Whole Plan Viability Assessment

August 2023

Planning & Development

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1. Introduction

Scope

1.1 Following the withdrawal of the Local Plan in September 2021, Rutland County Council (RCC / the Council) is now working on a new Local Plan for Rutland. This will replace the adopted Local Plan which comprises the Minerals Core Strategy & Development Control Policies (adopted 2010), the Core Strategy (adopted 2011) and the Site Allocations & Policies Development Plan Document (DPD) (adopted 2014).

1.2 This Whole Plan Viability Assessment has been commissioned to support the development of the new Local Plan and to support the Council in demonstrating the Plan is deliverable through the Examination process. To inform the new Local Plan Review, this report will consider the deliverability of planned development, in line with the tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations.

1.3 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 viability assessment builds on the Council's existing viability work, specifically the following studies:

- *Local Plan Review 2017, Viability Update*, (HDH, February 2018)
- *Local Plan – Pre-Submission Viability Update*, (HDH, February 2020)
- *Viability Note*, (HDH, 2021)

1.4 These followed various earlier reports, including those that supported the Council's adoption of CIL. HDH has also advised in connection with the Woolfox and the St George's sites. Whilst this report builds on the Council's existing viability evidence, it takes a step back to first principles. This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the impact of the policy options, in the context of national policies and requirements. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

1.5 A technical consultation was conducted in May and June 2023. Representatives of the main developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations were invited to comment on an early draft of this report.

1.6 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.

1.7 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 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*.

1.8 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, CIL and the delivery of affordable housing would be combined into a single Infrastructure 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. This is considered further in Chapter 2 below.

1.9 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened.

Report Structure

1.10 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 Summary, findings and recommendations.

HDH Planning & Development Ltd (HDH)

1.11 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.

1.12 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

1.13 Whilst the RICS withdrew the formal advice in relation to the uncertainty, over a year ago (March 2022), due to the nature of this assessment it is important to note the uncertainty in the current market. The COVID-19 pandemic unsettled the global economy, however at the time of this report (July 2023) property markets are functioning again. Having said this, the economy continues to be faced with an unprecedented set of circumstances caused by COVID-19, uncertainty around world trade (including Brexit) and the ongoing war in Ukraine, with significant 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 the findings than would normally be the case.

1.14 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, and possible changes to the plan-making process, the importance of keeping the findings under review as the plan-making process continues is highlighted.

Compliance

1.15 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).

1.16 *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 followed a collaborative approach involving the LPA, developers, landowners and other interested parties. Whilst few comments were received through the consultation process, the event was well attended, and the draft report was widely circulated.

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

g. HDH confirms that adequate time is being allowed 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.

1.17 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

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

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

$1m^2$	=	10.76 sqft	1sqft	=	$0.0929m^2$
1ha	=	2.471acres	1acre	=	0.405ha

1.19 A useful broad rule of thumb to convert m^2 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 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 / 2019 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, touch on matters where viability will be a factor:

> *Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.*
>
> *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 is not currently planning to allocate strategic sites, if this changes it would then be necessary for the potential strategic sites are tested. As the plan-making process continues, it will be necessary to engage further with the promoters of the potential strategic sites and service and infrastructure providers.

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

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

> *viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.*
>
> *NPPF Paragraph 58*

2.6 The updated PPG (see below) has been followed. This viability assessment will become the reference point for viability assessments submitted through the development management process in the future.

2.7 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 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 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 Local Plan process. It will be necessary for the Council to continue 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 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 an 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 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 policy options, being considered by the Council, 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 has formed part of this assessment.

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

2.22 A range of levels of policy requirements are tested set 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 study. As this stage, the Council has not identified potential strategic sites, to be tested. In due course, if the Council does pursue specific strategic sites, it will need to engage with the promoters of the selected strategic sites.

2.24 The modelling in this assessment is based on the long list of sites that are being considered for allocation or are likely to come forward over the plan-period. This may be subject to further change so, in due course, it may be necessary to revisit this when the actual preferred allocations have been selected.

> *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 Local Plan Review. In addition, the several large typologies that could represent potential strategic sites, 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 as set out through this report.

> *It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.*
>
> *PPG 10-005-20180724*

[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.*

2.27 For the purpose of this viability assessment, strategic sites would be those being considered for allocation, and if they were allocated would be considered key sites on which the delivery of the Plan may rely.

> *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 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 in decision making. 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 subject to consultation and have drawn on a range of data sources. Ultimately, the Council will use this report to judge the appropriateness of the new policies in the new 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, feedback through the consultation process, and experience elsewhere.

> *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 applies 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.*
>
> *PPG 10-018-20190509*

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 adopted CIL, and this study includes consideration as to whether or not there is scope to formally review 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 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

2.44 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 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, CIL and the delivery of affordable housing would be combined into a single Infrastructure 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. 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 that it is timely to highlight as they need to be reflected in this update.

Affordable Housing Thresholds

2.47 Paragraph 64 of the NPPF 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 provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

2.49 The whole of the County is within a Designated Rural Area with the exception of the parishes of Oakham and Uppingham, so a threshold of less than 10 units is tested.

Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020. Made *5th November 2020. Coming into force 16th November 2020*.

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[3], 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 for the modelling purposes of this study. However, it is noted in the Housing Market Assessment that, "*In Rutland, the clear need for additional rented housing would arguably mean that providing the affordable home ownership would 'prejudice the ability' to meet the needs of the 'specific group' requiring rented accommodation*''.

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,*
>
> *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).*

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

> *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 This is assumed to apply. The PPG then provides guidance as to the level of the discount:

> *Can the required minimum discount be changed?*
>
> *In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%.*
>
> *However, the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures (such as First Homes). Specific demographic data is available on open data communities which can be used to inform this process. The assessment will enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.*
>
> *In such circumstances, the minimum discount level should be fixed at either 40% or 50% below market value and should not be set at any other value. In each case, these percentages represent the minimum discount required for a home to qualify as a First Home. Developers who are able to offer higher discounts within their contributions should be free to do so but the local authority cannot require this. In such cases, whatever discount (as a percentage of market value) is given at the first disposal should be the same at each subsequent sale. These minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas) and should not be changed on a site-by-site basis.*
>
> *If local authorities or neighbourhood planning groups choose to revise their required minimum discounts in any future alterations to their plans, this should not affect the minimum discounts required for previously sold First Homes when they come to be resold, as these will be bound by the section 106 agreements entered into at the time of their first sale.*
>
> *PPG: 70-004-20210524*

2.54 The assessment considers the impact of seeking a 40% or a 50% discount, as well as a 30% discount.

Accessible and Adaptable Standards

2.55 In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes[4] 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*

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

> *further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.*

2.56 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

2.57 The outcome of the Government consultation on 'The Future Homes Standard'[5] was announced during January 2021[6]. 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.

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

Biodiversity

2.59 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. 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,*

[5] 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

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

updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.

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

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

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

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

Fire Safety Standards

2.63 A number of further national consultations have taken place. These include 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. The outcome of the consultations has yet to be announced.

2.64 The proposed changes to the regulations around second staircases[7] would apply to buildings of over 30m (about 10 storeys). It is important to note that the Council is not planning for taller buildings of 6 storeys or taller. These changes follow 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

[7] Government proposes second staircases to make buildings safer - GOV.UK (www.gov.uk)

> *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. RCC adopted a Supplementary Planning Document (SPD) *Design Guide for Rutland* in March 2022. This is considered further in Chapter 8 below.

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 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 *Levelling-up and Regeneration Bill*. The changes within the Bill will have a significant impact on the overall plan-making process, however they do not alter the place of viability in the Local Plan process. It will be necessary for the Council to monitor the progress of the Bill, and in due course review this report if changes that impact on viability are announced.

2.72 The *Levelling-up and Regeneration Bill* includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* have yet to be published.

Technical consultation on the Infrastructure Levy

2.73 In March 2023, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy (Published 17 March 2023)*[8] to seek views on technical aspects of the design of the Infrastructure Levy. The responses 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*. 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*

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

> *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 details of the Regulations are not known, nor is its relationship with s106. It would therefore be premature to model and test the Infrastructure Levy at this early stage. As set out earlier, it will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.

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[9] 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[10] (known as the **Harman Guidance**).

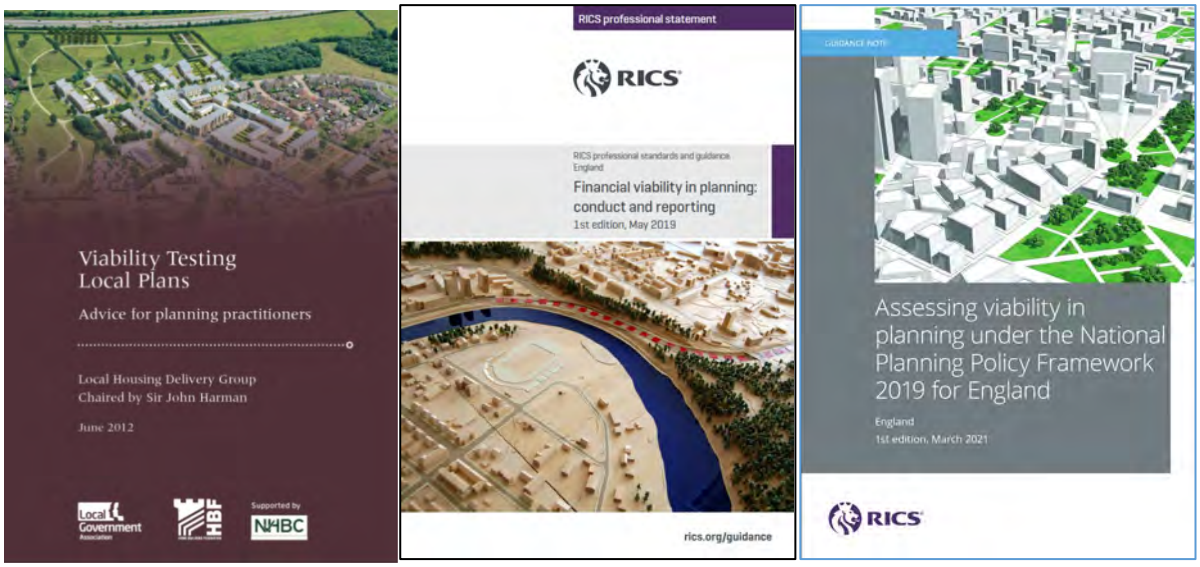
2.77 The planning appeal decisions and the HCA good practice publication[11] suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell.

[9] 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.

[10] 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).

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

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 A*ssessing 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.

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 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. HDH has 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

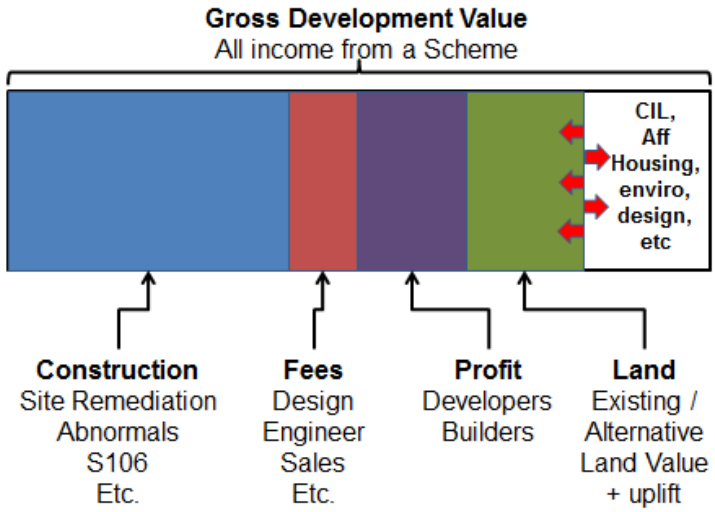
3.1 This report follows the Harman Guidance and RICS Guidance, and was put to industry for consultation in May / June 2023.

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 (including CIL), 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 development would no longer be 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.

> *Benchmark land value should:*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
>
> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of*

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

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

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

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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 – although various approaches have been accepted by planning inspectors. 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.

- *Local Plan Review 2017, Viability Update*, (HDH, February 2018)
- *Local Plan – Pre-Submission Viability Update*, (HDH, February 2020)
- *Viability Note*, (HDH, 2021)

3.14 These followed various earlier reports, including those that supported the Council's adoption of CIL. HDH has also advised in connection to the Woolfox and the St George's sites.

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. There have been very few of these, so in this case these are not presented in this report.

3.16 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[12].

Stakeholder Engagement

3.17 The PPG and the CIL Guidance require stakeholder engagement. The preparation of this viability assessment includes specific consultation and engagement with the industry. A consultation process was undertaken held in May and June 2023 when a presentation will be given, and an early 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.

3.18 Whilst only one written response was received, the consultation process was carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance.

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

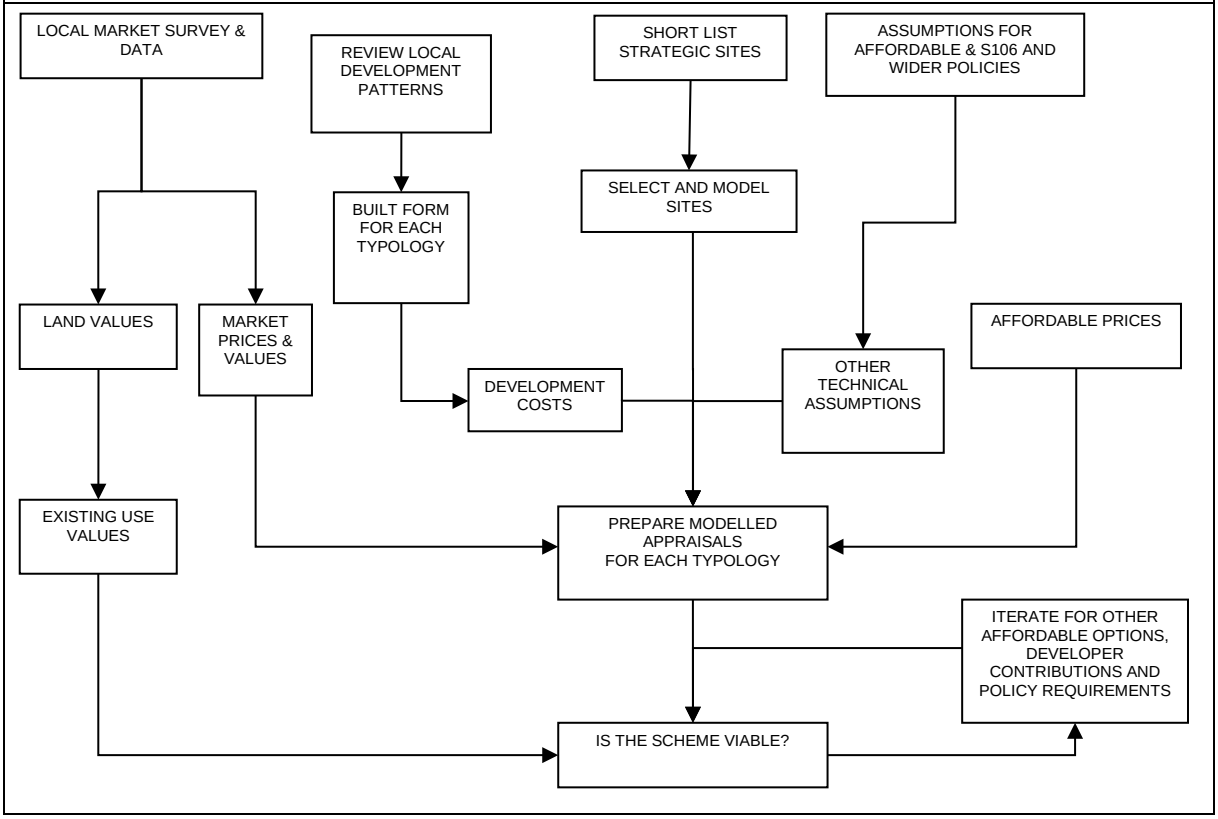
> *How should monitoring and reporting inform plan reviews?*
>
> *The information in the infrastructure funding statement should feed back into reviews of plans to ensure that policy requirements for developer contributions remain realistic and do not undermine deliverability of the plan.*

Viability Process

3.19 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*'.

3.20 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, and the strategic sites, 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.

Figure 3.1 Viability Methodology



Source: HDH 2023

3.21 The local property (housing and non-residential) 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.

3.22 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 is 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.

3.23 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[13]. 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.

[13] 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 Rutland is a largely rural area that forms part of the Peterborough/South Lincolnshire Housing Market Area but also abuts the eastern edge of Leicestershire. The County is a highly desirable area:

a. The two main settlements of Oakham and Uppingham are attractive market towns and are, to some extent, visitor attractions, although Oakham, being the County town, is rather larger. There are a range of smaller villages and settlements throughout the County. Stamford is a reasonably sized market town that lies to the east of the County, with the County boundary forming the edge of the town's western edge of the built-up area.

b. Rutland is relatively well served by the highway network with the A1 running through the east of the County and the A47 running east to west connecting the A1 and the M1.

c. Rutland Water is centrally located and is a significant leisure attraction.

d. Whilst the County does not have a Main Line station, it is connected to the East Coast Main Line to London, and has direct services to Peterborough, Cambridge, Stansted, Leicester and Birmingham from Oakham and Stamford stations.

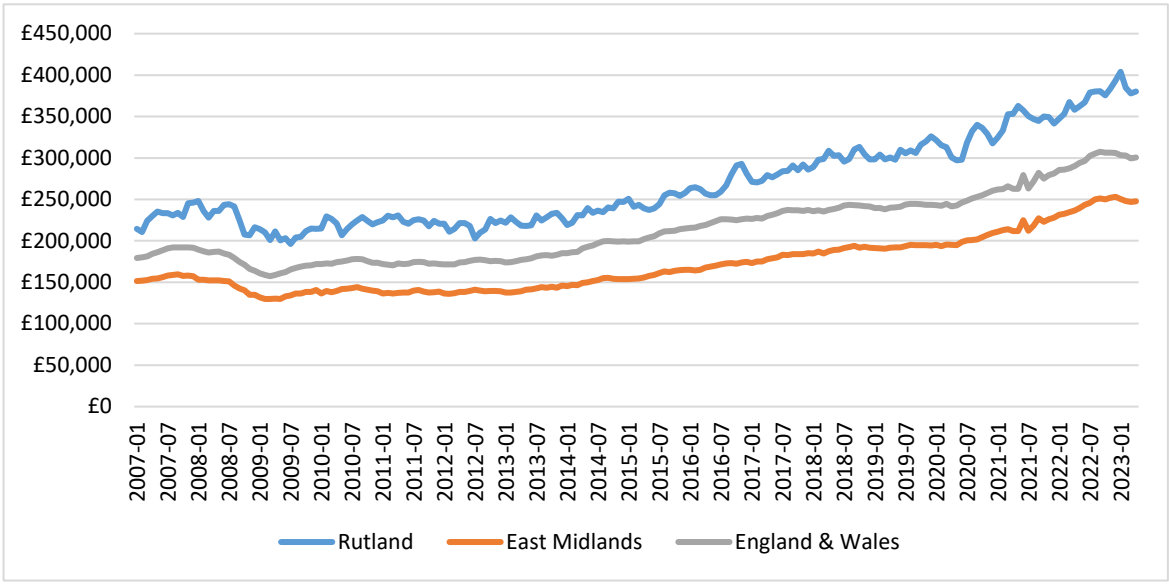
4.3 Overall, the market is perceived to be strong and certainly desirable and aspirational to households seeking to move from London to the surrounding countryside and market towns. Through conversations with local agents and from the consultation, the area is perceived to be an attractive place to develop, particularly with higher quality modern homes.

National Trends and the relationship with the wider area

4.4 The local housing market peaked early in January 2008 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. Locally, average house prices in the area returned to their pre-recession peak in November 2014 and are now about 56% above the 2008 peak. This rate of increase is less than that seen regionally (64%) and nationally (64%) over the same period. This is an increase of about 33% since the data was gathered for the *RCC Viability Update* (HDH, February 2018) – which was

based on October 2017 values. These increases are substantial. Over the same period this data shows that average newbuild values have increased by about 49%.

Figure 4.1 Average House Prices (£)



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

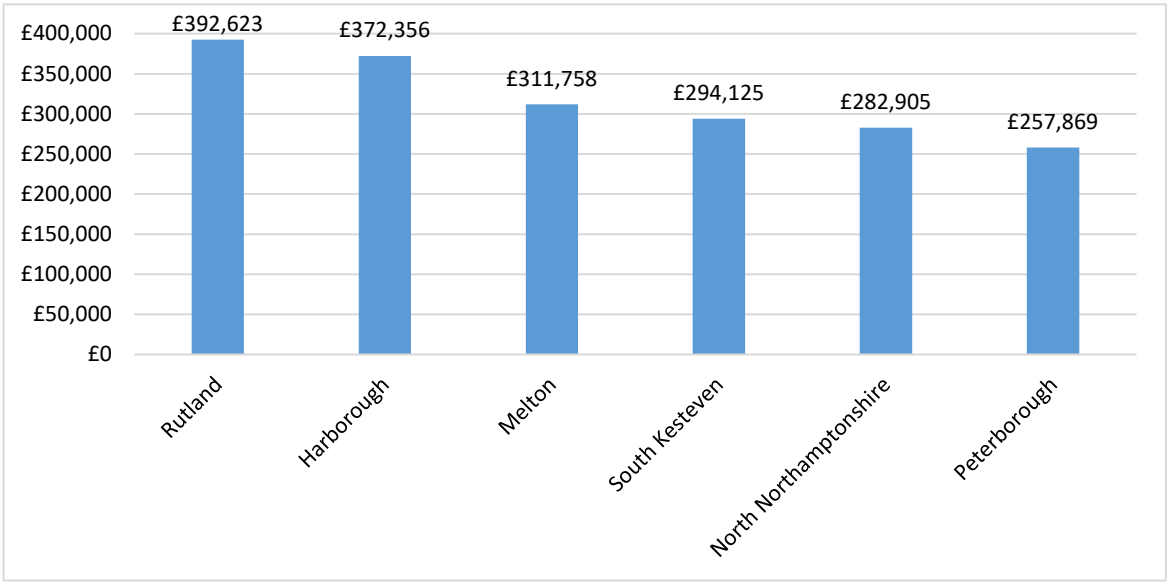
4.5 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Rutland is 107th (out of 331) at £392,623[14]. To set this in context, the council at the middle of the rank (166th – Swale), has an average price of £322,641. The Rutland median price is lower than the average at £322,250[15].

4.6 The average prices in neighbouring and nearby authority areas vary considerably, however Rutland is at the top of the range. Having said this, this is, at least in part, due to the nature of the existing housing stock.

[14] Mean house prices for administrative geographies: HPSSA dataset 12. Year Ending December 2023 (Release 21st June 2023.

