraph 60-002-20180913 of the PPG.

Table 4.12 General Needs (Social Rent)					
Average weekly net rent (£ per week) by unit size for Telford & Wrekin - Large PRPs[35]				**£ per week**	
Unit Size	**Net rent**	**Social rent rate**	**Service charge**	**Gross rent**	**Unit count**
Non-self-contained	-	-	-	-	-
Bedsit	£61.68	£58.09	£7.11	£68.79	19
1 Bedroom	£75.36	£73.05	£6.31	£79.89	1,334
2 Bedroom	£88.29	£85.45	£6.84	£91.54	3,676
3 Bedroom	£98.46	£95.37	£4.79	£99.59	4,042
4 Bedroom	£112.26	£109.04	£6.22	£114.85	465
5 Bedroom	£121.12	£118.40	£7.95	£124.89	38
6+ Bedroom	£135.61	£129.17	-	£135.61	1
All self-contained	£92.03	£89.13	£6.18	£94.54	9,575
All stock sizes	**£92.03**	**£89.13**	**£6.18**	**£94.54**	**9,575**
Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an exception under the Rent Policy Statement. Stock outside England is excluded.					

Source: Table 9, SDR 2022 – Data Tool[36]

4.56 This study concerns only the value of newly built homes. There seems to be relatively little difference in the amounts paid by Registered Providers (RPs) for such units across the area. In this study, the value of Social Rents is assessed assuming 10% management costs, 4% voids and bad debts and 6% repairs. These are capitalised at 4.5%.

[35] PRPs are providers of social housing in England that are registered with RSH and are not Local Authorities. This is the definition of PRPs in the Housing and Regeneration Act 2008.

[36] Private registered provider social housing stock in England - GOV.UK (www.gov.uk)

Table 4.13 Capitalisation of Social Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Rent (£/week)	£75.36	£101.55	£114.00	£132.27
Rent (£/annum)	£3,919	£5,281	£5,928	£6,878
Net Rent	£3,135	£4,225	£4,742	£5,502
Value	£69,666	£93,884	£105,387	£122,276
m^2	50	70	84	97
£ per sqm	£1,393	£1,341	£1,255	£1,261

Source: HDH (October 2022)

4.57 On this basis, a value of £1,300 per sqm across the study area would be derived.

4.58 Through the consultation, it was noted[37] [38] that the above is in the 39% to 43% range of market value and that '*at this point in time, these seem reasonable assumptions for the values to be used, although will be dependent on the individual RPs in the area*'.

Affordable Rent

4.59 Under Affordable Rent, a rent of no more than 80% of the market rent for that unit can be charged. The value of the units is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor (or another RP) would pay for the completed unit.

4.60 In estimating the likely level of Affordable Rent, a survey of market rents across the Council area has been undertaken as set out under the Build to Rent section above.

4.61 As part of the reforms to the social security system, housing benefit / local housing allowance is capped at the 3rd decile of open market rents for that property type, so in practice Affordable Rents are unlikely to be set above these levels. The cap is set by the Valuation Office Agency (VOA) by Broad Rental Market Area (BRMA). Where this is below the level of Affordable Rent at 80% of the median rent, it is assumed that the Affordable Rent is set at the LHA Cap. The whole of the Council area is within the Shropshire BRMA.

[37] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[38] S Gregory of Savills for Orleton Estate re sites around M54, J7.

Table 4.14 BRMA LHA Caps (£/week)	
Shared Accommodation	£75.00
One Bedroom	£92.05
Two Bedrooms	£120.82
Three Bedrooms	£143.84
Four Bedrooms	£182.96

Source: VOA (October 2022)

4.62 These caps are generally more than the Affordable Rents being charged as reported in the most recent HCA data release (although this data covers both newbuild and existing homes).

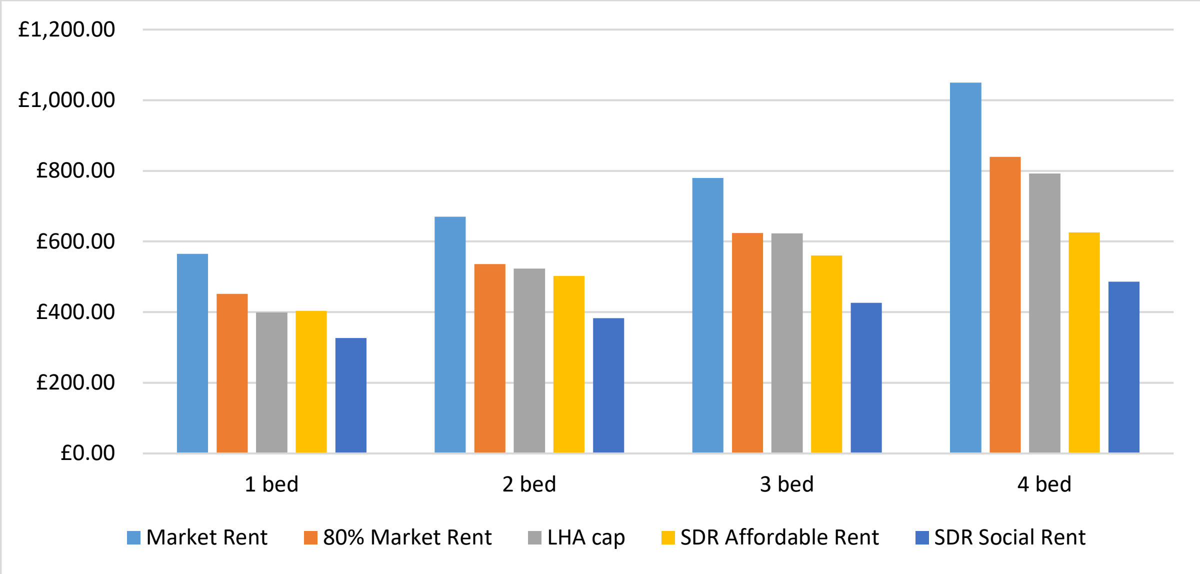
Table 4.15 Affordable Rent General Needs		
Average weekly gross rent (£ per week) and unit counts by unit size for Telford & Wrekin	**£ per week**	
Unit Size	**Gross rent**	**Unit count**
Non-self-contained	-	-
Bedsit	-	-
1 Bedroom	£93.23	169
2 Bedroom	£115.93	883
3 Bedroom	£129.44	473
4 Bedroom	£144.42	51
5 Bedroom	-	-
6+ Bedroom	-	-
All self-contained	£118.47	1,576
All stock sizes	**£118.47**	**1,576**
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

Source: Table11, SDR 2022 – Data Tool[39]

4.63 The rents can be summarised as follows.

[39] Private registered provider social housing stock in England - GOV.UK (www.gov.uk)

Figure 4.9 Rents by Tenure – £/Month



Source: Market Survey, SDR and VOA (October 2022)

4.64 Initially, in calculating the value of Affordable Rent, 10% management costs, 4% voids and bad debts and 6% repairs have been allowed for, and the income has been capitalised at 4.5%. It is assumed that the Affordable Rent is no more than the LHA cap. On this basis affordable rented property has the following worth.

Table 4.16 Capitalisation of Affordable Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms
Gross Rent (£/month)	£398.88	£523.55	£623.31
Gross Rent (£/annum)	£4,787	£6,283	£7,480
Net Rent	£3,829	£5,026	£5,984
Value	£85,095	£111,691	£132,972
m2	50	70	84
£ per sqm	£1,702	£1,596	£1,583

Source: HDH (October 2022)

4.65 Using this method to assess the value of affordable housing, under the Affordable Rent tenure, a value of £1,600 per sqm is derived.

4.66 Through the consultation, it was noted[40] [41] that the above is in the 48% to 53% range of market value and that '*at this point in time, these seem reasonable assumptions for the values to be used, although will be dependent on the individual RPs in the area*'.

Affordable Home Ownership

4.67 Intermediate products for sale include Shared Ownership and shared equity products[42] as well as First Homes. A value of 70% of open market value for these units has been assumed. These values were based on purchasers buying an initial 30% share of a property and a 2.5%[43] per annum rent payable on the equity retained. The rental income is capitalised at 4% having made a 2% management allowance.

4.68 In November 2020, the Government undertook a consultation around the standard Shared Ownership model, the outcome of which was announced in April 2021.

a. A reduction in the minimum first tranche share to 10%.

b. The ability of shared owners to staircase by 1% annually for up to 15 years, at a value based on the original purchase price uprated by the local House Price Index (and a reduction in the minimum staircasing threshold from 10% to 5%).

c. A ten-year 'repair free period' during which the landlord would fund repairs worth up to £500 per year, with a one-year rollover, with the shared owner responsible for undertaking repairs.

4.69 Discussions with RPs suggest that, having taken this change in to account, values are unlikely to fall significantly.

4.70 In relation to First Homes, the Council has set out its approach in a Position Statement that seeks a 40% discount and a £180,000 cap. These are assumed to apply.

4.71 Through the consultation, it was noted[44] [45] that '*at this point in time, these seem reasonable assumptions for the values to be used, although will be dependent on the individual RPs in the area*'.

[40] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[41] S Gregory of Savills for Orleton Estate re sites around M54, J7.

[42] For the purpose of this assessment, it is assumed that the 'affordable home ownership' products, as referred to in paragraph 64 of the NPPF, fall into this definition,

[43] A rent of up to 3% may be charged – although we understand that in this area 2.75% is more usual.

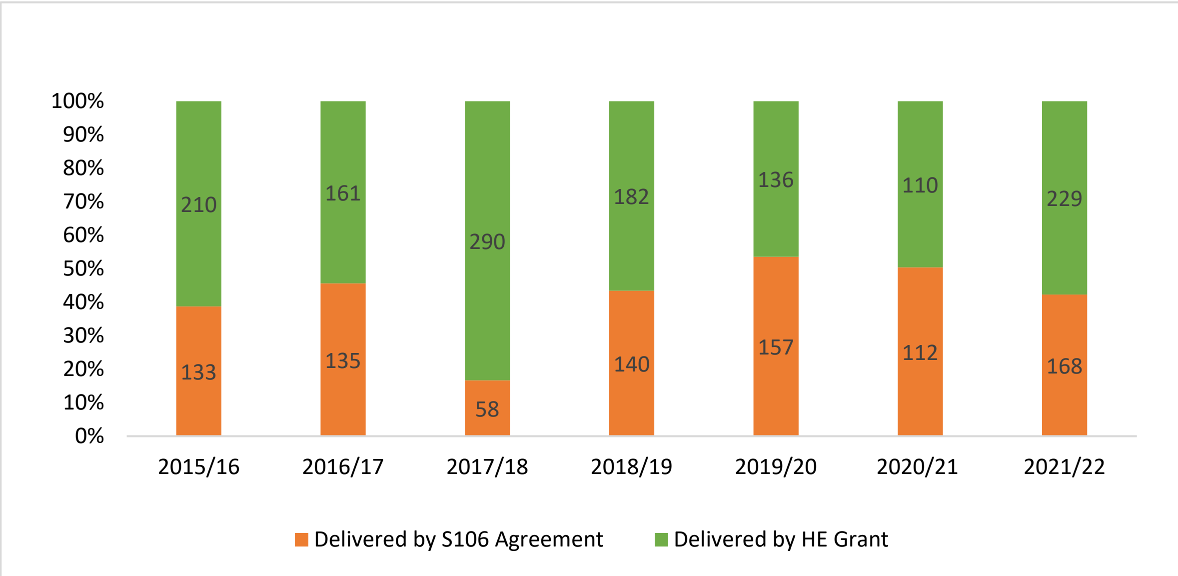
[44] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[45] S Gregory of Savills for Orleton Estate re sites around M54, J7.

Grant Funding

4.72 It is assumed that grant is not available for market housing schemes of the type assessed in this viability assessment. It is important to note that funding is often available. Of particular importance to Telford & Wrekin Council is the ongoing public sector involvement in development. The Council and Homes England both have significant land holdings, in part due to the newtown legacy. This report is primarily concerned with market lead development schemes, without the input of subsidy and grant.

Figure 4.10 Proportion of Affordable Homes Delivered With the Benefit of Homes England Grant



Source: T&WC (September 2023)

4.73 Over the last 7 years about 60% of affordable housing has been delivered with some form of Homes England and or Council input, and 40% through market lead housing schemes.

Older People's Housing

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

> ***Retirement living or sheltered housing**: This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.*
>
> ***Extra care housing or housing-with-care:** This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre.*

In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

4.75 HDH has received representations from the Retirement Housing Group (RHG) a trade group representing private sector developers and operators of retirement, care and Extracare homes. They have set out a case that Sheltered Housing and Extracare Housing should be tested separately. The RHG representations assume the price of a 1 bed Sheltered unit is about 75% of the price of existing 3 bed semi-detached houses and a 2 bed Sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it assumes Extracare Housing is 25% more expensive than Sheltered Housing.

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

Table 4.17 Worth of Sheltered and Extracare

Telford			
	Area (m^2)	£	£ per sqm
3 bed semi-detached		**240,000**	
1 bed Sheltered	50	180,000	3,600
2 bed Sheltered	75	240,000	3,200
1 bed Extracare	65	225,000	3,462
2 bed Extracare	80	300,000	3,750
Newport			
3 bed semi-detached		**254,000**	
1 bed Sheltered	50	190,500	3,810
2 bed Sheltered	75	254,000	3,387
1 bed Extracare	65	238,125	3,663
2 bed Extracare	80	317,500	3,969

Source: HDH (October 2022)

4.77 A review of older people's schemes within the Council area and surroundings has been undertaken, however few are being advertised at the time of this report.

4.78 Based on the above, a value of £3,600 per sqm is assumed for Sheltered Housing and for Extracare Housing. Extracare is likely to have a higher value, however this has not been evidenced, so no differentiation has been made. No allowance is made for ground rents.

4.79 The value of units as affordable housing has also been considered. It has not been possible to find any directly comparable schemes where housing associations have purchased social units in a market-led Extracare development. Private sector developers have been consulted. They have indicated that, whilst they have never disposed of any units in this way, they would expect the value to be in line with other affordable housing – however they stressed that the buyer (be that the local authority or housing association) would need to undertake to meet the full service and care charges.

5. Non-Residential Market

5.1 This chapter sets out an assessment of the markets for non-residential property within the Telford & Wrekin Council area, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the study.

5.2 This study is concerned with today's costs and values for Telford & Wrekin and represents the most up to date evidence. Previous assumptions have been referenced for information and sense checking purposes. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward as planned development. In this study the larger format office and industrial use and retail uses and hotel uses have been considered.

5.3 Across the Council area, market conditions broadly reflect a combination of national economic circumstances and local supply and demand factors. However, even within the area, there will be particular localities, and ultimately site-specific factors, that generate different values and costs.

National Overview

5.4 The various non-residential markets in Telford and Wrekin reflect national trends. The retail markets are particularly challenging:

> *Respondents sense the market is now entering a downturn as rising interest rates weigh on the outlook*
>
> - *Short-lived recovery in retail occupier demand stalls amid economic pressures*
> - *Headline capital value expectations turn flat for the coming twelve months*
> - *Credit conditions deteriorate, while 43% of respondents feel the market is now entering a downturn*
>
> *The Q2 2022 RICS UK Commercial Property Survey results signal a more cautious tone now coming through in the feedback from respondents, with a weakening outlook across the broader economy anticipated to weigh on the market going forward. Furthermore, following the series of interest rate hikes sanctioned by the Bank of England in recent months, a net balance of -42% of respondents cited a deterioration in credit conditions in Q2. This appears to have dampened momentum behind investor activity in particular, with headline capital value projections turning flat on the back of this.*
>
> *In terms of occupier market, an aggregate net balance of +17% of respondents reported an increase in tenant demand during Q2. That said, this is down from a figure of +32% beforehand, with the sector breakdown showing occupier enquiries fell for retail space and only grew modestly for offices. By way of contrast, feedback remains comfortably positive regarding tenant demand in the industrial sector, even if the latest net balance of +49% is the least elevated figure since Q4 2020.*
>
> *With respect to availability, both the office and retail sectors continue to see a rise in vacant leasable space, returning net balances of +22% and +27% respectively. As such, in both cases, this is prompting landlords to further increase the value of incentive packages on offer to tenants according to survey participants. At the other end of the scale, supply continues to tighten across the industrial market, with the latest net balance of -35% signalling an extended run in which the availability of stock has continued to shrink.*

At the headline level, near-term rental growth expectations now sit in modestly positive territory, having eased somewhat compared to Q1 (net balance +14% vs +19%). On a twelve month view, both prime and secondary industrial rents are still seen rising, albeit expectations are not quite as buoyant as was the case back in Q1. Alongside this, prime office rents are envisaged picking up by a net balance of +32% of contributors (+42% back in Q1), although expectations slipped deeper into negative territory for secondary office rents (posting a net balance of-26% in comparison to -9% previously). At the same time, respondents envisage prime and secondary retail rents coming under pressure over the year to come, returning respective net balances of -22% and -43%. Moreover, this general direction of travel expected for rents at the sector level is replicated across all broad regions of the country.

RICS – Q2 2022: UK Commercial Property Market Survey[46]

Telford & Wrekin Non-Residential Market

5.5 As with the housing market, the various non-residential markets in Telford & Wrekin reflect national trends, but there are local factors that underpin the market. Telford & Wrekin is influenced by its proximity to the West Midlands conurbation and its strategic location on the M54 and the road network that runs through it.

5.6 Historically, the economy in the Telford area was based on manufacturing, having grown from the early industrialisation around Ironbridge, and agriculture. Now, consistent with Telford's evolution as a planned new town, the main employment areas are relatively well defined, rather than employment space being spread through the area.

a. Halesfield lies to the south east of the Council area and is made up of medium and large scale industrial units as well as several logistics users.

b. Stafford Park is southwest of Junction 4 of the M54. Like Halesfield, much of this area is made up of medium and large scale industrial units as well as several logistics users, however there are more smaller units. Some of the units are trade counters. The west of the site is more mixed, with newer offices, car dealerships and a number of leisure uses.

c. Nedge Hill (T54) is a new area immediately to the south of Stafford Park, made up of larger scale manufacturing uses.

d. Hollinswood is an area of offices to the north of Junction 5. This includes several relatively large buildings, including at least one serviced office provider.

e. To the north of Telford, the Hortonwood area is an older industrial area that has more recently been extended to the north, and now includes distribution and logistics uses. To the west of this area is Hadley Park, which as well as including some large scale industrial uses includes a range of out-of-town offices.

[46] Accessed at: https://www.rics.org/globalassets/rics-website/media/knowledge/research/market-surveys/construction-monitor/q1-2022-rics-uk-commercial-property-market-survey-1.pdf

5.7 This assessment of viability is concerned with new property that is likely to be purpose built. There is little evidence of a significant variance in price for newer premises more suited to modern business, although very local factors (such as the access to transport network) are important.

5.8 Various sources of market information have been analysed, the principal sources being the local agents/auctioneers, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove and Zoopla). In addition, information from CoStar (a property industry intelligence subscription service) has been used. Clearly much of this commercial space is 'second-hand' and not of the configuration, type and condition of new space that may come forward in the future, so is likely to command a lower rent than new property in a convenient well accessed location with car parking and that is well suited to the modern business environment.

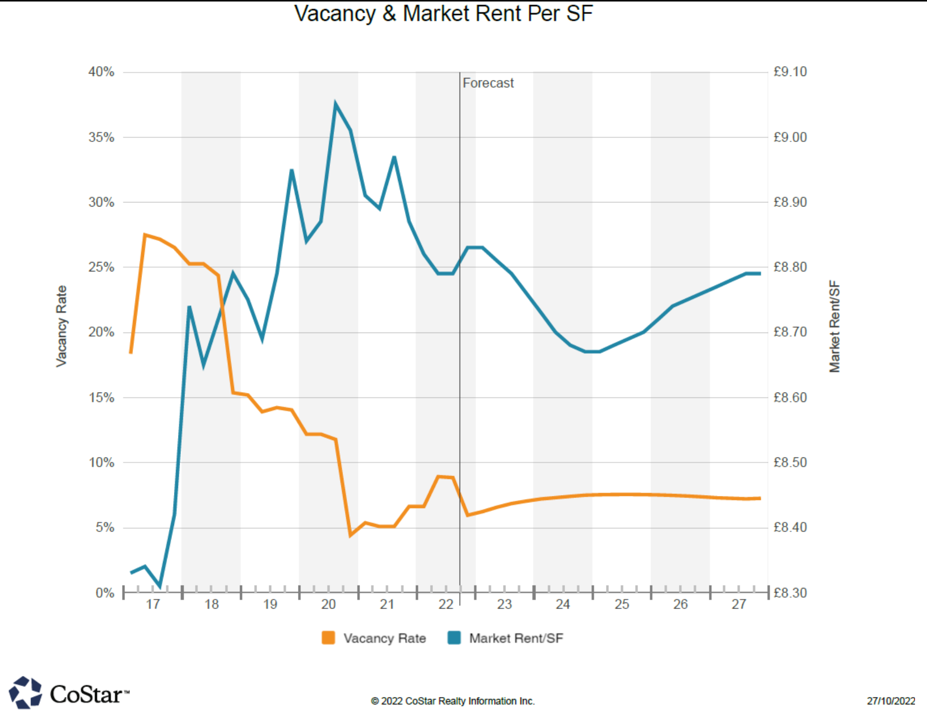
5.9 **Appendix 8** includes up-to-date market data collected (in October 2022) for the above-mentioned sectors and summarised in the pages that follow.

Offices

5.10 The Telford office market primarily caters to local professionals, rather than large corporate occupiers of office.

5.11 CoStar data shows an increase in rents in the office sector over the last five years, albeit one with a dip during the COVID-19 pandemic which has not recovered.

Figure 5.1 Offices - Vacancy Rates v Rent (£ per sqft)



Source: CoStar (October 2022) - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.12 Office rents are generally around in the range of £110 per sqm (£10 per sqft), having said this, most of these are either older buildings or mixed use. Rents for buildings at Hollinswood tend to be somewhat higher. There are examples above this range, however these tend to be for short terms or flexible occupancy. New purpose-built development is likely to achieve a rent of £140 per sqm (£13 per sqft) or so.

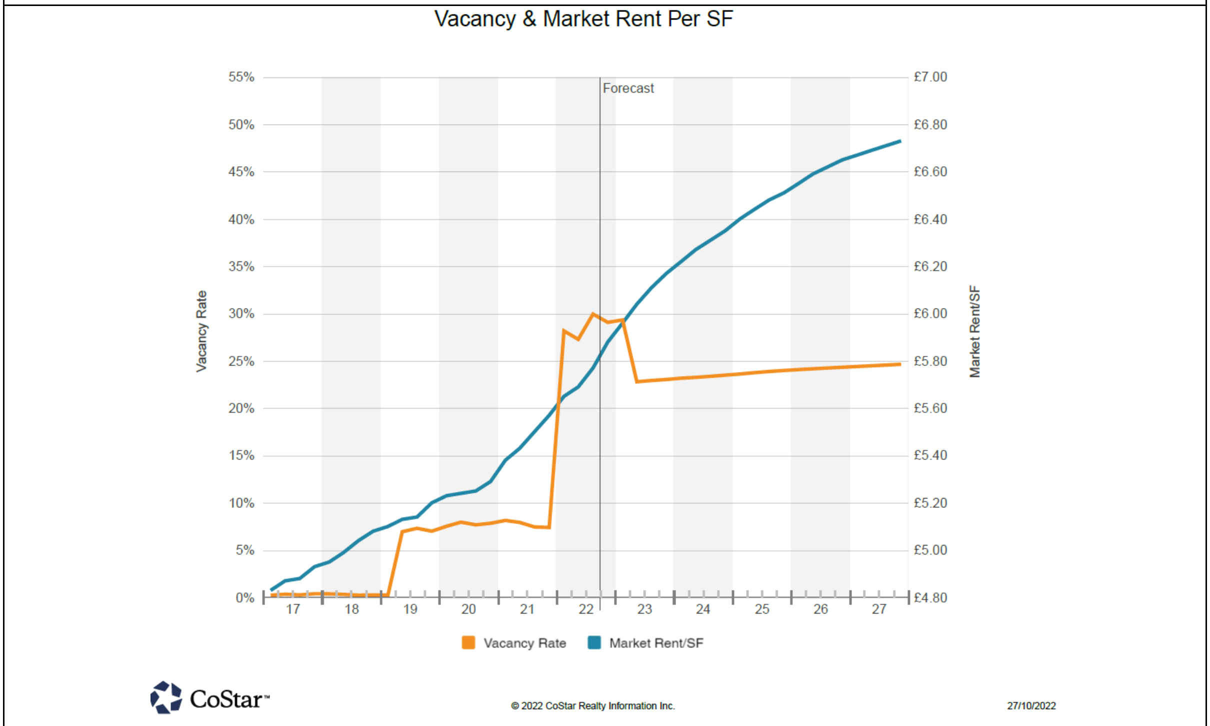
5.13 On average, yields are around 8%, but for newer, better property, a figure of 6% is more representative.

5.14 On this basis new office development would have a value of £2,200 per sqm (having allowed for a rent free / void period of 1 year).

Industrial and Distribution

5.15 This sector of the market has seen a notable change over the last few years with a significant growth logistics. CoStar data also shows an increase in levels of vacancy rates and a steady increase in rents over the last five years. Informal soundings from agents suggest that vacancy rates have not increased significantly:

Figure 5.2 Industrial - Vacancy Rates v Rent (£ per sqft)



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5.16 Industrial rents are generally around £55 per sqm to £160 per sqm (£5 per sqft), although many of these are older buildings. Average yields are around 6.5%, but for newer, better property, a figure of 5% is more representative.

5.17 On this basis, new large industrial (having allowed for a rent free / void period of 12 months) units are assumed to have a value of £1,000 per sqm. Smaller industrial (having allowed for a rent free / void period of 12 months) units are assumed to have a slightly lower rent than larger units, but higher yield to derive a value of £800 per sqm.

5.18 Very large units have been considered in more detail as this is currently an area of particular activity. The market is a national market so wider data has been drawn on.

a. Savills, in *Big Shed Briefing* (Savills, July 2022), reports rents of £9.00 per sqft in the West Midlands, although Telford is on the motorway network, it is unlikely that such a rent could be secured. A prime investment yield, on a national basis, of about 3.5% for multi-let units and for distribution is given. It is notable that rents have increased, and yields fallen in the last year, however the report does note the likely adverse impact on values as a result of increased interest rates:

> *'Record-breaking first half of 2022 belies market sentiment at the end of this period, with a number of investors taking stock of the impact interest rate rises will have on pricing and the market characterised by outward yield movement'.*

b. CBRE, in *UK Logistics Market Summary Q3 2022* (CBRE, October 2022) reports the following for prime 'Big Box' rent in the West Midlands (Birmingham) submarket of £9 per sq. ft pa) (4.5% NIY).

c. Knight Frank, in *Midlands Industrial Market Research, Q2 2022* (Knight Frank, July 2022), reports prime rents of £10 per sqft and yields of 4.5%.

> *The weighted average yield for assets transacted across the Midlands region over the past 12 months was 4.5%. This compares to an average of 5.1% in the same rolling 12-month period last year.*

5.19 On this basis new large logistics buildings (having allowed for a rent free / void period of 12 months) units are assumed to have a value of £1,600 per sqm.

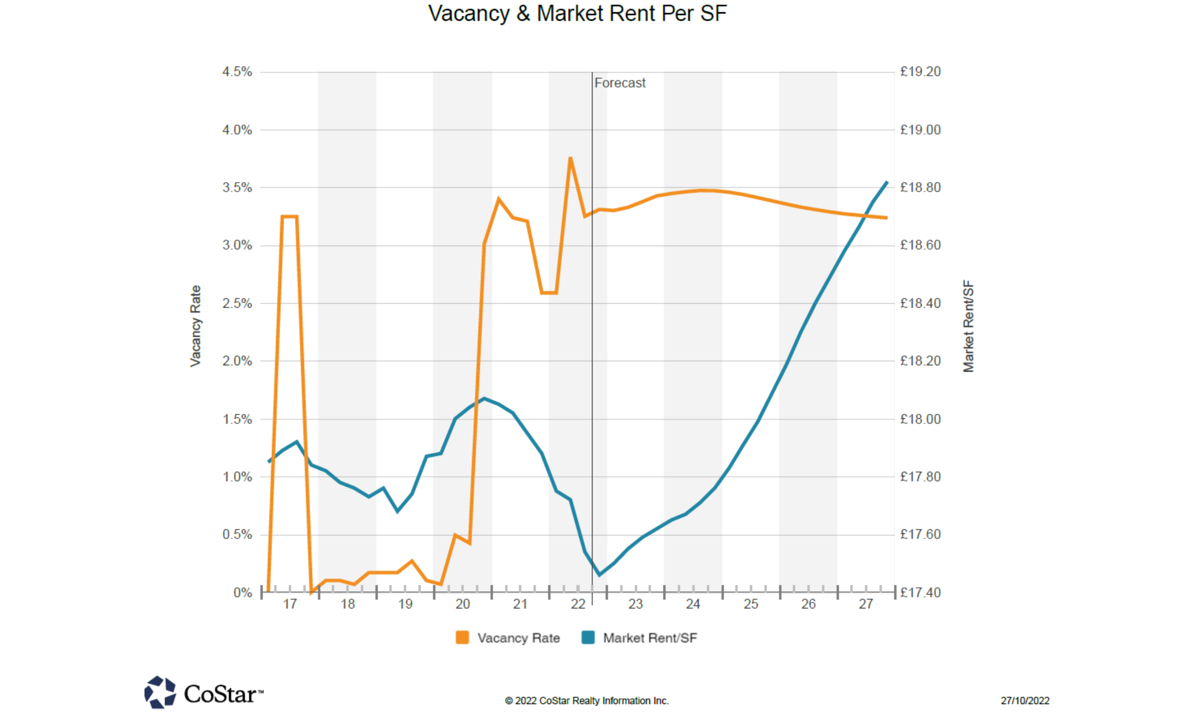
Retail

5.20 Even before the Coronavirus pandemic, the retail market was in a period of particular uncertainty. The rise in the online retailer sector has put pressure on the high street and shopping centres. Several national chains have been put into administration or have entered Company Voluntary Arrangements (CVA)[47]. The value of shopping centres in particular has been put under pressure and is less attractive to investors than it was just a few years ago. Various restaurant and dining chains have announced closures or restructuring, and the banking sector has also closed branches on high streets nationwide.

5.21 CoStar data also shows a peak in vacancy rates at the time of the pandemic and a fall in rents. Rents have continued to fall.

[47] A CVA is a legally binding agreement with a company's creditors. As part of the process companies (subject to the circumstances) may be able to renegotiate the terms of a lease.

Figure 5.3 Retail - Vacancy Rates v Rent (£ per sqft)



Source: CoStar (October 2022) - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.22 CoStar provides average rents in its survey are £160 per sqm (£15 per sqft). The highest rents reported are over £300 per sqm, but these are only in the best central locations.

5.23 On this basis, new prime retail (having allowed for a rent free / void period of 12 months) units are assumed to have a value of £4,500 per sqm. Secondary retail (having allowed for a rent free / void period of 12 months) derive a value of £2,000 per sqm.

5.24 Consideration has been given to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the area, however drawing on wider experience, it is assumed that rents are generally in the region of £240 per sqm. A yield of 4.5% is assumed for supermarkets and 5% for retail warehouses, to give values of £5,100 per sqm and £4,350 per sqm respectively.

Appraisal Assumptions

5.25 The following assumptions were presented as part of the initial consultation with local stakeholders:

Table 5.1 Commercial Values £ per sqm 2023					
	Rent £ per sqm	Yield	Rent free period	Value	Assumption
Offices	£140	6.00%	1.0	£2,201	£2,200
Industrial	£60	6.00%	1.0	£943	£1,000
Smaller Industrial	£55	6.50%	1.0	£795	£800
Logistics	£75	4.50%	1.0	£1,595	£1,600
Retail (Prime)	£300	6.25%	1.0	£4,518	£4,500
Retail (Elsewhere)	£175	8.00%	1.0	£2,025	£2,000
Large Supermarket	£240	4.50%	1.0	£5,100	£5,300
Retail Warehouse	£240	5.00%	2.0	£4,530	£4,530

Source: HDH (October 2022)

5.26 No comments were made through the consultation, so these assumptions are now used.

6. Land Values

6.1 Chapters 2 and 3 set out the background to and the methodology used in this study to assess viability. An important element of the assessment is the value of the land. Under the method set out in the updated PPG and recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted through a planning consent, is the Existing Use Value (EUV). This is used as the starting point for the assessment.

6.2 In this chapter, the values of different types of land are considered. The value of land relates closely to its use and will range considerably from site to site. As this is a high-level study, the three main uses, being agricultural, residential and industrial, have been researched. The amount of uplift that may be required to ensure that land will come forward and be released for development has then been considered.

6.3 In this context it is important to note that the PPG says (at 10-016-20180724) that *the 'Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments*'. It is therefore necessary to consider the EUV as a starting point.

6.4 In the *Telford & Wrekin Local Plan - Local Plan Viability Study* (TWC 2016), the following Threshold Land Value assumptions were used:

- Housing Sites £869,677/ha
- Employment Sites £332,700/ha

6.5 Whilst the Threshold Land Value was used as the Benchmark Land Value, it was not derived using the EUV Plus approach set out in the updated PPG.

Existing Use Values

6.6 To assess development viability, it is necessary to analyse Existing Use Values. EUV refers to the value of the land in its current use before planning consent is granted, for example, as agricultural land. AUV refers to any other potential use for the site, for example, a brownfield site may have an alternative use as industrial land.

6.7 The updated PPG includes a definition of land value as follows:

> *How should land value be defined for the purpose of viability assessment?*
>
> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should*

provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

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

PPG: 10-013-20190509

What is meant by existing use value in viability assessment?

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

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

PPG: 10-015-20190509

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

6.9 The 'model' approach is outlined below:

i. For sites in agricultural use, then agricultural land represents the EUV. It is assumed that greenfield sites of 0.5ha or more fall into this category.
ii. For paddock and land on the urban fringe, a 'paddock' value is adopted. This is assumed for greenfield sites of less than 0.5ha.
iii. Where the development is on brownfield land or previously developed land (PDL), an industrial value may be assumed.

Residential Land

6.10 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*[48]. This was prepared by the Valuation Office Agency (VOA) and sets out land values as at April 2019.

[48] https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019

The Telford and Wrekin figure is £1,230,000/ha[49]. This figure assumes nil affordable housing. As stressed in the paper, this is a hypothetical situation and '*the figures on this basis, therefore, may be significantly higher than could be reasonably obtained in the actual market*'.

6.11 There are few large development sites being marketed in the area however there are a number of small sites being marketed in the area (within 3 miles of Telford) at the time of this study.

[49] The VOA assumed as follows:

- Any liability for the Community Infrastructure Levy (CIL), even where it was planning policy as at 1 April 2019, has been excluded.
- It has been assumed that full planning consent is already in place; that no grants are available and that no major allowances need to be made for other s106/s278 costs.
- The figures provided are appropriate to a single, hypothetical site and should not be taken as appropriate for all sites in the locality.
- In a small number of cases schemes do not produce a positive land value in the Model. A 'floor value' of £370,000 (outside London) has been adopted to represent a figure at less than which it is unlikely (although possible in some cases) that 1 hectare of land would be released for residential development.
- This has been taken on a national basis and clearly there will be instances where the figure in a particular locality will differ based on supply and demand, values in the area, potential alternative uses etc. and other factors in that area.
- Each site is 1 hectare in area, of regular shape, with services provided up to the boundary, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available.
- The site will have a net developable area equal to 80% of the gross area (excluding London).
- For those local authorities outside London, the hypothetical scheme is for a development of 35, two storey, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.
- For those local authorities in London, the hypothetical scheme varies by local authority area and reflects the type/scale of development expected in that locality. The attached schedules provide details of gross/net floor areas together with number of units and habitable rooms.

These densities are taken as reasonable in the context of this exercise and with a view to a consistent national assumption. However, individual schemes in many localities are likely to differ from this and different densities will impact on values achievable.

Table 6.1 Small Development Sites – Asking Prices

		Asking Price	Area (ha)	Units	£/ha	£/unit	
Stoney Hill	Lightmoor	£1,300,000	0.61	7	£2,131,148	£185,714	Consented for 7 detached
Horton Lane	Telford	£500,000	0.20	3	£2,506,266	£166,667	3 detached dwellings (following demolition of one dwelling)
Bluebell Coppice	Red Lake	£425,000	0.49	3	£867,347	£141,667	Consented for 3 detached.
Wrens Nest Lane	Telford	£350,000	0.10	2	£3,546,099	£175,000	Consent for 2 x 4 bed detached.
Windmill Lane	Kynnersley	£300,000 each		3		£300,000	3 self build plots. 4 bed detached.
East Road	Ketley	£295,000	0.14	2	£2,170,714	£147,500	Consent to demolish bungalow and replace with 2 houses
Adjacent 2 Cherry Tree Close	Wellington	£225,000		1		£225,000	Plot for 1 x 6 bed detached
Cape Street	Broseley	£159,950	0.05	1	£3,264,286	£159,950	Single Plot
Cape Street	Broseley	£159,951	0.05	1	£3,546,585	£159,951	Single Plot
Greenacres & Bungalow	St Georges	£159,500	0.19	4	£847,053	£39,875	Replace 2 existing with 4 new
New Road	Ironbridge	£90,000	0.20	1	£445,545	£90,000	Subject to planning
Regent Street	Wellington	£70,000	0.02	1	£3,500,000	£70,000	Small plot

Source: Market Survey

6.12 Informal discussions with agents suggest that there is strong demand for smaller plots across the market, from large 'grand designs' projects to modest singe plot sites. It was suggested that 'oven ready' plots were likely to achieve at £150,000, and probably significantly more.

6.13 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 9.** The data is summarised in the following table, the amount of affordable housing in the scheme is shown, being the key indicator of policy compliance (as required by the PPG). Only the sites for which the data is available are presented here, all sites are included in **Appendix 9**.

Table 6.2 Price Paid for Consented Development Land							
Site	**Date approved**	**ha**	**All Units**	**Aff %**	**s106 /unit**	**£/ha**	**£/unit**
Site of Caravan & Camping Centre Hadley	03/04/2019	0.56	26	10%	£2,442	£1,071,429	£23,077
Land South of Newcomen Way Woodside	05/06/2019	4.22	55	25%	£5,449	£348,341	£26,727
Land adj to The Shires Shifnal Rd Priorslee	05/06/2019	0.54	71	0%	£141		
Land East & South of Sheldar/Covings/The Old Stables	03/07/2019	0.93	15	35%	£8,164	£1,182,796	£73,333
Land between Hartfield House/41 Pool Hill Rd Horsehay	31/07/2019	2.86	36	25%	£5,451	£475,524	£37,778
Land West of Lawford Close off Majestic Way	23/10/2019	2.55	39	25%	£5,300		
Site of former Charlton School, Severn Drive, Dothill	18/12/2019	7.04	200	0%	£2,446	£142,046	£5,000
Land between Arleston Lane & Dawley Rd	15/01/2020	7.20	173	0%	£2,964	£208,333	£8,671
Site J (East & South of Westminster Way) Gatcombe Way	11/03/2020	3.00	94	25%	£5,545	£1,122,125	£35,813
Land south/west of Donnerville Drive	11/03/2020	0.90	5	0%	£1,200	£5,556	£1,000
Site of Royston, 68 Rosecroft, 9 & 70 Park Rd/St Leonards Rd Malinslee	29/04/2020	0.86	38	16%	£4,076	£1,482,558	£33,553
Former Dairy Crest Ltd Crudgington	20/05/2020	68.33	7	0%	£73,243	£33,660	£328,571
Site of Wellington & District Cottage Care 79 Haygate rd	15/07/2020	0.80	15	0%	£600	£500,000	£26,667
Site of Doseley Ind Est Frame Lane	23/02/2020	2.43	48	25%	£7,779	£1,532,922	£77,604
Land Adj to 23 Wellington Rd Muxton	21/10/2020	1.23	41	100%	£1,356	£1,088,959	£32,669
Land to the East & West of Station Rd Newport	18/11/2020	27.88	350	35%	£6,806		
Site of former Eden Complex Telford Snooker Centre	16/12/2020	0.35	70	0%	£357	£1,142,857	£5,714

Site of former Cheshire Cheese Doseley Rd	16/12/2020	0.25	10	0%	£3,724	£4,254,160	£106,354
Land between Colliers Way & Park Lane Telford	10/02/2021	6.20	88	25%	£5,536		
Former Ironbridge Power Station Buildwas Rd, Ironbridge	18/05/2021	139.30	1000	0%	£1,259		
Lawley Phase 11	19/05/2021		600	10%	£0		
Site of Woodhouse Farm, Woodhouse Lane	17/11/2021	3.00	16	0%	£8,197		
Former Youth Centre, Gower Street, St Georges	17/11/2021	0.50	13	0%	£8,248		
Land North East of Stirchley Interchange, Nedge Hill, Telford, Shropshire	26/01/2022	44.00	350	25%	£7,293		
Site of the former Haygate Pub, 26 Haygate Road, Wellington, Telford, Shropshire	27/07/2022	0.16	18	0%	£3,760	£1,906,250	£16,944

Source: Telford & Wrekin Council and Land Registry (October 2022) (The blanks in the table are where this source does not include data.)

6.14 These values are on a whole site basis (gross area). The average is about £1,000,000/ha (£52,000/unit) however this includes some notable outliers (conversions with no affordable housing) and relatively few schemes that provided affordable housing.

6.15 In considering the above, the PPG 10-014-20190509 says:

> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*
>
> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*

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

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

Previously Developed Land

6.18 Land value estimates for policy appraisal provides the following values:

Table 6.3 Employment Land Values – Telford & Wrekin		
Industrial Land	£/ha	£500,000
	£/acre	£202,000
Commercial Land: Office Edge of City Centre	£/ha	Telford £865,000
	£/acre	Telford £350,000
Commercial Land: Office Out of Town – Business Park	£/ha	Telford £500,000
	£/acre	Telford £202,000

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

6.19 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 10**, although the sample size is limited. This limited evidence aligns with that set out in the above table.

6.20 A figure of £1,000,000/ha is assumed for industrial land across the area.

Agricultural and Paddocks

6.21 *Land value estimates for policy appraisal* (MHCLG, August 2020) provides a value figure for agricultural land in the area of £22,000/ha. This assumption has been checked:

a. Savills' *The Farmland Market*[50] reports a figure of £7,290/acre (£18,000/ha) for the West Midlands.

b. Strutt and Parker's *English Estates & Farmland Market Review Autumn 2022*[51] suggests a value of £8,000/acre (£20,000/ha) in the South East.

c. Knight Fank's *Farmland Index Q3 2022*[52] suggests average values of £20,522/ha.

[50] spotlight---the-farmland-market-2022.pdf (savills.co.uk)

[51] Q3-EFAD-report_Autumn2022_web.pdf

[52] English Farmland Index - Q3 2022 | Knight Frank Research

d. Carter Jonas' *Farmland Market Update*[53] reports average values for arable land of £11,000/acre (£27,180/ha) and average values for pasture land of £9,000/acre (£22,240/ha).

6.22 For agricultural land, a value of £25,000/ha is assumed to apply here.

6.23 Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £50,000/ha is used for sites of up to 0.5ha on the edge of the built-up area.

Existing Use Value Assumptions

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

Table 6.4 Existing Use Value Land Prices - 2022

PDL	£1,000,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha

Source: HDH (October 2022)

6.25 Through the consultation, in this regard, it was noted[54] [55] that '… *values will vary across the district dependant on the end use values of the houses built. We therefore endorse the approach of applying a range of land values for different types of land, but suggest that the Borough is separated in to areas based on values or key settlements and not simply apply an example BLV of a particular typology across the whole Borough*'. It is important to note that the EUV is the value before planning so is not dependant on the end use. There is not evidence (and none was submitted) that the existing use of land may vary to any significant degree across the Telford and Wrekin area.

Benchmark Land Values

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

[53] Farmland Market Update Q3 2022 | Carter Jonas

[54] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[55] S Gregory of Savills for Orleton Estate re sites around M54, J7.

<u>Benchmark land value should:</u>

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

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

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

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

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

PPG 10-014-20190509

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

<u>How should the premium to the landowner be defined for viability assessment?</u>

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

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

PPG 10-016-20190509

6.28 In the pre-consultation iteration of this viability assessment, the following Benchmark Land Value assumptions were used (applied on a gross site area):

a. Brownfield/Urban Sites: EUV Plus 20%.

b. Greenfield Sites: Generally - EUV Plus £350,000/ha.

Sustainable Urban Extensions / Strategic Sites - EUV x 10

6.29 Through the consultation, in this regard, it was noted[56] [57] as follows:

> *The landowner market is heterogeneous with no two landowners aspirations the same and therefore plan making on the basis of forecasting landowner aspirations previously achieved values creates risks to delivery. A large proportion of the land deals are for sites that are not seeking to provide policy compliant affordable housing, and were agreed before the PPG sought to taper landowner expectations. There is a danger that landowner expectations of a suitable premium to allow them to release their land, will be in line with the market prices based on lower than policy planning obligations rather than policy compliant transactions in line with the PPG as there are few of these available.*

6.30 It is necessary to remember that that the EUV plus approach was embedded in the 2012 Harman Guidance and became widely used, before being mandated in the 2018 PPG. Whilst landowners may seek policy compliant affordable housing (presumably seeking to simply maximise the price) it is now necessary to work within the parameters of the PPG that says (selected quotes from paragraphs 10-013-20190509 and 10-014-20190509 with added emphasis):

> *The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development <u>while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions.</u>*
>
> *<u>This evidence should be based on developments which are fully compliant with emerging or up to date plan policies</u>, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies.*

6.31 The consultee went on to make reference to minimum prices in options, however no evidence or suggestions were made in this regard. It was also noted as follows:

> *We are also finding that pressures on developers to acquire land in order to fulfil their build requirements is resulting a highly competitive land market, where land prices are agreed in excess of reasonable expectations.*

[56] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[57] S Gregory of Savills for Orleton Estate re sites around M54, J7.

6.32 Whilst this may be a reality of the market, the PPG[58] makes it clear (in 5 separate paragraphs) that the price actually paid for land is not a justification for failing to accord with the policies in a Local Plan.

6.33 Finally, it was suggested that on brownfield sites, a 30% uplift should be used, with reference being made to Oxford's 2018 Economic Viability Assessment.

6.34 The assumptions adopted by neighbouring and nearby Local Planning Authorities in their most recently published plan-wide viability assessments, have been reviewed:

Table 6.5 Nearby LPA's BLV Assumptions

Council	Consultant	Year	Benchmark Land Value		
			Brownfield	Greenfield	Green Strategic
Shropshire	HDH	Jul-20	EUV+ 20%	EUV + £400,000/ha	EUV + £300,000/ha
Stafford	Aspinall Verdi	Sep-22	EUV + 10% to + 18% depending on type	EUV x 12.1 to x 22.5	
South Staffordshire	Dixon Searle	Oct-22	PDL - lower @ EUV + £650,000, PDL - Higher @ EUV + £1,000,000	EUV + £250,000	
Cheshire East	HDH	Jul-20	EUV _20%	Large (>0.5ha) Agricultural EUV + £600,000/ha (assumes a net developable area of 70% - thus a value of £850,000/net ha. Small (<0.5ha) Agricultural / Paddock EUV + £750,000/ha	
Cannock Chase	Aspinall Verdi	Aug-22	EUV +10%	EUV x10	EUV x10

Source: Council websites (April 2023)

6.35 The assumption is broadly in in line with the approach taken more widely. No change is made in this post-consultation version.

[58] This is stressed at paragraphs 10-002-20190509, 10-006-20190509, 10-011-20180724, 10-014-20190509 and 10-018-20190509

7. Development Costs

7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development typologies.

Development Costs

Construction costs: baseline costs

7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the Council area. At the time of the initial iteration of this report, the cost figure for 'Estate Housing – Generally' was £1,271 per sqm. In line with consultee comments[59] [60] this has now been updated to the most recently published figure and reweighted to Shropshire to reflect a wider sample of schemes, to £1,359 per sqm (**Appendix 11**) being about 6.8% greater. The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale.

7.3 As set out in Chapter 2 above, the Government recently Part L of Regulations following the consultation on 'The Future Homes Standard'. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. This is considered in Chapter 8 below, as are other policy costs such as those associated with Biodiversity Net Gain and Part M of Building Regulations.

7.4 The appropriate build cost is applied to each house type, with the cost of Estate Housing Detached being applied to detached housing, the costs of flats being applied to flats and so on. Appropriate costs for non-residential uses are also applied. The lower quartile cost is used for schemes of over 200 units where economies of scale can be achieved, and the median cost is used for smaller schemes.

Other normal development costs

7.5 In addition to the BCIS £ per sqm build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad-brush study and the approach taken is in line with the PPG and the Harman Guidance.

7.6 Nevertheless, it is possible to generalise. Drawing on experience, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for

[59] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[60] S Gregory of Savills for Orleton Estate re sites around M54, J7.

lower density schemes since there is a smaller area of external works, and services can be used more efficiently – larger greenfield sites tend to have lower net developable areas, so more land requires work.

7.7 A scale of allowances for site costs has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes within the urban area, to 15% for the larger greenfield schemes. Through the consultation[61] [62] it was suggested that 5% was below a normal 10% to 15% range. It is important to note that the 5% assumption is only used on the town centre flatted development which is modelled on brownfield sites. As brownfield sites are being redeveloped, it is assumed they are serviced (with power, water, drains etc). Further, as town centre flatted development is higher density flatted development, it is assumed that there is little open space or non-developed areas.

7.8 It was also suggested that £371,000/ha to £617,000/ha should be applied for residential uses and £617,000 to £1,236,000 per net developable hectare to non-residential uses for site preparation. On a typical larger greenfield site this would come to just under £50,000/ha (assuming a mid-point), bringing the site costs (excluding strategic infrastructure and mitigation) to just under 38% of the BCIS based construction costs. This is significantly out of step with the assumptions widely used and unsupported by evidence. The assumptions adopted by neighbouring and nearby Local Planning Authorities in their most recently published plan-wide viability assessments have been reviewed:

Table 7.1 Nearby LPA's Site Cost Assumptions

Council	Consultant	Date	Site Costs
Shropshire	HDH	Jul-20	5% to 15%, Garden Town Principles 13%
Stafford	Aspinall Verdi	Sep-22	15% + £123,550 clearance as required.
South Staffordshire	Dixon Searle	Oct-22	£500,000/ha
Cheshire East	HDH	Jul-20	13.5% to 19%
Cannock Chase	Aspinall Verdi	Aug-22	15%

Source: Council websites (April 2023)

7.9 No change has been made in this regard.

7.10 Detached houses are modelled with garages.

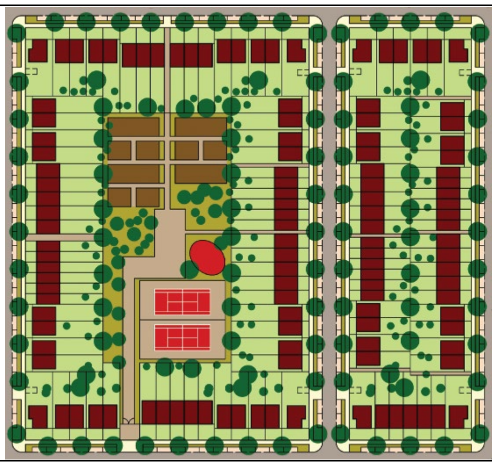
[61] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[62] S Gregory of Savills for Orleton Estate re sites around M54, J7.