[15] Median house prices for administrative geographies: HPSSA dataset 9. Year Ending December 2023 (Release 21st June 2023)

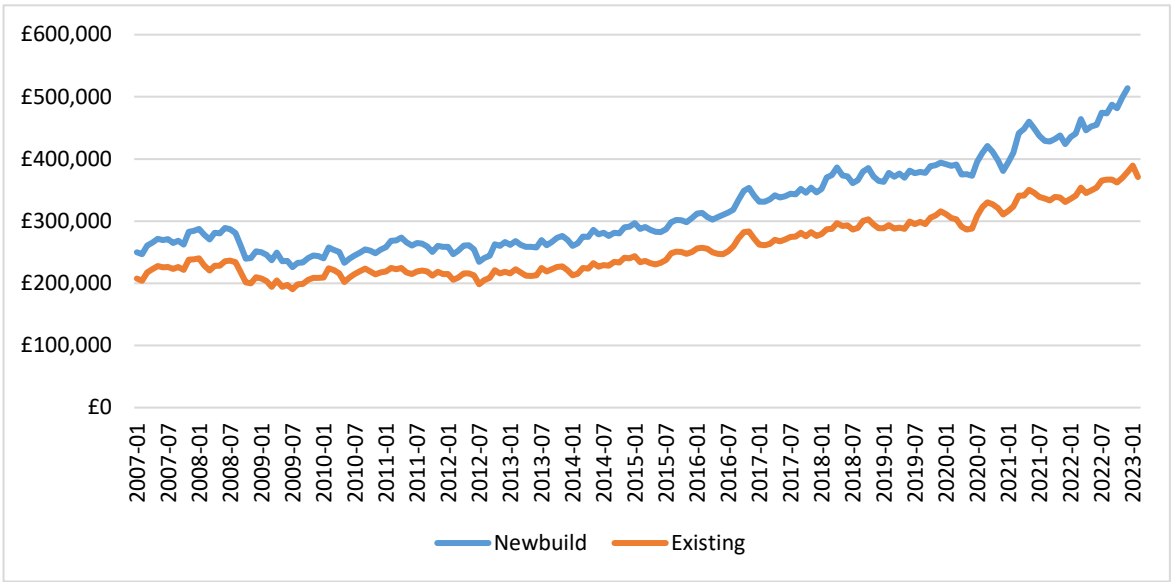
Figure 4.2 Average House Prices (£)



Source: Mean house prices for administrative geographies: HPSSA dataset 12, Year ending December 2022 (Release 21st June 2023). Contains public sector information licensed under the Open Government Licence v3.0

4.7 This study concerns new homes. Since the data was collected for the 2018 Viability Study, newbuild homes have increased more quickly than existing homes.

Figure 4.3 Change in House Prices. Existing v Newbuild

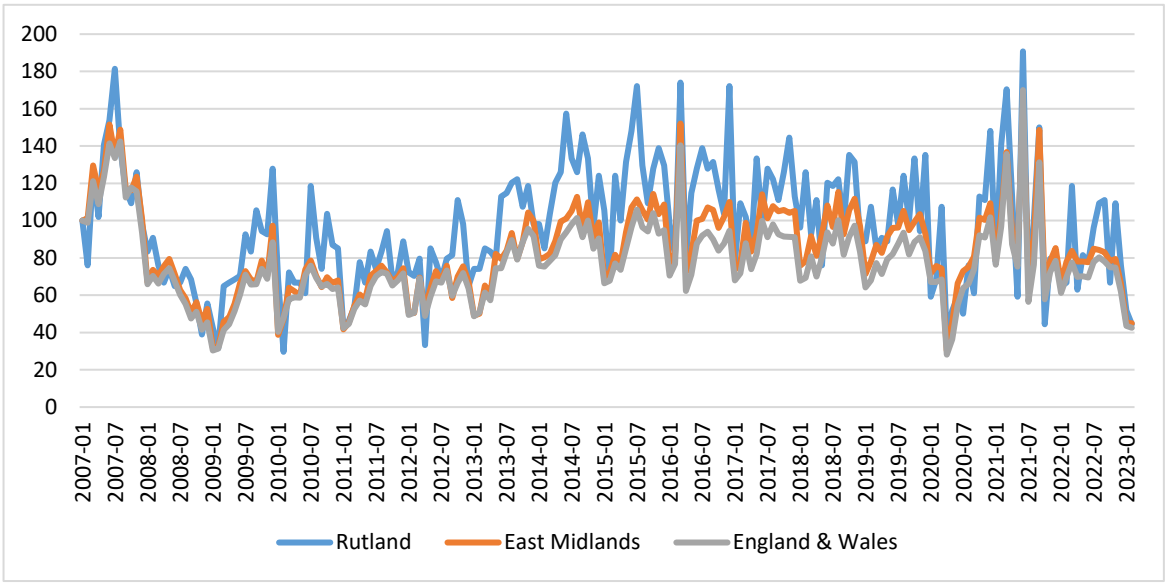


Source: Land Registry (July 2023). Contains public sector information licensed under the Open Government Licence v3.0.

4.8 The Land Registry data shows that the average price paid for newbuild homes in the Council area (£513,836) is £134,594 (or 35.4%) more than the average price paid for existing homes (£379,242).

4.9 The rate of sales (i.e. sales per month) in the area fell during the COVID-19 pandemic, but then rose sharply in line with the wider market and as a result of Government stimuli. There has been a more recent fall in activity.

Figure 4.4 Sales per Month – Indexed to January 2007



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

4.10 The rise in house prices over the last few 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 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 May 2023 RICS UK Residential Market Survey[16] said:

> *Forward-looking indicators again turn slightly less downbeat but clouds are gathering on the horizon*
>
> - *Metrics on new buyer enquiries and agreed sales post the least negative readings in twelve months*
> - *National house prices are still falling although downward momentum continues to ease*
> - *New instructions indicator moves into positive territory for the first time since early 2022*

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

The results of the May 2023 RICS UK Residential Survey continue to turn a little less downbeat, evidenced in particular by metrics on demand and sales returning their least negative readings in over a year. That said, the recent upward shift in interest rate expectations, prompted by disapointingly high consumer price inflation data, may place renewed pressure on the sales market in the months ahead.

Looking at demand, the headline net balance for new buyer enquiries came in at -18% in May. Although this is still indicative of a subdued trend in buyer demand, the latest reading is up from a net balance of -34% last time and represents the least negative return over the past twelve months. When viewed at the regional level, virtually all parts of the UK exhibit a less negative reading for new buyer enquiries when compared to the start of the year.

Meanwhile, the agreed sales indicator returned a net balance of -7% this month, noticeably less downbeat than figures of -29% and -18% seen back in March and April respectively. Similarly, the latest net balance for near-term sales expectations was recorded at -7%, representing the least pessimistic view from respondents since May 2022 (up from -17% in April). At the twelve-month time horizon, the sales expectations net balance stands at +2% (virtually unchanged from +3% previously) and is consistent with a generally steady sales outlook.

Interestingly, new instructions were reported to have risen by a net balance of +14% of survey participants during May. Consequently, this breaks a run of thirteen successive negative monthly readings beforehand, and marks the strongest reading for the new listings metric since March 2021. Alongside this, average stock levels on estate agents books have picked up slightly in recent months to stand at 38 properties, albeit inventories remain low on a historical comparison (and still comfortably below the near 40 average seen over the past five years).

Turning to house prices, a net balance of -30% of respondents cited a further fall in national prices during May. Even so, this measure has now turned less negative in each of the past three reports, having hit a recent low of -46% in February. Within this, the disaggregated data is now showing some noteworthy variations in house price trends across different parts of the UK. In London for instance, the latest net balance of -3%e is now pointing to a largely steady picture (up from readings of -42% and -11% in March and April). At the same time, respondents in both Scotland and Northern Ireland are seeing an uplift in house prices. At the other end of the spectrum, prices continue to fall in most other English regions, with the net balances across the East Midlands (-68%) and the South East (-48%) sitting most deeply in negative territory.

Looking ahead, the national house price expectations series (for the coming twelve months) now sits in broadly neutral territory, posting a net balance of just -3%. This is up from a reading of -16% last month and is now signalling that a much steadier picture for house prices is anticipated in a year's time. Within this, respondents foresee prices rising on a twelve-month perspective in Northern Ireland, Scotland, London, the North West and the South West (marginally). Away from these areas however, respondents see the outlook for prices as flat to modestly negative in most cases.

In the lettings market, a headline net balance of +44% of contributors saw an increase in tenant demand in May (part of the monthly non-seasonally adjusted lettings dataset). On the same basis, new landlord instructions were said to have fallen by a net balance of -23% of respondents.

Drilling further into the supply backdrop across the rental market, almost two-thirds of survey participants report seeing an increase in the number of buy-to-let landlords looking to sell their properties. Alongside this, a similar proportion report that there has been a decline the level of interest from new UK based buy-to-let investors over the past six months, while 30% also cite a decline in interest from overseas buy-to-let investors. With all of this contributing to the continued mismatch between rising demand and falling supply, rental prices are expected to rise by a net balance of +53% of respondents over the near term. Moreover, rental price growth is now expected to average just shy of 6% per annum over the course of the next five years.

4.12 A range of views as to the impact on house prices of the COVID-19 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 bring 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 (Q4 on Q4 year ago, %)	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	Jun	*	4.0		5.9	-	-	5.50	87.0	-	-	
Bloomberg Economics	Apr		3.0		-	-	-	4.25	-	-	-	
Capital Economics	Jun	*	4.3		7.2	6.2	76.9	5.25	81.0	4.9	-6.0	
Citigroup	Dec		3.8		5.8	-	-	4.00	-	1.8	-7.5	
Credit Suisse	Jan		4.5		-	-	-	4.50	-	-	-	
Daiwa Capital Markets	Feb'22		1.6		-	-	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	Jun	*	4.7		6.2	4.0	-	5.25	-	-	-	
JP Morgan	Jun	*	7.0		-	-	-	5.00	-	-	-	
KPMG	Jun	*	5.0		-	-	-	5.25	77.4	-	-	
Morgan Stanley	Mar		2.4		3.1	-	-	4.25	-	-	-	
Natwest Markets	May		3.7		5.9	-	-	4.50	82.0	4.6	-	
Nomura	Jun	*	5.1		6.3	5.1	-	-	-	-	-	
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	-	-	4.50	-	6.5	-	
UBS	Jun	*	3.6		6.4	4.5	-	5.00	-	5.6	-	
Non-City forecasters												
British Chambers of Commerce	Mar		5.0		-	-	-	4.25	-	-	-	
Beacon Economic Forecasting	Jun	*	5.5		6.6	5.9	81.2	5.25	79.8	8.6	-4.2	
CEBR	Jun	*	4.2		5.1	5.5	78.5	5.17	-	-	-11.7	
Economic Perspectives	Apr		5.8		6.8	-	78.0	3.50	80.0	6.2	-4.5	x
Experian Economics	Jun	*	5.2		6.4	5.7	-	5.00	76.6	-	-5.0	
EIU	Jul		3.1		-	-	-	2.25	-	-	-	
Heteronomics	May		4.7		5.0	-	78.6	4.75	88.5	-	-3.9	
ICAEW	Mar		4.5		-	-	-	4.50	-	-	-	
ITEM Club	May		3.0		4.6	-	79.5	4.33	-	3.2	-7.0	z
Kern Consulting	Apr		6.9		-	-	-	3.50	84.0	-	-	
Liverpool Macro Research	Jun	*	4.1		6.3	5.4	77.5	4.50	-	-	-	k
NIESR	May		5.4		11.0	-	-	4.50	-	-	-6.4	
Oxford Economics	Jun	*	3.9		6.2	4.0	80.4	5.00	81.5	5.1	-4.3	k
OECD	Mar		-	h	-	-	-	-	-	-	-	
IMF	Apr		4.2		-	-	-	-	-	-	-	
Average of forecasts made in the last 3 months (excludes OBR forecasts)												
Independent			4.7		6.4	5.2	78.8	4.7	81.8	5.4	-5.9	
New (marked *)			4.7		6.3	5.2	78.9	5.1	80.5	6.0	-6.2	
City			4.5		6.3	5.0	76.9	5.0	81.9	5.0	-6.0	
Range of forecasts made in the last 3 months (excludes OBR forecasts)												
Highest			7.0		11.0	6.2	81.2	5.5	88.5	8.6	-3.9	
Lowest			3.0		4.6	4.0	76.9	3.5	76.6	3.2	-11.7	
Median			4.7		6.3	5.4	78.5	5.0	81.2	5.1	-5.0	
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 No 431*(HM Treasury, June 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%
East 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) and Savills Spotlight: Prime Residential Property Forecasts[17]

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

House prices relatively stable in June but annual growth remains in negative territory

- *House prices remain broadly flat over the month, but down 3.5% compared with June 22*
- *All regions except Northern Ireland recorded annual price falls in Q2*
- *East Anglia was the weakest performing region with prices down 4.7% year-on-year*

Headlines	Jun-23	May-23
Monthly Index*	518.36	517.7
Monthly Change*	0.1%	-0.1%
Annual Change	-3.5%	-3.4%
Average Price (not seasonally adjusted)	£262,239	£260,736

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

4.15 This Nationwide HPI provides data at a regional level and suggests that average prices in the East Midlands are down 1.1% in Q2 2023, and have increased by 0.5% over the last year.

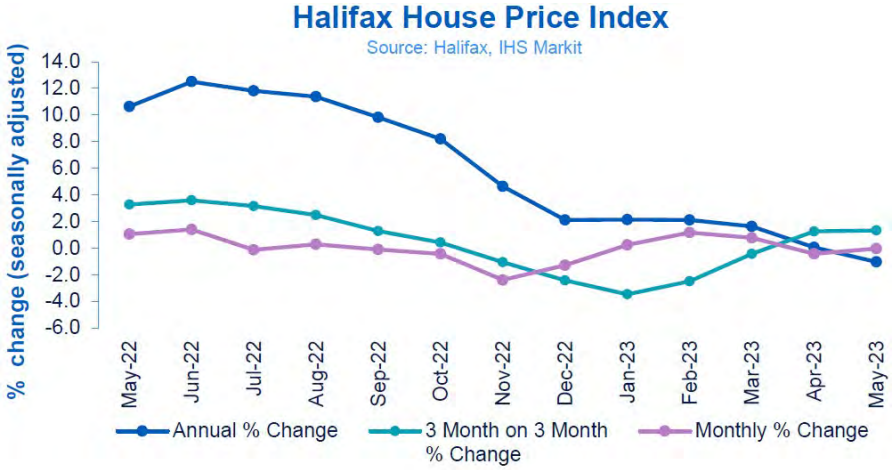
4.16 The Halifax Building Society reported in May 2023:

UK house prices flat in May as annual growth turns negative

- *Average house price remained flat (0.0%) in May (following -0.4% fall in April)*

[17] Savills UK | Residential Property Market Forecasts

- *Annual rate of house price growth fell to -1.0% (vs +0.1% in April)*
- *First annual decline in house prices since December 2012 (when -0.1%)*
- *Typical UK property now costs £286,532 (compared to £286,662 in April)*
- *Detached properties continue to post modest house price growth*
- *House prices in the south of England remain under the greatest pressure*

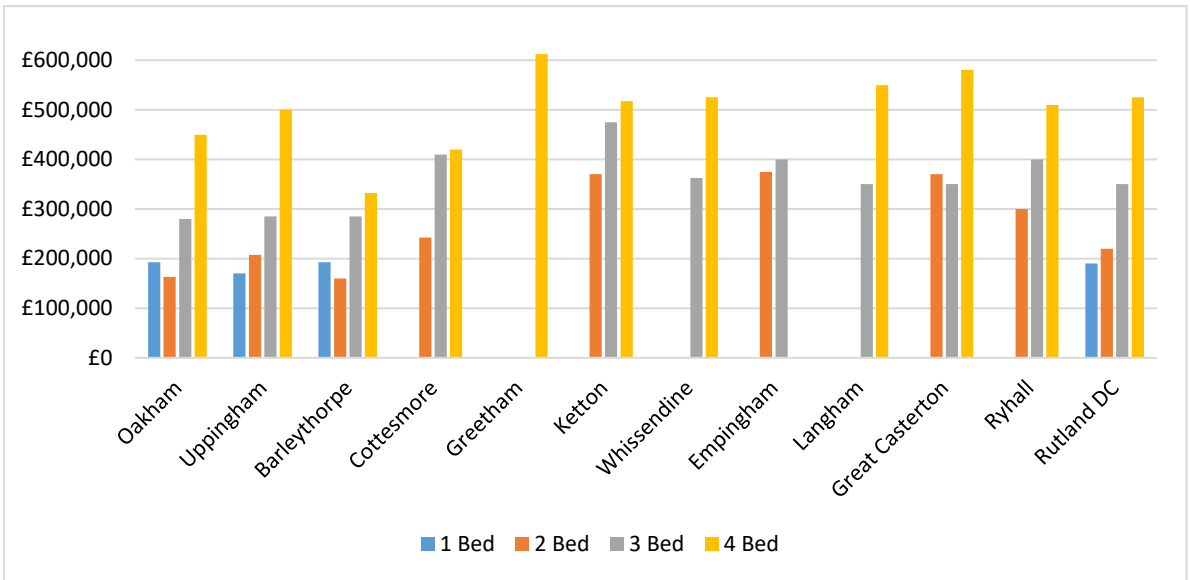


4.17 There is clearly uncertainty in the market, and the substantial growth reported over the last few years seems unlikely to continue.

The Local Market

4.18 A survey of asking prices across the Council area was carried out in April 2023. 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 (April 2023)

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 (although some of the sample sizes are very small).

4.20 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 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

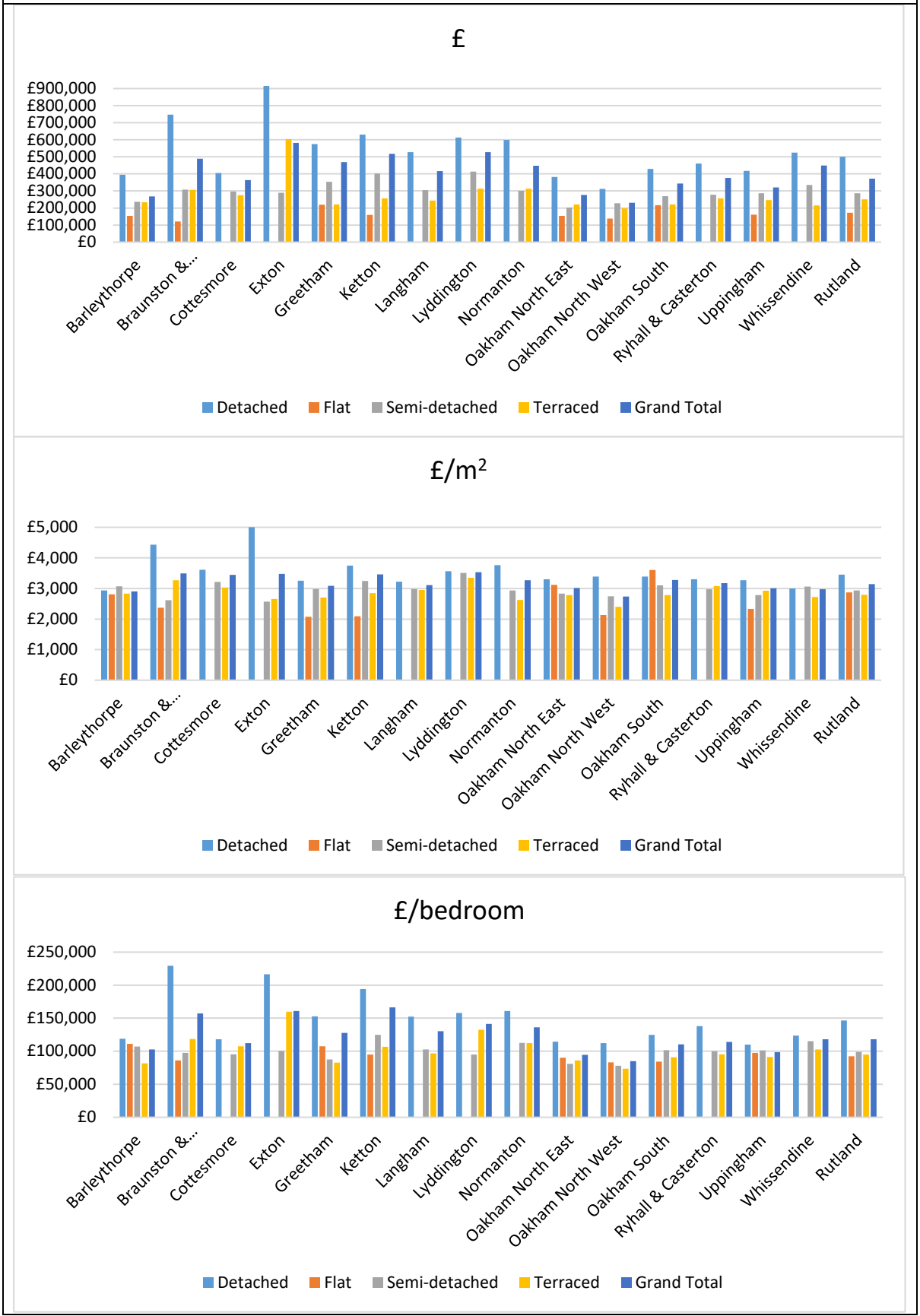
4.21 This data includes the records 1,678 sales since the start of 2020. Of these, floor areas are available for 1,475 sales and the number of bedrooms is available for 881 sales. The data is available for newbuild and existing homes and by ward and can be summarised as follows:

Table 4.4 Landmark Data – Sample Sizes			
	Count of Sale Value	Count of GIA	Count of Bedrooms
New Build			
2020	47	47	
2021	13	13	
2022			
2023			
	60	**60**	
Non New Build			
2020	486	397	284
2021	664	580	365
2022	465	435	231
2023	2	2	
	1,617	**1,414**	**880**
All	**1,677**	**1,474**	**880**

Source: Landmark (April 2023)

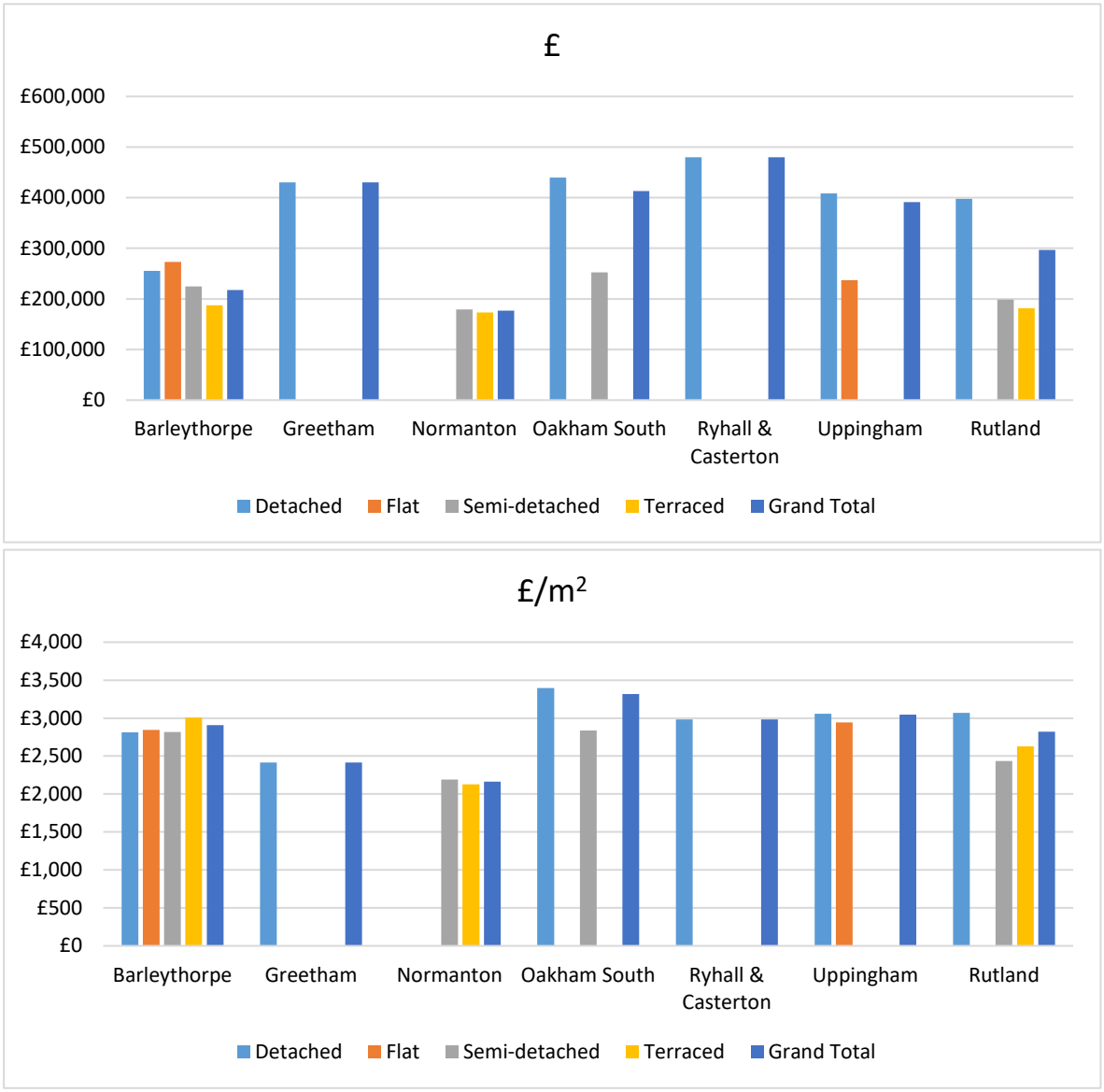
4.22 At the pre-consultation draft of this report, the newbuild sample size for 2021 is just 13, and no newbuild sales are recorded in either 2022 or 2023. This data can be disaggregated by year and between newbuild and existing homes.