Garden Town Principles

7.11 Following the consultation, the topic of Garden Town Principles was raised, and whether or not the Sustainable Urban Extensions were to be delivered in line with Garden Town Principles. The difference between the Garden Town and the conventional approach is in two main parts. The first being the total land requirement and the second being the layout.

7.12 In this assessment the construction costs are based on the BCIS costs. The BCIS costs include the costs of the building but not the costs of services and external works. For this assessment regard has been had to the work carried out by URS (now AECOM) to support the TCPA's *Nothing gained by overcrowding!* paper. In that paper, two 4ha schemes were modelled as per the layouts below (at 2012 prices) to ascertain the estimated site costs. It found that the site costs on the Garden Town scheme, on a per unit basis, are about 65% of the costs on the conventional scheme.

Figure 7.1 Scheme Layouts	
Conventional Layout (A)	Garden Town Layout (B)
	

Source: Nothing gained by overcrowding! TCPA 2012

7.13 The reason for this is set out in the report as follows (where Scheme A is the Conventional scheme and Scheme B adopts the Garden Town Principles):

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

7.14 Under a conventional scheme it is generally assumed that the site costs would be about of 15% of the construction (i.e. BCIS-based) costs. Generally, it would be assumed that a site, developed under Garden Town Principles would have a site cost of 13%. Whilst this lower cost is not modelled, it provides useful context.

Abnormal development costs and brownfield sites

7.15 With regard to abnormals, paragraph 10-012-20180724 of the PPG says:

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

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

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

7.17 The consequence of this, when considering viability in the planning, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e. deducted from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.

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

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

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

7.20 Through the consultation[63] [64] it was suggested than an allowance for abnormal costs should be made for greenfield sites as well as brownfield sites. The assumptions adopted by neighbouring and nearby Local Planning Authorities in their most recently published plan-wide viability assessments have been reviewed:

Table 7.2 Nearby LPA's Abnormal Cost Assumptions

Council	Consultant	Date	Brownfield	Greenfield
Shropshire	HDH	Jul-20	5%	0%
Stafford	Aspinall Verdi	Sep-22	+ £123,550 clearance as required.	
South Staffordshire	Dixon Searle	Oct-22	0%	0%
Cheshire East	HDH	Jul-20	5%	0%
Cannock Chase	Aspinall Verdi	Aug-22	+ £123,550 clearance as required.	0%

Source: Council websites (April 2023)

7.21 The assumption adopted is broadly in line with those used more widely.

7.22 In summary, abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

7.23 For residential and non-residential development, it has been assumed that professional fees amount to 8% of build costs to include cost of preparing the planning application and land promotion. Separate allowances are made for planning fees, acquisition, sales and fees.

7.24 Through the consultation[65] [66] it was suggested the normal range was 8% to 12%, with complete strategic brownfield sites being at the top of this range. The assumptions adopted by neighbouring and nearby Local Planning Authorities in their most recently published plan-wide viability assessments have been reviewed:

[63] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[64] S Gregory of Savills for Orleton Estate re sites around M54, J7.

[65] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[66] S Gregory of Savills for Orleton Estate re sites around M54, J7.

Table 7.3 Nearby LPA's Fee Cost Assumptions				
Council	Consultant	Date	Professional Fees	Sales Fees
Shropshire	HDH	Jul-20	8%, Plus planning, sales etc.	
Stafford	Aspinall Verdi	Sep-22	6.50%	4.50%
South Staffordshire	Dixon Searle	Oct-22	7% to 10%	3%_ £750
Cheshire East	HDH	Jul-20	8%, Plus planning, sales etc	3.50%
Cannock Chase	Aspinall Verdi	Aug-22	6.50%	4.25%

Source: Council websites (April 2023)

7.25 The assumption adopted is broadly in line with those used more widely so no change is made.

Contingencies

7.26 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder.

7.27 Through the consultation[67] [68] the following was set out:

> *We would be concerned with any contingency applied below 5% for any site, particularly at allocation stage. In addition, for brownfield or larger strategic sites would increase this as high as 8-10%. This cost should also be applied to all build costs and fees, not just base build cost as all carry the risk of increasing.*
>
> *Build costs are currently rising at a significant rate due to materials and labour shortages and ever increasing complexities of schemes delivery which all erode contingency. For strategic and brownfield sites, there are many unknown costs which are not known until construction begins or even until scheme completion and so a higher contingency to cover for this should be applied.*

7.28 The assumptions adopted by neighbouring and nearby Local Planning Authorities in their most recently published plan-wide viability assessments have been reviewed:

[67] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[68] S Gregory of Savills for Orleton Estate re sites around M54, J7.

Table 7.4 Nearby LPA's Contingency Assumptions				
Council	Consultant	Date	Greenfield	Brownfield
Shropshire	HDH	Jul-20	2.5%	5.0%
Stafford	Aspinall Verdi	Sep-22	3.0%	5.0%
South Staffordshire	Dixon Searle	Oct-22	3% to 15%	
Cheshire East	HDH	Jul-20	2.5%	5.0%
Cannock Chase	Aspinall Verdi	Aug-22	3.0%	5.0%

Source: Council websites (April 2023)

7.29 The assumption adopted is broadly in line with those used more widely. It is necessary to consider this assumption with abnormal costs and developers return, and simply to increase each (as suggested) results in double counting. The uncertainty around build costs is considered separately under the sensitivity testing.

S106 Contributions and the costs of strategic infrastructure

7.30 Telford & Wrekin Council has not adopted CIL. The Council seeks developer contributions for strategic infrastructure and mitigation, under the s106 regime, in line with restrictions set out on CIL Regulation 122, these are treated separately from abnormal costs. Additional costs are allowed for, as set out in Chapter 8 below.

Financial and Other Appraisal Assumptions

VAT

7.31 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[69].

Interest rates

7.32 The appraisals assume 7.5% p.a. for total debit balances (to include interest and associated fees), we have made no allowance for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.

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

7.33 Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cashflow is used to calculate interest.

7.34 The assumption of 7.5%, is an 'all-in cost' to cover interest rate and associated finance fees, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest, particularly on the larger schemes, as most developers are required to put some equity into most projects. In this study a cautious approach is being taken.

Developers' return

7.35 An allowance needs to be made for developers' return and to reflect the risk of development. As set out in Chapter 2 above, this is an area of significant change since the Council's earlier viability work that was used to investigate CIL. Paragraph 10-018-20190509 of the updated PPG now sets out the approach to be taken and says:

> *How should a return to developers be defined for the purpose of viability assessment?*
>
> *Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*
>
> *For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*

7.36 The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

7.37 Broadly there are four different approaches that could be taken:

a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.

b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for Affordable Housing, as suggested by the HCA.

c. To set the rate relative to costs – and thus reflect the risks of development.

d. To set the rate relative to the gross development value.

7.38 In deciding which option to adopt, it is important to note that the intention is not to recreate any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.

7.39 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They require a developer to demonstrate a sufficient margin, to protect the lender in the case of changes in prices or development costs. They will also consider a wide range of other factors, including the amount of equity the developer is contributing (both on a loan-to-value and loan-to-cost basis), the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.

7.40 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions and, as set out above, the updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies ... A lower figure may be more appropriate in consideration of delivery of affordable housing'*. In this assessment, the developers' return is assessed as 17.5% of the value of market housing and a 6% is applied to the value affordable housing. Additionally, 17.5% is applied to First Homes as the sales risk lies with the developer.

7.41 A 15% return was assumed for non-residential development, and for Build to Rent.

7.42 It is important to appreciate that this is an assessment for planning purposes, as set by the requirements of the PPG, rather than for lending purposes. As mentioned under the Interest heading above, no allowance has been made for any equity provided by the developer, so this does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites. The cushion within the appraisals to protect a developer's lender against changes in the market or costs, will depend on a wide range of factors, including how much equity the developer is providing (the loan-to-value ratio), the borrower's track record and the complexity of the project. It is appropriate to work within the guidance of the PPG.

7.43 Through the consultation[70] [71] the following was set out:

<u>*Residential*</u>

The Planning Practice Guidance states 15-20% of Gross Development Value (GDV) may be considered a suitable return to developers in order to establish viability of the plan policies (10-018-20190509).

We would agree that at least 15-20% of private GDV be adopted as a minimum to reflect the risks involved with development coupled with the increasing political and economic uncertainty which may cause more concern about sales rates and prices.

As for affordable, whilst 6% on GDV is suggested, we would comment that registered providers at present are showing limited demand for Section 106 housing due to grant funding being provided for other avenues of stock generation such as self-development or conversion of market housing to shared ownership. This therefore increases the risk of a decrease in the price achievable for these dwellings and we would expect some developers seek 6-8% to cover this going forward.

As a general comment, whilst profit on GDV is the commonly accepted measure, housebuilders are often reviewing returns on an IRR or ROCE basis in order to assess profitability over time. An acceptable profit on GDV may be returned in an appraisal, however IRR is often overlooked which may show low profitability over the whole lifetime of the scheme and be insufficient for plc shareholders or institutions providing developers with finance.

<u>*Commercial*</u>

For commercial schemes 15-20% of costs is the typical market norm.

7.44 The assumptions adopted by neighbouring and nearby Local Planning Authorities in their most recently published plan-wide viability assessments have been reviewed:

Table 7.5 Nearby LPA's Developers' Return Assumptions

Council	Consultant	Date	Residential	Other
Shropshire	HDH	Jul-20	17.50%	15%
Stafford	Aspinall Verdi	Sep-22	18%	6%
South Staffordshire	Dixon Searle	Oct-22	17.5% / 6%	10%-12% First Homes
Cheshire East	HDH	Jul-20	17.50%	
Cannock Chase	Aspinall Verdi	Aug-22	20% / 6%	

Source: Council websites (April 2023)

7.45 Whilst the assumption of 17.5% / 6% is broadly in line with those used more widely, a 17.5% assumption is now used for all residential property.

[70] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[71] S Gregory of Savills for Orleton Estate re sites around M54, J7.

Voids

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

7.47 For the purpose of the present study, a three-month void period is assumed for residential developments.

Phasing and timetable

7.48 A pre-construction period of six months (from site acquisition, following the grant of planning consent) is assumed for all of the sites. Each dwelling is assumed to be built over a nine-month period. The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, the size and the expected level of market demand. The rate of delivery will be an important factor when considering the allocation of sites so as to manage the delivery of housing and infrastructure. Two aspects are relevant, firstly the number of outlets that a development site may have, and secondly the number of units that an outlet may deliver.

7.49 In the pre-consultation iteration of this report, a delivery rate of 50 units per outlet per year was assumed for large sites. On a site with 30% affordable housing this equates to 35 market units per year. On the smaller sites, slower rates were assumed to reflect the nature of the developer that is likely to be bringing smaller sites forward. The higher density flatted schemes are assumed to come forward more quickly.

7.50 These assumptions were questioned through the consultation[72] [73]. In May 2022, the Council set out its 5 year land supply[74], which uses the following average build out rates:

- National house builders 40 per year
- Regional house builders 20 per year
- Local house builders 10 per year

7.51 These assumptions are conservative, being slightly less than the true average. These are adopted in this report and applied to market housing led schemes.

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[72] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[73] S Gregory of Savills for Orleton Estate re sites around M54, J7.

[74] Telford & Wrekin Housing Land Supply Statement 2021 – May 2022

Site Acquisition and Disposal Costs

Site holding costs and receipts

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

Acquisition costs

7.53 An allowance of 1% for acquisition agents' and 0.5% legal fees is assumed. Through the consultation[75] [76] it was suggested that acquisition fees could be higher for small and complex sites. Whilst this accepted, the assumption is broadly representative.

7.54 Stamp duty is calculated at the prevailing rates.

Disposal costs

7.55 For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts. For disposals of affordable housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.

7.56 Through the consultation[77] [78] it was noted that an element of the costs was due prior to the sale rather than at the time of the sale. This is agreed.

[75] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[76] S Gregory of Savills for Orleton Estate re sites around M54, J7.

[77] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[78] S Gregory of Savills for Orleton Estate re sites around M54, J7.

8. Planning Policy Requirements

8.1 The specific purpose of this study is to consider and inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies on the planned development. The new Local Plan will replace the adopted *Telford & Wrekin Local Plan 2011-2031 (Adopted January 2018)*. In his report, the TWLP Inspector instructed the Council to prepare a 'Housing Site Allocations Local Plan'. The rationale was to help meet the shortfall in the housing requirement. Given the need to identify further employment land and to maintain a rolling five year housing land supply, as well as the obligation to review Local Plans within a five year period from adoption, Telford & Wrekin Council (the Council) is taking the opportunity to review the TWLP as a whole.

8.2 This viability work is being undertaken to inform the development of policy and explore the consequences, on the economics of development, of the options that are under consideration. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

8.3 In this report a range of policy options have been reviewed as discussed with the Council and regard has been had to the changes in national policy. At this stage, some of the options that are considered are included for completeness, and that these are simply options that may or may not be progressed into the new Local Plan. In particular, the Council has asked that following policy topics are considered:

- Climate change
- Energy efficiency for buildings
- Renewable energy
- Water efficiency
- Developer contributions
- Accessible housing standards
- Stricter minimum national space standards

8.4 In the following sections the requirements in the adopted Local Plan have been reviewed, with the changes to national policy and the options under consideration. and set out how they may impact on viability (if at all).

Spatial Strategy Policies

Policy SP 1 Telford, Policy SP 2 Newport, Policy SP 3 Rural area

8.5 These are general enabling policies that direct development rather than impact on viability.

Policy SP 4 Presumption in favour of sustainable development

8.6 This is a general policy that does not impact directly on viability.

Economy

Policy EC 1 Strategic employment areas, Policy EC 2 Employment in the urban area, Policy EC 3 Employment in the rural area, Policy EC 4 Hierarchy of centres, Policy EC 5 Telford Town Centre, Policy EC 6 Market Towns and District Centres, Policy EC 7 Local Centres and rural services

8.7 These are general enabling and development management policies that direct development rather than impact on viability.

Policy EC 8 Out of centre and edge of centre development

8.8 This policy seeks an impact assessment to be submitted in relatively limited circumstances. There is a cost associated with an impact assessment, however the fees allowance is considered sufficient.

Policy EC 9 Evening and night time economy, Policy EC 10 Shopfront and advertisement design, Policy EC 11 Improving links to tourist destinations, Policy EC12 Leisure, cultural and tourism development

8.9 These are general enabling and development management policies that direct development rather than impact on viability.

Housing

Policy HO 1 Housing requirement

8.10 This is an enabling policy that does not impact on viability.

Policy HO 2 Housing site allocations

8.11 This is a high-level policy that includes high-level principles rather that specific requirements that may impact directly on viability.

Policy HO 3 Housing trajectory

8.12 This is a general policy that does not impact directly on viability.

Policy HO 4 Housing mix

8.13 This policy does not set out or require a particular housing, but it does seek a '*mix of housing types, sizes and tenures to meet a range of household needs'*. The Council's most recent published evidence in this regard is set out in the *Telford and Wrekin SHMA 2016* (Arc4, March 2016):

Table 8.1 2016 SHMA Housing Mix			
Suggested dwelling mix by market and affordable dwellings			
Overall dwelling size mix	**Market (%)**	**Affordable (%)**	**Overall (%)**
1/2 Beds	40.6	90.9	60.7
3 Beds	45.9	5.3	29.7
4 Beds	13.5	3.8	9.6
Total	100.0	100.0	100.0
Base	10,111	5,444	15,555

Source: Table 7.3 Telford and Wrekin SHMA 2016 (Arc4, March 2016):

8.14 This is based on a 65% market and 35% affordable split.

8.15 The Council is in the process of undertaking a fresh Economic and Housing Development Needs Assessment. This is a working draft, however it includes the following:

Table 8.2 Recommendations for Overall Housing Mix				
	1 bedroom	**2 bedrooms**	**3 bedrooms**	**4 or more bedrooms**
Range	5-15%	20-40%	30-50%	15-30%

Source: TWC, 2011 Census; EHDNA Projections; SPRU Analysis

8.16 This has been used to inform the modelling, however, in line with the flexibility within the policy, the number of very small units has been reduced.

Nationally Described Space Standards

8.17 The policy does not seek Nationally Described Space Standard (NDSS) technical requirements however, is considering doing so. In March 2015, the Government published *Nationally Described Space Standard – technical requirements*. This says:

> *This standard deals with internal space within new dwellings and is suitable for application across all tenures. It sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy as well as floor areas and dimensions for key parts of the home, notably bedrooms, storage and floor to ceiling height.*

8.18 The following unit sizes are set out[79]:

79 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524531/160519_Nationally_Described_Space_Standard____Final_Web_version.pdf

Table 8.3 National Space Standards. Minimum gross internal floor areas and storage (m²)					
number of bedrooms	number of bed spaces	1 storey dwellings	2 storey dwellings	3 storey dwellings	built-in storage
1b	1p	39 (37)*			1
	2p	50	58		1.5
2b	3p	61	70		2
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4
	8p	125	132	138	

Source: Table 1, Technical housing standards – nationally described space standard (March 2015)

8.19 In this study the units are assumed to be in line with the NDSS or larger.

8.20 Through the consultation, a developer[80] suggested that the impact of NDSS (and BNG) should be separated out as this can impact on the land requirement. It is understood, from the Council, that the density assumptions used more widely in the plan-making process, including in the SHELAA are achievable when NDSS is applied.

Policy HO 5 Affordable housing thresholds and percentages, Policy HO 6 Delivery of affordable housing

8.21 These policies concern the delivery of affordable housing. They require 25% affordable housing in Telford; and 35% in Newport and in any other location, including the rural area on

[80] J Pearce of Harris Lamb for David Wilson Homes re Land at Bratton,

sites of 11 or greater. In line with paragraph 64 of the updated NPPF, a threshold of 10 is assumed, however a lower threshold is tested in the designated rural areas.

8.22 They do not set out a preferred tenure mix, and the 2016 SHMA does not recommend one, beyond suggesting the greater need is for affordable housing for rent.

8.23 The NPPF (paragraph 65) sets out a policy for a minimum of 10% affordable home ownership units on larger sites (10 plus) and the PPG sets out that '*First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations*'. These requirements are assumed to apply.

8.24 In relation to First Homes, the Council has set out its approach in a Position Statement that seeks a 40% discount and a £180,000 cap. This forms the base analysis. Subsequently a range of tenure mixes are tested.

Policy HO 7 Specialist housing needs

8.25 This is an enabling policy that does not impact on viability.

8.26 A number of further national consultations were announced during December 2022. These include proposed Changes to Approved Document B, sprinklers in care homes.

8.27 There are few up-to-date published costs of such systems (beyond Wales where they are a requirement). The costs of installation depend very much on the level of local water pressure. Where there is adequate water pressure, the additional cost is estimated to be about £1,000 per unit (mainstream dwelling). Where there is inadequate local water pressure it is necessary to incorporate water storage and pumping to ensure the sprinklers work effectively. This will vary depending on the size and design of the scheme, although £2,500/dwelling may be typical.

Policy HO 8 Meeting the needs of the Gypsy and Traveller community, Policy HO 9 Gypsy and Traveller developments

8.28 These are policies enabling the delivery of pitches and set out the development management considerations. They do not impact on viability.

Policy HO 10 Residential development in the rural area

8.29 This is a general development management policy that does not specifically impact on development viability.

Policy HO 11 Affordable rural exceptions

8.30 This is an enabling policy that does not impact on viability.

Natural Environment

Policy NE 1 Biodiversity and geodiversity

8.31 For the purpose of this assessment, the main requirement is that development should maintain, protect and, where appropriate, enhance designated sites and habitats and species of principal importance for nature conservation.

8.32 National policy has moved forward since the Local Plan was adopted. The national requirement for 10% Biodiversity Net Gain, as required by the Environment Act, is assumed to apply in the base appraisals. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

8.33 Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.

8.34 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation, as a survey will need to be carried out.

8.35 The Government's impact assessment[81] suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

[81] Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

Table 8.4 Cost of Biodiversity Net Gain – West Midlands 2017 based costs		
	Scenario A 100% on-site	**Scenario C** 100% off-site
Cost per ha of residential development	£3,461/ha	£63,725/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£172/unit	£3,481/unit
Cost per brownfield housing unit	£69/unit	£864/unit
Residential greenfield delivery costs as proportion of build costs	0.2%	3.1%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.8%
% of industrial land values	0.5%	8.1%
% of commercial land values (office edge of city centre)	0.3%	4.9%
% of commercial land values (office out of town - business park)	0.5%	7.6%

Source: Tables 14 to 23 : Biodiversity net gain and local nature recovery strategies – Impact Assessment

8.36 It is assumed provision will be on-site on greenfield sites and off-site on brownfield sites (this approach is different to that taken in the pre-consultation report). The percentage uplift costs are used as the costs per ha/unit are a little historic.

8.37 Much of the cost of implementing Biodiversity Net Gain is in the survey work and in the design, rather than the costs of the actual works.

8.38 Through the consultation a developer[82] [83] [84] suggested that the impact of BNG (and NDSS) should be separated out as this can impact on the land requirement. It is important to note that 10% BNG is a national requirement, so it is necessary to incorporate it into the base requirements. Further, it is understood that the Council believes that the site capacity assumptions that it is working to are adequate in this regard.

Nutrient Neutrality

8.39 At the time of this report the Council does not believe that it is impacted by recent requirements announced by Natural England.

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[82] J Pearce of Harris Lamb for David Wilson Homes re Land at Bratton,

[83] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[84] S Gregory of Savills for Orleton Estate re sites around M54, J7.

8.40 In any event, a range of developer contributions have been tested to the evaluate effect of higher developer contributions, that may be required in this regard, can be understood.

Policy NE 2 Trees, hedgerows and woodlands

8.41 This policy includes normal development management requirements that do not add to the cost of development over and above those costs covered elsewhere in this report.

Policy NE 3 Existing public open space

8.42 This policy does not impact on viability.

Policy NE 4 Provision of public open space, Policy NE 5 Management and maintenance of public open space

8.43 These policies seek open space and for it to be maintained. They do not seek specific requirements.

8.44 In this assessment is assumed that these requirements have been taken into account when establishing the site capacity within the SHELAA sites. Where off-site provision is required, it assumed that these will be met through developer contributions as set out later in this chapter.

Policy NE 6 Green Network. Policy NE 7 Shropshire Hills Area of Outstanding Natural Beauty and Strategic Landscapes

8.45 These policies do not impact on viability.

Community

Policy COM 1 Community facilities Policy

8.46 This policy that new development will provide new social infrastructure to meet demand arising from new development. It is assumed that this will be done through developer contributions as set out later in this chapter.

Policy COM 2 Culture

8.47 This policy does not impact on viability.

Connections

Policy C 1 Promoting alternatives to the car, Policy C 2 Safeguarding rail and transport corridors, Policy C 3 Impact of development on highways, Policy C 4 Design of roads and streets, Policy C 5 Design of parking, Policy C 6 Commuted parking payments

8.48 These are a range of policies covering the transport network and the provision of appropriate infrastructure to provide fore and mitigate the impact of new development. In this assessment, it is assumed that this will be delivered through developer contributions as set out later in this chapter.

Policy C 7 Enhancing communication networks, Policy C 8 New telecommunications development

8.49 This is an area of policy that has been overtaken by national requirements. Part R of Building Regulations (2022) mandates the provision of 'gigabit-ready infrastructure'. This is a normal development cost that is covered in the wider assumptions set out elsewhere in this assessment.

Built Environment and Heritage

Policy BE 1 Design criteria

8.50 This broad policy sets out high-level principles of design. It does not make specific requirements that add to the normal costs of development, if incorporated into the early design of schemes.

Policy BE 2 Residential alterations, Policy BE 3 Ironbridge Gorge World Heritage Site, Policy BE 4 Listed buildings, Policy BE 5 Conservation areas, Policy BE 6 Buildings of local interest, Policy BE 7 Parks and gardens of historic interest, Policy BE 8 Archaeology and scheduled ancient monuments, Policy BE 9 Land stability, Policy BE 10 Land contamination

8.51 These policies do not impact on viability, as assessed in this report.

Environmental Resources

Policy ER 1 Renewable energy Policy ER 2 Mineral safeguarding, Policy ER 3 Maintaining supplies of crushed rock, Policy ER 4 Sand and gravel resources, Policy ER 5 Maintaining supplies of brick clay, Policy ER 6 Mineral development, Policy ER 7 Waste management facilities, Policy ER 8 Waste planning for residential developments, Policy ER 9 Waste planning for commercial, industrial and retail developments

8.52 These policies do not impact on viability, as assessed in this report.

Policy ER 10 Water conservation and efficiency

8.53 This policy will '*encourage major development to incorporate design features, commensurate with the scale and type of development, that will support recycling / re-use of water to help offset demand for potable water supplies'*.

8.54 Whilst not a current requirement, in the base assumptions it is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The cost of reducing the use of water, in line with the enhanced building regulations (110l/day), is modest, likely to be less than £5 per dwelling[85]. This cost was based in 2014 so would be indexed[86] to £7 per dwelling.

8.55 The Council is not considering rainwater harvesting and greywater recycling, however the costs have been considered. There are few published costs, although figures of £2,000 to £3,000 per dwelling are frequently quoted[87]. The provision of rainwater harvesting requires the capture of rainfall. This is normally done through an underground tank. A second cold water system is then installed. As this is not at 'mains' pressure, this normally utilises a pump and pressure cylinder. This additional cost is not incorporated into the base assumptions.

Policy ER 11 Sewerage systems and water quality

8.56 This policy does not add to the costs of development, over and above the costs considered elsewhere in this report.

Policy ER 12 Flood risk management

8.57 Amongst other things, this policy seeks effective on-site management of surface water.

8.58 Sustainable Urban Drainage Systems (SUDS) are often a requirement. SUDS aim to limit the waste of water, reduce water pollution and flood risk relative to conventional drainage systems. In this study, it is anticipated that new development will be required to incorporate Sustainable Urban Drainage Schemes (SUDS). SUDS and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. It is assumed that the costs of SUDS are included within the additional costs on brownfield sites, however on the larger greenfield sites it is assumed that SUDS will be incorporated into the green spaces (subject to local ground conditions) and be delivered through soft landscaping within the wider site costs.

Emerging Policy Areas

8.59 As well as those topics set out above, emerging policy areas are considered below.

Carbon Neutrality

8.60 The Department of Levelling up, Communities and Housing, has now published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a 'stepping stone' on the pathway to zero carbon homes. It sets the target of an interim 31% reduction in CO_2 emissions over 2013 standards for dwellings. The changes will apply

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[85] Paragraph 285 Housing Standards Review, Final Implementation Impact Assessment, March 2015. Department for Communities and Local Government.

[86] BCIS General Building Cost Index March 2014 316.3, May 2023444.5.

[87] For example by the UK Rainwater Harvesting Association.

to new homes that submit plans after June 2022 or have not begun construction before June 2023. It is assumed to apply to all new homes in this assessment.

8.61 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation[88]. This suggests that the costs, having been indexed, would add about 3%[89] to the base cost of construction.

8.62 The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings. There are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do alter depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural ventilation, through to altering the fundamental design and construction.

8.63 *A report for the Committee on Climate Change The costs and benefits of tighter standards for new buildings, Final report 2019* (Currie & Brown, February 2019) did set out the costs of a range of standards, but these are not comparable on a like-for-like basis. Additionally, the Government consultation was informed by the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018). This report suggested:

a. The costs of reducing emissions by 10% on-site with no requirement for energy efficiency beyond the Part L 2013 (assuming gas heating), to be less than 1% of the build costs with a 20% reduction to add about 2% to the costs of construction[90].

b. The cumulative costs over Part L 2013 for certified Passivhaus is about:

   i. £12,000 per detached house (based on 117m^2, £103 per sqm or an additional 7.6% in costs).

   ii. £7,100 per terraced house (based on 84m^2, £85 per sqm or an additional 5.8% in costs).

   iii. £2,750 per low rise flat (based on 70m^2, £39 per sqm or an additional 2.9% in costs).

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[88] The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019).

[89] BCIS March 2022 409.0 from BCIS Oct 2018 354.2 = 15.5%. £3,134x15.5%+£3,620. £3,620/85m^2 = £42.60/m^2. £42.60/m^2 / BCIS Estate Housing £1,324 = 3.2%

[90] Figure 4.10.

c. The cost of Zero Regulated Carbon[91] and Zero Regulated and Un-Regulated Carbon[92] is set out as follows:

Table 8.5 Cost of On-Site Carbon Reduction							
	Carbon Saving	Zero Regulated Carbon			Zero Regulated and Un-Regulated Carbon		
		% Uplift	£ per sqm	£/home	% Uplift	£ per sqm	£/home
							Gas Heated
Detached	79%	6.2%	£84	£9,900	9.2%	£124	£14,500
Semi Detached	56%	5.6%	£84	£6,800	8.7%	£126	£10,600
Terraced	59%	6.0%	£82	£6,900	9.4%	£126	£10,600
Low Rise Flat	34%	6.7%	£91	£6,400	10.2%	£137	£9,600
Medium Rise Flat	24%	3.5%	£87	£4,400	5.4%	£136	£6,800
Air Sourced Heat Pump Heated							
Detached	95%	6.4%	£86	£10,100	9.3%	£126	£14,700
Semi Detached	69%	6.8%	£99	£8,300	9.9%	£144	£12,100
Terraced	72%	7.4%	£100	£8,400	10.7%	£144	£12,100
Low Rise Flat	48%	6.9%	£93	£6,500	10.3%	£139	£9,800
Medium Rise Flat	32%	3.8%	£96	£4,800	5.8%	£144	£7,200

Source: Table 4.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

8.64 A report[93] commissioned by Lancaster City Council includes a more recent assessment of costs. These are summarised as follows:

[91] Regulated energy use is regulated by Part L of Building Regulations. This includes energy used for space heating, hot water and lighting together with directly associated pumps (for circulating water) and fans (eg for ventilation).

[92] Unregulated energy use is not controlled by Part L of Building Regulations. In homes this includes energy use for cooking, white goods and small power (eg, TVs, kettles, toasters, IT, etc). The quantity of unregulated energy in a home is estimated in SAP2012 using information on the building area. In non-domestic buildings unregulated energy also includes that used for vertical transportation (lifts and escalators) and process loads such as industrial activities or server rooms.

[93] Lancaster City Council, Climate Change Local Plan review. Policy Response – Decarbonising standards and technology summary report (Three Dragons, Enhabit, February 2021)

Table 8.6 Building standard costs £per sqm and percentage uplift on dwelling build cost

		Unit cost £ / unit				£ /sqm cost				BCIS	Uplift			
Type	Size	Part L 2021	Future homes	PH classic	PH plus*	Part L 2021	Future homes	PH classic	PH plus*	£/sqm	Part L 2021	Future homes	PH classic	PH plus
Terrace	75	£3,300	£9,200	£3,300	£5,925	£44	£123	£44	£79	£1,085	4%	11%	4%	7%
Bungalow	85	£3,700	£10,300	£3,600	£6,575	£44	£121	£42	£77	£1,171	4%	10%	4%	7%
Semi	93	£4,100	£11,500	£4,000	£7,255	£44	£124	£43	£78	£1,085	4%	11%	4%	7%
Detached	106	£4,700	£13,000	£4,600	£8,310	£44	£123	£43	£78	£1,085	4%	11%	4%	7%
Detached	120	£5,300	£14,750	£5,250	£9,450	£44	£123	£44	£79	£1,085	4%	11%	4%	7%
Flats	65	£2,813	£7,938	£2,850	£5,125	£43	£122	£44	£79	£1,264	3%	10%	3%	6%
										Average	**4%**	**11%**	**4%**	**7%**

* The Passivhaus plus figure is Passivhaus classic plus solar - the solar is calculated using the WWA figures of £4,000 for 3KW system for a semi detached of 114sqm - this works out at £35/sqm

Source: Appendix 3, Lancaster City Council, Climate Change Local Plan review. Policy Response – Decarbonising standards and technology summary report (Three Dragons, Enhabit, February 2021)

8.65 The Council is exploring a requirement that new residential development should have an EPC rating of A, and for non-residential development to achieve a BREEAM rating of at least Excellent. It is also exploring seeking a 10% carbon reduction over and above Part L of Building Regulations.

8.66 In this assessment, it is assumed that development is to the 2025 Changes to Part L of Building Regulations (+/- 75% CO_2 saving). In due course, the following scenarios will be tested, with the following assumptions being made:

a. The 2021 changes to Part L of Building Regulations (31% CO_2 saving) to add 3% to the BCIS base costs.

b. The anticipated 2025 Changes to Part L of Building Regulations (+/- 75% CO_2 saving) are expected to add 7% to the BCIS base costs. This cost is assumed to allow for the cost of Air Source Heat Pump (ASHP).

c. Requirement for all dwellings to be constructed to passive house standard or similar zero carbon / near zero carbon standard. Add 5% to 2021 Part L figures.

8.67 Through the consultation[94] [95] it was suggested that '*a rate of c. £5,000 per dwelling for Part L Regulations and £11,000 - £15,000 per dwelling for Future Homes Standard*' may be appropriate. Whilst no supporting information was provided, bearing in mind the base development costs (see Chapter 7), the above costs align broadly.

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[94] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[95] S Gregory of Savills for Orleton Estate re sites around M54, J7.

8.68 The performance of non-residential development is normally assessed using the BREEAM system[96]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[97] by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme, with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent, and this increases the construction costs by 2% or so. This is tested in the base appraisals.

8.69 The option that all commercial buildings are built to a Net Zero Carbon standard is somewhat more costly that BREEAM Excellent. In this instance we have assumed that this would be implemented in a similar way to the development under the London Plan. In London, the GLA seeks a 15% reduction in carbon emissions from energy efficiency measures, with a total on-site reduction of 35% and the achievement of Net Zero regulated carbon emissions using allowable solutions, all in comparison to the emissions from a Part L 2013 compliance building with gas heating. In this regard it was estimated that the following costs were identified:

Table 8.7 Indicative cost uplifts of the potential standards to reduce carbon emissions

Standards	Target	Percentage of construction cost
Energy Efficiency	Minimum carbon reduction of 15%	2%
On site saving	Total carbon reduction of 35%	1%
Allowable solutions	Offset 65% of regulated CO_2 emissions	2-4%
BREEAM	BREEAM Excellent rating	1-2%

Source: Table 9.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

8.70 A paper, *UK Green Building Council, Building the Case for Net Zero (UK GBC, Advanced Net Zero, September 2020)* for Hoare Lea and JLL, considered the cost of Net Zero in two scenarios on a 16 storey city office building. This estimated the additional cost for an 'intermediate' scenario to be 6.2% and a 'stretch' scenario to be between 8% and 17%.

8.71 A paper, *Towards Net Zero Carbon Achieving greater carbon reductions on site - The role of carbon pricing (May 2020)* considered the costs associated with a hotel, a school, and an office building in the context of carbon pricing and a 35% CO_2 saving as per the London Plan. This estimated the additional costs for hotels to be 1.2% to 2.7%, for schools to be 1.1% to 1.7% and for newbuild offices to be 0.8% to 2.1% - although these were only additional construction costs (not whole life costs).

[96] Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990 as a method of assessing, rating, and certifying the sustainability of buildings.

[97] *Delivering sustainable buildings: Savings and payback*. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014.

8.72 It is clear from a range of data sources that the additional costs will vary depending on the specifics of the building under consideration, however the costs of BREEAM Very Good and BREEAM Excellent are modest. In this assessment non-residential buildings are tested with up to 10% additional costs.

8.73 It is timely to note that building to higher standards that result in lower running costs does result in higher values[98], although no premium is assumed in this study (for either residential or non-residential development).

District Heating

8.74 It is understood that there is a Combined Heat and Power (CHP) plant that serves the Southwater development in the Telford Town Centre. It is thought that whilst there is scope for this to be expanded, there are no current plans to do so. Beyond this there are no significant heat sources within Telford (for example industrial sources or waste incinerators) which could be useful sources of renewable energy, particularly from the incineration of waste, in the form of bio-sources. New District Heating Schemes, within the town, would require the construction of a central heat plant as well as the distribution network infrastructure.

8.75 There are few published costs of District Heating Schemes in modern estate housing. There are savings to be made from not installing gas and boilers in each unit, but these are more than offset by the costs of laying the heat pipes through the site, heat metering etc. Informal discussions with suppliers suggest that the additional costs may be in the range of £3,000 to £7,000 per unit, which is supported by the limited published data[99], depending on the size and shape of the project. This has not been included in the base appraisals, but this additional cost will be tested in due course.

Electric Vehicle Charging

8.76 EV charging facilities are now a national requirement (from 25th June 2023) of Building Regulations (Approved Document S). It is assumed that all new homes have EV charging points. A cost of £600/unit has been modelled. This allowance is also applied to high density flatted schemes that may not include full parking provision, however shared chargers may be installed.

8.77 For commercial developments it has been assumed that 20% of spaces will have electric vehicle charging points (this may be phased in with 10% provided at an agreed trigger point

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[98] See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013.)

[99] *Assessment of the Costs, Performance, and Characteristics of UK Heat Networks* (DoE&CC, 2015) provides some guidance for infrastructure to distribute heat, but not generation.

set out in a Travel Plan). To prepare for increased demand in future years, cabling and/or ducting to increase provision should be included in the design of the development.

Accessible and Adaptable Homes

8.78 Lifetime Homes Standards have been superseded and the scope for councils to introduce additional standards are constrained to those within the optional Building Regulations. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4[100]) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)[101], reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility.
- Category 2 – Dwellings which provide enhanced accessibility and adaptability (Part M4(2)).
- Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair (Part M4(3)).

8.79 The cost a wheelchair adaptable dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be is £10,111 per dwelling[102.] The cost of Category 2 is taken to be £521[103] (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed[104] by 40% to £14,155/dwelling and £730/dwelling respectively.

8.80 As set out in Chapter 2 above, in July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes[105] saying *'that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes'.* The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard. No timescale has been announced.

[100] https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m

[101] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418414/150327_-_HSR_IA_Final_Web_Version.pdf

[102] Paragraph 153 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

[103] Paragraph 157 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

[104] BCIS Index March 2014 316.3, May 2023 444.5.

[105] Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK (www.gov.uk)

8.81 The Council's adopted *SPD Homes for all: Providing accessible, supported and specialist housing in Telford and Wrekin* (January 2022) sets the following requirements in this regard.

Table 8.8 Requirements for accessible, adaptable and wheelchair user dwellings

	Requirements on major developments	
	Market housing	**Affordable housing**
Requirement M4(2) **Category 2 (accessible and adaptable dwellings)**	Minimum 20% of provision	Minimum 45% of provision
	Delivery should be distributed across a range of market and affordable tenures	
Requirement M4(3) **Category 3a and 3b (wheelchair user dwellings)**	Minimum 3.5% of provision	Minimum 5% of provision

Source: Table 2 Providing accessible, supported and specialist housing in Telford and Wrekin (January 2022)

8.82 In line with the Government's announcement, it is assumed that all new homes are to be designed to be Accessible and Adaptable (M4(2). In addition, 5% of all new homes are assumed to be designed to be Wheelchair Adaptability M4(3).

Self and Custom Build Housing

8.83 The Council is exploring several options in this regard but has not yet developed a policy. To inform the development of policy a 5% requirement on sites of 100 units and larger has been considered (although it is important to note that this should not be taken as an indication of the Council's preferred approach).

Infrastructure

8.84 New development will be required to mitigate its impact. This will need to cover a wide range of headings including (but not limited to):

Education	Transport	Health
Open Space	Green Infrastructure	Sport and Recreation

8.85 These requirements will be met through s106 contributions. The future approach to such payments is as set out in Chapter 2 above. Based on the data included in **Appendix 9**, developer contributions on recent schemes have varied from zero to over £10,000/unit, with the average being just over £4,000 per unit. £4,000/unit is assumed in the base appraisals.

8.86 As this project *Telford and Wrekin Borough Council Developer Contributions Strategy, Main Report* (TEP, June 2023) was produced. This focuses on Play, Recreation and Open Space (PROS). It is important to note that these requirements only apply where there is a local deficit. This sets out a calculator that varies by subarea and is based on bedspaces. The costs are likely to be within the costs tested. A range of developer contributions up to £40,000 per unit are tested.

8.87 Through the consultation a planner[106] expressed some concern around the base assumption of £4,000/unit but was comforted by the sensitivity testing being carried out.

8.88 Through the consultation[107] [108] the emerging Infrastructure Levy was mentioned. As set out earlier, this is at an early stage and there is insufficient detail to test the appropriate level / threshold for a levy in a robust way, at this stage.

Sustainable Urban Extensions

8.89 This iteration of this assessment includes consideration of the potential Sustainable Urban Extensions are tested as strategic sites. At this stage The Council is taking sites of over 1,000 units to be Sustainable Urban Extensions / strategic sites. In due course the Council will develop site specific policies in relation to any sites taken forward that will build on the following high-level principles:

a. Accessible homes to at least the standard set out in Homes for All SPD.

b. Supported and specialist housing provision to support a mixed community.

c. Provision of a least 5% self-build or custom-build plots.

d. Provision of a local centre to include necessary daily services such as for shopping and small scale employment (depending on size of SUE smaller complimentary local centres also encouraged).

e. Meaningful provision of employment land.

f. Provision of a 2x form entry primary school – can be delivered in a phased approach but 2x form core + land for expansion required.

g. Contribution towards a secondary school – unless it is determined provision would be required on-site.

h. Support for sustainable travel including roads/streets designed for bus routes, walking and cycling links across the site.

i. Improvement of cycle and pedestrian connectivity to and from the site to support access to facilities and services.

j. Minimum of 10% Biodiversity Net Gain.

k. Urban greening measures.

l. Landscape led scheme incorporating opportunities for food growing.

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[106] Reiss Sadler of Marrons.

[107] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[108] S Gregory of Savills for Orleton Estate re sites around M54, J7.

m. Hierarchy of multi-functional open space including play, recreation and areas of informal natural green space.

n. Buffering and landscape protection where adjacent to existing communities.

o. Exceed the Building Regulations on carbon emissions and energy efficient buildings.

p. On-site renewable energy generation at property, street or site level.

q. Well-designed Sustainable Urban Drainage Systems which are multi-functional and seamlessly blend into and enhance the appearance of the development.

r. Air Quality Management and Monitoring.

8.90 These topics have been considered when modelling the sites.

9. Modelling

9.1 In the previous chapters, the general assumptions to be inputted into the development appraisals are set out. In this chapter, the modelling is set out. It is stressed that this is a high-level study that is seeking to capture the generality rather than the specific.

Residential

9.2 Telford & Wrekin Council is considering which sites to allocate, which will be informed by a *Strategic Housing and Employment Land Availability Assessment* (SHELAA). It is understood that this is currently being updated. This is an ongoing process.

9.3 The density assumptions are set out in the Council's *Density and net site area study*.

> ***Density***
>
> *6.2 The following density classes are proposed:*
>
> - *A density of 45 - 55 dph for sites in Newport;*
> - *A density of 35 - 45 dph for sites in Telford less than four hectares;*
> - *A density range of 30 - 40 dph for sites located in Telford over four hectares; and A density of 45 - 75 dph for sites located in Central Telford.*
>
> *6.3 These densities are indicative only. Actcould be influenced by available data on the housing mix, with an increase in density by a higher proportion of apartments and/or a closer proximity to a centre.*
>
> ***Net site area***
>
> *6.4 The net site area should always be determined by using available data on layout and design and site specific characteristics. If no or limited data is available, the following ratios can be used as a guideline:*
>
> - *A gross to net ratio of 95 - 100% for sites less than 1 hectare;*
> - *A gross to net ratio of 75 - 95% for sites between 1 and 2 hectares; and*
> - *A gross to net ratio of 50 - 75% for sites over 2 hectares.*

9.4 Through the consultation a developer[109] suggested that the impact of BNG and NDSS should be separated out as this can impact on the land requirement. It is important to note that 10% BNG is a national requirement, so it is necessary to incorporate it into the base modelling. In this regard it is understood that the Council believes that the site capacity assumptions that it is working to are adequate in this regard. The Council is now planning to seek NDSS, however the impact of NDSS on density (units per ha) on all but the highest density schemes is minor and within the assumptions used within the SHELAA.

[109] J Pearce of Harris Lamb for David Wilson Homes re Land at Bratton,

9.5 Concern was also raised about open space requirements. These are incorporated into the modelling so their impact can be assessed.

9.6 The SHELAA database includes about 200 sites. These range up to about 275ha and have a capacity of up to about 5,000 units. It is important to note that the sites submitted to the Council are undergoing assessment prior to Regulation 18 Draft Plan stage. This long list has been used to inform the modelling.

9.7 The Council has identified five large sites, referred to as Sustainable Urban Extensions, that could potentially come forward for allocation, so the emerging options are tested. As set out earlier in this report, it will be necessary to engage further with the promoters of the potential Sustainable Urban Extensions and service and infrastructure providers as the plan-making process continues. These sites are subject to further assessment prior to the draft plan stage to inform a decision as to whether or not they are included.

Table 9.1 Draft SHELAA Sites

	Brownfield					Greenfield					Mixed					All				
	Count		Total ha		Average ha	Count		Total ha		Average ha	Count		Total ha		Average ha	Count		Total ha		Average ha
Adjacent built up area for Newport	0	0%		0%		11	8%	85.58	5%	7.78	0	0%		0%		11	6%	85.58	4%	7.78
Adjacent built up area for Telford	1	2%	0.70	0%	0.70	40	31%	1,122.43	64%	28.06	6	38%	145.74	51%	24.29	47	24%	1,268.87	58%	27.00
Newport	1	2%	1.36	1%	1.36	1	1%	5.68	0%	5.68	1	6%	24.28	9%	24.28	3	2%	31.32	1%	10.44
Rural area	7	15%	5.51	4%	0.79	67	51%	495.69	28%	7.40	4	25%	96.50	34%	24.13	78	40%	597.70	27%	7.66
Telford	2	4%	17.17	11%	8.59	0	0%		0%		0	0%		0%		2	1%	17.17	1%	8.59
Telford - but outside town	28	61%	119.72	78%	4.28	12	9%	42.38	2%	3.53	5	31%	17.31	6%	3.46	45	23%	179.41	8%	3.99
Telford town centre	7	15%	10.01	6%	1.43	0	0%		0%		0	0%		0%		7	4%	10.01	0%	1.43
All	**46**	**100%**	**154.47**	**100%**	**3.36**	**131**	**100%**	**1,751.76**	**100%**	**13.37**	**16**	**100%**	**283.83**	**100%**	**17.74**	**193**	**100%**	**2,190.05**	**100%**	**11.35**

	Brownfield					Greenfield					Mixed					All				
	Count		Total units		Average units	Count		Total units		Average units	Count		Total units		Average units	Count		Total units		Average units
Adjacent built up area for Newport	0	0%		0%		11	8%	1,609	5%	146.27	0	0%		0%		11	6%	1,609	4%	146.27
Adjacent built up area for Telford	1	2%	20	1%	20.00	40	31%	21,003	67%	525.06	6	38%	2,482	44%	413.73	47	24%	23,505	58%	500.11
Newport	1	2%	57	2%	57.00	1	1%	177	1%	177.00	1	6%	758	14%	758.00	3	2%	992	2%	330.67
Rural area	7	15%	107	3%	15.22	66	51%	7,862	25%	119.12	4	25%	1,935	35%	483.83	77	40%	9,904	24%	128.62
Telford	2	4%	381	10%	190.50	0	0%		0%		0	0%		0%		2	1%	381	1%	190.50
Telford - but outside town	28	61%	2,679	73%	99.22	12	9%	689	2%	57.42	5	31%	417	7%	83.40	45	23%	3,785	9%	86.02
Telford town centre	7	15%	449	12%	64.14	0	0%		0%		0	0%		0%		7	4%	449	1%	64.14
All	**46**	**100%**	**3,693**	**100%**	**82.06**	**130**	**100%**	**31,339**	**100%**	**241.07**	**16**	**100%**	**5,593**	**100%**	**349.54**	**192**	**100%**	**40,624**	**100%**	**212.69**

Source: Draft SHELAA Dataset

9.8 A number of further national consultations were announced during December 2022. These include proposed requirements for second staircases, particularly in taller buildings (although it is important to note that the Council is not planning for 6 storey or taller in Telford) follows the 2017 Grenfell Tower fire, and will be reflected in the net saleable area assumptions in the modelling.

9.9 Based on the SHELAA, a set of typologies has been developed, although it may be necessary to update these in due course. These include a range of site density assumptions. A set of typologies was set out and presented to the consultation. In this regard it was noted[110] [111] as follows:

> *We acknowledge it is difficult at Local Plan stage to know exactly what types of residential developments will be coming forward, and it is important to note that each site will have their own particular nuances that make the site unique.*
>
> *We consider that the range of typologies proposed are useful, but that there should be additional typologies included. For example, the "paddock" land identified as being on the edge of settlement is only tested up to 20 units, but we consider that larger sites should be considered as a site that is edge of settlement but 100 units may have different challenges to that which is considered to be developed on agriculture land.*
>
> *We also consider that Build to Rent as a tenure should be tested not just on brownfield / previously development land but also greenfield, as it is becoming increasingly attractive to the market.*

9.10 The initial modelling did include a greenfield typology of 40 units. A further greenfield typology of 60 units has been added. A greenfield Build to Rent typology has been included.

Table 9.2 Typologies and Sustainable Urban Extensions

Greenfield 800	Units	800	Mix of family housing as per SHMA. 60% net developable.
	Gross	38.095	
	Net	22.857	
1	Density	35.0	
Large GF 500	Units	500	Mix of family housing as per SHMA. 70% net developable.
	Gross	20.408	
	Net	14.286	
2	Density	35.0	
Large GF - 300	Units	300	Mix of family housing as per SHMA. 75% net developable.
	Gross	10.000	
	Net	7.500	
3	Density	40.0	

[110] S Gregory of Savills for David Wilson Homes re Land at Bratton.

[111] S Gregory of Savills for Orleton Estate re sites around M54, J7.