Figure 4.6 Average Prices – All Properties



Source: Landmark (April 2023).

Figure 4.7 Average Prices – Newbuild Properties



Source: Landmark (April 2023).

4.23 The full data tables are set out in **Appendix 5** 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 This data shows that, on average, in Rutland, newbuild homes are about 20% less expensive than existing homes, however when considered on a £ per sqm basis, the prices are about 10% less. The exception is newbuild flats which are about 45% more expensive that existing flats, although when considered on a £ per sqm basis newbuild and existing flats are similarly priced. This data needs to be treated with caution due to the very small sample size of newbuild sales. The Land Registry data presented earlier in this chapter suggested that the average price paid for newbuild homes in Rutland is 40.5% more than the average price paid for existing homes.

4.25 Newbuild houses are about 20% more expensive than newbuild flats, existing houses are about 130% more expensive than existing flats. When considered on a £ per sqm basis, newbuild houses and flats are similarly prices. Generally, flats are less expensive than houses, as they tend to be smaller, but also that they tend to be more expensive when considered on a £ per sqm basis.

4.26 Following the technical consultation, the Land Registry Price Paid Data was revisited to see if there were further newbuild sales now included. Whilst the additional data is very limited (just 2 additional sales in 2022 and 8 in 2021), for completeness these have been analysed.

Table 4.5 Additional Land Registry Price Paid Data

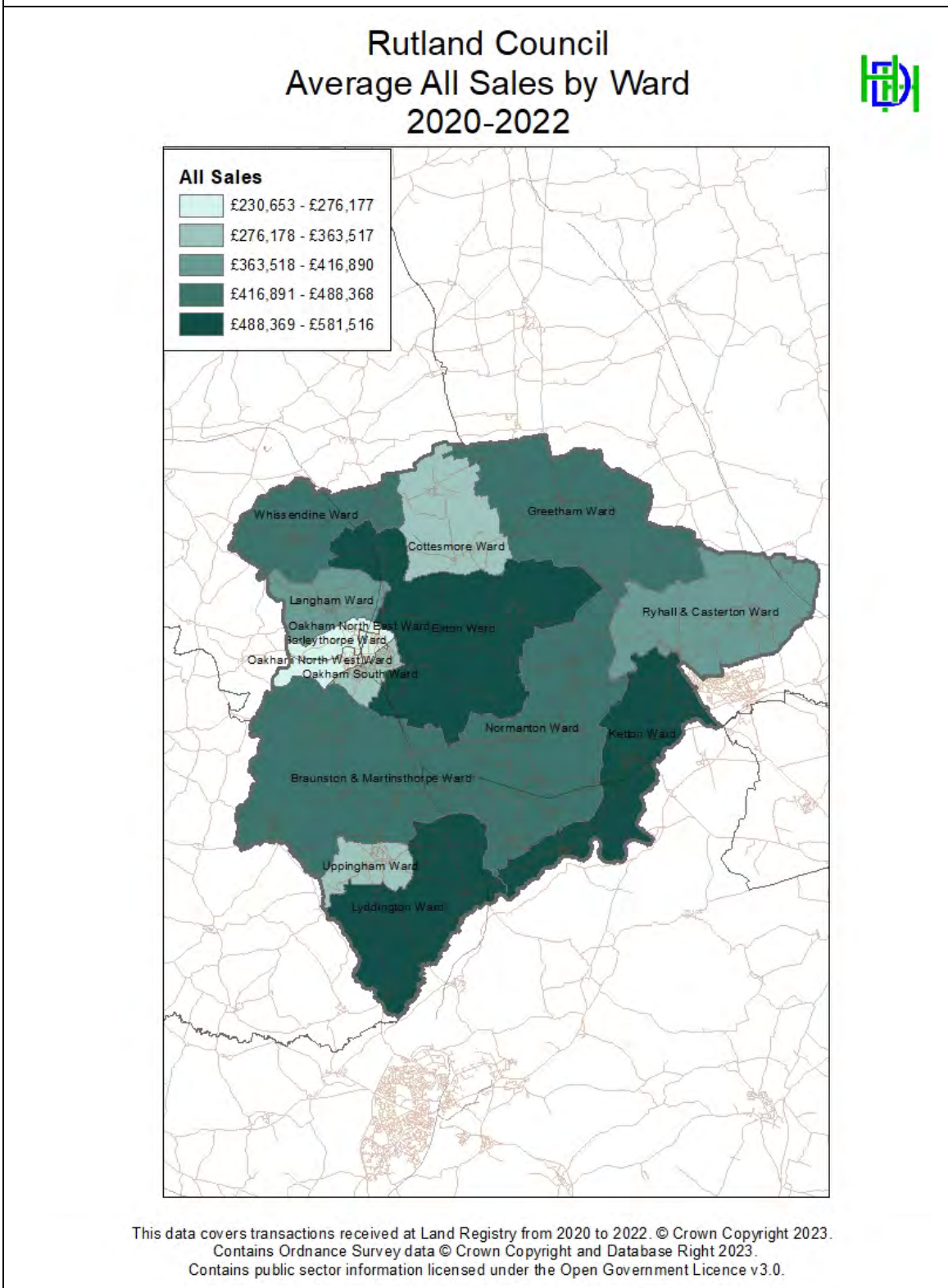
	Detached	Flats	Semi-detached	Terraced	All
Sample Size					
2021	18	1	17	19	55
2022	4	0	0	0	4
2023	0	0	0	0	0
All	22	1	17	19	59
Average Price Paid (£)					
2021	£485,715	£273,000	£247,755	£198,310	£309,011
2022	£623,770				£623,770
2023					
All	£510,816	£273,000	£247,755	£198,310	£330,350
Average Price Paid (£ per sqm)					
2021	£3,296	£2,844	£2,693	£2,349	£2,764
2022	£3,530	£0	£0	£0	£3,530
2023					
All	£3,340	£2,844	£2,693	£2,349	£2,817

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

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

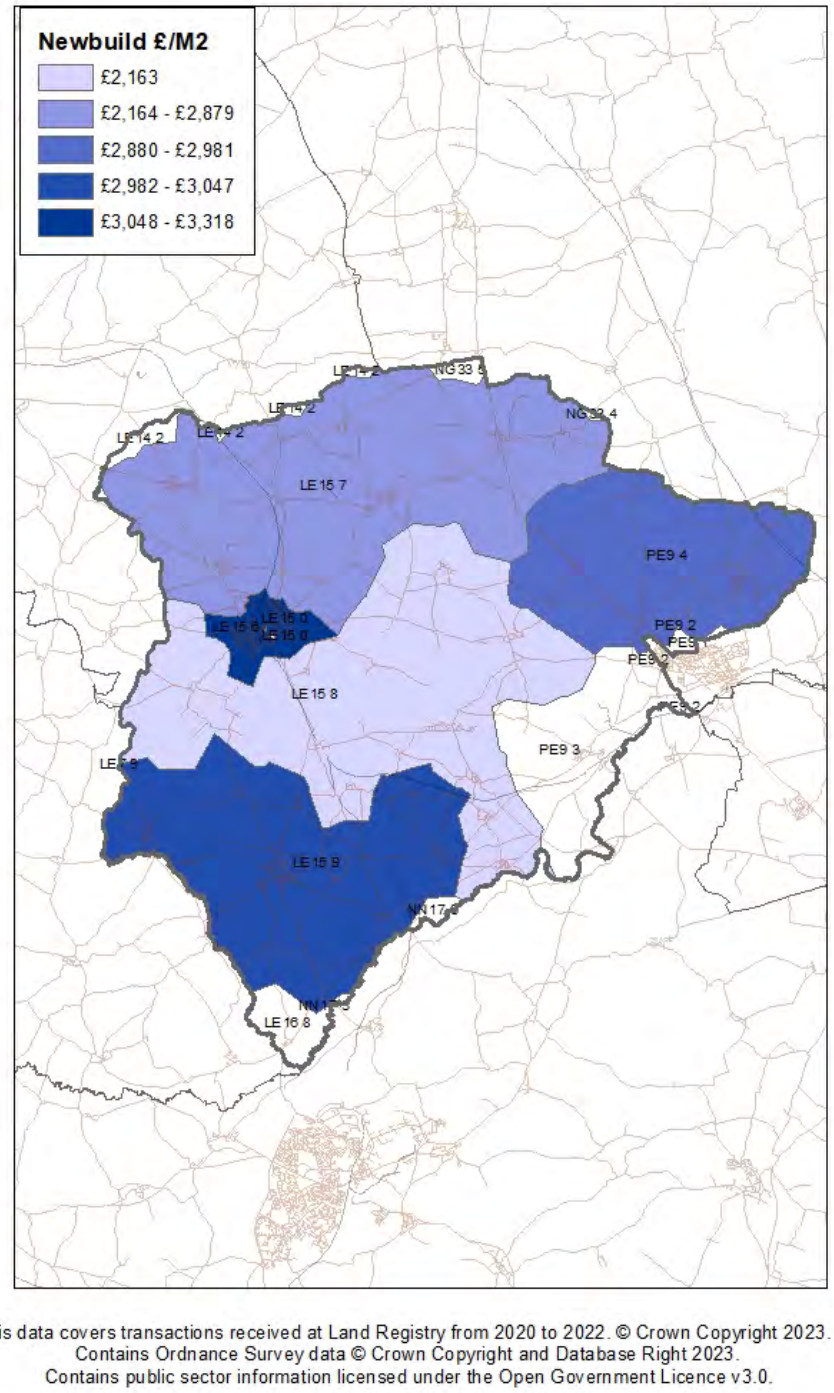
4.28 The average price paid varies across the area as illustrated in the following maps. The second map below shows that the distribution of newbuild development is concentrated in relatively few places. It is important to note that some of the sample sizes are small so care should be taken when considering a very fine grained approach.

Figure 4.8 Average Prices – All Sales £



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

Figure 4.9 Average Prices – Newbuild Sales £ per sqm



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

4.29 The ONS provides data at ward level for median house prices as set out in the following table. Whilst they provide the data disaggregated between newbuild and existing, the dataset does not include any newbuild data (it did at the time of the initial iteration of this update.

4.30 The lack of data is a result of the limited distribution of newbuild development.

Table 4.6 Median Price Paid by Ward – Existing Properties Only

Year Ending December 2022 (£)

	All	Detached	Semi-detached	Terraced	Flats
Uppingham	330,000	465,000	298,500	230,000	:
Oakham North East	236,000	450,000	231,250	207,500	:
Cottesmore	360,000	375,000	381,500	318,500	:
Barleythorpe	246,500	399,500	255,250	252,750	134,250
Braunston & Martinsthorpe	305,000	1,067,500	:	240,000	:
Whissendine	387,500	485,000	:	:	:
Oakham North West	230,500	305,000	245,000	210,000	132,000
Exton	435,000	:	215,000	850,000	:
Greetham	380,000	540,000	280,000	237,250	:
Oakham South	345,000	421,250	280,000	270,000	135,000
Ketton	445,000	497,500	427,500	178,750	:
Langham	485,000	580,000	325,000	:	:
Ryhall & Casterton	400,000	448,000	297,750	254,000	:
Lyddington	625,000	641,250	587,500	:	:
Normanton	487,000	560,000	385,000	250,000	:

Source: HPSSA Dataset 37 (Data Release 21st June 2023)

Newbuild Asking Prices

4.31 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, the survey covered schemes beyond the County boundary to enhance the sample size. At the time of this research in April 2023, there were about 115 new homes being advertised for sale. The analysis of these shows that asking prices for newbuild homes vary very considerably, starting at £160,000 and going up to over £1,200,000. The average is about £372,869. These are summarised in the following table and set out in detail in **Appendix 6**.

Table 4.7 Average Newbuild Asking Prices £ - April 2023						
	Detached	**Flats**	**Semi-detached**	**Terraced**	**Blank**	**All**
Allison Homes						
Beaufort Grange	£449,995					£449,995
Farriers Reach		£161,379		£279,300		£196,755
Harriers Rest	£371,995		£259,996			£339,995
The Orchards	£383,332		£264,249			£296,726
Ashwood Homes						
Woodland Rise	£753,333					£753,333
Barratt Homes						
Barratt Homes at Bourne	£298,495		£310,328			£303,566
Barratt Homes at Priors Hall						
Kings Meadow	£387,495		£275,566			£316,268
Bellway						
Barleywoods						
Fine & Country						
Rivers Edge	£880,000					£880,000
James Sellicks						
Caldicott Road	£600,000					£600,000
Kings Road			£350,000			£350,000
Ridlington Barns				£595,000		£595,000
The Old Stableyard			£350,000			£350,000
Linden Homes						
Stamford Gardens		£243,995	£336,245	£442,500		£347,997
Lovell Homes						
Redwing Square	£356,950		£285,633			£303,463
Moores						
Toplock Meadows	£1,100,000					£1,100,000
Naylors						
The Hardwicks	£1,100,000					£1,100,000
Osprey						
Wigmore Place					£250,000	£250,000

Osprey Property						
Anna Court		£215,000				£215,000
The Barn				£559,998		£559,998
Royale Life						
Ranksborough Hall Estates						
Shared Ownership Shop						
Hanbury Gardens	£395,000					£395,000
Taylor Wimpey						
Melton Manor	£380,000		£260,000	£257,500		£307,000
Oak Spring Place	£335,000		£240,000	£233,333		£264,286
Weldon Manor	£367,500		£270,000			£353,571
Wellington Place	£420,000		£285,000	£300,000		£355,000
The Agency						
Main Street	£1,200,000					£1,200,000
RUTLAND	**£494,206**	**£198,545**	**£285,023**	**£393,895**	**£250,000**	**£372,869**

Source: Market Survey (April 2023)

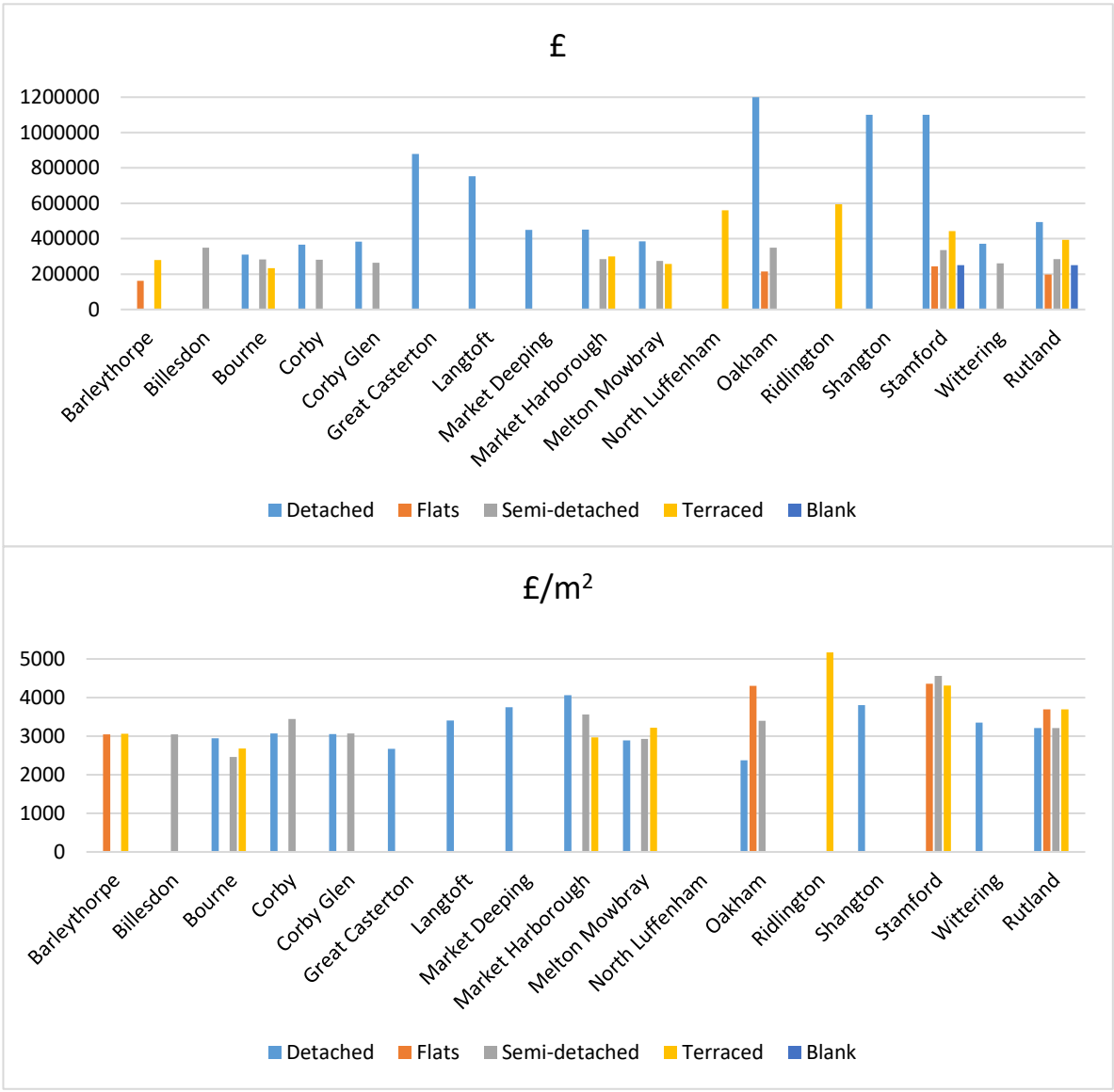
Table 4.8 Average Newbuild Asking Prices £ per sqm – March 2022						
	Detached	**Flats**	**Semi-detached**	**Terraced**	**Blank**	**All**
Allison Homes						
Beaufort Grange	£3,750					£3,750
Farriers Reach		£3,045		£3,064		£3,051
Harriers Rest	£3,347					£3,347
The Orchards	£3,052		£3,067			£3,063
Ashwood Homes						
Woodland Rise	£3,408					£3,408
Barratt Homes						
Barratt Homes at Bourne	£2,944		£2,355			£2,691
Barratt Homes at Priors Hall						
Kings Meadow	£2,976		£2,914			£2,937
Bellway						
Barleywoods						
Fine & Country						
Rivers Edge	£2,675					£2,675
James Sellicks						
Caldicott Road	£5,000					£5,000
Kings Road			£3,398			£3,398
Ridlington Barns				£5,167		£5,167
The Old Stableyard			£3,043			£3,043
Linden Homes						
Stamford Gardens		£4,357	£4,558	£4,308		£4,391
Lovell Homes						
Redwing Square	£3,400		£3,586			£3,539
Moores						
Toplock Meadows						
Naylors						
The Hardwicks	£3,806					£3,806
Osprey						
Wigmore Place						

Osprey Property						
Anna Court		£4,300				£4,300
The Barn						
Royale Life						
Ranksborough Hall Estates	£0					£0
Shared Ownership Shop						
Hanbury Gardens	£5,985					£5,985
Taylor Wimpey						
Melton Manor	£2,714		£3,023	£3,219		£2,978
Oak Spring Place	£2,939		£2,628	£2,679		£2,738
Weldon Manor	£3,014		£3,034			£3,017
Wellington Place	£3,107		£3,563	£2,970		£3,236
The Agency						
Main Street	£4,743					£4,743
Rutland	**£3,207**	**£3,693**	**£3,208**	**£3,695**		**£3,350**

Source: Market Survey (April 2023)

4.32 The asking price data is summarised as follows:

Figure 4.10 Average Newbuild Asking Prices £ per sqm



Source: Market Survey (April 2023)

4.33 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 across the wider country, where larger housebuilders tend to say that the asking price is the price to be paid, although there is some evidence that asking prices may be a little less than six months ago.

4.34 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

4.35 The Land Registry data set out earlier in this chapter suggests that average newbuild values have increased by about 55% since then. Having said this, it is clear that the different data sources paint a more complex and nuanced picture. 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 (it is acknowledged that this is varied) the following approach to value was put to the May 2023 consultation.

a) Brownfield Sites. In terms of value the prices of the new homes developed are likely to be driven by the specific situation of the scheme rather than the general location. That is to say the value will be more strongly influenced by the specific site characteristics, the immediate neighbours and environment, rather than in which particular ward or postcode sector the scheme is located. Development is likely to be of a higher density than the greenfield sites and be based around schemes of flats, semi-detached housing and terraces with a low proportion of detached units.

b) Flatted Schemes. This is considered to be a separate development type that is only likely to take place in the town centres. These are modelled as conventional development and as Build to Rent (see below).

c) Greenfield Sites. These include the larger greenfield sites (over 200 units or so).

4.36 It is important to note that this is a broad-brush, high-level study to test the Council's emerging Local Plan 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.

4.37 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.

4.38 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 put to the consultation are as in the table below.

Table 4.10 2023 Price Assumptions (£ per sqm)		
Typology	Area	£ per sqm
Brownfield	Oakham and Uppingham Houses	£3,450
	Flats	£3,690
Greenfield	Adjacent Oakham and Uppingham	£3,450
	Adjacent Stamford	£4,000
Small Greenfield		£3,800

Source: HDH (April 2023)

4.39 No comments were made in this regard through the technical consultation process.

Ground Rents

4.40 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[18].

Build to Rent

4.41 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.