Large GF - 100	Units	100	Mix of family housing as per SHMA. 70% net developable.
	Gross	4.082	
	Net	2.857	
4	Density	35.0	
Medium GF - 60	Units	60	Mix of family housing as per SHMA. 70% net developable.
	Gross	2.449	
	Net	1.714	
5	Density	35.0	
Medium GF - 40	Units	40	Mix of family housing as per SHMA. 85% net developable.
	Gross	1.176	
	Net	1.000	
6	Density	40.0	
Medium GF - 20	Units	20	Mix of family housing as per SHMA. 95% net developable.
	Gross	0.468	
	Net	0.444	
7	Density	45.0	
Medium GF - 12	Units	12	Small site. 100% net developable.
	Gross	0.343	
	Net	0.343	
8	Density	35.0	
Green 7	Units	7	Small site. 100% net developable.
	Gross	0.233	
	Net	0.233	
9	Density	30.0	
Green 5	Units	5	Small site. 100% net developable.
	Gross	0.167	
	Net	0.167	
10	Density	30.0	
Large BF - 500	Units	500	Mix of family housing as per SHMA. 70% net developable.
	Gross	15.873	
	Net	11.111	
11	Density	45.0	
Large BF - 200	Units	200	Mix of family housing as per SHMA. 75% net developable.
	Gross	5.926	
	Net	4.444	
12	Density	45.0	

Medium BF 100	Units	100	Mix of family housing as per SHMA. 80% net developable.
	Gross	2.500	
	Net	2.000	
13	Density	50.0	
Medium BF 50	Units	50	Mix of family housing as per SHMA. 85% net developable.
	Gross	1.176	
	Net	1.000	
14	Density	50.0	
Medium BF 50 Flats	Units	50	Flatted scheme. 90% net developable.
	Gross	0.794	
	Net	0.714	
15	Density	70.0	
Medium BF - 20	Units	20	Small scheme. 100% net developable.
	Gross	0.400	
	Net	0.400	
16	Density	50.0	
Medium BF - 20 Flats	Units	20	Small flatted scheme. 100% net developable.
	Gross	0.667	
	Net	0.667	
17	Density	30.0	
BF 12	Units	12	Small scheme. 100% net developable.
	Gross	0.267	
	Net	0.267	
18	Density	45.0	
BF 12 Flats	Units	12	Small flatted scheme. 100% net developable.
	Gross	0.171	
	Net	0.171	
19	Density	70.0	
Brown 7	Units	7	Small Brownfield site. Modelled with affordable housing.
	Gross	0.175	
	Net	0.175	
20	Density	40.0	
Built to Rent GF	Units	60	Built to Rent scheme of semi-detached housing on greenfield site.
	Gross	1.765	
	Net	1.500	
21	Density	40.0	

Built to Rent BF	Units	60	Built to Rent scheme of terraced housing on brownfield site.
	Gross	1.333	
	Net	1.200	
22	Density	50.0	
Build to Rent Flats	Units	60	Build to Rent flatted scheme in Telford.
	Gross	0.842	
	Net	0.800	
23	Density	75.0	
North of A442 Wheat Leasows	Units	2,750	Potential Sustainable Urban Extension. Whole site 270ha to include 2,500 to 3,000 dwellings and 75ha employment. Residential element modelled assuming 30dph and 60% net developable (152.778ha).
	Gross	152.778	
	Net	91.667	
26	Density	30.0	
North East of Muxton	Units	2,250	Potential Sustainable Urban Extension. Whole site 200ha to include 2,000 to 2,500 dwelling. Residential element modelled assuming 30dph and 60% net developable (125ha).
	Gross	125.000	
	Net	75.000	
27	Density	30.0	
Bratton and Shawbirch	Units	1,750	Potential Sustainable Urban Extension. Whole site 76ha to include 1,500 to 2,000 dwelling. Modelled assuming 35dph and 67% net developable.
	Gross	83.333	
	Net	50.000	
28	Density	35.0	
North of Redhill	Units	2,750	Potential Sustainable Urban Extension. Whole site 220ha to include 2,500 to 3,000 dwelling. Residential element modelled assuming 30dph and 60% net developable (152.778ha).
	Gross	152.778	
	Net	91.667	
29	Density	30.0	
Dawley Rd	Units	2,000	Potential Sustainable Urban Extension. Whole site 136ha to include 2,000 dwellings and 20ha employment. Residential element modelled on 116ha assuming 30dph and 57% net developable.
	Gross	111.111	
	Net	66.667	
30	Density	30.0	

Source: HDH (May 2023)

Table 9.3 Summary of Typologies and Sustainable Urban Extensions

			Current Use	Units	Area Ha				Density Units/ha		Density
					Total	Gross	Net	%	Gross	Net	m2/ha
1	Greenfield 800	Green	Agricultural	800	38.095	38.095	22.857	60.0%	21.00	35.00	3,022
2	Large GF 500	Green	Agricultural	500	20.408	20.408	14.286	70.0%	24.50	35.00	3,041
3	Large GF - 300	Green	Agricultural	300	10.000	10.000	7.500	75.0%	30.00	40.00	3,470
4	Large GF - 100	Green	Agricultural	100	4.082	4.082	2.857	70.0%	24.50	35.00	3,104
5	Medium GF - 60	Green	Agricultural	60	2.449	2.449	1.714	70.0%	24.50	35.00	3,094
6	Medium GF - 40	Green	Agricultural	40	1.176	1.176	1.000	85.0%	34.00	40.00	3,458
7	Medium GF - 20	Green	Paddock	20	0.468	0.468	0.444	95.0%	42.75	45.00	3,962
8	Medium GF - 12	Green	Paddock	12	0.343	0.343	0.343	100.0%	35.00	35.00	3,086
9	Green 7	Green	Paddock	7	0.233	0.233	0.233	100.0%	30.00	30.00	2,606
10	Green 5	Green	Paddock	5	0.167	0.167	0.167	100.0%	30.00	30.00	2,376
11	Large BF - 500	Brown	PDL	500	15.873	15.873	11.111	70.0%	31.50	45.00	3,709
12	Large BF - 200	Brown	PDL	200	5.926	5.926	4.444	75.0%	33.75	45.00	3,692
13	Medium BF 100	Brown	PDL	100	2.500	2.500	2.000	80.0%	40.00	50.00	4,161
14	Medium BF 50	Brown	PDL	50	1.176	1.176	1.000	85.0%	42.50	50.00	4,092
15	Medium BF 50 Flats	Brown	PDL	50	0.794	0.794	0.714	90.0%	63.00	70.00	4,752
16	Medium BF - 20	Brown	PDL	20	0.400	0.400	0.400	100.0%	50.00	50.00	3,818
17	Medium BF - 20 Flats	Brown	PDL	20	0.667	0.667	0.667	100.0%	30.00	30.00	2,133
18	BF 12	Brown	PDL	12	0.267	0.267	0.267	100.0%	45.00	45.00	3,432
19	BF 12 Flats	Brown	PDL	12	0.171	0.171	0.171	100.0%	70.00	70.00	4,864
20	Brown 7	Brown	PDL	7	0.175	0.175	0.175	100.0%	40.00	40.00	3,280
21	Built to Rent GF	Green	Agricultural	60	1.765	1.765	1.500	85.0%	34.00	40.00	3,454
22	Built to Rent BF	Brown	PDL	60	1.333	1.333	1.200	90.0%	45.00	50.00	3,833
23	Build to Rent Flats	Brown	PDL	60	0.842	0.842	0.800	95.0%	71.25	75.00	5,697
26	North of A442 Wheat Leasows	Green	Agricultural	2,750	152.778	152.778	91.667	60.0%	18.00	30.00	2,590
27	North East of Muxton	Green	Agricultural	2,250	125.000	125.000	75.000	60.0%	18.00	30.00	2,546
28	Bratton and Shawbirch	Green	Agricultural	1,750	76.000	83.333	50.000	65.8%	21.00	35.00	3,025
29	North of Redhill	Green	Agricultural	2,750	152.778	152.778	91.667	60.0%	18.00	30.00	2,590
30	Dawley Rd	Green	Agricultural	2,000	116.000	111.111	66.667	60.0%	18.00	30.00	2,594

Source: HDH (May 2023)

Older People's Housing

9.11 A private Sheltered/retirement and an Extracare scheme have been modelled, each on a 0.5ha site as follows.

- A private Sheltered/retirement scheme of 20 x 1 bed units of 50m^2 and 25 x 2 bed units of 75m^2 to give a net saleable area (GIA) of 2,875m^2. A further 20% non-saleable service and common areas to give a scheme GIA of 3,594m^2 has been assumed.
- An Extracare scheme of 36 x 1 bed units of 65m^2 and 24 x 2 bed units of 80m^2 to give a net saleable area (GIA) of 4,260m^2. A further 35% non-saleable service and common areas to give a scheme GIA of 6,554m^2 has been assumed.

Employment Uses

9.12 For the purpose of this study a wider range of development types has been assessed. The modelling has been based on the following development types:

a. **Large offices**. These are more than 250m^2, will be of steel frame construction, be over several floors and will be located on larger business parks. Typical larger units in the Council area are around 2,000m^2 – this will be used as the basis of the modelling. For the prime offices in central Telford, a higher format based on 4,000m^2 has been assumed.

b. **Industrial**. Modern industrial units of over 500 m^2. There is relatively little new space being constructed. Typical larger units in the Council area are in excess of 1,500m^2 – units of 4,000m^2 and 400m^2 are modelled.

c. **Distribution**. These will normally be on a business park and be of simple steel frame construction, the walls will be of block work and insulated cladding and there will be a small office area. Typical smaller units in the area are around 4,000m^2 – this will be used as the basis of the modelling.

9.13 In developing these typologies, assumptions have been made about the site coverage and density of development on the sites. It has been assumed that there will be 75% coverage on the office sites in the city-centre with 25% elsewhere, and 45% coverage on the industrial sites. With offices, it has been assumed that there will be two story construction in the business park situation, and four story construction in the city centre situation.

9.14 The plethora of other types of commercial and employment development beyond office and industrial/storage uses has not been investigated in this study.

Retail

9.15 For this study the following types of space have been assessed. It is important to remember that this assessment is looking at the ability of new projects to bear an element of CIL – it is only therefore necessary to look at the main types of development likely to come forward in the future. The following distinct types of retail development have been modelled for the sake of completeness – although it should be noted that no such development is scheduled to take place on the specific sites.

a. **Supermarkets**. A single storey retail unit development with a gross (i.e. GIA) area of 2,000m^2. It is assumed to occupy a total site area of 1ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m^2. It is assumed to occupy a total site area of 0.8ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

c. **Shop** is a brick built development, on two storeys, of 150 m^2. No car parking or loading space is allowed for, and the total site area (effectively the building footprint) is 0.019ha.

9.16 In line with the CIL Regulations, only developments of over 100m^2 have been assessed. There are other types of retail development, such as small single farm shops, petrol filling stations and garden centres. These have not been included in this high-level study due to the great diversity of project that may arise.

9.17 In developing these typologies, assumptions have been made about the site coverage and density of development on the sites. Simple, single storey construction has been assumed and have assumed that there are no mezzanine floors.

10. Residential Appraisals

10.1 At the start of this chapter, it is important to stress that the results of the appraisals do not, in themselves, determine the deliverability of development. The results of this study are one of a number of factors that Telford and Wrekin Council will consider when selecting sites for allocation. Council will also consider the track record through the development management process and a plethora of other factors.

10.2 The appraisals use the residual valuation approach, they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin, being the Benchmark Land Value (BLV).

10.3 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:

a. **Green Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).

b. **Amber Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.

c. **Red Non-viable** – where the Residual Value does not exceed the EUV.

10.4 A report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a typology is shown as viable does not necessarily mean that, that type of development will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and the comments of the site promoters.

Base Appraisals

10.5 The initial appraisals are based on the current policy requirement, but with 30% affordable housing, updated to take into account the developing areas of national policy. The base appraisals are carried out on the basis of the 2025 increase to Part L of Building Regulations, The mandating of Accessible and Adaptable standards under Part M of Building Regulations, mandatory EV Charging and 10% Biodiversity Net Gain. The full policy-on scenario with all the policy requirements, unless stated, being the following assumptions:

a. Affordable Housing — 30% as 33% Affordable Home Ownership / 67% Affordable Rent – in line with the requirements for 10% AHO and 25%

		of affordable homes to be First Homes (with 40% discount and £180,000 cap).
b.	Design	95% Part M4(2), 5% Part M4(3) Water efficiency, 10% Biodiversity Net Gain, 2025 Part L.
c.	Developer Contributions	s106 as £4,000/unit.

10.6 The base appraisals are included in **Appendix 12**.

Table 10.1a Residential Typologies – Residual Values

Telford and Adjacent

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Greenfield 800	Telford	Green	Agricultural	38.10	22.86	800	347,202	578,670	13,226,749
Site 2	Large GF 500	Telford	Green	Agricultural	20.41	14.29	500	437,659	625,227	8,931,817
Site 3	Large GF - 300	Telford	Green	Agricultural	10.00	7.50	300	566,602	755,469	5,666,020
Site 4	Large GF - 100	Telford	Green	Agricultural	4.08	2.86	100	30,141	43,058	123,023
Site 5	Medium GF - 60	Telford	Green	Agricultural	2.45	1.71	60	25,980	37,115	63,626
Site 6	Medium GF - 40	Telford	Green	Agricultural	1.18	1.00	40	56,978	67,033	67,033
Site 7	Medium GF - 20	Telford	Green	Paddock	0.47	0.44	20	783,568	824,808	366,581
Site 8	Medium GF - 12	Telford	Green	Paddock	0.34	0.34	12	880,953	880,953	302,041
Site 9	Green 7	Telford	Green	Paddock	0.23	0.23	7	744,863	744,863	173,801
Site 10	Green 5	Telford	Green	Paddock	0.17	0.17	5	602,588	602,588	100,431
Site 11	Large BF - 500	Telford	Brown	PDL	15.87	11.11	500	397,454	567,792	6,308,799
Site 12	Large BF - 200	Telford	Brown	PDL	5.93	4.44	200	472,851	630,468	2,802,080
Site 13	Medium BF 100	Telford	Brown	PDL	2.50	2.00	100	-199,964	-249,955	-499,909
Site 14	Medium BF 50	Telford	Brown	PDL	1.18	1.00	50	-225,065	-264,783	-264,783
Site 15	Medium BF 50 Flats	Telford	Brown	PDL	0.79	0.71	50	-3,095,719	-3,439,688	-2,456,920
Site 16	Medium BF - 20	Telford	Brown	PDL	0.40	0.40	20	-368,317	-368,317	-147,327
Site 17	Medium BF - 20 Flats	Telford	Brown	PDL	0.67	0.67	20	-1,287,555	-1,287,555	-858,370
Site 18	BF 12	Telford	Brown	PDL	0.27	0.27	12	-188,793	-188,793	-50,345
Site 19	BF 12 Flats	Telford	Brown	PDL	0.17	0.17	12	-3,060,390	-3,060,390	-524,638
Site 20	Brown 7	Telford	Brown	PDL	0.18	0.18	7	169,726	169,726	29,702
Site 21	Built to Rent GF	Telford	Green	Agricultural	1.76	1.50	60	-1,333,827	-1,569,208	-2,353,813
Site 22	Built to Rent BF	Telford	Brown	PDL	1.33	1.20	60	-2,009,600	-2,232,889	-2,679,466
Site 23	Build to Rent Flats	Telford	Brown	PDL	0.84	0.80	60	-5,180,729	-5,453,399	-4,362,719
Site 26	North of A442 Wheat Leasows	N of Telford	Green	Agricultural	152.78	91.67	2,750	226,069	376,782	34,538,310
Site 27	North East of Muxton	N of Telford	Green	Agricultural	125.00	75.00	2,250	234,999	391,665	29,374,895
Site 28	Bratton and Shawbirch	NW of Telford	Green	Agricultural	83.33	50.00	1,750	340,867	518,118	25,905,909
Site 29	North of Redhill	E of Telford	Green	Agricultural	152.78	91.67	2,750	226,069	376,782	34,538,310
Site 30	Dawley Rd	W of Telford	Green	Agricultural	111.11	66.67	2,000	239,962	417,535	27,835,640

Source: HDH (May 2023)

Table 10.1a Residential Typologies – Residual Values

Newport and Rural

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Greenfield 800	Newport & Rural	Green	Agricultural	38.10	22.86	800	579,742	966,237	22,085,415
Site 2	Large GF 500	Newport & Rural	Green	Agricultural	20.41	14.29	500	725,663	1,036,662	14,809,452
Site 3	Large GF - 300	Newport & Rural	Green	Agricultural	10.00	7.50	300	926,429	1,235,238	9,264,285
Site 4	Large GF - 100	Newport & Rural	Green	Agricultural	4.08	2.86	100	357,405	510,578	1,458,794
Site 5	Medium GF - 60	Newport & Rural	Green	Agricultural	2.45	1.71	60	342,005	488,579	837,564
Site 6	Medium GF - 40	Newport & Rural	Green	Agricultural	1.18	1.00	40	515,614	606,605	606,605
Site 7	Medium GF - 20	Newport & Rural	Green	Paddock	0.47	0.44	20	783,568	824,808	366,581
Site 8	Medium GF - 12	Newport & Rural	Green	Paddock	0.34	0.34	12	880,953	880,953	302,041
Site 9	Green 7	Newport & Rural	Green	Paddock	0.23	0.23	7	744,863	744,863	173,801
Site 10	Green 5	Newport & Rural	Green	Paddock	0.17	0.17	5	602,588	602,588	100,431
Site 11	Large BF - 500	Newport & Rural	Brown	PDL	15.87	11.11	500	397,454	567,792	6,308,799
Site 12	Large BF - 200	Newport & Rural	Brown	PDL	5.93	4.44	200	472,851	630,468	2,802,080
Site 13	Medium BF 100	Newport & Rural	Brown	PDL	2.50	2.00	100	-199,964	-249,955	-499,909
Site 14	Medium BF 50	Newport & Rural	Brown	PDL	1.18	1.00	50	-225,065	-264,783	-264,783
Site 15	Medium BF 50 Flats	Newport & Rural	Brown	PDL	0.79	0.71	50	-3,095,719	-3,439,688	-2,456,920
Site 16	Medium BF - 20	Newport & Rural	Brown	PDL	0.40	0.40	20	-368,317	-368,317	-147,327
Site 17	Medium BF - 20 Flats	Newport & Rural	Brown	PDL	0.67	0.67	20	-1,287,555	-1,287,555	-858,370
Site 18	BF 12	Newport & Rural	Brown	PDL	0.27	0.27	12	-188,793	-188,793	-50,345
Site 19	BF 12 Flats	Newport & Rural	Brown	PDL	0.17	0.17	12	-3,060,390	-3,060,390	-524,638
Site 20	Brown 7	Newport & Rural	Brown	PDL	0.18	0.18	7	169,726	169,726	29,702
Site 21	Built to Rent GF	Newport & Rural	Green	Agricultural	1.76	1.50	60	-1,333,827	-1,569,208	-2,353,813
Site 22	Built to Rent BF	Newport & Rural	Brown	PDL	1.33	1.20	60	-2,009,600	-2,232,889	-2,679,466
Site 23	Build to Rent Flats	Newport & Rural	Brown	PDL	0.84	0.80	60	-5,180,729	-5,453,399	-4,362,719

Source: HDH (May 2023)

10.7 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology.

10.8 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

Table 10.2a Residual Value v BLV – Telford and Adjacent

			EUV	BLV	Residual Value
Site 1	Greenfield 800	Telford	25,000	375,000	347,202
Site 2	Large GF 500	Telford	25,000	375,000	437,659
Site 3	Large GF - 300	Telford	25,000	375,000	566,602
Site 4	Large GF - 100	Telford	25,000	375,000	30,141
Site 5	Medium GF - 60	Telford	25,000	375,000	25,980
Site 6	Medium GF - 40	Telford	25,000	375,000	56,978
Site 7	Medium GF - 20	Telford	50,000	400,000	783,568
Site 8	Medium GF - 12	Telford	50,000	400,000	880,953
Site 9	Green 7	Telford	50,000	400,000	744,863
Site 10	Green 5	Telford	50,000	400,000	602,588
Site 11	Large BF - 500	Telford	1,000,000	1,200,000	397,454
Site 12	Large BF - 200	Telford	1,000,000	1,200,000	472,851
Site 13	Medium BF 100	Telford	1,000,000	1,200,000	-199,964
Site 14	Medium BF 50	Telford	1,000,000	1,200,000	-225,065
Site 15	Medium BF 50 Flats	Telford	1,000,000	1,200,000	-3,095,719
Site 16	Medium BF - 20	Telford	1,000,000	1,200,000	-368,317
Site 17	Medium BF - 20 Flats	Telford	1,000,000	1,200,000	-1,287,555
Site 18	BF 12	Telford	1,000,000	1,200,000	-188,793
Site 19	BF 12 Flats	Telford	1,000,000	1,200,000	-3,060,390
Site 20	Brown 7	Telford	1,000,000	1,200,000	169,726
Site 21	Build to Rent GF	Telford	25,000	375,000	-1,333,827
Site 22	Build to Rent BF	Telford	1,000,000	1,200,000	-2,009,600
Site 23	Build to Rent Flats	Telford	1,000,000	1,200,000	-5,180,729
Site 26	North of A442 Wheat Leasows	N of Telford	25,000	275,000	226,069
Site 27	North East of Muxton	N of Telford	25,000	275,000	234,999
Site 28	Bratton and Shawbirch	NW of Telford	25,000	275,000	340,867
Site 29	North of Redhill	E of Telford	25,000	275,000	226,069
Site 30	Dawley Rd	W of Telford	25,000	275,000	239,962

Source: HDH (May 2023) (GF = Greenfield, BF = Brownfield)

Table 10.2b Residual Value v BLV – Newport and Rural					
			EUV	BLV	Residual Value
Site 1	Greenfield 800	Newport & Rural	25,000	375,000	579,742
Site 2	Large GF 500	Newport & Rural	25,000	375,000	725,663
Site 3	Large GF - 300	Newport & Rural	25,000	375,000	926,429
Site 4	Large GF - 100	Newport & Rural	25,000	375,000	357,405
Site 5	Medium GF - 60	Newport & Rural	25,000	375,000	342,005
Site 6	Medium GF - 40	Newport & Rural	25,000	375,000	515,614
Site 7	Medium GF - 20	Newport & Rural	50,000	400,000	783,568
Site 8	Medium GF - 12	Newport & Rural	50,000	400,000	880,953
Site 9	Green 7	Newport & Rural	50,000	400,000	744,863
Site 10	Green 5	Newport & Rural	50,000	400,000	602,588
Site 11	Large BF - 500	Newport & Rural	1,000,000	1,200,000	397,454
Site 12	Large BF - 200	Newport & Rural	1,000,000	1,200,000	472,851
Site 13	Medium BF 100	Newport & Rural	1,000,000	1,200,000	-199,964
Site 14	Medium BF 50	Newport & Rural	1,000,000	1,200,000	-225,065
Site 15	Medium BF 50 Flats	Newport & Rural	1,000,000	1,200,000	-3,095,719
Site 16	Medium BF - 20	Newport & Rural	1,000,000	1,200,000	-368,317
Site 17	Medium BF - 20 Flats	Newport & Rural	1,000,000	1,200,000	-1,287,555
Site 18	BF 12	Newport & Rural	1,000,000	1,200,000	-188,793
Site 19	BF 12 Flats	Newport & Rural	1,000,000	1,200,000	-3,060,390
Site 20	Brown 7	Newport & Rural	1,000,000	1,200,000	169,726
Site 21	Build to Rent GF	Newport & Rural	25,000	375,000	-1,333,827
Site 22	Build to Rent BF	Newport & Rural	1,000,000	1,200,000	-2,009,600
Site 23	Build to Rent Flats	Newport & Rural	1,000,000	1,200,000	-5,180,729

Source: HDH (May 2023) (GF = Greenfield, BF = Brownfield)

10.9 In considering the above it is important to note that the analysis assumes 30% affordable housing. The current policy requires 25% affordable housing in Telford; and 35% elsewhere.

10.10 The Residual Value is the maximum price a developer can pay a landowner and make an adequate return. The Residual Value assumption applied to the larger greenfield sites is somewhat greater in Newport and the rural areas (£3,300 per sqm) than within and adjacent to Telford (£3,000 per sqm). This is reflected in the results with the Residual Value being about £330,000 greater in the higher value area.

10.11 Across the greenfield sites, the Residual Value exceeds the BLV in most cases, suggesting that such development is likely to be viable on the basis tested, however, in the case of the brownfield sites, the Residual Value is less than the EUV in all cases.

10.12 It is important to note that a significant number of the brownfield sites that may come forward for development are within the Council's control. The Council is committed to delivering policy compliant development and has a long track record of doing so, both through actively intervening in the market and through working with the wider public sector to enable delivery.

10.13 The Council has identified five large sites, referred to as Sustainable Urban Extensions, that could potentially come forward for allocation. On these the Residual Value exceeds the EUV, but on most is a little less than the BLV, suggesting that these are likely to be challenging to deliver with 30% affordable housing. In this context it is necessary to note that the delivery of any large site is challenging. Regardless of these results, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

10.14 In this context paragraph 10-006 of the PPG is particularly highlighted:

> *... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*
>
> *PPG 10-006-20180724*

10.15 As with the brownfield sites, the Council has an excellent record of securing 'gap funding' to enable the delivery of large-scale greenfield schemes and anticipates that this will continue in the future.

10.16 It is important to note that all the above appraisals assume developer contributions as set out in Chapter 8. As and when the Sustainable Urban Extensions are identified and confirmed, it will be necessary to test them against their strategic infrastructure and mitigation requirements identified through the Infrastructure Delivery Plan (IDP).