4.42 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):

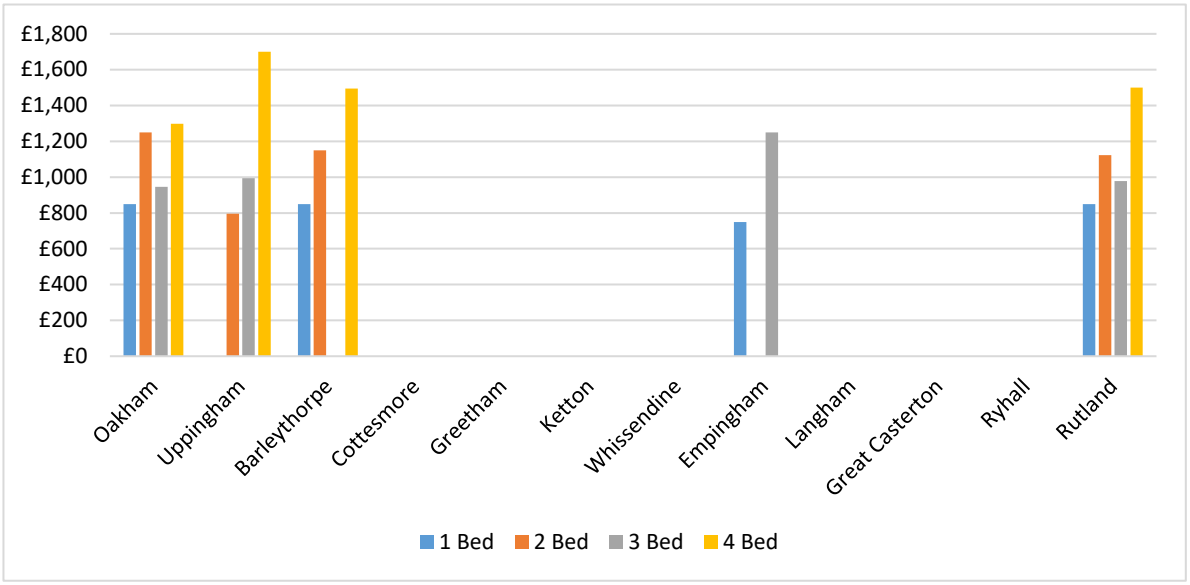
> *A common comment from BTR players is that BTR schemes tend to put a lower value on development sites than for sale appraisals. Residential development is different to commercial in that it has two potential end users - owners and renters. Where developers can sell on a retail basis to owners (or investors 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.*

[18] 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

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

Table 4.11 Median Asking Rents advertised on Rightmove (£/month)

	1 Bed	2 Bed	3 Bed	4 Bed
Oakham	£850	£1,250	£945	£1,298
Uppingham		£795	£995	£1,700
Barleythorpe	£850	£1,150		£1,495
Cottesmore				
Greetham				
Ketton				
Whissendine				
Empingham	£750		£1,250	
Langham				
Great Casterton				
Ryhall				
Rutland	£850	£1,123	£978	£1,500



Source: Rightmove.co.uk (April 2022)

4.44 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.

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

Table 4.12 Rents reported by the VOA – Rutland

April 2022 to March 2023

	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room	0				
Studio	0				
1 Bedroom	20	£560	£495	£550	£625
2 Bedroom	70	£683	£610	£675	£750
3 Bedroom	80	£821	£725	£795	£890
4+ Bedroom	30	£1,374	£950	£1,300	£1,575

Source: VOA Private rental market summary statistics in England (Released 21st June 2023)

4.46 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[19] 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)[20] 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*[21].

4.47 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 exiting rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.

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

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

[20] PowerPoint Presentation (knightfrank.com)

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

Table 4.13 Capitalisation of Private Rents			
	1 bed	2 bed	3 bed
Gross Rent (£/month)	£625	£750	£890
Gross Rent (£/annum)	£7,500	£9,000	£10,680
Net Rent (£/annum)	£6,000	£7,200	£8,544
Value	£141,176	£169,412	£201,035
m^2	50	70	84
£ per sqm	£2,824	£2,420	£2,393

Source: HDH (July 2023)

4.49 This approach derives a value for private rent, under Build to Rent, of £2,570 per sqm or so. 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[22].

4.50 The Council is not making specific allocations for this type of housing so there are no specific sites to test.

Affordable Housing

4.51 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).

Social Rent

4.52 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:

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

Table 4.14 General Needs (Social Rent)					
Average weekly net rent (£ per week) by unit size for Rutland - Large PRPs				£ per week	
Unit Size	**Net rent**	**Social rent rate**	**Service charge**	**Gross rent**	**Unit count**
Non-self-contained	-	-	-	-	-
Bedsit	£69.34	£63.72	£6.71	£73.99	13
1 Bedroom	£81.79	£82.06	£5.88	£84.55	266
2 Bedroom	£92.78	£91.65	£7.56	£97.62	457
3 Bedroom	£97.87	£105.71	£4.88	£98.73	483
4 Bedroom	£116.10	£122.57	£2.75	£117.77	23
5 Bedroom	-	-	-	-	-
6+ Bedroom	£140.63	£164.58	-	£140.63	2
All self-contained	£92.67	£95.46	£6.59	£95.45	1,244
All stock sizes	**£92.67**	**£95.46**	**£6.59**	**£95.45**	**1,244**
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

4.53 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%.

Table 4.15 Capitalisation of Social Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Rent (£/month)	£354	£402	£424	£503
Rent (£/annum)	£4,253	£4,825	£5,089	£6,037
Net Rent	£3,402	£3,860	£4,071	£4,830
Value	£85,062	£96,491	£101,785	£120,744
m^2	50	70	84	97
£ per sqm	£1,701	£1,378	£1,212	£1,245

Source: HDH (April 2023)

4.54 On this basis, a value of £1,385 per sqm across the study area was derived.

Affordable Rent

4.55 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.

4.56 In estimating the likely level of Affordable Rent, a survey of market rents across the Council area has been undertaken and is set out under the Build to Rent heading above.

4.57 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). The bulk of the Council area is in the Leicester BRMA.

Table 4.16 BRMA LHA Caps (£/week)

	Leicester BRMA	Northants Central BRMA	Peterborough BRMA
Shared	£78.00	£80.00	£65.59
One Bedroom	£103.56	£109.32	£110.47
Two Bedrooms	£130.03	£138.08	£136.93
Three Bedrooms	£155.34	£159.95	£159.95
Four Bedrooms	£205.97	£205.97	£207.12

Source: VOA (July 2023)

4.58 Where the cap is below the level of Affordable Rent at 80% of the market rent, it is assumed that the Affordable Rent is set at the LHA Cap.

4.59 The most recent HCA data release includes data on Affordable Rents in the area (although this data covers both newbuild and existing homes).

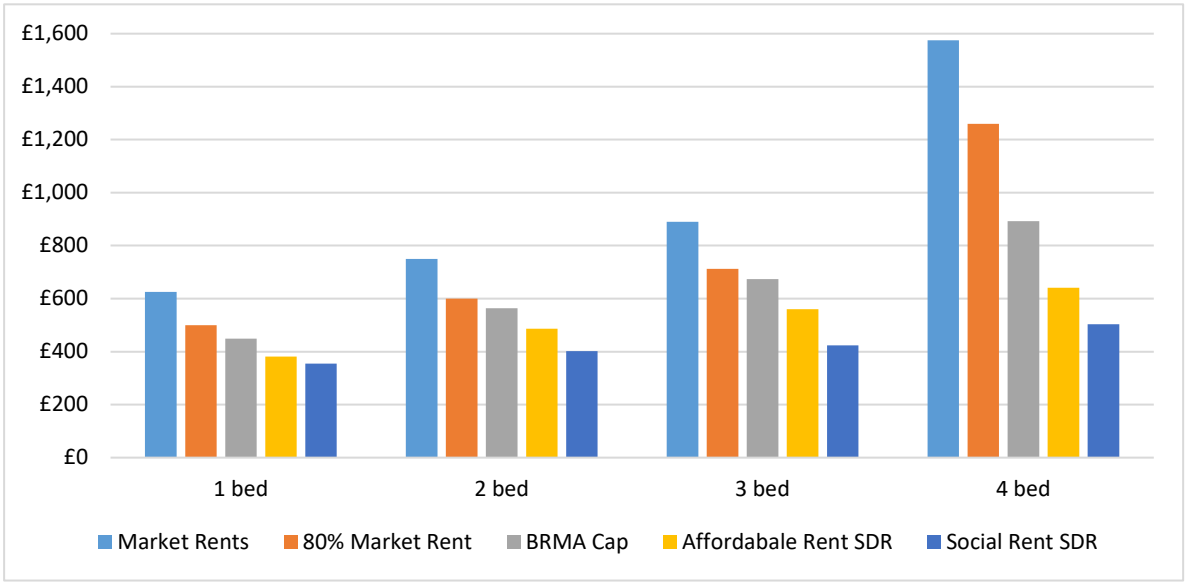
Table 4.17 Affordable Rent General Needs		
Average weekly gross rent (£ per week) and unit counts by unit size for Rutland	**£ per week**	
Unit Size	**Gross rent**	**Unit count**
Non-self-contained	-	-
Bedsit	-	-
1 Bedroom	£88.11	32
2 Bedroom	£112.19	96
3 Bedroom	£129.14	97
4 Bedroom	£148.04	8
5 Bedroom	-	-
6+ Bedroom	-	-
All self-contained	£117.17	233
All stock sizes	**£117.17**	**233**
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

Source: Table11, SDR 2022 – Data Tool[23]

4.60 The rents can be summarised as follows.

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

Figure 4.11 Rents by Tenure – £/Month



Source: Market Survey, SDR and VOA (July 2023)

4.61 In calculating the value of Affordable Rent, it is assumed that the rent is set at the LHA cap. 10% management costs, 4% voids and bad debts and 6% repairs are allowed for, and the net rent then capitalised the income at 4%. 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 4.18 Capitalisation of Affordable Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms
Gross Rent (£/month)	£449	£563	£673
Gross Rent (£/annum)	£5,385	£6,762	£8,078
Net Rent	£4,308	£5,409	£6,462
Value	£107,702	£135,231	£161,554
m^2	50	70	84
£ per sqm	£2,154	£1,932	£1,923

Source: HDH (July 2023)

4.62 Using this method to assess the value of affordable housing, under the Affordable Rent tenure, a value of £2,000 per sqm or so is derived.

Affordable Home Ownership

4.63 Intermediate products for sale include Shared Ownership and shared equity products[24] as well as First Homes. A value of 70% of open market value is assumed for these units. These values are based on purchasers buying an initial 30% share of a property and a 2.5%[25] per annum rent payable on the equity retained. The rental income is capitalised at 4% having made a 2% management allowance.

4.64 In November 2020, the Government undertook a consultation around the standard Shared Ownership model, the outcome of which was announced in April 2021, reducing the minimum first tranche share to 10%, altering the staircasing provisions and introducing a ten-year 'repair free period' during which the landlord would fund repairs worth up to £500 per year[26]. Discussions with RPs suggest that, having taken this change in to account, the values have not changed significantly.

4.65 In relation to First Homes, the 30% discount and £250,000 cap are assumed to apply. Greater discounts and lower caps are tested.

Grant Funding

4.66 It is assumed that grant is not available for market housing schemes of the type assessed in this viability assessment. Funding may be available in exceptional circumstances, for example to facilitate infrastructure.

Older People's Housing

4.67 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*

[24] For the purpose of this assessment, it is assumed that the 'Affordable Home Ownership' products, as referred to in paragraph 65 of the NPPF, fall into this definition,

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

[26] This includes essential repairs to the outside of the building and essential structural repairs to walls, floors, ceiling and stairs inside and well as the services. It excludes fixtures and fitting, white goods and damage by the resident (see Shared ownership homes: buying, improving and selling: Repairs and home improvements - GOV.UK (www.gov.uk).

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.

4.68 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.

4.69 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 4.19 Worth of Sheltered and Extracare

Oakham			
	Area (m^2)	£	£ per sqm
3 bed semi-detached		**290,000**	
1 bed Sheltered	50	217,500	4,350
2 bed Sheltered	75	290,000	3,867
1 bed Extracare	65	271,875	4,183
2 bed Extracare	80	362,500	4,531
Uppingham			
3 bed semi-detached		**350,000**	
1 bed Sheltered	50	262,500	5,250
2 bed Sheltered	75	350,000	4,667
1 bed Extracare	65	328,125	5,048
2 bed Extracare	80	437,500	5,469

Source: HDH (April 2023)

4.70 A review was undertaken of older people's schemes within the Council area and surrounds. There are no current schemes within Rutland. This aligns broadly with the assumptions used above.

Table 4.20 Specialist Older People's Housing – Average Asking Prices				
	1 bed		2 bed	
	£	£ per sqm	£	£ per sqm
Churchill Living				
Market Harborough	£249,950			
McCarthy&Stone				
Market Harborough	£233,613	£4,227	£319,000	£4,090
Melton Mowbray	£232,300	£4,238	£309,450	£4,062
Oakham	£-		£-	
Osprey				
Stamford	£250,000			
All	**£236,811**	**£4,232**	**£311,042**	**£4,067**

Source: Market Survey (April 2023)

4.71 The following values are used in the appraisals:

Table 4.21 Worth of Retirement and Extracare	
Sheltered	£4,500
Extracare	£4,500
IRC	£4,500

Source: HDH (July 2023)

4.72 It is timely to consider Integrated Retirement Communities (IRCs). IRCs can include central restaurants, leisure club, gardens, guest facilities and the like. It is acknowledged that there can be a 'grey area' between C2 and C3, depending on the level of self-containment of the units and the level of services (particularly care) provided. IRCs often include houses and flats and tend to be of a larger scale.

4.73 RCC currently has no plans to allocate land for IRCs. It is sometimes suggested that IRC development may achieve a premium of a little over 10% over mainstream housing development. The Council does not seek affordable housing or CIL from Residential Institutions but does seek affordable housing within Extracare Housing and Sheltered Housing schemes. Both Extracare Housing and Sheltered Housing are zero rated for CIL.

4.74 Almost all types of older people's housing are subject to some form of Deferred Management Fees or Event Fees. These may be a fee at the time of a re-sale, or more normally through ongoing service charges through which the operator makes a margin (or profit). There are numerous different business models, ranging from straightforward commercial operations through to joint ownership and charitable structures simply seeking to recover the costs. In this assessment no allowance is made for any enhancement to the value through such charges.

4.75 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 Rutland, 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 Rutland 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 schemes that are unlikely to come forward as planned development. In this study office and industrial (including logistics use) and retail uses are 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 Rutland 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 the area reflect national trends. The retail markets are particularly challenging, with the impacts of COVID-19 creating increased uncertainty:

> *Headline occupier demand metric stabilises as the weaker trend in investor activity eases*
>
> - *Industrial capital value expectations recover slightly, with occupier fundamentals still solid*
> - *Secondary offices and retail continue to struggle but prime offices post firmer expectations*
> - *Majority of respondents still view the market to be in a downturn although a rising share now feel conditions are stabilising (or beginning to improve) relative to last quarter*
>
> *The results of the Q1 2023 RICS UK Commercial Property Monitor remain generally subdued as the market continues to contend with higher borrowing costs and a sluggish economic growth outlook. That said, the overall tone to the latest feedback is not as downbeat as last quarter. Indeed, the industrial sector in particular has shown renewed momentum, evidenced by near-term capital value expectations turning marginally positive following the sharp downward adjustment seen at the end of last year as bond yields jumped higher. Overall, although 50% of respondents feel conditions are consistent with a downturn phase of the property cycle, respective shares of 25% and 21% now feel the market has either reached a floor or has begun to turn up (9% and 5% in Q4).*
>
> *Starting with the occupier backdrop, the headline net balance for tenant demand came in at -3% in Q1. Although indicative of a largely flat picture, this marks an improvement on a reading of -20% posted last time. Within this, the industrial sector saw a pick-up in occupier demand, registering a net balance of +16% vs +6% in Q4. Meanwhile, tenant demand was flat to marginally negative for office space (net balance -6%) and continued to fall across the retail sector (net balance -23%). Even so, in both instances, this was less negative than in the previous quarter. Alongside this however, vacant space continued to edge higher within the office and retail segments, prompting landlords to increase to value of incentive packages. Conversely, availability dipped marginally for industrials.*

Looking at the prospects for rental growth, the net balance of respondents anticipating an increase in prime industrial rents over the next twelve months rose from +40% in Q4 to +58% in Q1, and from +6% to +23% for secondary industrial rents. By way of contrast, the outlook for rents remains negative for prime and secondary retail outlets, although the net balance of respondents expecting falls did moderate compared to Q4. For the office sector, there remains a stark contrast between prime and secondary, with the former expected to see solid rental gains (net balance +29%) while rents are seen falling across the latter (net balance -37%). Anecdotal remarks continue to cite ESG factors as an important driver of demand for some offices.

When disaggregated by broad region, a net balance of +38% of respondents foresee prime office rents in London rising in the year to come (up from a figure of +19% beforehand). Although growth in prime office rents is also seen across the South, Midlands and the North, expectations are not quite as elevated as those in London (in net balance terms). On the same basis, industrial rental growth expectations are particularly buoyant across the Midlands, albeit all parts of the country are expected to deliver a solid uptick in industrial rents. At the weaker end of the spectrum, both prime and secondary retail rents are projected to fall across most parts of the UK. Interestingly however, rents are now anticipated to pick-up marginally for prime retail space in London.

Turning to the investment market, the headline metric capturing investor demand posted a net balance of -14% in Q1. Although still indicative of a weakening in investor enquiries (for a third straight quarter), the latest figure is less downcast than the reading of -30% seen in Q4. A tighter lending environment continues to present a headwind to investor activity, with the survey's series gauging changes in credit conditions pointing to a fifth successive quarterly deterioration. Even so, the Q1 net balance of -37%, while still signalling a tougher lending backdrop, is the least negative reading seen since Q1 2022.

At the sector level, the latest net balances regarding investment demand for offices and retail assets came in at -26% and -27% respectively. Alongside this, industrial buyer demand appeared to stabilise, returning a net balance reading of +4% (compared to -9% last quarter). Notwithstanding this, indicators tracking overseas investment demand remained in negative territory across all three traditional market sectors.

Regarding the twelve-month outlook for capital values, the all-property expectations net balance moved to -10% following a reading of -40% previously. Moreover, expectations turned from negative to slightly positive in both the prime and secondary portions of the industrial market. Across the prime office sector, values are now seen holding steady over the year ahead (net balance +6% vs -31% in Q4), although expectations remain deeply negative for secondary office values (net balance -44% compared to -65% previously). Alongside this, respondents still foresee further falls in retail values, both prime and secondary, posting net balances of -19% ad -50% respectively.

Away from the mainstream sectors, respondents do envisage some positive growth over the year ahead in capital values across aged care facilities, life sciences, student housing and multifamily residential. For hotels, the outlook appears flat to marginally positive. At the other end of the scale, leisure capital values are expected to fall according to a net balance of -24% of respondents.

In response to a set of extra questions included in the Q1 survey, just over 50% of respondents stated that they currently assess the extent of potentially 'stranded' assets in the portfolios they are involved with. Furthermore, close to three-quarters of respondents feel that between 10%

> *and 30% of these assets could potentially be 'stranded' if no investment at all is made to enhance them to meet legislative and market requirements.*
>
> *RICS – Q1 2023: UK Commercial Property Market Survey*[27]

Rutland Overview

5.5 The Council's Employment Land Assessment[28] includes a detailed assessment of the various market sectors that will not be repeated here.

5.6 The local markets are driven by local factors – however the influence of Leicester to the west and Peterborough to the east is important. Oakham and Uppingham are significant local centres, but the remainder of the County is largely rural being made up of small villages rather than larger settlements. Historically, the majority of new development is user led rather than being brought forward by speculative developers, although there is some suggestion that there is increased activity on some of the newer sites. Oakham is the main shopping location with a full range of supermarkets, and the town has a range of high quality independent shops that make it something of a destination in its own right. The city of Leicester is the principle primary shopping location for much of the County.

5.7 Beyond the two main settlements, the non-residential uses tend to be of a smaller scale than would be found in larger settlements. The A1 forms a focus. The infrastructure does not currently support large scale logistics and industrial uses.

5.8 This study is concerned with new property that is likely to be purpose-built. There is little variance in price for newer premises more suited to modern business across the area.

5.9 Various sources of market information were analysed, the principal sources being the local agents, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove.com). In addition, information from CoStar (a property industry intelligence subscription service) is 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 and be subject to CIL, 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.

5.10 **Appendix 8** includes market data from CoStar.

Offices

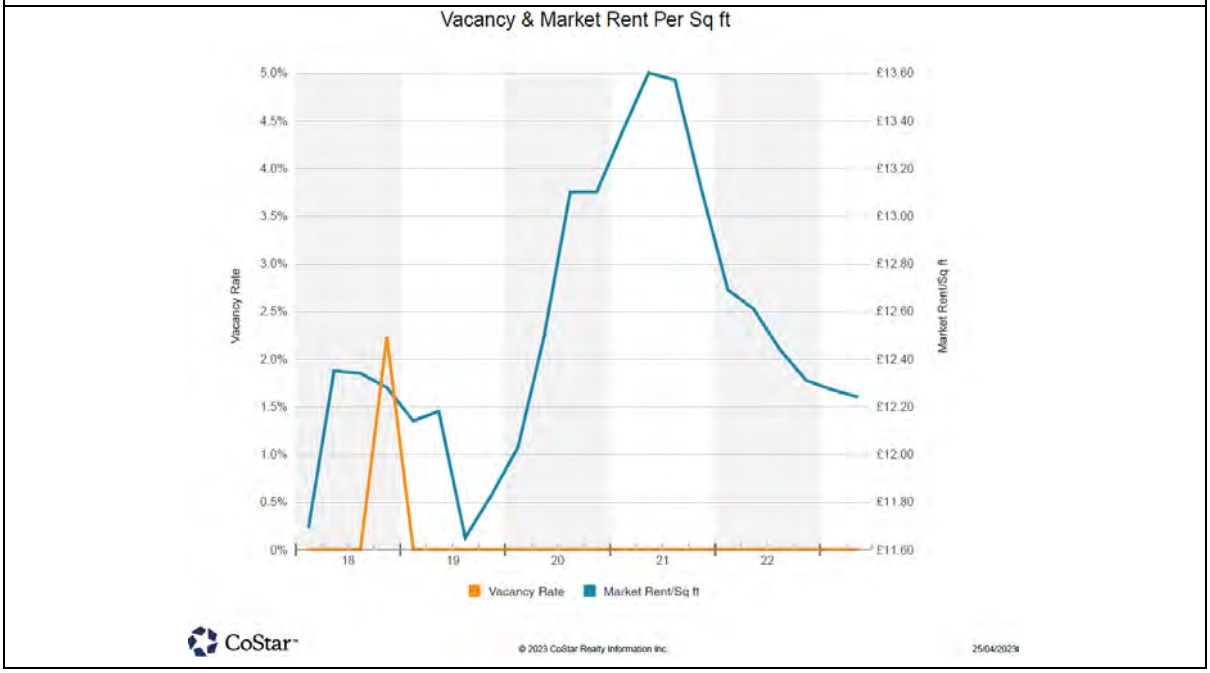
5.11 The Rutland office market services local businesses, and is not a normal destination of relocation. CoStar data shows very low vacancy rates (perhaps due to the limited supply) and

[27] Accessed at: Global Commercial Property Monitors (rics.org)

[28] Rutland County Council Employment Land Assessment (BE Group, January 2016). http://www.rutland.gov.uk/pdf/Final%20Report%20plus%20Appendices%20-%20January%202016.pdf

a recent fall in increase in rents, although the fall in rents is not recognised in informal soundings from local agents.