Benchmark Land Value

10.17 Through the consultation process a range of views were expressed as to the appropriate Benchmark Land Value. In this iteration of this viability assessment, the following BLV assumptions are used (these are applied on a gross site area):

a. Brownfield/Urban Sites: EUV Plus 20%.

b. Greenfield Sites: Generally - EUV Plus £350,000/ha.

Sustainable Urban Extensions / Strategic Sites - EUV x 10

10.18 Whilst this is considered to be appropriate, a range of BLV assumptions of up to £1,400,000/ha have been tested and are set out in **Appendix 13** below.

10.19 In the Telford area, when the BLV is increased, more typologies do show as being unviable, with the tipping point being around £400,000/ha. The pattern is similar in the higher value Newport and rural areas, where the tipping point is a little higher at around £500,000/ha.

10.20 Whilst there was not universal agreement with regard to the BLV assumptions, the analysis shows that if a BLV assumption that was significantly higher than the one that is used, the results would be materially different, having said that, the assumptions used are broadly in line with those used elsewhere.

Developers' Return

10.21 In the initial iteration of this assessment the developers' return was taken as 17.5% of market housing and 6% of affordable housing. Based on comments made through the consultation process, this was changed to 17.5% across the mainstream housing schemes. Some suggestion was made that a greater assumption should be used so a range of assumptions are tested in the 15% to 20% range (as per paragraph 10-018-20190509 of the updated PPG) and are set out in **Appendix 14** below.

10.22 This analysis shows that where a higher developers' return of 20% is used, rather than the 17.5% assumption, the proportion of typologies that generate a Residual Value that exceeds the BLV is broadly similar. The Council can therefore have confidence in the analysis set out in this report.

Varied Policy Requirements

10.23 The above analysis is based on a 30% affordable housing requirement as this is a convenient starting point. The Council is exploring various options, including seeking higher environmental standards and greater accessibility. Sets of appraisals have been run to establish the costs of the additional policy requirements. The results are included in **Appendix 15**.

10.24 The starting place for this analysis is the recent and emerging national standards, including the 2025 increase to Part L of Building Regulations, the mandating of Accessible and Adaptable standards under Part M of Building Regulations, mandatory EV Charging and the national requirement for 10% Biodiversity Net Gain. The figures in the following table are an indication of the amount the Residual Value will fall (or rise) for the various policy requirements. The reduction in the amount of the Residual Value is the reduced amount in the maximum price a developer can pay a landowner.

Table 10.3 Costs of Policy Requirements (Fall in Residual Value as £/ha)					
	Greenfield	Brownfield	Flats	Sustainable Urban Extensions	All
Telford & Adjacent					
Environmental Policies - Relative to Part L 2025 (80% CO_2)					
Pt L 2023	-£148,591	-£203,326	-£293,956	-£64,567	-£177,941
Pt L 2025	£0	£0	£0	£0	£0
Zero CO_2	£188,158	£259,298	£367,457	£83,958	£225,213
District Heat	£171,875	£245,071	£293,674	£74,430	£201,176
Rainwater Harvesting	£85,612	£121,912	£146,837	£36,710	£100,202
Accessibility Policies - Relative to 100% Accessible and Adaptable Standard (M4(2))					
100% M4(2), 0% M4(3)a	£0	£0	£0	£0	£0
95% M4(2), 5% M4(3)a	£22,941	£32,426	£39,423	£9,695	£26,781
90% M4(2), 10% M4(3)a	£46,646	£65,901	£80,114	£19,750	£54,444
Newport & Rural					
Environmental Policies - Relative to Part L 2025 (80% CO_2)					
Pt L 2023	-£147,640	-£203,326	-£293,956		-£166,072
Pt L 2025	£0	£0	£0		£0
Zero CO_2	£185,068	£259,298	£367,457		£209,117
District Heat	£169,058	£245,071	£293,674		£186,879
Rainwater Harvesting	£84,369	£121,912	£146,837		£93,203
Accessibility Policies - Relative to 100% Accessible and Adaptable Standard (M4(2))					
100% M4(2), 0% M4(3)a	£0	£0	£0		£0
95% M4(2), 5% M4(3)a	£22,651	£32,426	£39,423		£24,947
90% M4(2), 10% M4(3)a	£46,032	£65,901	£80,114		£50,698

Source: HDH (May 2023)

10.25 The amount the Residual Value falls is related to the density of the type of development, by way of an example, seeking Zero Carbon on flatted development is likely to reduce the Residual Value by about £300,000/ha, whilst the impact is about £80,000/ha on the very large Sustainable Urban Extensions. These differences are largely due to the density assumptions used in the modelling.

10.26 The increase from the 2025 environmental standard (Part L – 80% CO_2 saving) is significant. The cost of seeking 5% Wheelchair Adaptable housing is relatively modest in the context of the total development costs.

Affordable Housing

10.27 A core purpose of this study is to consider an appropriate affordable housing target. The total amount of affordable housing has been considered, as has the tenure mix. The current affordable housing policy sets out that the Council requires 25% affordable housing in Telford; and 35% in Newport and in any other location. The policy does not set out a preferred tenure mix, and the 2016 SHMA does not recommend one, beyond suggesting the greater need is for affordable housing for rent.

10.28 The NPPF (paragraph 65) sets out a policy for a minimum of 10% affordable home ownership units on larger sites (10 plus) and the PPG sets out that '*First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations*'. In relation to First Homes, the Council has set out its approach in a Position Statement that seeks a 40% discount and a £180,000 cap. A range of tenure mixes are tested.

10.29 The tables included in **Appendix 16** show the results of the appraisals where the total amount of affordable housing is varied. In this analysis the affordable housing is assumed to meet the requirements of the NPPF that 10% of all the housing should be Affordable Home Ownership, and of the PPG that 25% of affordable housing is a First Home. All other matters are as in the base appraisals at the start of this chapter. This analysis is repeated with the assumptions that all the affordable housing for rent is Affordable Rent, and that all the affordable housing for rent is Social Rent.

10.30 This analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £75,000/ha less where the affordable housing for rent is provided as Social Rent rather than Affordable Rent. The consequence of this is that should the Council seek that all the affordable housing for rent is as Social Rent, the developer could typically afford to pay a landowner about £75,000/ha less than where the affordable housing for rent is as Affordable Rent. This is a significant difference that has the impact of reducing the scope for affordable housing provision by about 5%, although the impact varies considerably across the different typologies.

10.31 First Homes are required to be subject to a minimum discount of 30%. Paragraph 70-004-20210524 of the PPG gives councils scope (subject to conditions) to set an alternative discount of 40% or 50% or a cap reduced below the £250,000 set out in the PPG. The Council has set out its approach to First Homes in a Position Statement[112] that seeks a 40% discount and a £180,000 cap. A further set of appraisals has been run with the First Homes being subject to a range of discounts and caps, the results of which are set out in **Appendix 17**.

[112] https://www.telford.gov.uk/downloads/file/19857/homes_for_all_spd

10.32 This analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £40,000/ha less where the First Homes are subject to a 40% discount and a £180,000 cap rather than the minimum 30% discount and £250,000 cap.

10.33 This analysis shows that when subject to a 30% discount, the cap does not make a material difference to the results until it falls below £200,000. With a 40% discount, the cap does not make a material difference to the results until it falls below £180,000. With a 50% discount, the cap does not make a material difference to the results. As above, the impact varies across the different typologies, however, demonstrates that increasing the percentage discount or reducing the cap is likely to have a substantially greater impact on viability than increasing accessibility standards, but a little less impact than moving to Zero Carbon construction.

10.34 The affordable for rent / affordable to buy split also has an impact on viability. A further set of appraisals has been where the affordable housing for rent makes up 50% of the affordable housing and, alternatively, 70% of the affordable housing. This analysis assumes the NPPF minimum of 10% affordable home ownership units on larger sites, and the PPG set requirement for First Homes applies.

10.35 The tables included in **Appendix 18** show the results of the appraisals where the balance between affordable housing for rent and affordable housing to buy is varied.

10.36 This analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £150,000/ha less where 50% of the affordable housing is provided as First Homes and Shared Ownership and the balance as Affordable Rent, rather than 30% of the affordable housing being provided as First Homes and Shared Ownership and the balance of 70% as Affordable Rent. It is clear that altering the tenure mix can have a significant impact on viability.

Developer Contributions

10.37 The above analysis considered the impact of affordable housing on development viability, taking into account the anticipated requirements for developer contributions based on the most up to date information.

10.38 A range of developer contribution costs ranging from £0 to £40,000 per unit has been tested against 0% to 40% affordable housing requirements. This approach is appropriate at this stage of the plan-making process, but it will be necessary to keep these under review as the plan-making process continues.

10.39 The above analysis considered the impact of higher policy standards. The effect of affordable housing and developer contributions is tested in three scenarios.

Table 10.4 Policy Scenarios for Policy Testing			
	Lower Requirements	**Mid Requirements**	**Higher Requirements**
Biodiversity Net Gain	10%	10%	10%
Carbon and Energy	2025 Part L	2025 Part L	Zero Carbon
Accessibility	100% M4(2) Accessible & Adaptable	95% M4(2) - Accessible & Adaptable 5% M4(3)a Wheelchair Adaptable	95% M4(2) Accessible & Adaptable 5% M4(3)a Wheelchair Adaptable
Water Standard	Enhanced Building Regulations	Enhanced Building Regulations	Enhanced Building Regulations
First Homes	30% Discount, £250,000 cap	40% Discount, £180,000 cap	40% Discount, £180,000 cap

Source: May 2023

10.40 The appraisal results are summarised below. In the following analysis, the small sites (less than 10 units) are modelled with affordable housing, although it is important to note that these are under the affordable housing threshold included in paragraph 64 of the NPPF.

10.41 In the following table the typologies that are able to bear at least £4,000 per unit in developer contributions are shaded green, as are the potential Sustainable Urban Extensions that are able to bear at least £15,000 per unit in developer contributions.

Table 10.5a Maximum Levels of Developer Contributions. £/unit

Telford & Adjacent

Lower Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000	£5,000	£0
Greenfield 100 - 40	£10,000	£0	£0	£0	Not Viable	Not Viable	Not Viable	Not Viable
Greenfield <40	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Sustainable UE	£20,000	£15,000	£10,000	£5,000	£5,000	£0	Not Viable	Not Viable
Mid Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£30,000	£20,000	£20,000	£15,000	£10,000	£5,000	£0	£0
Greenfield 100 - 40	£5,000	£0	£0	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Greenfield <40	£40,000	£35,000	£25,000	£25,000	£20,000	£15,000	£10,000	£5,000
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Sustainable UE	£20,000	£15,000	£10,000	£5,000	£0	£0	Not Viable	Not Viable
Higher Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£20,000	£15,000	£10,000	£5,000	£5,000	£0	£0	Not Viable
Greenfield 100 - 40	£0	£0	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Greenfield <40	£35,000	£25,000	£20,000	£15,000	£10,000	£5,000	£0	£0
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Sustainable UE	£15,000	£10,000	£5,000	£0	£0	Not Viable	Not Viable	Not Viable

Source: HDH (May 2023)

Table 10.5b Maximum Levels of Developer Contributions

Newport and Rural

Lower Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£40,000	£40,000	£40,000	£35,000	£30,000	£25,000	£15,000	£15,000
Greenfield 100 - 40	£30,000	£20,000	£15,000	£15,000	£10,000	£5,000	£0	£0
Greenfield <40	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Sustainable UE								
Mid Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£40,000	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000	£10,000
Greenfield 100 - 40	£25,000	£20,000	£15,000	£10,000	£5,000	£5,000	£0	Not Viable
Greenfield <40	£40,000	£35,000	£30,000	£25,000	£15,000	£10,000	£5,000	£0
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Sustainable UE								
Higher Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
Greenfield 100 - 40	£20,000	£10,000	£10,000	£5,000	£0	£0	Not Viable	Not Viable
Greenfield <40	£35,000	£25,000	£20,000	£15,000	£10,000	£25,000	£0	Not Viable
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Sustainable UE								

Source: HDH (May 2023)

10.42 This analysis shows the challenges of bringing forward brownfield sites. Such sites are likely to be unable to deliver affordable housing or make meaningful contributions towards developer contributions, even under the lower policy requirements. It is important to note that some such sites are coming forward and, we understand, that some are delivering affordable housing.

10.43 As mentioned above, a significant number of the brownfield sites that may come forward for development are within the Council's control. The Council is committed to delivering policy compliant development and has a long track record of doing so, both through actively intervening in the market and through working with the wider public sector to enable delivery. Similarly, the Council has a good record of securing 'gap funding' to enable the delivery of large-scale greenfield schemes and anticipates that this will continue in the future.

10.44 Whatever strategy the Council settles on in terms of allocations and policy requirements, it will be necessary to be cautious with regard to assumptions around the delivery of such sites, particularly in the early years of the new Local Plan. Some sites may be part of wider regeneration initiatives and / or be in public ownership that may enable such sites to be delivered.

10.45 The greenfield sites perform better in the higher value Newport and Rural Areas, with the Residual value being significantly greater in the Newport and Rural areas. By way of example, a site with 30% affordable housing and £20,000 per unit in developer contributions is likely to derive a Residual Value that is about £300,000 per ha higher than a similar site that is in or adjacent to Telford. Based on viability alone (and there are many other factors to consider), if the Council wanted to maximise planning obligations to secure infrastructure benefits, then a policy that sought to direct a higher % of development away from Telford and into the rural areas and towards Newport may achieve this.

Suggested Policy Requirements

10.46 It is necessary to bring the above analysis together and settle on a set of policies to take forward into the plan-making process. The following are a consultant's view, based on the iterative viability process.

10.47 The early results of this report were discussed with the Council, in making these suggestions the following have been taken into account:

a. As set out at the start of this chapter the findings of this report do not, in themselves, determine the deliverability of development. The results of this study are one of a number of factors that the Council will consider when selecting sites for allocation. Council will also consider the track record through the development management process and a plethora of other factors. As set out in Chapter 4 above, of particular importance to Telford & Wrekin Council is the ongoing public sector involvement in development. The Council and Homes England both have significant land holdings, in part due to the newtown legacy. This report is primarily concerned with market lead development schemes, without the input of subsidy and grant.

   Over the last 7 years about 60% of affordable housing has been delivered with some form of Homes England and or Council input, and 40% through market lead housing schemes.

   Specific examples of recent and current initiatives include:

i. **Telford Towns Fund**[113] **-** £22.3m funding for regeneration projects in Telford, Wellington and Oakengates. Included gap funding to enable sites for the development of up to 477 dwellings at Station Quarter with the first 189 dwellings to commence on site in spring 2023.

ii. **Telford Land Deal** - This is an agreement between Telford & Wrekin Council and Homes England to reinvest receipts from the sale of publicly owned sites (HE and Council) to de-risk them and bring them to market. The profit share to the Council used to gap fund the delivery brownfield / site abnormal costs

iii. **WMCA Brownfield Land -** £3.8m funding has been provided for delivery of brownfield sites:

- Southwater Way: £460k grant to support the delivery of 46 dwellings including 12 affordable homes.
- Aga works at Coalbrookdale: £1.5m grant to support the delivery of 100 homes including 20 affordable homes.
- Pool Hill Road Dawley: £430k grant to support the delivery of 36 homes including 9 affordable homes.
- Redsun employment development Halesfield £600k

iv. **Marches LEP** - Stronger Communities: £7.7m of funding to support delivery of Schemes including Donnington Wood Way (£3.3m) Wellington Schemes (£2.38m).

The Council will need to take this wider information into account when settling on a preferred set of policies.

b. The delivery of affordable housing is important, and within this the priority is for affordable housing for rent which should be maximised.

c. There is a requirement for both Affordable Rent and Social Rent, however seeking Social Rent would have an adverse impact on viability. At present, the Council does not mandate a particular tenure mix within the emerging policy. It is Telford & Wrekin Council's preference not to be specific in this regard, rather the tenure mix being informed by local need and viability.

d. That it is likely that the new national policy requirements for further increases to Part M of Building Regulations (with all new homes to be built to Accessible and Adaptable – Part M4(2) standards) will be adopted around the time that the new Local Plan is implemented. It would be prudent to assume that these are a requirement. Having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.

[113] Telford's Town Deal Information - Telford Towns Fund

e. The cost of providing wheelchair adaptable housing is significant, however the Council has a need for such accommodation within the affordable sector and the provision of some accommodation that meets this standard is a priority.

f. The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings. Bearing in mind the timetable for the introduction of the new Local Plan, it would be prudent to assume that these (the 2025 standards) are a requirement. Again, having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.

g. The viability testing includes the testing of District Heating. District Heating is not a particular priority of the Council. The key to a successful District Heating Scheme is a readily available heat source and the Council will further investigate extending the existing network, rather than mandating connection.

h. The viability testing includes the testing of Rainwater Harvesting. Mandatory Rainwater Harvesting is expensive and would impinge on the ability to provide other requirements. It is not considered a priority.

i. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing, developer contributions and environmental standards. Similarly, viability is better in the higher value Newport and Rural Areas than in and around Telford. Whilst directing development away from Telford and into the rural areas and towards Newport may achieve greater levels of planning obligations, this does not sit well with wider planning considerations.

j. The Council has declared a climate emergency and a move towards Zero Carbon development is a priority, but not at the significant expense of the provision of affordable housing.

k. Brownfield sites comprise part of the land supply for future development. This is most likely to be in Telford but unlikely to come forward without some form of public intervention or public sector involvement (for example HIF funding). Brownfield site development is the least viable so the Council should be cautious about relying on flatted schemes to deliver development. The Council is committed to delivering policy compliant development and has a long track record of doing so, both through actively intervening in the market and through working with the wider public sector to enable delivery. Bearing in mind that there are very few brownfield sites that are not in public ownership, and therefore not subject to grant, it would not be proportionate to develop specific policies for brownfield sites, rather viability would normally be considered at the development management stage.

l. There is a need for infrastructure funding. The analysis suggests that most types of greenfield development have some capacity to bear developer contributions. The infrastructure requirements of the potential Sustainable Urban Extensions is not yet known. It will be necessary for the Council to establish the costs of strategic infrastructure and mitigation associated with the potential Sustainable Urban Extensions and test the site's ability to bear those costs before selecting sites to be included in the Plan. It is recommended that the Council completes the updating of the IDP prior to making a decision in this regard.

10.48 The economics of development are subject to falls in house prices and build cost inflation. The above comments are made based on current costs and values. The sensitivity testing carried out through the iterative process shows that a modest increase in costs or fall in values does have a material impact on the viability of the brownfield sites.

10.49 With the above in mind, in discussion with the Council, the following policy obligations have been settled on. There is uncertainty in the market, so it is recommended that a cautious approach is taken. Should house prices return to growth and should inflation return to lower levels, then it may be appropriate to take a stronger view in this regard.

a. Affordable Housing:

i. Sites not in public ownership and or subject to grant in and adjacent to Telford 20% - as 50% AHO including First Homes and the balance as Affordable Rent.

ii. Sites not in public ownership and or subject to grant elsewhere 30% - as 33% AHO including First Homes and the balance as Affordable Rent.

In the above, First Homes subject to a 40% discount and a £180,000 cap.

b. Design 95% Accessible and Adaptable (M4(2)), 5% Wheelchair Accessible (M4(3)).

Development subject to 80% CO_2 saving as per 2025 Future Homes Standard.

10% Biodiversity Net Gain.

10.50 The sensitivity testing assumes developer contributions as follows, although these may change as and when the IDP requirements are updated:

- Sites of less than 10 units £1,000 per unit.
- Sites of 10 to 50 units £2,500 per unit
- Sites of more than 50 units £4,000 per unit
- Potential Sustainable Urban Extensions £15,000 per unit.

10.51 As a final step in the iterative viability process, the above policy requirements are subject to a final round of sensitivity testing.

Build to Rent

10.52 The Council does not expect to allocate sites specifically for Build to Rent development however Typologies 21, 22 and 23 have been modelled to represent this type of development.

10.53 The analysis suggests that Build to Rent development of both housing and flatted schemes is unlikely to be viable and deliverable.

10.54 When considering these results, it is timely to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of Build to Rent schemes will be considered at the development management stage. It is therefore not considered proportionate to develop a specific set of policies in this regard. As set out above, the Council does not expect to allocate sites specifically for Build to Rent development. In any event, such flatted development is unlikely to be viable, even without affordable housing. The Council should be cautious about relying on Build to Rent schemes to deliver development, unless there is clear evidence that such development would be forthcoming.

Sensitivity Testing Impact of Change in Values and Costs

10.55 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of about 10% over the next 3 years[114]. A scenario has been tested with increases in build costs up to 15%.

10.56 As set out in Chapter 4, the property market is in a current period of uncertainty. It is not the purpose of this report to predict the future of the market. Several price change scenarios have been tested, from minus 15% to plus 15%. In this analysis, as set out in **Appendix 19**, all other matters in the recommended appraisals remain unchanged. It is important to note that only the costs of construction and the values of the market housing are altered.

10.57 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although having taken this into account in the policy recommendations above, this is unlikely to be sufficient to impact on the deliverability of the Plan. It is recommended that the Council keeps the assessment under frequent review.

Review

10.58 The direction of the market, as set out in Chapter 4 above, is uncertain. Bearing in mind the Council's wish to facilitate the delivery of housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review; should the economics of

[114] BCIS General Building Cost Index. May 2023 – 444.5, May 2026 – 493.1

development change significantly, it should consider undertaking a limited review of the Plan to adjust the affordable housing requirements or levels of developer contribution.

10.59 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> *How should viability be reviewed during the lifetime of a project?*
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *PPG 10-009-20180724*

Self and Custom Build Housing

10.60 The Council is exploring several options in this regard, but has not yet developed a policy. To inform the development of policy we have considered a 5% requirement on sites of 100 units and larger. If implemented, it is assumed that this policy would be implemented on a 'whole plot' basis, so sites over 100 units would be required to provide 5 plots, sites over 120 units would be required to provide 6 plots and so on.

10.61 If a developer is to sell a plot as a serviced self-build plot, they would not receive the profit from building the unit, they would however receive the price for the plot. If they were to provide the plot as a custom-build plot (i.e. where the developer designs and builds to the buyer's design and specifications) they would receive a payment for the land, the costs of construction and the price paid would incorporate the developer's return. The impact on viability is therefore the balance between the profit foregone and the receipt for the serviced plot. The developer's return per plot is generally in the £50,000 to £60,000 per plot range on the larger greenfield sites and around £45,000 per plot on the larger brownfield sites.

10.62 There are a few serviced development sites being publicly marketed in the area at the time of this update. Having made enquiries with local agents, the general consensus is that reasonably sized single plots are likely to fetch well in excess £75,000 in the current market, although the price for larger plots, with land for gardens and appropriate for larger family homes are likely to achieve a price that is very much more.

10.63 The modelling in this viability update is based on 35 units per net ha with allowance for open space. On this basis, a self-build plot is likely to be about 0.03ha or so. A conservative plot price of £100,000 would lead to a land value of over £2,625,000/ha. This is substantially above the BLV and allows scope for the services to be laid on to the plot or plots. It is also well above the developer's return that would be forgone from developing the unit.

10.64 Based on the above analysis, it is unlikely that a requirement for self-build plots will adversely impact on viability.

Older People's Housing

10.65 As well as mainstream housing, the Sheltered and Extracare sectors have been considered separately.

10.66 As for mainstream housing, a range of appraisals have been run, although based on the suggested policy options as set out above. Due to the nature of the schemes, they are modelled without First Homes. The results of these are summarised as follows. A £500 per unit allowance is made for s106 contributions. The full appraisals are set out in **Appendix 20** below:

Table 10.6 Older People's Housing, Appraisal Results (£/ha) – Sheltered Housing

		Affordable %	EUV	BLV	Residual Value
Site 1	Brown	0%	1,000,000	1,200,000	-655,966
Site 2	Brown	5%	1,000,000	1,200,000	-1,175,554
Site 3	Brown	10%	1,000,000	1,200,000	-1,776,098
Site 4	Brown	15%	1,000,000	1,200,000	-2,301,575
Site 5	Brown	20%	1,000,000	1,200,000	-2,906,726
Site 6	Brown	25%	1,000,000	1,200,000	-3,441,961
Site 7	Brown	30%	1,000,000	1,200,000	-4,053,659
Site 8	Brown	35%	1,000,000	1,200,000	-4,588,894
Site 9	Brown	40%	1,000,000	1,200,000	-5,207,476
Site 12	Green	0%	50,000	400,000	521,442
Site 13	Green	5%	50,000	400,000	-13,633
Site 14	Green	10%	50,000	400,000	-553,704
Site 15	Green	15%	50,000	400,000	-1,106,113
Site 16	Green	20%	50,000	400,000	-1,666,571
Site 17	Green	25%	50,000	400,000	-2,227,029
Site 18	Green	30%	50,000	400,000	-2,792,841
Site 19	Green	35%	50,000	400,000	-3,363,713
Site 20	Green	40%	50,000	400,000	-3,934,586

Source: HDH (May 2023)

Table 10.7 Older People's Housing, Appraisal Results (£/ha) – Extracare Housing					
		Affordable %	EUV	BLV	Residual Value
Site 1	Brown	0%	1,000,000	1,200,000	-3,882,235
Site 2	Brown	5%	1,000,000	1,200,000	-4,478,636
Site 3	Brown	10%	1,000,000	1,200,000	-5,075,038
Site 4	Brown	15%	1,000,000	1,200,000	-5,714,039
Site 5	Brown	20%	1,000,000	1,200,000	-6,313,319
Site 6	Brown	25%	1,000,000	1,200,000	-6,920,903
Site 7	Brown	30%	1,000,000	1,200,000	-7,528,487
Site 8	Brown	35%	1,000,000	1,200,000	-8,136,070
Site 9	Brown	40%	1,000,000	1,200,000	-8,787,053
Site 12	Green	0%	50,000	400,000	-2,281,920
Site 13	Green	5%	50,000	400,000	-2,867,345
Site 14	Green	10%	50,000	400,000	-3,457,635
Site 15	Green	15%	50,000	400,000	-4,096,636
Site 16	Green	20%	50,000	400,000	-4,693,038
Site 17	Green	25%	50,000	400,000	-5,289,439
Site 18	Green	30%	50,000	400,000	-5,887,991
Site 19	Green	35%	50,000	400,000	-6,495,575
Site 20	Green	40%	50,000	400,000	-7,108,715

Source: HDH (May 2023)

10.67 Based on this analysis, market lead schemes of Sheltered housing and / or Extracare housing is unable to bear affordable housing. The Council is aware of Extracare schemes that are coming forward, however understands that these are being delivered by Registered Providers (RPs) and the not-for-profit sector.