Figure 5.1 Offices. Vacancy Rates v Rent (£/sqft)



Source: CoStar (April 2023) - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.12 Asking rents in Oakham are generally around £135 per sqm per year, however these are for older offices, for example over shops. There is a very limited supply of more modern, purpose built offices in either Oakham or Uppingham, however new modern offices are anticipated to achieve rents of about £180 per sqm per year. This is consistent with the CoStar data that reports rents in the range from £350 per sqm per year down to £57 per sqm per year.

5.13 Very few offices are being advertised for sale, but those that are, are being advertised at around £2,850 per sqm. CoStar report sales in the range of £3,435 per sqm to about £1,200 per sqm, with an average of about £2,125 per sqm – although some of the lower value properties include other uses. High quality modern offices sales are generally around £4,000 per sqm.

5.14 There is not a significant differentiation of rents or values based on unit size or based on a town centre or business park location.

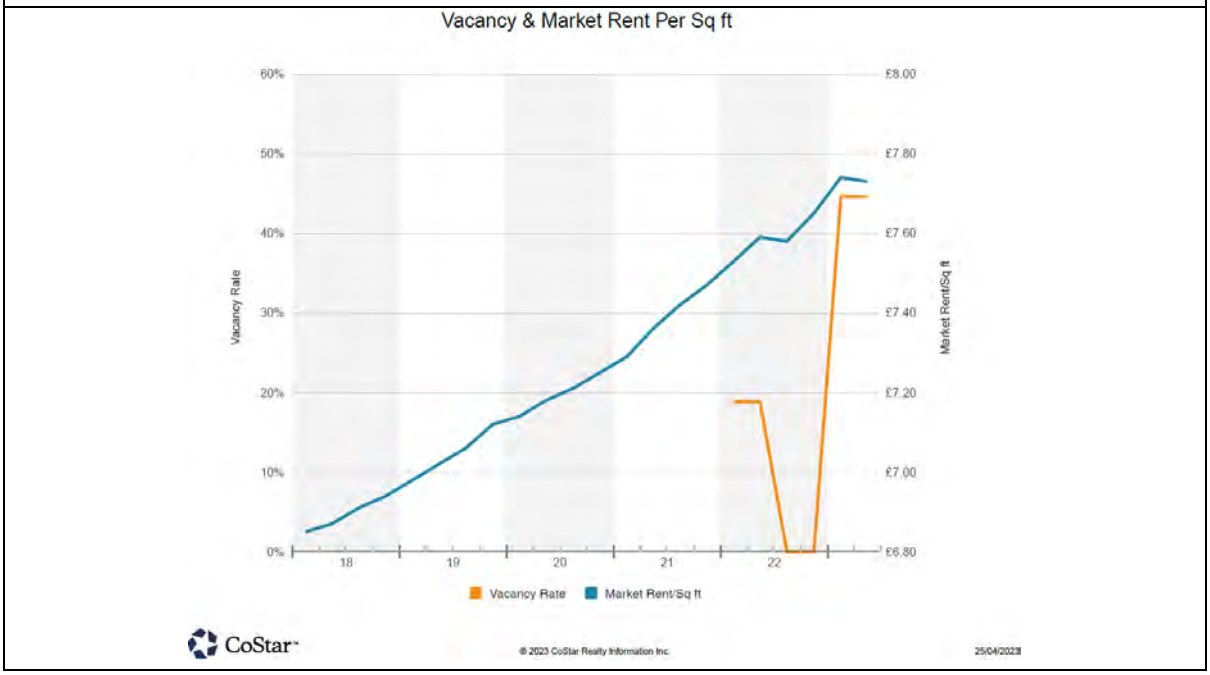
5.15 The CoStar data does not include any information on yields. Generally, in this part of England, for newer, better property, a figure of 6% is representative, and for smaller units, that may be less attractive to investors, of 7% or so.

5.16 On this basis larger new office development would have a value of £2,830 per sqm and smaller units £2,400 per sqm or so (having allowed for a rent free / void period of 1 year).

Industrial and Distribution

5.17 The CoStar data records an increase in rents, but the information on vacancies is very limited.

Figure 5.2 Industrial. Vacancy Rates v Rent (£/sqft)



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5.18 Asking rents are generally around £110 per sqm per year, although older buildings are somewhat less than this. This is consistent with the CoStar data that reports rents in the range from £110 per sqm per year down to 33 per sqm per year. High quality modern offices rents are likely to be about in the £110 per sqm per year.

5.19 No modern industrial units are being advertised for sale and the CoStar data is very limited.

5.20 In terms of yield, in this part of England, for newer, better property, a figure 6% is representative, and for smaller units, that may be less attractive to investors, of 7% or so.

5.21 Very large units have been considered in more detail as this is currently an area of particular activity in much of the country – although there are significant constraints on such development in Rutland. If this type of development was to come forward, it is only likely to be with ready access to the A1. The market is a national market so wider data has been drawn on.

a. Savills, in *Big Shed Briefing* (Savills, January 2023), reports rents of £9.75/sqft in the East Midlands. A prime investment yields, on a national basis, of about 5% for multi-let units and for distribution is given.

b. CBRE, in *UK Logistics Market Summary Q1 2023* (CBRE, April 2023) reports the following for prime 'Big Box' rent in the East Midlands submarket of £9.25/sqft) (5.25% NIY).

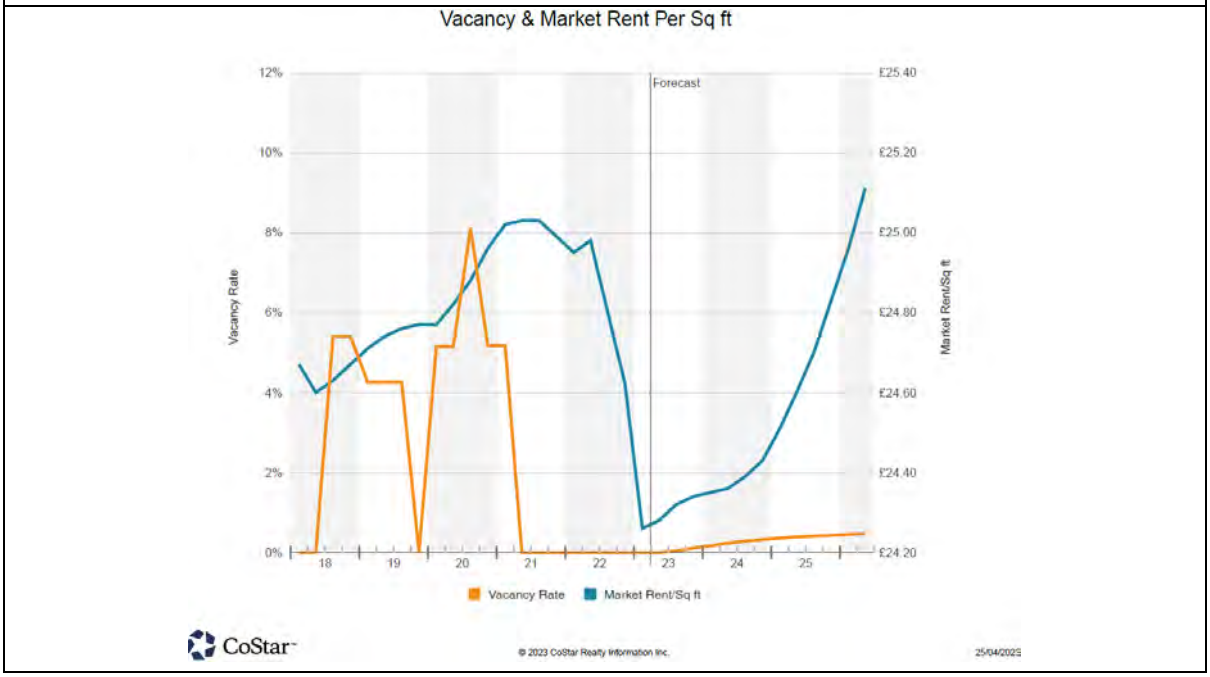
c. Knight Frank, in *Logic: Midlands 2022 Review*, 2022 review, reports prime rents of £11/sqft and yields of 5.25%.

5.22 On this basis larger new industrial development would have a value of £1,730 per sqm and smaller units £1,500 per sqm or so (having allowed for a rent free / void period of 1 year). Large logistics sheds would have a value of £2,100 per sqm.

Retail

5.23 The CoStar data records low levels of vacancies, despite the COVID-19 pandemic, but average rents are shown to have decreased over the last few years.

Figure 5.3 Area Retail. Vacancy Rates v Rent (£/sqft)



Source: CoStar (April 2023) - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.24 The cores of the market towns (Oakham and Uppingham) are thriving, but the secondary locations remain challenging. There is some out-of-town retail activity with both Aldi and Lidl have a presence, in addition to the Tesco Superstore in Oakham. Uppingham is very much smaller than Oakham and does not have any larger format retailing.

5.25 The rents for town centre shops vary greatly, particularly as one moves away from the best locations into the secondary situations where rents are lower. Rents vary from over £400 per sqm per year, down to about £30 per sqm per year. Average rents are about £230 per sqm per year.

5.26 Rents for small units in the best central locations are currently over £320 per sqm although generally they are well below this level at around £250 per sqm in all than the best locations. In secondary locations £190 per sqm per annum is assumed.

5.27 Yields are assumed to be 6.25% in prime locations and 8% in secondary locations to derive a prime retail value of £4,500 per sqm and a secondary retail value of £2,200 per sqm.

5.28 Consideration is given to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the Council area, however drawing on wider experience supermarket rents of £250 per sqm with a yield of 4.5% are assumed, to give a value of £5,300 per sqm. In the case of retail warehouses, a rent of £200 per sqm and a yield of 5% are assumed, giving a value of £3,630 per sqm.

Appraisal Assumptions

5.29 The non-residential values have been assessed as follows.

Table 5.2 2023 Non-Residential Values (£ per sqm)

	Rent £ per sqm	Yield	Rent free period	Value	Assumption
Offices Central	£180	6.00%	1.0	£2,830	£2,830
Offices Park	£180	6.00%	1.0	£2,830	£2,830
Smaller Offices	£180	7.00%	1.0	£2,403	£2,400
Industrial	£110	6.00%	1.0	£1,730	£1,730
Smaller Industrial	£110	7.00%	1.0	£1,469	£1,500
Logistics	£110	5.00%	1.0	£2,095	£2,100
Retail (Prime)	£300	6.25%	1.0	£4,518	£4,500
Retail (elsewhere)	£190	8.00%	1.0	£2,199	£2,200
Supermarket	£250	4.50%	1.0	£5,316	£5,300
Retail Warehouse	£200	5.00%	2.0	£3,628	£3,630

Source: HDH (April 2023)

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 they 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 2018 Viability Study, the following Existing Use Value Assumptions were used:

Table 6.1 February 2018 Existing Use Value Land Prices £/ha	
Industrial	£400,000
Agricultural	£20,000
Paddock	£50,000

Source: *RCC Viability Update* (HDH, February 2018)

6.5 A Benchmark Land Value (BLV) of EUV plus 20% was assumed, with a further uplift of £350,000/ha on greenfield sites (being those in agricultural and paddock uses). The EUV and BLV assumptions are reviewed below.

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. 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

6.7 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.

6.8 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 is assumed.

Residential Land Values

6.9 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*[29]. This was prepared by the Valuation Office Agency (VOA) and sets out land values at April 2019. The Rutland figure is £2,000,000/ha[30]. 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*'.

6.10 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 8**. The data is summarised in the following table, the amount of affordable housing in the scheme is shown, being the key indicator of policy compliance (as required by the PPG). Only the sites for which the data is available are presented here, all sites are included in **Appendix 8**.

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

[30] 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 6.2 Price Paid for Consented Development Land

Site	Date approved	Brief Description	ha	All Units	Aff Units	Aff %	£/ha	£/unit
Former allotment gardens, Brooke Road, Oakham	19/08/2022	Outline for up to 40 dwellings with associated open space, landscaping and infrastructure.	1.9	40	40	100%	£1,221,053	£58,000
Land north of Cold Overton Road, Langham	27/09/2022	Outline for 50 no. dwellings.	3.76	50	15	30%	£26,596	£2,000
Casterton Lane Yard, Holme Close, Tinwell	26/08/2020	Demolition barn and erection of 14 dwellings including 4 affordable.	0.81	14	4	29%	£1,259,259	£72,857
Land off Uppingham Road, Oakham	02/11/2022	Full application for 84 dwellings.	4.26	84	25	30%	£1,148,337	£58,237
Land off Burley Road, Oakham (s106 complete)	16/03/2023	Outline application for residential.	14.21	213	60	28%	£140,746	£9,390
Home Farm Ketton	28/07/2022	Allocated Site in Site Allocations & Policies DPD October 2014 for 19 dwellings.	1.11	15	0	0%	£1,414,414	£104,667*
Land at Barleythorpe Hall	15/02/2023		0.54	6	0	0%	£1,666,667	£150,000*
1 Lands End Way, Oakham	02/08/2022	Prior Approval. Change of use of commercial building to 15 apartments.	0.32	15	0	0%	£6,250	£133
Land near Stapleford Road, Whissendine	02/12/2022	Outline application for 66 dwellings.	3.46	66	20	30%	£1,647,399	£86,364
Field to the north of Braunston Road, Oakham	Appeal 17/03/2023	Outline for 100 homes, allowed on appeal.	7.99	100	29	0%	£17,899	£1,430
Former Pig Farm, Ayston Road, Ridlington	04/03/2020	Change of use of agricultural building to 4 dwelling houses.	0.29	4	0	0%	£1,034,483	£75,000
The Old Plough, 1 Oakham Road, Braunston In Rutland	22/12/2022	Change of use and conversion of The Old Plough to create a 1 no. 4 bed dwelling and 1 no. 3 bed dwelling together with the erection of 2 no. dwellings in the car park with landscaping and related infrastructure works.	0.16	4	0	0%	£2,812,500	£112,500

Source: RCC and Land Registry (April 2023) (The blanks in the table are where this source does not include data). * Includes commuted sum payment.

6.11 These values are on a whole site basis (gross area). Overall, the average is about £1,000,000/ha, however several of these are non-policy compliant and one for 100% affordable.

6.12 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).

6.13 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 is taken to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes, a BLV of the value of industrial land is assumed.

6.14 There are a number of development sites being marketed in the area (within 10 miles of Oakham) at the time of this study:

Table 6.3 Land for Sale Within 10 miles of Oakham

		Area (ha)	Units	ting Price (£)	£/ha	£/unit	
Stamford Gateway	Stamford	8.47	B1, B2 B8				Emplyment - Strategic Allocation. Complex access etc.
Wing	Oakham	3.64	1	£1,200,000	£329,670	£1,200,000	Single 7 bed 'grand design'.
Catmose Pk Rd	Oakham		1	£499,000		£499,000	Site for 5 bed Semi-detached.
Braunston	Oakham	0.16	4	£1,000,000	£6,250,000	£250,000	Conversion of The Old Plough to
Nottingham St	Melton Mowbury	0.0852	30	£875,000	£10,269,953	£29,167	Convertion of The Kings Head into 30 flats & 2 commercial units.
Manton	Oakham	0.56	2	£750,000	£1,339,286	£375,000	Outline for 2 x detached.
Land Off Cleves Close	Melton Mowbury	0.511	6	£695,000	£1,360,078	£115,833	Consented for 6. Auction guide.
Arnhill Road	Corby	0.077	2	£500,000	£6,493,506	£250,000	Consented for 2 detached.
Waltham on the Wolds		0.176	2	£460,000	£2,613,636	£230,000	Outline for 2 detached.
Tinwell	Stamford	0.101	1	£395,000	£3,910,891	£395,000	Single plot.
Burton Rd	Melton Mowbury		1	£90,000		£90,000	Plot for 3 bed detached.
Jarvis Drive	Melton Mowbury	0.0144	1	£60,000	£4,166,667	£60,000	Single bunglaow.
Skillington	Grantham	0.0162		£30,000	£1,851,852		Possible plot. No planning.
Barleythorpe	Oakham	0.55	6				Consent for 6 in walled garden. No Asking price.

Source: Market Survey (May 2023)

6.15 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 (i.e. fully serviced and ready for self-builders) were likely to achieve at £150,000, and probably significantly more.

Previously Developed Land

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

Table 6.4 Employment Land Values		
Industrial Land - Rutland	£/ha	£400,000
	£/acre	£162,000
Commercial Land: Office Edge of City Centre	£/ha	Peterborough £865,000 Lincoln £865,000 Leicester £865,000
	£/acre	Peterborough £350,000 Lincoln £350,000 Leicester £350,000
Commercial Land: Office Out of Town – Business Park	£/ha	Peterborough £800,000 Lincoln £225,000 Leicester £740,000
	£/acre	Peterborough £324,000 Lincoln £91,000 Leicester £299,000

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

6.17 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 10**, the sample size is limited so the data includes transactions from the neighbouring districts. This data suggests that land for industrial uses may have a value of £600,000/ha to £800,000/ha or so.

6.18 A figure of £600,000/ha is assumed for industrial land across the area.

Agricultural and Paddocks

6.19 *Land value estimates for policy appraisal* (MHCLG, August 2020) does not provide a specific figure for Rutland, however, suggests a value figure for agricultural land in the area of between £20,000/ha and £23,000/ha. This assumption has been checked:

a. Savills' *The Farmland Market 2021*[31] reports a figure of £7,350/acre (£18,161/ha) for the East Midlands. Equivalent figures are not included in the 2023 briefing[32].

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

[32] savills-spotlight---the-farmland-market-2023.pdf

b. Strutt and Parker's *English Estates & Farmland Market Review Winter 2022/2023*[33] suggests an upper quartile value of £12,200/acre for arable land and £9,250/acre for pasture and a lower quartile value of £7,600/acre of arable land and £6,750/acre for pasture in the East Midlands.

c. Knight Fank's *Farmland Index Q4 2022*[34] suggests average values of £21,127/ha.

d. Carter Jonas' *Farmland Market Update*[35] reports the following in the East Midlands:

	Low £/acre	*Prime £/acre*	*Average £/acre*
Arable	*£6,250*	*£11,000*	*£8,750*
Pasture	*£6,250*	*£9,000*	*£7,750*
Lifestyle	*£13,250*	*£25,000*	*£16,750*

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

6.21 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

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

Table 6.5 Existing Use Value Land Prices - 2023	
PDL	£600,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha

Source: HDH (July 2023)

Benchmark Land Values

6.23 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:

[33] Agricultural land values in England rise to record levels - Strutt & Parker (struttandparker.com)

[34] english-farmland-index-q4-2022-9812.pdf (knightfrank.com)

[35] Farmland Market Update Q4 2022 | Carter Jonas

Benchmark land value should:

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

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

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

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

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

PPG 10-014-20190509

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

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

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

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

PPG 10-016-20190509

6.25 In the 2018 Viability Study the BLV for all greenfield sites is taken to be the EUV of agricultural land (£20,000 per ha) plus £450,000 per ha. Paragraphs 10-012-20180724 of the PPG set out that the how the costs of infrastructure should be treated saying:

- *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*

6.26 This is reinforced in paragraph 10-014-20190509 of the PPG that says:

Benchmark land value should:

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

6.27 It is appropriate to make a differentiation between the BLV on small greenfield sites and the strategic sites, so to reflect the costs of strategic infrastructure and mitigation. The reason for making the differential in strategic sites is because they frequently have substantially higher strategic infrastructure and mitigation costs than smaller sites, and, in line with paragraphs 10-012-20180724 and 10-014-20190509 of the PPG, these should be reflected in the Benchmark Land Value.

6.28 In this iteration of this viability assessment, the following Benchmark Land Value 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.
		Strategic Sites	EUV times 10.

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 Leicestershire. The cost figure for 'Estate Housing – Generally' is (July 2023) £1,467 per sqm, being an increase of 0.6% from April 2023 (£1,458 per sqm) and an increase of 26% since the *2018 Viability Assessment* where a November 2017 cost of £1,164 per sqm was used. See **Appendix 10**.

7.3 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. 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.

7.4 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 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.

7.8 It is necessary to consider empty property costs in relation to specialist older people's development. An allowance of £4,500 per unit is made in this regard.

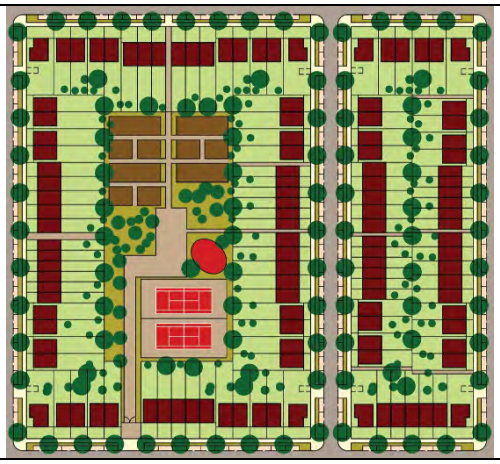
7.9 Detached houses are modelled with garages at a cost of £7,000 per garage.

Garden Town Principles

7.10 There may be an aspiration for the strategic sites 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.

7.11 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

7.12 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.*

7.13 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 and a strategic site, developed under Garden Town Principles, to have a site cost of 13%.

Abnormal development costs and brownfield sites

7.14 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 ...*

7.15 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 ...*

7.16 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.

7.17 The approach of reflecting abnormal costs in the BLV 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.*

7.18 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. It is important to note that a contingency allowance is made for both greenfield sites and brownfield sites (see below).

7.19 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

7.20 For residential and non-residential development, the base assumptions for 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.

Contingencies

7.21 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. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder. A 5% contingency is also used on the large potential strategic sites.

CIL, S106 Contributions and the costs of strategic infrastructure

7.22 The Council seeks payments from developers to mitigate the impact of the development through improvements to the local infrastructure through the s106 and s278 regimes and through Community Infrastructure Levy (CIL). The details of these costs to development are set out in Chapter 8 below.

Financial and Other Appraisal Assumptions

VAT

7.23 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[36].

Interest rates

7.24 The appraisals assume 7.5% p.a. for total debit balances (to include interest and associated fees), no allowance is made 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.

[36] 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.

7.25 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.

7.26 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

7.27 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 support CIL. Paragraph 10-018-20190509 of the updated PPG now sets out the approach to be taken and says:

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

7.28 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.

7.29 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.

7.30 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.

7.31 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.

7.32 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 of affordable housing.

7.33 A 15% return is assumed for non-residential development and for Build to Rent.

Voids

7.34 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.

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

Phasing and timetable

7.36 It is assumed a maximum, per outlet, delivery rate of 50 units per year. On a site with 30% affordable housing this equates to 35 market units per year. On the smaller sites, much slower rates are assumed to reflect the nature of the developer that is likely to be bringing smaller sites forward. These assumptions are conservative and do, properly, reflect current practice. This is the appropriate assumption to make to be in line with the PPG and Harman Guidance.

Site Acquisition and Disposal Costs

Site holding costs and receipts

7.37 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

7.38 It is assumed an allowance 1% for acquisition agents' and 0.5% legal fees. Stamp duty is calculated at the prevailing rates.

Disposal costs

7.39 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.

8. Planning Policy Requirements

8.1 The specific purpose of this study is to consider and inform the development of the new Local Plan and then, in due course, to assess the cumulative impact of the policies on the planned development.

8.2 The current Development Plan for Rutland comprises the Minerals Core Strategy & Development Control Policies (adopted 2010), Core Strategy (adopted 2011) and the Site Allocations & Policies DPD (adopted 2014). In 2015 the Council began work on a review of these documents to create a single Local Plan for the County. This Plan was submitted for Examination in March 2021 but was withdrawn in September 2021. Since 2021 the Council has further updated the evidence base and undertaken early consultation to help prepare a new single Local Plan for the County. This viability report forms part of the new evidence base.

8.3 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. The Council has now provided the draft policy wording (as at July 2023). These are still at the drafting stage (and will be further refined), however the policy aspirations are sufficient to be used as the basis of the analysis in this report. These are reviewed below.

Vision

8.4 This section sets out the high-level principles of the Plan rather than specific requirements. It does not impact on the viability of development.

Climate Change

8.5 This is an area of policy that the Council is currently developing, with the aspiration to meet its priority of delivering sustainable development. To this end the Council has commissioned evidence to inform policy development and the move towards zero carbon. This is at a relatively early stage, however, but will include estimates of the cost (relative to current build costs reflected in the BCIS). The policies are likely to be relatively broad, covering topics such as:

a. The Circular Economy promoting the reuse and recycling of materials.

b. Design Principles so that the buildings are designed in a way be efficient, for example through the orientation, form and materials, maximising natural heating / minimising overheating, and to make use of natural ventilation and other passive features. Consideration may also be given to green roofs and/or walls.

c. The heat supply and moving ahead of Building Regulations, for example, without connection to the gas network or use of oil.

d. On-site renewables, such as maximising solar generations.

8.6 As well as the above, the Council has indicated that it is considering policies that cover matters such as protecting renewable energy infrastructure, the wider energy and service infrastructure, carbon sinks and sequestration and sustainable travel.

The Costs of moving to Carbon Neutrality

8.7 As mentioned above, the Council has commissioned evidence to inform policy development and the move towards zero carbon that will include estimates of the costs. In the meantime, three options have been tested, being the costs of staying aligned with Building Regulations, and two options of moving beyond Building Regulations.

8.8 The Department of Levelling up, Communities and Housing has 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 now apply.

8.9 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.

8.10 The costs will depend on the specific requirements. In relation to the changes to Part L, these are considered in Chapter 3 of the 2019 Government Consultation[37], although it is important to note that these are somewhat historic and are partially now reflected within the BCIS data. This suggests that the costs, having been indexed, would add about 3%[38] to the base cost of construction, although more recent estimates suggest that these costs have reduced relative to the BCIS costs, as the costs of compliance are reflected in the BCIS database.

8.11 *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, and again are rather historic. 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:

[37] 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).

[38] BCIS Build Cost Index July 2023 458.4, Oct 2018 354.2 = 29.4%. £3,134+25.5%=£4,055. £3,620/85m^2 = £47.7 per sqm. £42.60 per sqm / BCIS Estate Housing £1,467 = 3.3%

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[39].

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).

c. The cost of Zero Regulated Carbon[40] and Zero Regulated and Un-Regulated Carbon[41] is set out as follows:

[39] Figure 4.10.

[40] 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).

[41] 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.

Table 8.1 Cost of On-Site Carbon Reduction - 2018							
	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)

8.12 More recent research by AECOM in *Debunking the Myth that Passivhaus is Costly* (Evangelia Mitsiakou / AECOM, 2021) suggested the addition cost is modest, saying:

> *The results showed that the capital costs uplifts were far lower than commonly assumed. It was only 0.9% and 0.04% for a new build and a deep refurbishment respectively.*

8.13 Similarly, The Passivhaus Trust reported[42] in 2019:

> *In 2015 the Passivhaus Trust published a costs research paper identifying Passivhaus extra costs between 15% and 20%, largely associated with the innovative nature of the standard. Costs associated with early Passivhaus projects are now reducing as the methodology has become more widely adopted. New analysis suggests that there is a consistent trend of costs falling over time and, as of 2018, best practice costs were around 8% higher when set against comparable projects.*
>
> *Overall, this analysis has shown that by following some key principles and leveraging prior experience, Passivhaus projects in the UK are likely to be achieved for a modest extra over cost of around 4% or less once adopted at scale.*
>
> *It is also worth noting that, for this 4% uplift, the result is a far superior product in terms of running costs, carbon emissions, comfort levels and health benefits*

[42] 2019 PHT Costs Summary web.pdf (passivhaustrust.org.uk)

8.14 *Central Lincolnshire Climate Change Evidence Base* (Bioregional, Etude, Currie + Brown, January 2021) is a relatively local study that considers the costs of higher standards. This sets out the costs as below.

Table 8.2 Summary of cost uplift associated with 4 policy scenarios

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	15 kWh/m^2/yr	30 kWh/m^2/yr	15 kWh/m^2/yr	30 kWh/m^2/yr
	Improved fabric	Improved fabric	Improved fabric	Improved fabric
	Heat pump	Heat pump	Direct electric	Direct electric
	PV	PV	PV	PV
Semi-detached Standard	11.00%	7.75%	6.50%	3.75%
Semi-detached Optimised	9.00%	6.50%	5.90%	3.60%
Bungalow	9.50%	7.30%	7.60%	5.30%
Detached	6.60%	5.20%	5.50%	3.80%
	Electric fan heaters	Electric radiant heaters		
	PV 116 kWp	PV 112 kWp		
Light industrial unit	8.10%	9.10%		

Source: *Central Lincolnshire Climate Change Evidence Base* (Bioregional, Etude, Currie + Brown, January 2021)

8.15 *Delivering Net Zero, An evidence study to support planning policies which deliver Net Zero Carbon developments - Main report* (Levitt Bernstein, Introba, Inkling, Currie & Brown and Etude, May 2023) was published recently. This report was commissioned by a consortium of 18 London Boroughs and includes a recent assessment of the costs that is based on two options:

> *The scope of this study was to provide a robust evidence base in relation to energy use and carbon emission modelling for eight common building types in London. The report is based on 2 policy options:*
>
> - ***Policy option 1 consists of continuing to use the same system based on the Part L framework and adapting it to Part L 2021.*** *This system requires the applicant to use a Part L energy modelling software, and performance is measured against a single metric (i.e. % reduction in regulated carbon emissions over Part L 2021). This metric cannot be measured post-occupancy.*
> - ***Policy option 2 is a new system focusing on absolute energy-based metrics.*** *It requires the applicant to use predictive energy modelling tools and methodologies. Performance is measured against a number of metrics (e.g. space heating demand, Energy Use Intensity), A significant advantage of the Energy Use Intensity (EUI) is that it can be measured post-occupancy as it generally aligns with 'energy at the meter'.*
>
> ***For a responsible use of the terminology 'Net Zero Carbon'***
>
> *Both policy options seek to deliver 'Net Zero Carbon' new buildings. However, they refer to two different understandings of this term:*
>
> - ***Policy option 1*** *generally only considers regulated energy use and allows carbon offsetting to play a significant role.*

- ***Policy option 2*** *considers all energy used in the building (except EV charging points) and seeks to achieve a balance between energy use and on-site renewable energy generation, only allowing offsetting to address a potential imbalance.*

8.16 The report sets out the following costs:

Table 8.3 Summary of cost uplift associated with cases compliant with policy Options 1 and 2 - 2023

Archetype	Base compliant option	Compliant options		Uplift range (£m²)		Uplift range (%)	
		Policy option 1	Policy option 2	Policy option 1	Policy option 2	Policy option 1	Policy option 2
Terrace	A2	tbc	C3, D3	tbc	£88 - £107	tbc	4% - 5%
Low rise	A2	B3, D1, C2, D2, C3, D3	C3, D3	£-57 - £178	£112 - £178	-2% - 7%	4% - 7%
Mid rise	A2	C3, D1, D2, D3	C3, D3	£29 - £118	£81 - £118	1% - 5%	3% - 5%
High rise	A2	tbc	B3, C3, D3	tbc	£-40 - £101	tbc	-1% - 3%
School	C1	A3, B3, C1, C2, C3, D1, D2, D3	A3, B3, C2, C3, D2, D3	£0 - £121	£39 - £121	1% - 4%	1% - 4%
Hotel	A2	B2, B3, D2, D3	B3, C3, D3	£-54 - £99	£13 - £99	-1% - 3%	1% - 3%
Office	A2	B2, B3, C2, D2, C3, D3	B3, C3, D3	£-64 - £150	£23 - £150	-2% - 4%	1% - 4%
Industrial	A3	B3, C3, D1, D2, D3	B2, B3, C2, C3, D2, D3	£71 - £95	£49 - £95	5% - 7%	4% - 7%

Table 9.19 – Summary of cost uplift associated with cases compliant with policy options 1 and 2

The codes above correspond to the combination of heating system and fabric and ventilation specifications used throughout the report.

They differ for each typology but an example is provided for the domestic buildings on the right.

Heating system
A. Gas boiler
B. Direct electric
C. Less efficient heat pump
D. More efficient heat pump

Fabric and Ventilation
1. Business as usual*
2. Good practice
3. Ultra-low energy

Source: Page 233, Delivering Net Zero, An evidence study to support planning policies which deliver Net Zero Carbon developments - Main report (Levitt Bernstein, Introba, Inkling, Currie & Brown and Etude, May 2023)

8.17 The above costs are over and above 2021 Part L of Building Regulations, and include the costs of EV chargers.

8.18 It is clear that the more recent estimates of cost are less than the earlier estimates of costs. This is to be expected, as the additional costs are assimilated into the BCIS figures and the construction industry assimilates new requirement into normal practice. Pending the completion of the RCC work to establish the costs of moving beyond Building Regulations the following scenarios are tested, with the following assumptions being made:

a. The anticipated 2025 Changes to Part L of Building Regulations (75% - 80% CO_2 saving) which an additional 2% is assumed.

b. Option 1 in the Table 8.6 above. Most development in the RCC area will be low rise for which an additional 2.5% is assumed (being the midpoint in the range).

c. Option 2 in the Table 8.6 above. Most development in the RCC area will be low rise for which an additional 5.5% is assumed (being the midpoint in the range).

8.19 The performance of non-residential development is normally assessed using the BREEAM system[43]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[44] 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. The option that all commercial buildings are built to a net zero carbon standard is somewhat more costly than BREEAM Excellent. In this regard it was estimated that the following costs were identified:

Table 8.4 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)

8.20 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

[43] 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.

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

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%.

8.21 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).

8.22 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.

8.23 In this assessment the cost of zero carbon for non-residential development is costed as per Option 2 in the table above, depending on the type of construction. As there are a range of costs, non-residential buildings are also tested with up to 10% additional costs.

8.24 The policies include various reporting requirements that go beyond normal costs. The professional fee assumption has been adjusted from 8% to 10% to reflect this and other requirements.

8.25 It is timely to note that building to higher standards that result in lower running costs does result in higher values[45]. The report *Buying into the Green Homes Revolution* (Santander, October 2022)[46] suggests that house buyers willing to pay almost 10 per cent more for energy efficient properties, and research from Legal and General [47] shows buyers will pay up to 20% premium for low carbon homes. In this study, no premium is assumed in this study (for either residential or non-residential development).

Water Efficiency and Sustainable Water Management

8.26 The policy is likely to seek that '*all new dwellings should achieve the Optional Technical Housing Standard of 110 litres per day per person for water efficiency' and that 'is residential and which includes a garden area, must include a rain harvesting water butt(s) of minimum 100l capacity'.*

[45] 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.)

[46] A Green Premium: House buyers willing to pay almost 10 per cent more for energy efficient properties | Santander UK

[47] Legal & General research shows buyers will pay up to 20% premium for low carbon homes | Legal & General (legalandgeneral.com)

8.27 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/dwelling[48]. This cost was based in 2014 so would be indexed to £7/dwelling.

8.28 It is important to note that the Council is not considering seeking full rainwater harvesting and greywater recycling, however the costs have been considered. There are few published costs, although figures of £2,000 to £3,000 are sometimes quoted[49]. 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 uses a pump and pressure cylinder. This additional cost is tested.

8.29 The cost of the provision and fitting of a water butt is taken to be £50 per dwelling.

Electric Vehicle Charging

8.30 EV charging facilities are now a national requirement (from 25th June 2023) of Building Regulations (Approved Document S):

> *S1. (1) A new residential building with associated parking must have access to electric vehicle charge points as provided for in paragraph (2).*
>
> *(2) The number of associated parking spaces which have access to electric vehicle charge points must be—*
>
> *(a) the total number of associated parking spaces, where there are fewer associated parking spaces than there are dwellings contained in the residential building; or*
>
> *(b) the number of associated parking spaces that is equal to the total number of dwellings contained in the residential building, where there are the same number of associated parking spaces as, or more associated parking spaces than, there are dwellings.*
>
> *(3) Cable routes for electric vehicle charge points must be installed in any associated parking spaces which do not, in accordance with paragraph (2), have an electric vehicle charge point where—*
>
> *(a) a new residential building has more than 10 associated parking spaces; and*
>
> *(b) there are more associated parking spaces than there are dwellings contained in the residential building.*

8.31 It is assumed that all new homes have EV charging points. A cost of £600/unit has been modelled. This cost is applied to flatted development, although whilst such development is unlikely to have 100% parking provision, it is assumed that shared charging facilities will be provided.

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

[49] For example, by the UK Rainwater Harvesting Association.

Sustainable Drainage Systems (SUDS)

8.32 Policies will seek to mitigate the impact of flooding, both in the proposed development and more widely. SUDS are a tool for achieving this. 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 and be delivered through soft landscaping within the wider site costs.

Spatial Strategy and Location of Development

8.33 This section primarily concerns the scale and the distribution of development and matters such as infilling and development in the countryside. As such it does not add to the costs of development, although some of the themes are built on in other polices.

Housing

Development Sites

8.34 This chapter will include the development sites proposed for allocation. The modelling is informed by the sites identified through the ongoing SHELAA process – although it is important to note that a number of these potential sites will not be allocated for development.

Housing Density

8.35 This policy acknowledges that '*residential densities will vary dependent upon the local area context and character and the sustainability of the location, but generally should be no less than 25 dph (dwellings per hectare)*'. This is reflected in the modelling.

Housing Mix

8.36 This policy seeks that *'sites of 10 or more dwellings should provide a range of house types, sizes and tenures to meet the general and specialist needs for housing in Rutland as identified in the latest Strategic Housing Market Assessment'*. The Council's most recent evidence is set out in the *Draft 2023 Housing Market Assessment* (JG Consulting). This is summarised as follows:

Table 8.5 Housing Mix

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5-10%	15-20%	20-25%	55-60%
2-bedrooms	30-35%	40-45%	40-45%	40-45%
3-bedrooms	35-40%	30-35%	25-30%	
4+-bedrooms	20-25%	5-10%	5-10%	

Source: HMA 2023 (Chapter 5: Key Messages)

8.37 The intention is not that this will be rigidly applied to every scheme, however this mix is used to inform the modelling, although regard is also had to the nature and likely location of the scheme, for example flatted development is likely to be predominantly 2 and 3 bedrooms using brownfield and larger greenfield sites to include more family housing. The Council believe the demand for 1 bedroom Home Ownership products is limited, so these are only included in the mix at very low levels.

Accessibility standards

8.38 As drafted, this policy seeks:

> *All new dwellings are required to be adaptable and accessible as defined in part M4(2) Category 2 Accessible and adaptable dwellings of the Building Regulations, unless, by exception only, where M4(2) is impractical and unachievable. (Exceptions may be due to issues such as topography, or flats that are first floor or above and which are not specialist accommodation for older people. Viability will not be an acceptable reason for failure to provide M4(2) where there are no such exceptional reasons, nor will any absence of compliant standard property types.)*
>
> *On sites totalling 100 or more dwellings, a minimum of 3% of affordable rented dwellings is required to meet part M4(3) of the Building Regulations.*

8.39 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[50] 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.

8.40 The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4[51]) 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)[52], reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility.
- Category 2 – Dwellings which provide enhanced accessibility and adaptability (Part M4(2)).

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

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

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

- Category 3 – Dwellings which are adaptable for occupants who use a wheelchair (Part M4(3)a) and dwellings which are accessible for occupants who use a wheelchair (Part M4(3)b).

8.41 The cost a wheelchair accessible dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be is £25,136 per dwelling[53]. 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[54]. The cost of Category 2 is taken to be £521[55] (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed[56] by 45% to £36,447/dwelling, £14,661/dwelling and £755/dwelling respectively.

8.42 In the base appraisals, it is assumed that all new homes are to be designed to be Accessible and Adaptable (M4(2)) and on sites of 100 and larger, 1% of homes (being 3% of affordable homes) will meet Wheelchair Adaptability (M4(3)a).

Nationally Described Space Standard (NDSS)

8.43 The Council is not currently seeking Nationally Described Space Standard (NDSS) technical requirements. 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.*

8.44 The following unit sizes are set out[57]:

[53] Paragraph 152 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

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

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

[56] BCIS Index March 2014 316.3, July 2023 458.4 = 44.9%.

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

Table 8.6 National Space Standards. Minimum gross internal floor areas and storage (m^2)

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)

8.45 Whilst the Council is not pursuing NDSS, in this study the units are generally modelled to be in line with, or larger than NDSS.

Self-build and custom housebuilding

8.46 This draft policy seeks that on '*sites of 50 dwellings or more, developers will be required to supply at least 2% of the site capacity as serviced plots for sale to self-builders and/or custom house building*'. This requirement will be tested.

Affordable housing

8.47 This policy is in the process of being updated and will be further informed by the findings of this assessment. As drafted, the requirements are:

> *All major residential developments comprising 10 or more dwellings (or with a site area of 0.5 hectares or more)) within the parishes of Oakham and Uppingham will be required to make provision, on site, for 30% of the scheme's total capacity as affordable housing.*
>
> *In the Designated Rural Areas (all parishes outside Oakham and Uppingham) developments of 6 or more dwellings will be required to make affordable housing provision for 30% of the scheme's total capacity. Developments of between 6 and 9 inclusive dwellings may make*

contributions in the form of off-site contributions in line with the national Planning Practice Guidance, unless a relevant Neighbourhood .Plan requires provision to be onsite.

8.48 The base modelling assumes 30% affordable housing. A range of affordable housing requirements and mixes is also tested. The housing mix is modelled to align with national policy, including the requirement for 10% of all homes to be affordable home ownership[58], and 25% of affordable housing to be First Homes[59].

8.49 In relation to First Homes, the 30% discount and £250,000 cap are assumed to apply. Greater discounts and lower caps are also tested.

Rural Exception Housing, First Homes Exception Sites and Gypsies and Travellers and Travelling Show People's Accommodation

8.50 These are enabling policies that do not impact on the viability of development.

Economy

8.51 At the time of writing this report the economy section of the emerging Plan had yet to be updated as key evidence reports were not complete, so the withdrawn Plan has been reviewed as it is understood these will be broadly similarly worded. The Council is updating its Employment Land Study and its Retail Study. These may have an impact on the policies under this heading. These will be reviewed as and when the updated evidence is available.

New provision for industrial and office development and related uses

8.52 This is a high level policy that enables employment and economic development, whilst protecting existing activity in this sector.

Expansion of existing businesses, Protection of existing employment sites

8.53 These policies do not impact directly on development viability.

The rural economy, Local Visitor Economy, Rutland Water

8.54 These are general policies that seek to enable and manage development. They do not impact directly on development viability.

Eyebrook Reservoir area

8.55 This policy restricts development around the Eyebrook Reservoir.

[58] NPPF Paragraph 65.

[59] PPG Paragraph 70-001-20210524

Caravans, camping, lodges, log cabins, chalets and similar forms of self-serviced holiday accommodation

8.56 This policy manages development in this sector but does not impact directly on viability.

Town centres and retailing

8.57 This is a high level policy that enables 'main town centre uses' in Oakham and Uppingham, whilst protecting existing activity in this sector. The policy does not impact directly on development viability.

Primary Shopping Areas, Sites for retail development

8.58 These development management policies do not impact directly on viability.

Sustainable Communities

8.59 This section is mainly concerned with design. Where it includes specific requirements, for example concerning Accessible and Adaptable standards, open space or developer contributions, those are considered under the specific policies.

8.60 These are high level design policies that require that '*new development is expected to reflect and respond to Rutland's landscape character and contribute to the distinctive qualities of the landscape character type in which it is located*' and sets out how development will be assessed. This policy does not add to the costs of development, over and above the costs covered elsewhere in this assessment.

8.61 The draft wording requires that major development proposals '…*will be expected to provide a planning statement to demonstrate how they have been developed*…'. This is a normal requirement that does not add to the costs over and above those assumptions set out elsewhere. Similarly, sites of 150 units or more will be expected to be accompanied by a Health Impact Assessment (HIA). A HIA is a process that considers the wider effects of projects and developments and how they, in turn, may affect people's health and wellbeing. Some of these may be positive, while others could be detrimental and require mitigation. The idea is to ensure that a proposed project or development can be adjusted to maximise benefits to local health and minimise any harm by addressing existing health inequalities as well as avoiding the creation of new ones. A HIA is a tool for integrating the promotion of health and wellbeing into a wide range of policies, projects and services.

8.62 In themselves HIAs do not add to the cost of development, however it is important that consideration is given the process from the start of the design process to ensure that subsequent changes (that can be costly) are not required.

Provision of new open space

8.63 The draft policies do not include a requirement for new open space however one is being prepared. The Council is currently updating the evidence base in this regard which sets out the following requirements:

Table 8.7 Updated Open Space Requirements

Type of Open Space	Quantity Standard (ha per 1000)	Access Standard-Walking threshold	Quality Standard
Allotments and Community Gardens Allotments and community gardens provide opportunities for those people who wish to do so to grow their own produce as part of the long-term promotion of sustainability, health and social inclusion.	0.23	1,000m	The proposed value standard is that all sites obtain a Value Score of 60% or above, classed as "High Value".
Amenity Greenspace Most commonly but not exclusively found in housing areas. Includes informal recreation green spaces and village greens.	0.75	480m	The proposed value standard is that all sites obtain a Value Score of 60% or above, classed as "High Value".
Churchyards and Cemeteries Churchyards and Cemeteries including disused churchyards and other burial grounds.	No Standard	No Standard	The proposed value standard is that all sites obtain a Value Score of 60% or above, classed as "High Value".
Civic Spaces Civic Spaces are hard surfaced areas usually located within town or city centres.	No Standard	No Standard	The proposed value standard is that all sites obtain a Value Score of 60% or above, classed as "High Value".
Natural and Semi-Natural Greenspace Natural and Semi-Natural Greenspace includes country parks, nature reserves, publicly accessible woodlands, urban forestry, scrub, grasslands, wetlands and wastelands.	1.8	720m	The proposed value standard is that all sites obtain a Value Score of 60% or above, classed as "High Value".