10.68 When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage.

11. Non-Residential Appraisals

11.1 Based on the assumptions set out previously, a set of financial appraisals have been run for the non-residential development types. The detailed appraisal results are set out in **Appendix 21** and summarised in the tables below.

11.2 As with the residential appraisals, the Residual Valuation approach has been used. Appraisals have been run to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, the same methodology has been used with regard to the Benchmark Land Value (EUV 'plus').

11.3 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward, and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development, and what planning applications are being determined – and on what basis.

11.4 In the appraisal the costs are based on the BCIS costs, adjusted for Future Building Standard (2025).

Employment Uses

11.5 Firstly, the main employment uses are considered.

Table 11.1 Employment Appraisal Results

GREENFIELD						
		Offices - Central	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2		**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**		**-2,208,596**	**-1,311,257**	**-447,351**	**1,737,230**
			0			
Existing Use Value	£/ha		50,000	25,000	50,000	25,000
Viability Threshold	£/ha		550,000	525,000	550,000	530,000
Residual Value	£/ha		-8,282,237	-1,311,257	-4,473,515	1,520,076
BROWNFIELD						
		Offices - Central	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2	**0**	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-2,688,227**	**-2,624,811**	**-1,712,607**	**-505,748**	**1,474,913**
			0			
Existing Use Value	£/ha	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Viability Threshold	£/ha	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Residual Value	£/ha	-37,635,176	-9,843,042	-1,712,607	-5,057,481	1,290,549

Source: HDH (May 2023)

11.6 The above results are broadly reflective of the current market in and around Telford and more widely. Office and industrial development is shown as being unviable, but the larger format logistics uses being shown as viable.

11.7 Telford is not a prime logistics location lying someway to the west of Birmingham, and whilst on the M54, such development is not being brought forward to on a speculative basis by the development industry. Much of the industrial development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located properties.

11.8 Having said this, a significant amount of development has come forward on publicly owned land that has been de-risked by the Council and public sector partners, for example at the T54 Business Park which includes a number of large scale users. The Council and Homes England both have significant land holdings, in part due to the newtown legacy.

11.9 The analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. The assumption is that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. The Guidance, as set out in Chapters 2 and 3 above, does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the area is 'user-led' being brought forward by businesses, or for specific end users, that will use the eventual space for operational uses, rather than for investment purposes.

11.10 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building, so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

Table 11.2 Effect of Greater Construction Costs on Employment Uses

GREENFIELD						
	0.00%	**Offices - Central**	**Offices - Park**	**Industrial**	**Industrial - Small**	**Distribution**
CIL	£/m2		**£0.00**	**£0.00**	**£0.00**	**£0.00**
RESIDUAL VALUE	**Site**		**-2,208,596**	**-1,311,257**	**-447,351**	**1,737,230**
Existing Use Value	£/ha		50,000	25,000	50,000	25,000
Viability Threshold	£/ha		550,000	525,000	550,000	530,000
Residual Value	BREEAM Excellent		-8,282,237	-1,311,257	-4,473,515	1,520,076
	BCIS +5%		-8,871,425	-1,437,519	-4,673,166	1,434,731
	BCIS +10%		-9,853,406	-1,647,955	-5,005,918	1,292,489
	BCIS +15%		-10,835,387	-1,858,391	-5,338,671	1,150,247
	BCIS +20%		-11,817,368	-2,068,827	-5,671,423	1,008,006
BROWNFIELD						
		Offices - Central	**Offices - Park**	**Industrial**	**Industrial - Small**	**Distribution**
CIL	£/m2	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
RESIDUAL VALUE	**Site**	**-2,688,227**	**-2,624,811**	**-1,712,607**	**-505,748**	**1,474,913**
Existing Use Value	£/ha	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Viability Threshold	£/ha	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Residual Value	BREEAM Excellent	-37,635,176	-9,843,042	-1,712,607	-5,057,481	1,290,549
	BCIS +5%	-40,032,637	-10,475,687	-1,848,182	-5,271,858	1,200,937
	BCIS +10%	-44,028,405	-11,530,094	-2,074,139	-5,629,152	1,051,583
	BCIS +15%	-48,024,174	-12,584,501	-2,300,096	-5,986,447	902,229
	BCIS +20%	-52,019,942	-13,638,909	-2,526,053	-6,343,741	752,875

Source: HDH (May 2023)

11.11 This analysis shows that there is scope to seek higher environmental standards on the large format logistics uses, but less so on the other uses. Caution would be suggested in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail Uses

Table 11.3 Retail Appraisal Results

GREENFIELD					
		Prime Retail Central	Secondary Retail	Supermarket	Retail Warehouse
CIL	£/m2		**0**	**0**	**0**
RESIDUAL VALUE	**Site**		**-103,300**	**3,525,443**	**9,576,864**
Existing Use Value	£/ha		50,000	25,000	25,000
Viability Threshold	£/ha		550,000	525,000	525,000
Residual Value	£/ha		-5,509,315	5,875,151	11,971,080
BROWNFIELD					
		Prime Retail Central	Secondary Retail	Supermarket	Retail Warehouse
CIL	£/m2	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**187,644**	**-127,436**	**3,114,243**	**9,152,484**
Existing Use Value	£/ha	1,000,000	1,000,000	1,000,000	1,000,000
Viability Threshold	£/ha	1,200,000	1,200,000	1,200,000	1,200,000
Residual Value	£/ha	10,007,664	-6,796,586	5,189,886	11,440,605

Source: HDH (May 2023)

11.12 The above results are reflective of the current market in the local retail market with the large format and town centre sites being viable, but smaller secondary locations not being viable. It is important to note that the Council is not anticipating development coming forward in Telford town centre, and it is likely that there will be some consolidation of the shopping areas.

11.13 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

Table 11.4 Effect of Greater Construction Costs on Retail Uses

GREENFIELD					
	0.00%	**Prime Retail Central**	**Secondary Retail**	**Supermarket**	**Retail Warehouse**
CIL	£/m2		**£0.00**	**£0.00**	**£0.00**
RESIDUAL VALUE	**Site**		**-103,300**	**3,525,443**	**9,576,864**
Existing Use Value	£/ha		50,000	25,000	25,000
Viability Threshold	£/ha		550,000	525,000	525,000
Residual Value	BREEAM Excellent		-5,509,315	5,875,151	11,971,080
	BCIS +5%		-5,989,426	5,635,672	11,793,327
	BCIS +10%		-6,789,609	5,236,541	11,497,072
	BCIS +15%		-7,589,793	4,837,409	11,200,818
	BCIS +20%		-8,389,977	4,438,278	10,904,563
BROWNFIELD					
		Prime Retail Central	**Secondary Retail**	**Supermarket**	**Retail Warehouse**
CIL	£/m2	**£0.00**	**£0.00**	**£0.00**	**£0.00**
RESIDUAL VALUE	**Site**	**187,644**	**-127,436**	**3,114,243**	**9,152,484**
Existing Use Value	£/ha	1,000,000	1,000,000	1,000,000	1,000,000
Viability Threshold	£/ha	1,200,000	1,200,000	1,200,000	1,200,000
Residual Value	BREEAM Excellent	10,007,664	-6,796,586	5,189,886	11,440,605
	BCIS +5%	9,492,143	-7,312,107	4,932,745	11,249,742
	BCIS +10%	8,632,941	-8,171,309	4,504,175	10,931,637
	BCIS +15%	7,773,739	-9,030,511	4,075,606	10,613,532
	BCIS +20%	6,914,538	-9,889,712	3,647,037	10,295,427

Source: HDH (May 2023)

11.14 This analysis shows that there is scope to seek higher environmental standards, with the exception of Secondary Retail.

12. Findings and Recommendations

12.1 This chapter brings together the findings of this report and provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of the National Planning Policy Framework, so it is recommended the report is read in full. As this is a summary chapter, some of the content of earlier chapters is repeated.

12.2 In his report, the TWLP Inspector instructed the Council to prepare a 'Housing Site Allocations Local Plan'. The rationale was to help meet the shortfall in the housing requirement. Given the need to identify further employment land and to maintain a rolling five year housing land supply, as well as the obligation to review Local Plans within a five year period from adoption, Telford & Wrekin Council (the Council) is taking the opportunity to review the TWLP as a whole. As part of this work the Council is commissioning a combined EHDNA to address economic and housing growth needs.

12.3 HDH Planning & Development Ltd has been appointed to update the Council's viability evidence and produce this Whole Plan Viability Assessment as required by the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG). An early draft of this report formed the basis of a consultation process with the development industry, to elicit comments on the approach, the methodology and the main cost and value assumptions that took place in February and March 2023. This report was completed, having regard to the consultation comments.

12.4 As part of its preparation, the new Local Plan needs to be tested to ensure the planned development deliverable in line with tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG). This includes:

- assessing the cumulative impact of the emerging policies, including affordable housing.
- testing the deliverability of the key development site allocations that are earmarked to come forward over the course of the Local Plan period.
- considering the ability of development to accommodate developer contributions alongside other policy requirements.

12.5 This viability work is being undertaken to inform the development of policy and explore the impact on the economics of development, of the options that are under consideration. This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

Compliance

12.6 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance, being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021). HDH confirms that the RICS Guidance has been followed.

Uncertainty

12.7 This update is being carried out during a period of particular uncertainty, due to the continued impact of COVID-19, the war in Ukraine and significant levels of inflation. There are uncertainties around the values of property and the costs of construction as a result. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be. It is recommended that the Council keeps the assessment under review.

Viability Testing under the NPPF and Updated PPG

12.8 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.*'

12.9 This study is based on typologies that are representative of the type of development expected to come forward under the adopted Local Plan. A range of emerging Sustainable Urban Extensions are also tested.

12.10 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV Plus) approach:

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

12.11 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

12.12 In December 2022, the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. Whilst these changes will have a significant impact on the overall plan-making process, they do not alter the place of viability in the current

Local Plan process. It will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the *Infrastructure Levy Regulations* are published.

12.13 In March 2023, as this report was nearing completion, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy (*published 17 March 2023*)*. Under the proposals set out in the consultation, CIL and the delivery of affordable housing would be combined into a single levy, that would be calculated as a proportion of a scheme's value. Affordable housing could be provided on-site as an in-kind payment. The consultation suggests the Levy would be fully rolled out from 2029, but there would be a 'test and learn' roll out starting in 2025.

Viability Guidance

12.14 There is no specific technical guidance on how to test viability in the NPPF or the PPG, although the PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the Harman Guidance.

12.15 In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning permission for development.

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

Gross Development Value
(The combined value of the complete development)
LESS
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)
=
RESIDUAL VALUE

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

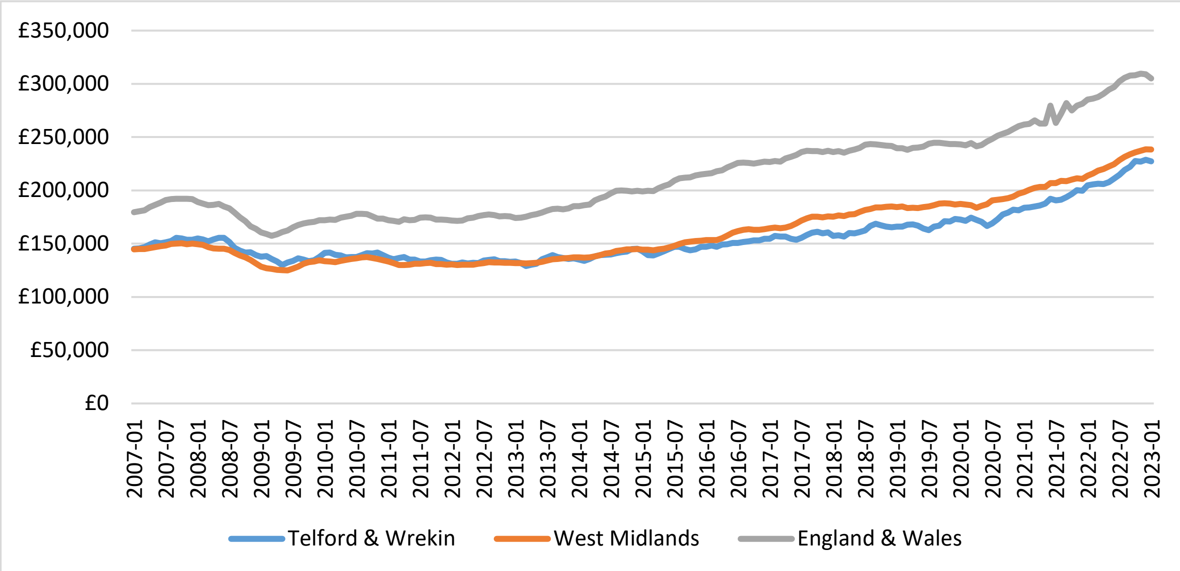
12.18 The NPPF and the PPG are clear that the assessment of viability should be based on existing available evidence, rather than new evidence. The evidence that is available from the Council has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments to support negotiations around the provision of affordable housing or s106 contributions.

Residential Market

12.19 An assessment of the housing market was undertaken.

12.20 The local housing market peaked early in September 2007 and then fell considerably in the 2008/2009 recession during what became known as the 'Credit Crunch'. Since then, house prices have increased steadily, but are now widely perceived to have peaked and may be falling. Locally, average house prices in the area returned to their pre-recession peak in February 2017 and are now about 46% above the 2007 peak. Whilst this a substantial increase, it is significantly less than the increase across the West Midlands region (64%) and England and Wales (65%).

Figure 12.1 Average House Prices (£)



Source: Land Registry (April 2023). Contains public sector information licensed under the Open Government Licence v3.0.

12.21 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Telford & Wrekin is 250th (out of 331) at £227,859[115]. To set this in context, the council at the middle of the rank (166th – Exeter), has

[115] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 22nd March 2023).

an average price of £326,429. The Telford & Wrekin median price is lower than the average at £205,000[116].

The Local Market

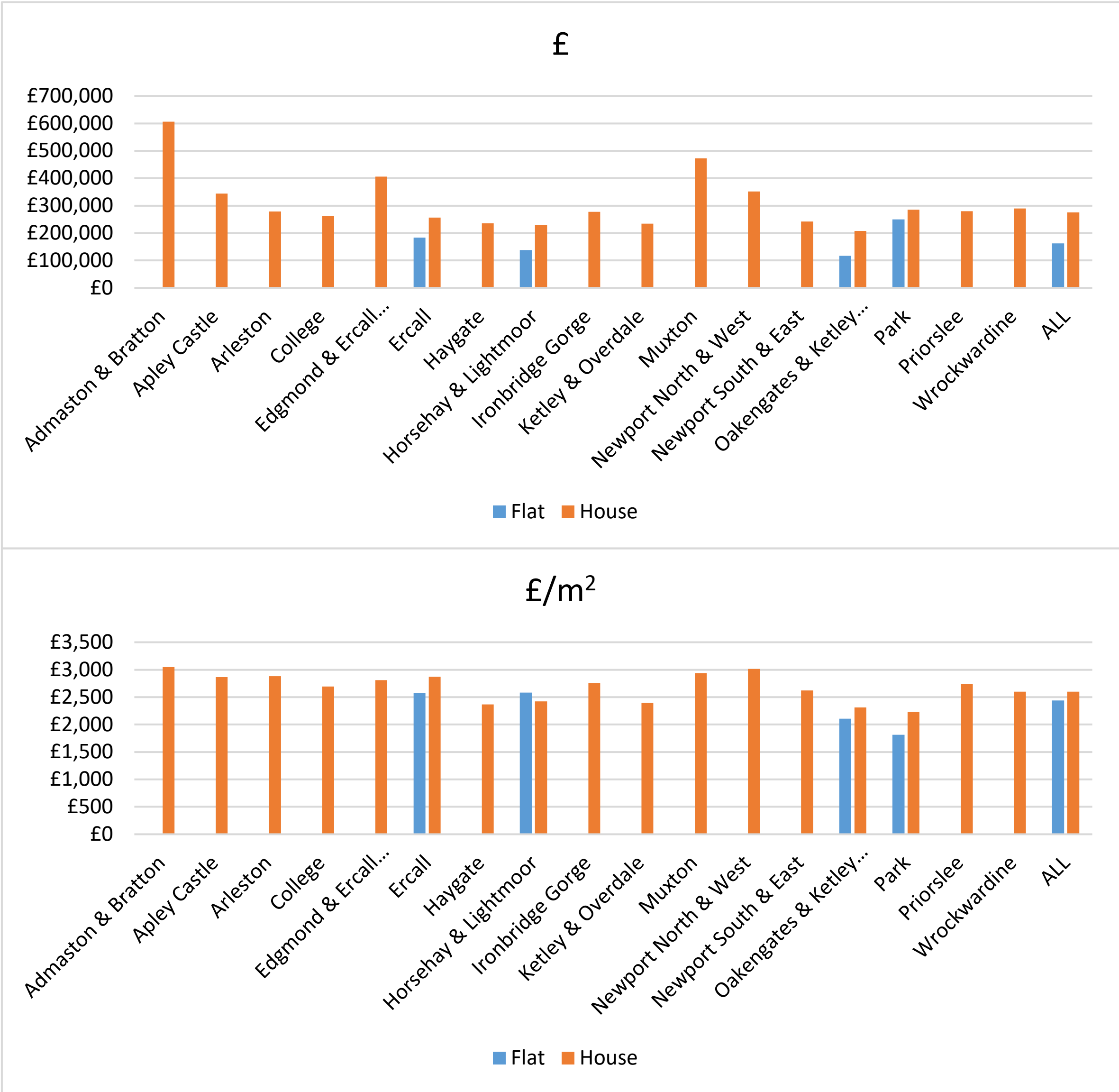
12.22 A survey of asking prices across the Council area was carried out. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

12.23 As part of the research, data from Landmark has been used. This brings together data from the following sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms. This data includes the records 5,853 sales since the start of 2020. Of these, floor areas are available for 5,303 sales and the number of bedrooms is available for 2,275 sales. There is a significant delay in the Land Registry updating the dataset, with only 13 sales recorded in 2022.

[116] Median house prices for administrative geographies: HPSSA dataset 9 (Release 22nd March 2023)

Figure 12.2 Residential Prices Paid – From January 2020

Newbuild Only



Source: Landmark (October 2022)

12.24 Based on the asking prices from active developments and informed by the general pattern of all house prices across the study area, and taking into account the comments made though the consultation process, the following price assumptions are used.

Table 12.1 2023 Price Assumptions £ per sqm	
Greenfield - Telford	£3,000
Greenfield – Newport & Rural	£3,300
Brownfield – Telford	£3,000
Brownfield – Newport & Rural	£3,000
Flats	£2,500
Small Rural Area	£3,350

Source: HDH (October 2022)

Affordable Housing

12.25 In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the area:

a. Social Rent £1,300 per sqm

b. Affordable Rent £1,600 per sqm

c. Shared Ownership 70% market value

d. First Homes 60% market value capped at £180,000

12.26 In addition, values are derived for specialist older people's housing.

Non-Residential Market

12.27 The following value assumptions have been used:

Table 12.2 Commercial Values £ per sqm 2023

	Rent £ per sqm	Yield	Rent free period	Value	Assumption
Offices	£140	6.00%	1.0	£2,201	£2,200
Industrial	£60	6.00%	1.0	£943	£1,000
Smaller Industrial	£55	6.50%	1.0	£795	£800
Logistics	£75	4.50%	1.0	£1,595	£1,600
Retail (Prime)	£300	6.25%	1.0	£4,518	£4,500
Retail (Elsewhere)	£175	8.00%	1.0	£2,025	£2,000
Large Supermarket	£240	4.50%	1.0	£5,100	£5,300
Retail Warehouse	£240	5.00%	2.0	£4,530	£4,530

Source: HDH (October 2022)

Land Values

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

Table 12.3 Existing Use Value Land Prices - 2022	
Previously Developed Land	£1,000,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha

Source: HDH (October 2022)

12.29 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

a. Brownfield/Urban Sites: EUV Plus 20%.

b. Greenfield Sites: Non-Sustainable Urban Extensions EUV Plus £350,000/ha.

Sustainable Urban Extensions 10 x EUV.

Development Costs

12.30 These are the costs and other assumptions required to produce the financial appraisals.

12.31 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the Council area. At the time of the initial iteration of this report, the cost figure for 'Estate Housing – Generally' was £1,271 per sqm. This has now been updated to the most recently published figure and reweighted to Shropshire to reflect a wider sample of schemes, to £1,359 per sqm.

12.32 In addition to the BCIS £ per sqm build cost, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for flatted schemes, to 15% for the larger greenfield schemes. Allowance is made for Garden Town Principles on the potential Sustainable Urban Extensions.

12.33 An additional allowance is made for abnormal costs associated of 5% of the BCIS costs on brownfield sites. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

12.34 For both residential and non-residential development, it has been assumed that professional fees amount to 8% of build costs. Additional allowances are made for acquisition and disposal costs, planning application fees and Stamp Duty Land Tax.

Contingencies

12.35 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, on previously developed land.

S106 Contributions and the costs of strategic infrastructure

12.36 Telford & Wrekin Council has not adopted CIL. The Council seeks Developer Contributions, for strategic infrastructure and mitigation, under the s106 regime, in line with restrictions set out on CIL Regulation 122. Additional costs are allowed for, as set out in Chapter 8 below.

12.37 A range of infrastructure costs ranging from £0 to £40,000 per unit has been tested. This approach is appropriate at this stage of the plan-making process, but it will be necessary to keep these under review as the plan-making process continues.

Financial and Other Appraisal Assumptions

12.38 The appraisals assume interest of 7.5% p.a. for total debit balances. No allowance is made for equity provided by the developer.

Developers' return

12.39 The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies'*. The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

12.40 An assumption of 17.5% is used across all types of housing and 15% for other types of development.

Local Plan Policy Requirements

12.41 The specific purpose of this study is to consider and inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies on the planned development. This viability work is being undertaken to inform the development of policy and explore the consequences, on the economics of development, of the options that are under consideration. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

12.42 In this report the options as discussed with the Council have been reviewed and regard has been had to the changes in national policy. It is important to note that, at this stage, some of the options that are considered are included for completeness, and that these are simply options that may or may not be progressed into the new Local Plan.

Modelling

12.43 The SHELAA sites from which the allocations will be taken is a working document that remains in preparation. A copy of the database has been provided, showing both the SHELAA data and the size of the sites and the basic information, such as size, capacity and land use. These sites have informed the modelling in this assessment.

12.44 The Council has identified five large sites, referred to as Sustainable Urban Extensions, that could potentially come forward for allocation, so the emerging options are tested. These sites are subject to further assessment prior to the draft plan stage to inform a decision as to whether or not they are included.

12.45 A range of non-residential uses are also modelled.

Residential Appraisals

12.46 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

12.47 Several sets of appraisals have been run based including a varied affordable housing requirement, varied levels of environmental standards and varied developer contributions.

Base Appraisals

12.48 These appraisals are based on the following assumptions.

a.	Affordable Housing	30% as 33% Affordable Home Ownership / 67% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes (with 40% discount and £180,000 cap).
b.	Design	95% Part M4(2), 5% Part M4(3) Water efficiency, 10% Biodiversity Net Gain, 2025 Part L.
c.	Developer Contributions	s106 as £4,000/unit.

12.49 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology.