Outdoor Sports Facilities Usually in the form of pitches or other sports provision, such as football, rugby, cricket pitches as well as tennis courts and bowling greens.	1.6 or as defined in the conclusions of an up-to-date Playing Pitch Strategy which would allow the use of the Sport England playing pitch development calculator.	1,200m or as defined in the conclusions of an up-to-date Playing Pitch Strategy which would allow the use of the Sport England playing pitch development calculator.	The proposed value standard is that all sites obtain a Value Score of 60% or above, classed as "High Value" or any locally agreed quality criteria or as defined in the conclusions of an up-to-date Playing Pitch Strategy which would allow the use of the Sport England playing pitch development calculator.
Parks and Gardens Includes urban parks and formal gardens. Parks usually contain a variety of facilities and may have one of more of the other types of open space within them.	0.8	710m	The proposed value standard is that all sites obtain a Value Score of 60% or above, classed as "High Value".
Provision for Children and Young People Areas designed primarily for play and social interaction specifically designed as equipped play facilities for young people and children.	0.25	400m LEAP 1,000m NEAP	The proposed value standard is that all sites obtain a Value Score of 60% or above, classed as "High Value".

Source: RCC

8.64 The Council assumes 2.3 persons per dwelling (based on the latest 2021 census data). The footnote to the requirements says:

> *Standards should not be simply added together to generate a total requirement for open space. This is because it may be possible to provide some open space types within the boundary of another. For example, a neighbourhood park may be multi-functional and contain one or a number of the other open space types.*

8.65 In the modelling, it is assumed that the open space is provided on-site on greenfield, however on brownfield sites it may be provided off-site. This open space is incorporated into the modelling as set out in Chapter 9 below. It is assumed sports pitches will be delivered via CIL, except for large strategic sites where on-site provision will be expected. It is assumed that provision for children (i.e. play space) is provided within the wider open space allocation rather than in addition.

Design Guidelines for Rutland SPD (March 2022)

8.66 In this regard it is necessary to consider *Design Guidelines for Rutland SPD* (March 2022) as this is referenced in this section. This sets out an approach to design to ensure that the policy objectives are reflected on the ground. The Design Guide is based on the National Design Guide and the document is structured through a series of checklists and questions. On the whole, the document does not set out particular requirements that may add to the costs of

development, over and above that have been sought by the Council for many years – rather it sets out, in a usable and accessible way, the Council's expectations.

Environment

8.67 This section will cover the Environment as a whole and will include policies on the natural and heritage environment. Under natural environment, RCC will have policies to protect biodiversity sites and species, Local Nature Recovery Strategy, Biodiversity Net Gain, GBI, important open spaces and frontages, Local Green space, Trees, Woodland and Hedgerows, Ancient Woodland and Veteran Trees, Protecting agricultural land, Pollution control, Rutland Water and Eyebrook Reservoir. Heritage environment will include heritage and archaeology policies. On the whole, these policies do not add to the costs of development.

8.68 This part of the emerging Plan has been extended to include green and blue infrastructure.

Green and Blue Infrastructure Network

8.69 This is a general policy that requires that *'new Green and Blue Infrastructure (GBI) is considered and integrated into the scheme design from the outset'*. Having said this, the policy does not include specific requirements.

8.70 This and other policies mention biodiversity in passing – but do not set out specific requirements, however this is an area where national policy has developed. The national requirement for 10% Biodiversity Net Gain, as required by the Environment Act, is assumed to apply in the base appraisals.

8.71 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. 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.

8.72 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.

8.73 The Government's Impact Assessment[60] suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

Table 8.8 Cost of Biodiversity Net Gain – East Midlands

2017 based costs

	Scenario A 100% on-site	**Scenario C** 100% off-site
Cost per ha of residential development	£3,427/ha	£69,522/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£161/unit	£3,562/unit
Cost per brownfield housing unit	£68/unit	£943/unit
Residential greenfield delivery costs as proportion of build costs	0.1%	2.7%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.7%
% of industrial land values	0.6%	9.7%
% of commercial land values (office edge of city centre)	0.3%	4.7%
% of commercial land values (office out of town - business park)	0.6%	8.9%

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

8.74 RCC is currently exploring seeking 20% Biodiversity Net Gain, so this is tested, however the base assumption is for 10%. The Council has not undertaken specific research into the costs in this regard and there are no published England wide data in this regard. Research by Kent County Council[61] has indicated that the additional cost of providing 15% or 20% BNG is relatively modest where it can be delivered on-site:

[60] 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

[61] Viability-Assessment-of-Biodiversity-Net-Gain-in-Kent-June-2022.pdf (kentnature.org.uk)

Table 8.9 Comparison of BNG costs £ per dwelling

Typology	15% onsite per dwelling	20% onsite per dwelling	15% offsite per dwelling	20% offsite per dwelling
5,000 unit greenfield - houses	+£55.79	+£92.29	+£631.85	+£778.69
500 unit greenfield - houses	+£85.56 *Additional land*	+£216.31 *Additional land*	+£1,062.85	+£1,167.95
100 unit greenfield - houses	+£943.00 *Additional land*	+£1,071.57 *Additional land*	+£394.70	+£458.54
25 unit greenfield - houses	+£5,549.96 *Additional land*	+£5,913.31 *Additional land*	+£874.76	+£1,077.59
500 unit brownfield - houses	+£12.00	+£27.00	+£100.37	+£124.22
100 unit brownfield – houses flats	+£4.50	+£9.00	+£10.17	+£13.59
25 unit brownfield - flats	+£0.00	+£42.00	+£506.30	+£508.58

Source: Table 1 Viability Assessment of Biodiversity Net Gain in Kent (SQW & Temple, June 2022)

8.75 In this assessment, it is assumed provision will be on-site on greenfield sites and off-site on brownfield sites (this approach is different to that taken in the pre-consultation report). The percentage uplift costs from Tables 14 to 23 of the *Biodiversity net gain and local nature recovery strategies – Impact Assessment* as quoted above are used. The base scenario assumes 10% BNG. A 20% BNG scenario is tested assuming 150% of the cost of delivering 10%.

Blue and Green Infrastructure Network

8.76 This policy seeks to protect existing assets to be protected and for new development to provide open space. It does not set out specific requirements that add to the cost of development set out elsewhere.

Local Green Space, Important open space and frontages, Trees, Woodland and Hedgerows, Ancient Woodland and Veteran Trees, Protecting agricultural land, Pollution control

8.77 These are general policies that concern development management and do not impact directly on development viability.

Minerals and Waste

8.78 This assessment does not extend to testing the viability of minerals and waste.

Infrastructure and Delivery

8.79 The policies in this section concern the provision of strategic infrastructure and mitigation in a timely way. These impact of these policies is a core part of this assessment. This section also includes policies on sustainable travel (which includes need for travel plans, cycle and pedestrian connectivity), Parking standards, and Walking and Cycling and includes requirements for connectivity, cycle parking and storage for developments with high visitor numbers. It is assumed that these will be met through developer contributions.

8.80 The Council seeks payments from developers to mitigate the impact of the development through improvements to the local infrastructure through the s106 and s278 regimes and through Community Infrastructure Levy (CIL).

8.81 The adopted rates of CIL are incorporated into the appraisals.

Table 8.10 Adopted Rates of CIL

	CIL Rates 2016 **(per sqm)**	**Index 2015 (Ic)**	**Index 2023 (Iy)**	**CIL Rate 2023 = R X Iy / Ic (per sqm)**
Residential	£100.00	272	355	£130.51
Sheltered Housing and Extra Care Housing	Nil			Nil
Distribution (Use Class B8)	£10.00	272	355	£13.05
Food Retail (Supermarkets)*	£150.00	272	355	£195.77
Retail Warehouse**	£75.00	272	355	£97.89

Source: Rutland County Council – Annual CIL Rate Summary 2023

8.82 The Council's approach to wider developer contributions is set out in *Planning Obligations Supplementary Planning Document* (January 2016). This does not include a tariff or standard payments.

8.83 **Appendix 8** below includes details of recent planning applications, including levels of affordable housing secured and s106 contributions. The s106 contributions range from zero to over £21,000 per unit. Of the 25 sites listed, 12 sites made no financial contribution in addition to CIL, and on just 3 sites was the contribution more than £150 per unit. CIL is the main mechanism for securing developer contributions in Rutland.

8.84 In this study it is important that the costs of mitigation are reflected in the analysis. Taking a cautious approach and in agreement with the Council, the following assumptions are used in the base appraisals:

a. 1 to 9 units £0 per unit

b. 10 to 100 units £2,000 per unit

c.	100 plus units	£5,000 per unit.
d.	Very large greenfield (potential strategic sites)	£25,000 per unit.

8.85 To inform the plan-making process, a range of levels of developer contribution of up to £50,000 per unit will be tested.

8.86 None of the County is subject to SANG[62] or SAMMS[63] payments.

[62] Suitable Alternative Natural Green Space

[63] Strategic Access Management and Monitoring

9. Modelling

9.1 In the previous chapters, the general assumptions to be inputted into the development appraisals are set out. In this chapter, the modelling is set out. It is stressed that this is a high-level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the Council's policies on development viability.

9.2 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan.

Residential Development

9.3 The Council is in the process of updating its *Strategic Housing and Economic Land Availability Assessment* (SHELAA), having recently carried out a call for sites. The sites included in the SHELAA is a long list of sites, from which the potential allocations will be drawn. RCC has provided a copy of the database, showing both the SHELAA data, including and the size of the sites and the basic information, such a size and land use. It is important to note that at this stage the SHELAA is a long list of sites, many of which will not be suitable for development (for example they may be subject to flooding or have insurmountable highways problems). It is however useful to use the data set to inform the modelling and to ensure the range of sites that are under consideration are reflected in the typologies.

9.4 Regard has also been had to the *Strategic Housing and Economic Land Availability Assessment Methodology* (RCC, December 2019) as this sets out the high level assumptions that the Council uses when considering the capacity of sites. To establish the net developable area, the SHELAA uses the following assumptions:

- up to 1ha - 95% developable area
- between 1ha and 4ha - 80% is developable area
- over 4ha – 60% developable area.

9.5 In terms of density, the document then says:

> *Policy CS10 in the Council's adopted Core Strategy set out local densities of 30 dwellings per hectare in the villages and 40 dwellings per hectare in Oakham. However in the more recent Local Plan Review Consultation Draft published in July 2017 policy RLP14 is less prescriptive and identifies that densities will vary dependent upon the local area context and character and the sustainability of the location. The density calculation used to provide indicative capacities of sites in the Consultation Draft is 30 dwellings per hectare across all sites. A density of 30 dwellings per hectare will therefore be applied to all sites unless a made Neighbourhood Plan includes a density policy for that area that differs from this.*

9.6 The typologies are broadly consistent with the above assumptions.

9.7 The main characteristics of the SHELAA sites can be summarised as follows:

Table 9.1 Distribution of SHELAA Sites - Count					
	Brownfield	**Greenfield**	**Mixed**	**Not stated**	**Total**
Ashwell		1			1
Barleythorpe		1			1
Barrowden	1	1			2
Belmesthorpe		1			1
Braunston		2			2
Brooke		1			1
Burley					
Caldecott		1	1		2
Clipsham		2			2
Cottesmore	1	6	1		8
Edith Weston	2	4			6
Egleton		2			2
Empingham	1	3			4
Essendine		2			2
Exton	2	1			3
Glaston	1	2			3
Great Casterton		4	1		5
Greetham	3	3			6
Ketton	1	12	3		16
Langham		6	1		7
Long Row	1				1
Manton		4			4
Market Overton		7			7
Morcott		1	2		3
North Luffenham		2			2
Oakham	1	10	1	1	13
Rutland Water				1	1
Ryhall	1	3			4
Seaton					
South Luffenham	1	1			2
Stamford					
Stretton		1			1
Thistleton					
Tickencote		1			1
Tinwell		1			1
Uppingham	2	10		1	13
Whissendine		6			6
Whitwell		1			1
Total	**18**	**103**	**10**	**3**	**134**

Source: SHELAA Dataset – Working Draft (April 2023)

Table 9.2 Average capacity of SHELAA Sites - Units					
	Brownfield	**Greenfield**	**Mixed**	**Not Stated**	**All**
Ashwell		81.50			81.50
Barleythorpe		575.00			575.00
Barrowden	15.00	100.00			57.50
Belmesthorpe		17.50			17.50
Braunston		25.25			25.25
Brooke		4.00			4.00
Burley					
Caldecott		35.00	12.50		23.75
Clipsham		4.00			4.00
Cottesmore	6.00	30.50	72.50		32.69
Edith Weston	717.50	31.13			259.92
Egleton		11.00			11.00
Empingham	5.00	10.17			8.88
Essendine		197.50			197.50
Exton	10.00	7.50			9.17
Glaston	6.00	3.50			4.33
Great Casterton		58.75	6.00		48.20
Greetham	18.33	39.17			28.75
Ketton	12.50	34.08	12.33		28.66
Langham		74.25	30.00		67.93
Long Row	35.00				35.00
Manton		33.75			33.75
Market Overton		161.71			161.71
Morcott		0.00	9.00		6.00
North Luffenham		5.75			5.75
Oakham	40.00	174.75	325.00	106.50	170.69
Rutland Water				0.00	0.00
Ryhall	11.00	26.83			22.88
Seaton					
South Luffenham	12.00	70.00			41.00
Stamford					
Stretton		45.00			45.00
Thistleton					
Tickencote		0.00			0.00
Tinwell		0.00			0.00
Uppingham	5.50	92.45		9.00	72.65
Whissendine		66.58			66.58
Whitwell		3.00			3.00
All	**92.42**	**71.81**	**50.10**	**38.50**	**72.21**

Source: SHELAA Dataset – Working Draft (April 2023)

9.8 To inform the modelling, the characteristics of the sites were considered in terms of location, size and suggested use, as set out in the tables above. A set of sites, representative of the Council area, has been modelled.

9.9 The modelling is consistent with the requirements for open space set out towards the end of Chapter 8 above. It is acknowledged that modelling is never totally representative, however the aim of this work is to broadly test development viability of sites likely to come forward over the plan-period. This will assist with developing the Plan and the policies within it as well as to inform the Council's plan-making.

9.10 A set of typologies has been developed that responds to the variety of development situations and densities typical in the County, and this is used to inform development assumptions for sites. This approach enables a view to be taken about floorspace density, based on the amount of development, measured in net floorspace per hectare, to be accommodated upon the site. This is a key variable because the amount of floorspace which can be accommodated on a site relates directly to the Residual Value, and is an amount which developers will normally seek to maximise (within the constraints set by the market).

9.11 Typically modern estate housing would provide development at between 3,000 sqm per ha to 3,550 sqm per ha on a substantial site, or sensibly shaped smaller site. A representative housing density might be around 32 per net ha. This provides for a majority of houses but with a small element of flats, in a mixture of two storey and two and a half to three storey form, with some rectangular emphasis to the layout.

9.12 Some schemes have an appreciably higher density development providing largely or wholly apartments, in blocks of three storeys or higher, with development densities of 6,900m^2/ha and dwelling densities of 100 units/ha upwards; and other schemes of lower density, in the rural edge situations.

9.13 The main characteristics of the modelled sites are set out in the tables below. It is important to note that these are modelled sites and not actual sites. These modelled typologies have been informed by the sites that are likely to be included in the Plan, both in terms of scale and location. A proportion of the housing to come forward over the plan-period will be on smaller sites, therefore several smaller sites have been included.

9.14 In this report, no specific strategic sites have been modelled. In due course, if the Council decide to allocate strategic sites these will need to be considered in detail. Several large scale sites have been included to inform the plan-making process.

Table 9.3 Summary of Modelled Sites			
V Large Brownfield 1,000	Units	1,000	Large PDL site. Assumed to be lower density format. 60% net developable - POS, including outdoor sports, on site (11.914ha). Assumes Garden Town Principles.
	Gross	55.556	
	Net	33.333	
1	Density	30.0	
Large Brownfield 100 LD	Units	100	PDL site. Assumed to be lower density format. 60% net developable - POS on site (0.823ha).
	Gross	5.556	
	Net	3.333	
2	Density	30.0	
Large Brownfield 100 HD	Units	100	PDL site. Assumed to be higher density format, with few detached units. 80% net developable - POS off site (0.823ha).
	Gross	3.125	
	Net	2.500	
3	Density	40.0	
Brownfield 60	Units	60	PDL site. Assumed to be higher density format, with few detached units. 80% net developable - POS off site (0.494ha).
	Gross	1.875	
	Net	1.500	
4	Density	40.0	
Brownfield 40	Units	40	PDL site. Assumed to be higher density format, with few detached units. 80% net developable - POS off site (0.329ha).
	Gross	1.250	
	Net	1.000	
5	Density	40.0	
Brownfield 20	Units	20	PDL site. Assumed to be higher density format, with few detached units. 95% net developable, POS off site (0.165ha).
	Gross	0.526	
	Net	0.500	
6	Density	40.0	
Brownfield 12	Units	12	PDL site. Assumed to be higher density format, with few detached units. 95% net developable. POS off site (0.099ha).
	Gross	0.316	
	Net	0.300	
7	Density	40.0	
Brownfield 9	Units	9	PDL site. Assumed to be higher density format, with few detached units. 95% net developable to accommodate POS off site (0.074ha).
	Gross	0.237	
	Net	0.225	
8	Density	40.0	

Brownfield 5	Units	5	PDL site.95% net developable.
	Gross	0.132	
	Net	0.125	
9	Density	40.0	
Flats 60	Units	60	Flatted scheme. 80% net developable - POS off site (0.494ha).
	Gross	1.250	
	Net	1.000	
10	Density	60.0	
Flats 24	Units	24	Flatted scheme. 95% net developable to accommodate POS off site (0.2198ha).
	Gross	0.421	
	Net	0.400	
11	Density	60.0	
Flats 12	Units	12	Flatted scheme. 95% net developable to accommodate POS off site (0.099ha).
	Gross	0.211	
	Net	0.200	
12	Density	60.0	
Large Greenfield 1000	Units	1,000	Large greenfield site. 60% net developable - POS, including outdoor sports, on site (11.914ha). Assumes Garden Town Principles.
	Gross	55.556	
	Net	33.333	
13	Density	30.0	
Large Greenfield 650	Units	650	Large greenfield site. 60% net developable - POS, including outdoor sports, on site (7.744ha).
	Gross	36.111	
	Net	21.667	
14	Density	30.0	
Large Greenfield 400	Units	400	Large greenfield site. 60% net developable - POS on site (3.294ha).
	Gross	22.222	
	Net	13.333	
15	Density	30.0	
Large Greenfield 200	Units	200	Large greenfield site. 60% net developable - POS on site (1.647ha).
	Gross	11.111	
	Net	6.667	
16	Density	30.0	
Large Greenfield 100	Units	100	Large greenfield site. 60% net developable - POS on site (0.823ha).
	Gross	5.556	
	Net	3.333	
17	Density	30.0	

Greenfield 60	Units	60	Greenfield site. 80% net developable - POS on site (0.494ha).
	Gross	2.500	
	Net	2.000	
18	Density	30.0	
Greenfield 40	Units	40	Greenfield site. 80% net developable - POS on site (0.329ha).
	Gross	1.667	
	Net	1.333	
19	Density	30.0	
Greenfield 20	Units	20	Greenfield site. 80% net developable - to accommodate POS on site (0.165ha).
	Gross	0.702	
	Net	0.667	
20	Density	30.0	
Greenfield 12	Units	12	Greenfield site. 80% net developable - to accommodate POS on site (0.099ha).
	Gross	0.421	
	Net	0.400	
21	Density	30.0	
Greenfield 9	Units	9	Greenfield site. 80.19% net developable - to accommodate POS on site (0.074ha).
	Gross	0.316	
	Net	0.300	
22	Density	30.0	
Greenfield 6	Units	6	Greenfield site. 95% net developable.
	Gross	0.211	
	Net	0.200	
23	Density	30.0	
Greenfield 4	Units	4	Greenfield site. 95% net developable.
	Gross	0.140	
	Net	0.133	
24	Density	30.0	

Source: HDH (July 2023)

Table 9.4 Summary of Modelled Sites – Areas and Densities

		Current Use	Units	Area Ha				Density Units/ha		Density
				Total	Gross	Net	%	Gross	Net	m2/ha
1	V Large Brownfield 1,000	PDL / MOD	1,000	55.556	55.556	33.333	60.0%	18.00	30.00	2,615
2	Large Brownfield 100 LD	PDL / MOD	100	5.556	5.556	3.333	60.0%	18.00	30.00	2,666
3	Large Brownfield 100 HD	PDL	100	3.125	3.125	2.500	80.0%	32.00	40.00	3,336
4	Brownfield 60	PDL	60	1.875	1.875	1.500	80.0%	32.00	40.00	3,302
5	Brownfield 40	PDL	40	1.250	1.250	1.000	80.0%	32.00	40.00	3,348
6	Brownfield 20	PDL	20	0.526	0.526	0.500	95.0%	38.00	40.00	3,255
7	Brownfield 12	PDL	12	0.316	0.316	0.300	95.0%	38.00	40.00	3,446
8	Brownfield 9	PDL	9	0.237	0.237	0.225	95.0%	38.00	40.00	3,208
9	Brownfield 5	PDL	5	0.132	0.132	0.125	95.0%	38.00	40.00	3,440
10	Flats 60	PDL	60	1.250	1.250	1.000	80.0%	48.00	60.00	4,588
11	Flats 24	PDL	24	0.421	0.421	0.400	95.0%	57.00	60.00	4,576
12	Flats 12	PDL	12	0.211	0.211	0.200	95.0%	57.00	60.00	4,565
13	Large Greenfield 1000	Agricultural	1,000	55.556	55.556	33.333	60.0%	18.00	30.00	2,610
14	Large Greenfield 650	Agricultural	650	36.111	36.111	21.667	60.0%	18.00	30.00	2,618
15	Large Greenfield 400	Agricultural	400	22.222	22.222	13.333	60.0%	18.00	30.00	2,626
16	Large Greenfield 200	Agricultural	200	11.111	11.111	6.667	60.0%	18.00	30.00	2,615
17	Large Greenfield 100	Agricultural	100	5.556	5.556	3.333	60.0%	18.00	30.00	2,662
18	Greenfield 60	Agricultural	60	2.688	2.500	2.000	74.4%	24.00	30.00	2,626
19	Greenfield 40	Agricultural	40	1.792	1.667	1.333	74.4%	24.00	30.00	2,605
20	Greenfield 20	Paddock	20	0.896	0.702	0.667	74.4%	28.50	30.00	2,602
21	Greenfield 12	Paddock	12	0.538	0.421	0.400	74.4%	28.50	30.00	2,577
22	Greenfield 9	Paddock	9	0.369	0.316	0.300	81.4%	28.50	30.00	2,853
23	Greenfield 6	Paddock	6	0.211	0.211	0.200	95.0%	28.50	30.00	2,805
24	Greenfield 4	Paddock	4	0.140	0.140	0.133	95.0%	28.50	30.00	3,285

Source: HDH (July 2023)

Older People's Housing

9.15 The modelling of these types of specialist housing have been updated following the technical consultation. A private Sheltered/retirement and an Extracare scheme have been modelled, as has an integrated Retirement Community.

a. A private Sheltered/retirement scheme of 36 x 1 bed units of 50m^2 and 24 x 2 bed units of 75m^2 to give a net saleable area of 3,675m^2. A further 20% non-saleable service and common areas is allowed for. A site of 0.5ha is assumed.

b. 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 of 4,260m^2. A further 30% non-saleable service and common areas is allowed for. A site of 0.5ha is assumed.

c. An Integrated Retirement Community (IRCs) made up of 150 units (so a very large scheme in the wider RCC context) made up of level access flats and houses including:

- 40 x 1 bed units of 70m^2 with 25% circulation space
- 60 x 2 bed units of 90m^2 with 25% circulation space
- 50 bungalows of 120m^2 with 25% circulation space.