12.50 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

Table 12.4a Residual Value v BLV – Telford and Adjacent

			EUV	BLV	Residual Value
Site 1	Greenfield 800	Telford	25,000	375,000	347,202
Site 2	Large GF 500	Telford	25,000	375,000	437,659
Site 3	Large GF - 300	Telford	25,000	375,000	566,602
Site 4	Large GF - 100	Telford	25,000	375,000	30,141
Site 5	Medium GF - 60	Telford	25,000	375,000	25,980
Site 6	Medium GF - 40	Telford	25,000	375,000	56,978
Site 7	Medium GF - 20	Telford	50,000	400,000	783,568
Site 8	Medium GF - 12	Telford	50,000	400,000	880,953
Site 9	Green 7	Telford	50,000	400,000	744,863
Site 10	Green 5	Telford	50,000	400,000	602,588
Site 11	Large BF - 500	Telford	1,000,000	1,200,000	397,454
Site 12	Large BF - 200	Telford	1,000,000	1,200,000	472,851
Site 13	Medium BF 100	Telford	1,000,000	1,200,000	-199,964
Site 14	Medium BF 50	Telford	1,000,000	1,200,000	-225,065
Site 15	Medium BF 50 Flats	Telford	1,000,000	1,200,000	-3,095,719
Site 16	Medium BF - 20	Telford	1,000,000	1,200,000	-368,317
Site 17	Medium BF - 20 Flats	Telford	1,000,000	1,200,000	-1,287,555
Site 18	BF 12	Telford	1,000,000	1,200,000	-188,793
Site 19	BF 12 Flats	Telford	1,000,000	1,200,000	-3,060,390
Site 20	Brown 7	Telford	1,000,000	1,200,000	169,726
Site 21	Build to Rent GF	Telford	25,000	375,000	-1,333,827
Site 22	Build to Rent BF	Telford	1,000,000	1,200,000	-2,009,600
Site 23	Build to Rent Flats	Telford	1,000,000	1,200,000	-5,180,729
Site 26	North of A442 Wheat Leasows	N of Telford	25,000	275,000	226,069
Site 27	North East of Muxton	N of Telford	25,000	275,000	234,999
Site 28	Bratton and Shawbirch	NW of Telford	25,000	275,000	340,867
Site 29	North of Redhill	E of Telford	25,000	275,000	226,069
Site 30	Dawley Rd	W of Telford	25,000	275,000	239,962

Source: HDH (May 2023) (GF = Greenfield, BF = Brownfield)

Table 12.4b Residual Value v BLV – Newport and Rural					
			EUV	BLV	Residual Value
Site 1	Greenfield 800	Newport & Rural	25,000	375,000	579,742
Site 2	Large GF 500	Newport & Rural	25,000	375,000	725,663
Site 3	Large GF - 300	Newport & Rural	25,000	375,000	926,429
Site 4	Large GF - 100	Newport & Rural	25,000	375,000	357,405
Site 5	Medium GF - 60	Newport & Rural	25,000	375,000	342,005
Site 6	Medium GF - 40	Newport & Rural	25,000	375,000	515,614
Site 7	Medium GF - 20	Newport & Rural	50,000	400,000	783,568
Site 8	Medium GF - 12	Newport & Rural	50,000	400,000	880,953
Site 9	Green 7	Newport & Rural	50,000	400,000	744,863
Site 10	Green 5	Newport & Rural	50,000	400,000	602,588
Site 11	Large BF - 500	Newport & Rural	1,000,000	1,200,000	397,454
Site 12	Large BF - 200	Newport & Rural	1,000,000	1,200,000	472,851
Site 13	Medium BF 100	Newport & Rural	1,000,000	1,200,000	-199,964
Site 14	Medium BF 50	Newport & Rural	1,000,000	1,200,000	-225,065
Site 15	Medium BF 50 Flats	Newport & Rural	1,000,000	1,200,000	-3,095,719
Site 16	Medium BF - 20	Newport & Rural	1,000,000	1,200,000	-368,317
Site 17	Medium BF - 20 Flats	Newport & Rural	1,000,000	1,200,000	-1,287,555
Site 18	BF 12	Newport & Rural	1,000,000	1,200,000	-188,793
Site 19	BF 12 Flats	Newport & Rural	1,000,000	1,200,000	-3,060,390
Site 20	Brown 7	Newport & Rural	1,000,000	1,200,000	169,726
Site 21	Build to Rent GF	Newport & Rural	25,000	375,000	-1,333,827
Site 22	Build to Rent BF	Newport & Rural	1,000,000	1,200,000	-2,009,600
Site 23	Build to Rent Flats	Newport & Rural	1,000,000	1,200,000	-5,180,729

Source: HDH (May 2023) (GF = Greenfield, BF = Brownfield)

12.51 It important to note that the analysis assumes 30% affordable housing. The current policy requires 25% affordable housing in Telford; and 35% elsewhere.

12.52 Across the greenfield sites, the Residual Value exceeds the BLV in most cases, suggesting that such development is likely to be viable on the basis tested, however, in the case of the brownfield sites, the Residual Value is less than the EUV in all cases.

12.53 It is important to note that a significant number of the brownfield sites that may come forward for development are within the Council's control. The Council is committed to delivering policy compliant development and has a long track record of doing so, both through actively intervening in the market and through working with the wider public sector to enable delivery.

12.54 The modelling includes the 5 potential Sustainable Urban Extensions. On these the Residual Value exceeds the EUV, but on most is a little less than the BLV, suggesting that these are likely to be challenging to deliver with 30% affordable housing. In this context it is necessary to note that the delivery of any large site is challenging. Regardless of these results, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

Varied Policy Requirements

12.55 The above analysis is based on a 30% affordable housing requirement as this is a convenient starting point. The Council is exploring various options, including seeking higher environmental standards and greater accessibility. Sets of appraisals have been run to establish the costs of the additional policy requirements.

12.56 The starting place for this analysis is the recent and emerging national standards, including the 2025 increase to Part L of Building Regulations, the mandating of Accessible and Adaptable standards under Part M of Building Regulations, mandatory EV Charging and the national requirement for 10% Biodiversity Net Gain. The analysis gives an indication of the amount the Residual Value will fall (or rise) for the various policy requirements. The reduction in the amount of the Residual Value is the reduced amount in the maximum price a developer can pay a landowner.

12.57 The amount the Residual Value falls is related to the density of the type of development, by way of an example, seeking Zero Carbon on flatted development is likely to reduce the Residual Value by about £300,000/ha, whilst the impact is about £80,000/ha on the very large Sustainable Urban Extensions. These differences are largely due to the density assumptions used in the modelling.

12.58 The increase from the 2025 environmental standard (Part L – 80% CO_2 saving) is significant. The cost of seeking 5% Wheelchair Adaptable housing is relatively modest in the context of the total development costs.

12.59 A core purpose of this study is to consider an appropriate affordable housing target. The total amount of affordable housing has been considered, as has the tenure mix. The current affordable housing policy sets out that the Council requires 25% affordable housing in Telford; and 35% in Newport and in any other location. The policy does not set out a preferred tenure mix, and the 2016 SHMA does not recommend one, beyond suggesting the greater need is for affordable housing for rent.

12.60 The NPPF (paragraph 65) sets out a policy for a minimum of 10% affordable home ownership units on larger sites (10 plus) and the PPG sets out that '*First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations*'. In relation to First Homes, the Council has set out its approach in a Position Statement that seeks a 40% discount and a £180,000 cap. A range of tenure mixes are tested.

12.61 This analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £75,000/ha less where the affordable housing for rent is provided as Social Rent rather than Affordable Rent. The consequence of this is that should the Council seek that all the affordable housing for rent is as Social Rent, the developer could typically afford to pay a landowner about £75,000/ha less than where the affordable housing for rent is as Affordable Rent. This is a significant difference that has the impact of reducing the scope for affordable housing provision by about 5%, although the impact varies considerably across the different typologies.

12.62 First Homes are required to be subject to a minimum discount of 30%. Paragraph 70-004-20210524 of the PPG gives councils scope (subject to conditions) to set an alternative discount of 40% or 50% or a cap reduced below the £250,000 set out in the PPG. The Council has set out its approach to First Homes in a Position Statement[117] that seeks a 40% discount and a £180,000 cap. A further set of appraisals has been run with the First Homes being subject to a range of discounts and caps.

12.63 This analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £40,000/ha less where the First Homes are subject to a 40% discount and a £180,000 cap rather than the minimum 30% discount and £250,000 cap.

12.64 This analysis shows that when subject to a 30% discount, the cap does not make a material difference to the results until it falls below £200,000. With a 40% discount, the cap does not make a material difference to the results until it falls below £180,000. With a 50% discount, the cap does not make a material difference to the results. The impact varies across the different typologies, however, demonstrates that increasing the percentage discount or reducing the cap is likely to have a substantially greater impact on viability than increasing accessibility standards, but a little less impact than moving to Zero Carbon construction.

12.65 The affordable for rent / affordable to buy split also has an impact on viability. A further set of appraisals has been where the affordable housing for rent makes up 50% of the affordable housing and, alternatively, 70% of the affordable housing. This analysis assumes that the NPPF minimum of 10% affordable home ownership units on larger sites and the PPG set requirement for First Homes applies.

12.66 The balance between affordable housing for rent and affordable housing to buy is tested. This analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £150,000/ha less where 50% of the affordable housing is provided as First Homes and Shared Ownership and the balance as Affordable Rent, rather than 30% of the affordable housing is provided as First Homes and Shared Ownership and the balance

[117] https://www.telford.gov.uk/downloads/file/19857/homes_for_all_spd

of 70% as Affordable Rent. It is clear that altering the tenure mix can have a significant impact on viability.

Developer Contributions

12.67 The above analysis considered the impact of affordable housing on development viability, taking into account the anticipated requirements for developer contributions based on the most up to date information. A range of developer contribution costs ranging from £0 to £40,000 per unit has been tested against 0% to 40% affordable housing requirements. This approach is appropriate at this stage of the plan-making process, but it will be necessary to keep these under review as the plan-making process continues.

12.68 The above analysis considered the impact of higher policy standards. The effect of affordable housing and developer contributions is tested in three scenarios.

Table 12.5 Policy Scenarios for Policy Testing

	Lower Requirements	**Mid Requirements**	**Higher Requirements**
Biodiversity Net Gain	10%	10%	10%
Carbon and Energy	2025 Part L	2025 Part L	Zero Carbon
Accessibility	100% M4(2) Accessible & Adaptable	95% M4(2) - Accessible & Adaptable 5% M4(3)a Wheelchair Adaptable	95% M4(2) Accessible & Adaptable 5% M4(3)a Wheelchair Adaptable
Water Standard	Enhanced Building Regulations	Enhanced Building Regulations	Enhanced Building Regulations
First Homes	30% Discount, £250,000 cap	40% Discount, £180,000 cap	40% Discount, £180,000 cap

Source: May 2023

12.69 The appraisal results are summarised below. In the following analysis, the small sites (less than 10 units) are modelled with affordable housing, although it is important to note that these are under the affordable housing threshold included in paragraph 64 of the NPPF.

12.70 In the following table the typologies that are able to bear at least £4,000 per unit in developer contributions are shaded green, as are the potential Sustainable Urban Extensions that are able to bear at least £15,000 per unit in developer contributions.

Table 12.6a Maximum Levels of Developer Contributions. £/unit

Telford & Adjacent

Lower Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000	£5,000	£0
Greenfield 100 - 40	£10,000	£0	£0	£0	Not Viable	Not Viable	Not Viable	Not Viable
Greenfield <40	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Strategic Sites	£20,000	£15,000	£10,000	£5,000	£5,000	£0	Not Viable	Not Viable
Mid Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£30,000	£20,000	£20,000	£15,000	£10,000	£5,000	£0	£0
Greenfield 100 - 40	£5,000	£0	£0	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Greenfield <40	£40,000	£35,000	£25,000	£25,000	£20,000	£15,000	£10,000	£5,000
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Strategic Sites	£20,000	£15,000	£10,000	£5,000	£0	£0	Not Viable	Not Viable
Higher Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£20,000	£15,000	£10,000	£5,000	£5,000	£0	£0	Not Viable
Greenfield 100 - 40	£0	£0	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Greenfield <40	£35,000	£25,000	£20,000	£15,000	£10,000	£5,000	£0	£0
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Strategic Sites	£15,000	£10,000	£5,000	£0	£0	Not Viable	Not Viable	Not Viable

Source: HDH (May 2023)

Table 12.6b Maximum Levels of Developer Contributions

Newport and Rural

Lower Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£40,000	£40,000	£40,000	£35,000	£30,000	£25,000	£15,000	£15,000
Greenfield 100 - 40	£30,000	£20,000	£15,000	£15,000	£10,000	£5,000	£0	£0
Greenfield <40	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Strategic Sites								
Mid Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£40,000	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000	£10,000
Greenfield 100 - 40	£25,000	£20,000	£15,000	£10,000	£5,000	£5,000	£0	Not Viable
Greenfield <40	£40,000	£35,000	£30,000	£25,000	£15,000	£10,000	£5,000	£0
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Strategic Sites								
Higher Policy Requirements								
Affordable %	0%	10%	15%	20%	25%	30%	35%	40%
Greenfield >100	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
Greenfield 100 - 40	£20,000	£10,000	£10,000	£5,000	£0	£0	Not Viable	Not Viable
Greenfield <40	£35,000	£25,000	£20,000	£15,000	£10,000	£25,000	£0	Not Viable
Brownfield	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Strategic Sites								

Source: HDH (May 2023)

12.71 This analysis shows the challenges of bringing forward brownfield sites. Such sites are likely to be unable to deliver affordable housing or make meaningful contributions towards developer contributions, even under the lower policy requirements. It is important to note that some such sites are coming forward and, it is understood that some are delivering affordable housing.

12.72 Whatever strategy the Council settles on in terms of allocations and policy requirements, it will be necessary to be cautious with regard to assumptions around the delivery of such sites, particularly in the early years of the new Local Plan. Some sites may be part of wider regeneration initiatives and / or be in public ownership that may enable such sites to be delivered.

12.73 The greenfield sites perform better in the higher value Newport and Rural Areas, with the Residual value being significantly greater in the Newport and Rural areas. By way of example, a site with 30% affordable housing and £20,000 per unit in developer contributions is likely to derive a Residual Value that is about £300,000 per ha higher than a similar site that is in or adjacent to Telford. Based on viability alone (and there are many other factors to consider), if the Council wanted to maximise planning obligations, then a policy that sought to direct development away from Telford and into the rural areas and towards Newport may achieve this.

Suggested Policy Requirements

12.74 It is necessary to bring the above analysis together and settle on a set of policies to take forward into the plan-making process. The following are a consultant's view, based on the iterative viability process.

12.75 Having discussed the early results of this report with the Council, in making these suggestions the following have been taken into account:

a. As set out at the start of this chapter the findings of this report do not, in themselves, determine the deliverability of development. The results of this study are one of a number of factors that the Council will consider when selecting sites for allocation. Council will also consider the track record through the development management process and a plethora of other factors. As set out in Chapter 4 above, of particular importance to Telford & Wrekin Council is the ongoing public sector involvement in development. The Council and Homes England both have significant land holdings, in part due to the newtown legacy. This report is primarily concerned with market lead development schemes, without the input of subsidy and grant.

   Over the last 7 years about 60% of affordable housing has been delivered with some form of Homes England and or Council input, and 40% through market lead housing schemes.

   The Council will need to take this wider information into account when settling on a preferred set of policies.

b. The delivery of affordable housing is important, and within this the priority is for affordable housing for rent which should be maximised.

c. There is a requirement for both Affordable Rent and Social Rent, however seeking Social Rent would have an adverse impact on viability. At present, the Council does not mandate a particular tenure mix within the emerging policy. It is Telford & Wrekin

Council's preference not to be specific in this regard, rather the tenure mix being informed by local need and viability.

d. That it is likely that the new national policy requirements for further increases to Part M of Building Regulations (with all new homes to be built to Accessible and Adaptable – Part M4(2) standards) will be adopted around the time that the new Local Plan is implemented. It would be prudent to assume that these are a requirement. Having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.

e. The cost of providing wheelchair adaptable housing is significant, however the Council has a need for such accommodation within the affordable sector and the provision of some accommodation that meets this standard is a priority.

f. The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings. Bearing in mind the timetable for the introduction of the new Local Plan, it would be prudent to assume that these (the 2025 standards) are a requirement. Again, having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.

g. The viability testing includes the testing of District Heating. District Heating is not a particular priority of the Council. The key to a successful District Heating Scheme is a readily available heat source and the Council will further investigate extending the existing network, rather than mandating connection.

h. The viability testing includes the testing of Rainwater Harvesting. Mandatory Rainwater Harvesting is expensive and would impinge on the ability to provide other requirements. It is not considered a priority.

i. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing, developer contributions and environmental standards. Similarly, viability is better in the higher value Newport and Rural Areas than in and around Telford. Whilst directing development away from Telford and into the rural areas and towards Newport may achieve greater levels of planning obligations, this does not sit well with wider planning considerations.

j. The Council has declared a climate emergency and a move towards zero carbon development is a priority, but not at the significant expense of the provision of affordable housing.

k. Brownfield sites comprise part of the land supply for future development. This is most likely to be in Telford but unlikely to come forward without some form of public intervention or public sector involvement (for example HIF funding). Brownfield site development is the least viable so the Council should be cautious about relying on flatted schemes to deliver development. The Council is committed to delivering policy compliant development and has a long track record of doing so, both through actively intervening in the market and through working with the wider public sector to enable delivery. Bearing in mind that there are very few brownfield sites that are not in public ownership, and therefore not subject to grant, it would not be proportionate to develop specific policies for brownfield sites, rather viability would normally be considered at the development management stage.

l. There is a need for infrastructure funding. The analysis suggests that most types of greenfield development have some capacity to bear developer contributions. The infrastructure requirements of the potential Sustainable Urban Extensions are not yet known. It will be necessary for the Council to establish the costs of strategic infrastructure and mitigation associated with the potential Sustainable Urban Extensions and test the site's ability to bear those costs before selecting sites to be included in the Plan. It is recommended that the Council completes the updating of the IDP prior to making a decision in this regard.

12.76 The economics of development are subject to falls in house prices and build cost inflation. The above comments are made based on current costs and values. The sensitivity testing carried out through the iterative process shows that a modest increase in costs or fall in values does have a material impact on the viability of the brownfield sites.

12.77 With the above in mind, in discussion with the Council, the following policy obligations have been settled on. There is uncertainty in the market, so it is recommended that a cautious approach is taken. Should house prices return to growth and should inflation return to lower levels, then it may be appropriate to take a stronger view in this regard.

a. Affordable Housing:

i. Sites not in public ownership and or subject to grant in and adjacent to Telford 20% - as 50% AHO including First Homes and the balance as Affordable Rent.

ii. Sites not in public ownership and or subject to grant elsewhere 30% - as 33% AHO including First Homes and the balance as Affordable Rent.

iii. In the above, First Homes subject to a 40% discount and a £180,000 cap.

b. Design 95% Accessible and Adaptable (M4(2)), 5% Wheelchair Accessible (M4(3)).

Development subject to 80% CO_2 saving as per 2025 Future Homes Standard.

10% Biodiversity Net Gain.

12.78 The sensitivity testing assumes developer contributions as follows, although these may change as and when the IDP requirements are updated:

a. Sites of less than 10 units £1,000 per unit.

b. Sites of 10 to 50 units £2,500 per unit

c. Sites of more than 50 units £4,000 per unit

d. Potential Sustainable Urban Extensions £15,000 per unit.

12.79 As a final step in the iterative viability process, the above policy requirements are subject to a final round of sensitivity testing.

12.80 The Council does not expect to allocate sites specifically for Build to Rent development however this type of development is unlikely to be viable and deliverable.

12.81 If the Council were to follow this advice it would be necessary to be cautious in assuming brownfield development or Build to Rent development would come forward, as these are not likely to be delivered. This is likely to influence the selection of sites for allocation.

Sensitivity Testing Impact of Change in Values and Costs

12.82 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of about 10% over the next 3 years[118]. A scenario has been tested with increases in build costs up to 15%.

12.83 As set out in Chapter 4, the property market is in a current period of uncertainty. It is not the purpose of this report to predict the future of the market. Several price change scenarios have been tested, from minus 15% to plus 15%. It is assumed all other matters in the recommended appraisals remain unchanged. It is important to note that only the costs of construction and the values of the market housing are altered.

12.84 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although having taken this into account in the policy recommendations above, this is unlikely to be sufficient to impact on the deliverability of the Plan. It is recommended that the Council keeps the assessment under frequent review.

Self and Custom Build Housing

12.85 The Council is exploring several options in this regard, but has not yet developed a policy. To inform the development of policy a 5% requirement on sites of 100 units and larger has been considered. If implemented, it is assumed that this policy would be implemented on a 'whole plot' basis, so sites over 100 units would be required to provide 5 plots, sites over 120 units would be required to provide 6 plots and so on.

12.86 It is unlikely that a requirement for self-build plots will adversely impact on viability.

[118] BCIS General Building Cost Index. May 2023 – 444.5, May 2026 – 493.1

Older People's Housing

12.87 As well as mainstream housing, the Sheltered and Extracare sectors have been considered separately. As for mainstream housing, a range of appraisals have been run, although based on the suggested policy options as set out above. Due to the nature of the schemes, they are modelled without First Homes.

12.88 Based on this analysis, Sheltered housing and Extracare housing is to be unable to bear affordable housing. When considering this, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage.

Non-Residential Appraisals

12.89 Based on the assumptions set out previously, a set of financial appraisals have been run for the non-residential development types.

12.90 As with the residential appraisals, the Residual Valuation approach has been used. Appraisals have been run to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit.

Employment Uses

12.91 Firstly, the main employment uses are considered.

Table 12.7 Employment Appraisal Results

GREENFIELD						
		Offices - Central	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2		0	0	0	0
RESIDUAL VALUE	Site		-2,208,596	-1,311,257	-447,351	1,737,230
			0			
Existing Use Value	£/ha		50,000	25,000	50,000	25,000
Viability Threshold	£/ha		550,000	525,000	550,000	530,000
Residual Value	£/ha		-8,282,237	-1,311,257	-4,473,515	1,520,076

BROWNFIELD						
		Offices - Central	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2	0	0	0	0	0
RESIDUAL VALUE	Site	-2,688,227	-2,624,811	-1,712,607	-505,748	1,474,913
			0			
Existing Use Value	£/ha	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Viability Threshold	£/ha	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Residual Value	£/ha	-37,635,176	-9,843,042	-1,712,607	-5,057,481	1,290,549

Source: HDH (May 2023)

12.92 The above results are broadly reflective of the current market in and around Telford and more widely. Office and industrial development is shown as being unviable, but the larger format logistics uses being shown as viable.

12.93 Telford is not a prime logistics location lying someway to the west of Birmingham, and whilst on the M54, such development is not being brought forward to on a speculative basis by the development industry. Much of the industrial development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located properties.

12.94 The analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. The assumption is that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. The Guidance, as set out in Chapters 2 and 3 above, does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the area is 'user-led' being brought forward by businesses, or for specific end users, that will use the eventual space for operational uses, rather than for investment purposes.

12.95 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

12.96 This analysis shows that there is scope to seek higher environmental standards on the large format logistics uses, but less so on the other uses. Caution would be suggested in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail Uses

Table 12.8 Retail Appraisal Results

GREENFIELD					
		Prime Retail Central	**Secondary Retail**	**Supermarket**	**Retail Warehouse**
CIL	£/m2		**0**	**0**	**0**
RESIDUAL VALUE	**Site**		**-103,300**	**3,525,443**	**9,576,864**
Existing Use Value	£/ha		50,000	25,000	25,000
Viability Threshold	£/ha		550,000	525,000	525,000
Residual Value	£/ha		-5,509,315	5,875,151	11,971,080

BROWNFIELD					
		Prime Retail Central	**Secondary Retail**	**Supermarket**	**Retail Warehouse**
CIL	£/m2	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**187,644**	**-127,436**	**3,114,243**	**9,152,484**
Existing Use Value	£/ha	1,000,000	1,000,000	1,000,000	1,000,000
Viability Threshold	£/ha	1,200,000	1,200,000	1,200,000	1,200,000
Residual Value	£/ha	10,007,664	-6,796,586	5,189,886	11,440,605

Source: HDH (May 2023)

12.97 The above results are reflective of the current market in the local retail market with the large format and town centre sites being viable, but smaller secondary locations not being viable. It is important to note that the Council is not anticipating development coming forward in Telford town centre, and it is likely that there will be some consolidation of the shopping areas.

12.98 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

12.99 This analysis shows that there is scope to seek higher environmental standards, with the exception of Secondary Retail.

Conclusions and Recommendations

12.100 The property market across Telford and Wrekin is varied with some challenges associated with areas that came forward as part of the early phases of the Telford new town development, but other areas, particularly around Newport and in the rural areas, performing more strongly. The economic outlook is mixed, with considerable inflationary and wider economic uncertainties. Residential and non-residential development are coming forward, but a significant element of it is not policy compliant.

12.101 With this in mind the following policy obligations are suggested.

a. Affordable Housing:

i. Sites not in public ownership and or subject to grant in and adjacent to Telford 20% - as 50% AHO including First Homes and the balance as Affordable Rent.

ii. Sites not in public ownership and or subject to grant elsewhere 30% - as 33% AHO including First Homes and the balance as Affordable Rent.

In the above, First Homes subject to a 40% discount and a £180,000 cap.

b. Design

i. 95% Accessible and Adaptable (M4(2)), 5% Wheelchair Accessible (M4(3)).

ii. Development subject to 80% CO_2 saving as per 2025 Future Homes Standard.

iii. 10% Biodiversity Net Gain.

12.102 A key aspect of this advice is the extent of public sector ownership in and around Telford, and the Council's success in securing external funding to facilitate the delivery of housing schemes, and to ensure the delivery of affordable housing. Over the last 7 years about 60% of affordable housing has been delivered with some form of Homes England and or Council input, and 40% through market lead housing schemes.

12.103 Having said this, it will still be necessary to be cautious in assuming brownfield development or Build to Rent development would come forward, as these are not likely to be delivered, without some form of public sector intervention. This is likely to influence the selection of sites for allocation. Having said this, it is important to note that a significant number of the brownfield sites that may come forward for development are within the Council's control. The Council has a good record of securing 'gap funding' to enable the delivery of large-scale greenfield schemes and anticipates that this will continue in the future.

12.104 Employment uses are not shown as being viable, with the exception of logistics uses, the Council should be cautious in seeking additional standards from such development. Having said this, a significant amount of development has come forward on publicly owned land that has been de-risked by the Council and public sector partners. The Council and Homes England both have significant land holdings that will be released over the coming years.

12.105 The larger scale and town centre retail uses are shown as being viable and as having scope to be to higher environmental standards.

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