This derives a to give a net saleable area of 14,200m^2 and a total GIA, allowing non-saleable service and common areas of 17,027m^2. A 4ha greenfield site is assumed.

Employment Uses

9.16 The Council is planning to allocate strategic employment sites and mixed-use strategic sites. These sites will not be modelled individually, rather the type of development that they are most likely to deliver is modelled.

9.17 In line with the CIL Regulations, only assessed developments of over 100m^2 have been assessed. There are other types of development (such as petrol filling stations and garden centres etc) that are not included, as the Council is not planning for these as part of the new Plan. The following development types are tested:

a. **Offices**. These are more than 250m^2, will be of steel frame construction, be over several floors. Typical larger units are around 2,000m^2.

Assumptions about the site coverage and density of development on the sites are made. 70% coverage on the office sites in the central urban situation and 25% elsewhere (i.e. business park) have been assumed. Two storey construction in the business park situation, and four-storey construction in the urban situation.

The small office format is based on 250m^2, 2 stories and 50% coverage.

b. **Large Industrial.** Modern industrial units of over 4,000m^2. There is little new space being constructed. This is used as the basis of the modelling. 40% coverage is assumed, based on the single storey construction.

c. **Small Industrial.** Modern industrial units of 400m^2. 40% coverage is assumed, based on the single storey construction.

d. **Distribution.** Modern units of over 4,000m^2 is used as the basis of the modelling. 35% coverage is assumed, based on the single storey construction.

9.18 The plethora of other types of commercial and employment development beyond office and industrial/storage uses has not been included in this study.

Retail

9.19 The following types of space have been assessed. 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 are 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**. Typically, the units that are currently coming forward are around 2,000m^2 unit on a 0.6ha site with 120 or so car parking places (30% coverage).

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 require 150 car parking spaces, and to occupy a total site area of 0.8ha. The building is taken to be of steel construction.

c. **Shop** is a brick / block built development, of 200m^2. Site coverage of 80% is assumed.

9.20 There are other types of retail development, such as small single farm shops, petrol filling stations and garden centres. These have not been included these in this high-level study due to the great diversity of project that may arise.

10. Residential Appraisals

10.1 At the start of this chapter, it is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this study are one of a number of factors that Rutland County Council will consider, including the track record in delivering affordable housing and collecting developer contributions.

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 a 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 Sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions. Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction and in prices.

10.4 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:

a. **Green** **Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).

b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.

c. **Red** **Non-viable** – where the Residual Value does not exceed the EUV.

10.5 A report of this type applies relatively simple assumptions that are broadly reflective of an area to 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.

Base Appraisals

10.6 The initial appraisals are based on the full policy-on scenario with all the policy requirements, unless stated, being the following assumptions.

a.	Affordable Housing	30% – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes. The balance as Affordable Rent.		
b.	Design	Part M4(2), 1% Part M4(3)a, Zero Carbon (Option 1), Water Efficiency and water butts, 10% Biodiversity Net Gain.		
c.	Developer Contributions	CIL as adopted:		
		s106	1 to 9 units	£0 per unit
			10 to 100 units	£2,000 per unit
			100 plus units	£5,000 per unit.
			Large greenfield (potential strategic sites)	£25,000 per unit.

10.7 Initially, the results of all the typologies are presented, subsequently only those relevant to the two price areas are presented. The base appraisals are included in **Appendix 11**.

Table 10.1a Residential Typologies, – Residual Values

Oakham & Uppingham and Wider Rutland

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	V Large Brownfield 1,00	Oakham & Uppingham	Brown	PDL / MOD	55.56	33.33	1,000	60,492	100,820	3,360,667
Site 2	Large Brownfield 100 LL	Oakham & Uppingham	Brown	PDL / MOD	5.56	3.33	100	-58,056	-96,760	-322,535
Site 3	Large Brownfield 100 H	Oakham & Uppingham	Brown	PDL	3.13	2.50	100	2,817	3,522	8,805
Site 4	Brownfield 60	Oakham & Uppingham	Brown	PDL	1.88	1.50	60	64,989	81,236	121,855
Site 5	Brownfield 40	Oakham & Uppingham	Brown	PDL	1.25	1.00	40	102,549	128,187	128,187
Site 6	Brownfield 20	Oakham & Uppingham	Brown	PDL	0.53	0.50	20	34,134	35,931	17,965
Site 7	Brownfield 12	Oakham & Uppingham	Brown	PDL	0.32	0.30	12	480,817	506,123	151,837
Site 8	Brownfield 9	Oakham & Uppingham	Brown	PDL	0.24	0.23	9	552,355	581,427	130,821
Site 9	Brownfield 5	Oakham & Uppingham	Brown	PDL	0.13	0.13	5	717,781	755,559	94,445
Site 10	Flats 60	Oakham & Uppingham	Brown	PDL	1.25	1.00	60	-702,454	-878,068	-878,068
Site 11	Flats 24	Oakham & Uppingham	Brown	PDL	0.42	0.40	24	-398,362	-419,328	-167,731
Site 12	Flats 12	Oakham & Uppingham	Brown	PDL	0.21	0.20	12	-378,330	-398,242	-79,648
Site 13	Large Greenfield 1000	Oakham & Uppingham	Green	Agricultural	55.56	33.33	1,000	170,208	283,680	9,455,983
Site 14	Large Greenfield 650	Oakham & Uppingham	Green	Agricultural	36.11	21.67	650	205,416	342,359	7,417,789
Site 15	Large Greenfield 400	Oakham & Uppingham	Green	Agricultural	22.22	13.33	400	538,096	896,827	11,957,692
Site 16	Large Greenfield 200	Oakham & Uppingham	Green	Agricultural	11.11	6.67	200	451,041	751,736	5,011,570
Site 17	Large Greenfield 100	Oakham & Uppingham	Green	Agricultural	5.56	3.33	100	164,343	273,905	913,018
Site 18	Greenfield 60	Oakham & Uppingham	Green	Agricultural	2.50	2.00	60	449,315	561,644	1,123,288
Site 19	Greenfield 40	Oakham & Uppingham	Green	Agricultural	1.67	1.33	40	465,329	581,661	775,548
Site 20	Greenfield 20	Oakham & Uppingham	Green	Paddock	0.70	0.67	20	434,168	541,416	360,944
Site 21	Greenfield 12	Oakham & Uppingham	Green	Paddock	0.42	0.40	12	933,457	1,164,039	465,616
Site 22	Greenfield 9	Oakham & Uppingham	Green	Paddock	0.32	0.30	9	961,771	1,199,347	359,804
Site 23	Greenfield 6	Oakham & Uppingham	Green	Paddock	0.21	0.20	6	902,537	950,039	190,008
Site 24	Greenfield 4	Oakham & Uppingham	Green	Paddock	0.14	0.13	4	784,312	825,592	110,079

Source: HDH (July 2023)

Table 10.1b Residential Typologies, – Residual Values

East Rutland / Stamford Area

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	V Large Brownfield 1,00	Stamford	Brown	PDL / MOD	55.56	33.33	1,000	438,083	730,139	24,337,968
Site 2	Large Brownfield 100 LD	Stamford	Brown	PDL / MOD	5.56	3.33	100	403,399	672,332	2,241,105
Site 3	Large Brownfield 100 HI	Stamford	Brown	PDL	3.13	2.50	100	757,277	946,596	2,366,490
Site 4	Brownfield 60	Stamford	Brown	PDL	1.88	1.50	60	820,004	1,025,004	1,537,507
Site 5	Brownfield 40	Stamford	Brown	PDL	1.25	1.00	40	887,620	1,109,525	1,109,525
Site 6	Brownfield 20	Stamford	Brown	PDL	0.53	0.50	20	955,623	1,005,919	502,960
Site 7	Brownfield 12	Stamford	Brown	PDL	0.32	0.30	12	1,434,008	1,509,482	452,845
Site 8	Brownfield 9	Stamford	Brown	PDL	0.24	0.23	9	1,509,403	1,588,845	357,490
Site 9	Brownfield 5	Stamford	Brown	PDL	0.13	0.13	5	1,744,542	1,836,360	229,545
Site 10	Flats 60	Stamford	Brown	PDL	1.25	1.00	60	-702,454	-878,068	-878,068
Site 11	Flats 24	Stamford	Brown	PDL	0.42	0.40	24	-398,362	-419,328	-167,731
Site 12	Flats 12	Stamford	Brown	PDL	0.21	0.20	12	-378,330	-398,242	-79,648
Site 13	Large Greenfield 1000	Stamford	Green	Agricultural	55.56	33.33	1,000	547,693	912,821	30,427,383
Site 14	Large Greenfield 650	Stamford	Green	Agricultural	36.11	21.67	650	599,205	998,674	21,637,940
Site 15	Large Greenfield 400	Stamford	Green	Agricultural	22.22	13.33	400	958,538	1,597,563	21,300,844
Site 16	Large Greenfield 200	Stamford	Green	Agricultural	11.11	6.67	200	872,766	1,454,609	9,697,396
Site 17	Large Greenfield 100	Stamford	Green	Agricultural	5.56	3.33	100	621,871	1,036,452	3,454,840
Site 18	Greenfield 60	Stamford	Green	Agricultural	2.50	2.00	60	1,056,878	1,321,097	2,642,195
Site 19	Greenfield 40	Stamford	Green	Agricultural	1.67	1.33	40	1,079,001	1,348,751	1,798,335
Site 20	Greenfield 20	Stamford	Green	Paddock	0.70	0.67	20	1,056,545	1,317,532	878,355
Site 21	Greenfield 12	Stamford	Green	Paddock	0.42	0.40	12	933,457	1,164,039	465,616
Site 22	Greenfield 9	Stamford	Green	Paddock	0.32	0.30	9	961,771	1,199,347	359,804
Site 23	Greenfield 6	Stamford	Green	Paddock	0.21	0.20	6	902,537	950,039	190,008
Site 24	Greenfield 4	Stamford	Green	Paddock	0.14	0.13	4	784,312	825,592	110,079

Source: HDH (July 2023)

10.8 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology. 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

Oakham & Uppingham and Wider Rutland

		EUV	BLV	Residual Value
Site 1	V Large Brownfield 1,000	600,000	720,000	60,492
Site 2	Large Brownfield 100 LD	600,000	720,000	-58,056
Site 3	Large Brownfield 100 HD	600,000	720,000	2,817
Site 4	Brownfield 60	600,000	720,000	64,989
Site 5	Brownfield 40	600,000	720,000	102,549
Site 6	Brownfield 20	600,000	720,000	34,134
Site 7	Brownfield 12	600,000	720,000	480,817
Site 8	Brownfield 9	600,000	720,000	552,355
Site 9	Brownfield 5	600,000	720,000	717,781
Site 10	Flats 60	600,000	720,000	-702,454
Site 11	Flats 24	600,000	720,000	-398,362
Site 12	Flats 12	600,000	720,000	-378,330
Site 13	Large Greenfield 1000	25,000	250,000	170,208
Site 14	Large Greenfield 650	25,000	375,000	205,416
Site 15	Large Greenfield 400	25,000	375,000	538,096
Site 16	Large Greenfield 200	25,000	375,000	451,041
Site 17	Large Greenfield 100	25,000	375,000	164,343
Site 18	Greenfield 60	25,000	375,000	449,315
Site 19	Greenfield 40	25,000	375,000	465,329
Site 20	Greenfield 20	25,000	375,000	434,168
Site 21	Greenfield 12	50,000	400,000	933,457
Site 22	Greenfield 9	50,000	400,000	961,771
Site 23	Greenfield 6	50,000	400,000	902,537
Site 24	Greenfield 4	50,000	400,000	784,312

Source: HDH (July 2023)

Table 10.2b Residual Value v BLV East Rutland / Stamford Area				
		EUV	BLV	Residual Value
Site 7	Brownfield 12	600,000	720,000	1,434,008
Site 8	Brownfield 9	600,000	720,000	1,509,403
Site 9	Brownfield 5	600,000	720,000	1,744,542
Site 14	Large Greenfield 650	25,000	375,000	599,205
Site 16	Large Greenfield 200	25,000	375,000	872,766
Site 17	Large Greenfield 100	25,000	375,000	621,871
Site 18	Greenfield 60	25,000	375,000	1,056,878
Site 19	Greenfield 40	25,000	375,000	1,079,001
Site 20	Greenfield 20	25,000	375,000	1,056,545
Site 21	Greenfield 12	50,000	400,000	933,457
Site 22	Greenfield 9	50,000	400,000	961,771
Site 23	Greenfield 6	50,000	400,000	902,537
Site 24	Greenfield 4	50,000	400,000	784,312

Source: HDH (July 2023)

10.9 The results vary from the higher value area in the east of the County around Stamford, to the lower value remainder of the County. In the higher value area, all the typologies produce a Residual Value that is in excess of the Benchmark Land Value (BLV) showing that most development that comes forward would be fully policy compliant on the basis tested. In the remaining area, most of the greenfield typologies sites produce a Residual Value that is in excess of the Benchmark Land Value (BLV), the exception being the largest greenfield sites.

10.10 The modelling includes several typologies that are very large in the Rutland context. These are included to represent the potential strategic sites and to inform the site selection process. 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.*

10.11 In this context paragraph 10-006 of the PPG is 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....*

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10.12 The above analysis is based on the Council's full policy aspirations, including zero carbon. These are well in excess of the existing requirements. The Council is exploring various options. Sets of appraisals have been run to establish the costs of the additional policy requirements.

Varied Policy Requirements

10.13 As set out above, sets of appraisals have been run to establish the costs of the additional policy requirements. The results are included in **Appendix 12**.

10.14 The starting place for this analysis is the base appraisals set out above. The impact of the different types of policy and how they impact on the Residual Value is then considered. Changes in the requirements for zero carbon, 20% Biodiversity Net Gain, water standards and Accessible and Adaptable Standards are considered initially. 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)

Zero Carbon, BNG and Water Standards

Oakham & Uppingham and Wider Rutland					
	Zero Carbon		**BNG**	**Water**	
	Option 1	**Option 2**	**BNG 20%**	**+ Butt**	**+ Rainwater Harvesting**
Brownfield					
Very Large >200	-2,056	-65,167	-13,313	-701	-35,751
100 to 200	-5,569	-126,324	-25,132	-1,213	-61,866
20 to 100	-6,499	-167,657	-33,506	-1,697	-86,534
Small	-6,432	-183,450	-38,439	-1,908	-97,864
Flats	-9,148	-266,194	-57,013	-2,769	-141,950
Greenfield					
Very Large >200	-1,508	-61,988	-910	-714	-36,433
100 to 200	-2,593	-76,223	-1,101	-807	-41,133
20 to 100	-3,585	-107,320	-1,619	-1,142	-58,243
Small	-6,548	-138,766	-2,063	-1,291	-65,824
East Rutland / Stamford Area					
	Zero Carbon		**BNG**		**Water**
	Option 1	**Option 2**	**BNG 20%**	**+ Butt**	**+ Rainwater Harvesting**
Brownfield					
Small	-6,237	-176,669	-37,038	-1,847	-94,217
Greenfield					
Very Large >200	-1,496	-61,486	-902	-709	-36,137
100 to 200	-2,593	-76,223	-1,101	-807	-41,133
20 to 100	-3,585	-107,320	-1,619	-1,142	-58,243
Small	-6,548	-138,766	-2,063	-1,291	-65,824

Source: HDH (July 2023)

10.15 This analysis shows that the move from the national requirement from 10% BNG to 20% BNG is modest, particularly where it is provided on-site, but greater where it is provided off-site. The cost of minimal rainwater harvesting through the provision of a water butt is low but seeking full rainwater harvesting is very significant.

10.16 Similarly, the cost of seeking construction standards that are over and above the 2025 Building Regulations Standards as per the Option 1 scenario tested is relatively modest, at less than £10,000/ha. The cost of seeking construction standards that are over and above the 2025 Building Regulations Standards as per the Option 2 scenario tested are very much more,

generally being in the £100,000/ha to £200,000/ha range – although this varies considerably across the typologies.

10.17 The base appraisals assume that all new homes are built to the M4(2) Accessible and Adaptable standard. The Council's updated housing evidence suggests a modest need for housing for wheelchair users and proposes a policy seeking such housing on larger sites of over 100 units.

Table 10.4 Costs of Policy Requirements (Fall in Residual Value as £/ha)

Accessible and Adaptable Standards.

Oakham & Uppingham and Wider Rutland			
Part M4(2)	99%	95%	95%
Part M4(3)a	1%	5%	
Part M4(3)b			5%
Brownfield			
Very Large >200	-2,509	-12,606	-19,332
100 to 200	-4,319	-21,703	-33,283
20 to 100		N/A	
Small		N/A	
Flats		N/A	
Greenfield			
Very Large >200	-2,416	-12,140	-18,617
100 to 200	-2,749	-13,813	-21,184
20 to 100		N/A	
Small		N/A	
East Rutland / Stamford Area			
Part M4(2)	99%	95%	95%
Part M4(3)a	1%	5%	
Part M4(3)b			5%
Brownfield			
Small		N/A	
Greenfield			
Very Large >200	-2,397	-12,042	-18,467
100 to 200	-2,749	-13,813	-21,184
20 to 100		N/A	
Small		N/A	

Source: HDH (July 2023)

10.18 This analysis shows that seeking more than very low levels of wheelchair adaptable housing can have a significant cost and thus impact on the Residual Value.

Affordable Housing

10.19 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 has a 30% target. No distinction is made between Affordable Rent and Social Rent, but it is understood that Affordable Rent (capped at LHA Cap) is normally delivered.

10.20 The tables included in **Appendix 13** 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.

10.21 This analysis shows that, on average a 5% increase in the amount of affordable housing has the effect of reducing the Residual Value by about £125,000/ha on brownfield sites and £100,000/ha on greenfield sites. The consequence of this is that for each 5% increase in affordable housing, the developer could typically afford to pay a landowner about £125,000/ha or £100,000/ha less on brownfield and greenfield sites respectively.

10.22 This analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £170,000/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 £170,000/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 across the different typologies.

10.23 The tables included in **Appendix 14** show the results of the appraisals where the split between affordable housing for rent and Affordable Home Ownership products is varied. Again, 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 (AHO) and of the PPG that 25% of affordable housing is a First Home.

10.24 This analysis indicates that increasing the amount of AHO and reducing the amount of Affordable Rent has the effect of increasing the Residual Value and improving viability. With 30% affordable housing a 10% increase in the amount of AHO and 10% reduction in the amount of Affordable Rent has results in the Residual value increasing by about £20,000/ha.

10.25 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. A further

set of appraisals has been run with the First Homes being subject to these greater discounts and lower caps, the results of which are set out in **Appendix 15**.

10.26 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 about £75,000/ha less where the affordable housing is subject to a 50% discount.

10.27 Further, this analysis shows that, on average, assuming 30% affordable housing across the typologies, the Residual Value is about £10,000/ha less where the First Homes are subject to a £200,000 cap and about £50,000/ha less where the affordable housing is subject to a £150,000 cap, indicating that seeking a lower cap would have a negative impact on viability. Having said this it is important to note that, because of the relatively low values in much of the County, the cap does not come into consideration except on the larger homes.

10.28 As above, the impact varies considerably across the different typologies, however it 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 lesser impact than moving to zero carbon construction.

Developer Contributions

10.29 The above analysis considered the impact of affordable housing on development viability, taking into account the anticipated requirements for developer. These costs are in addition to CIL at the current rate of £130.51 per sqm on each market dwelling.

10.30 A range of developer contribution costs ranging from £0 to £30,000 per unit has been tested and the appraisal results are set out in **Appendix 16**.

10.31 This analysis suggests that a £5,000 per unit developer contribution has the effect of reducing the Residual Value by about £185,000/ha on brownfield sites, and £100,000/ha on greenfield sites. The impact is greater on the brownfield sites due to the greater densities. On this basis it can be seen, very approximately, that a £5,000 increase in developer contributions has a broadly similar effect of seeking an additional 5% affordable housing.

Suggested Policy Requirements

10.32 The above analysis considered the impact of various policy standards. It is necessary to bring this analysis together. Three further sets of appraisals have been run using varied levels as of affordable housing against varied levels of developer contributions at low, mid and high levels of policy requirements.

Table 10.5 Policy Scenarios for Policy Testing			
	Lower Policy Requirements	**Mid Policy Requirements**	**Higher Policy Requirements**
	Being as per the minimum existing and emerging national standards		Including most of the items tested
Biodiversity Net Gain	10%	20%	20%
Carbon and Energy	2025 Part L	Zero Carbon Option 1	Zero Carbon Option 2
Accessibility and Design	100% M4(2) Accessible & Adaptable	99% M4(2) - Accessible & Adaptable 1% M4(3)a Wheelchair Adaptable Fees 8%	99% M4(2) Accessible & Adaptable 1% M4(3)a Wheelchair Adaptable Fees 10%
Water Standard	Enhanced Building Regulations and Butt	Enhanced Building Regulations and Butt	Enhanced Building Regulations with Rainwater Harvesting
CIL	As adopted	As adopted	As adopted

Source: July 2023

10.33 The appraisal results are summarised below. In the following analysis, all the sites, including the smallest sites, are modelled with affordable housing.

Table 10.6a Maximum Levels of Developer Contributions. £/unit in Addition to CIL

Oakham & Uppingham and Wider Rutland

Lower Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Brownfield						
Very Large >200	£0	Unviable	Unviable	Unviable	Unviable	Unviable
100 to 200	£0	Unviable	Unviable	Unviable	Unviable	Unviable
20 to 100	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Small	£15,000	£0	£0	£0	Unviable	Unviable
Flats	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Greenfield						
Very Large >200	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000
100 to 200	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
50 to 99	£25,000	£20,000	£20,000	£15,000	£10,000	£5,000
20 to 49	£25,000	£20,000	£20,000	£15,000	£10,000	£5,000
<20	£50,000	£45,000	£40,000	£35,000	£25,000	£20,000
Mid Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Brownfield						
Very Large >200	£0	Unviable	Unviable	Unviable	Unviable	Unviable
100 to 200	£0	Unviable	Unviable	Unviable	Unviable	Unviable
20 to 100	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Small	£15,000	£10,000	£5,000	£0	£0	Unviable
Flats	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Greenfield						
Very Large >200	£40,000	£30,000	£30,000	£25,000	£20,000	£15,000
100 to 200	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
50 to 99	£25,000	£20,000	£20,000	£15,000	£10,000	£5,000
20 to 49	£25,000	£20,000	£20,000	£15,000	£10,000	£5,000
<20	£50,000	£45,000	£40,000	£35,000	£25,000	£20,000
Higher Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Brownfield						
Very Large >200	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
100 to 200	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
20 to 100	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Small	£5,000	£0	£0	Unviable	Unviable	Unviable
Flats	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Greenfield						
Very Large >200	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
100 to 200	£20,000	£15,000	£10,000	£5,000	£0	£0
50 to 99	£20,000	£15,000	£10,000	£5,000	£0	£0
20 to 49	£20,000	£15,000	£10,000	£5,000	£0	£0
<20	£45,000	£35,000	£30,000	£25,000	£20,000	£10,000

Source: HDH (July 2023)

Table 10.6b Maximum Levels of Developer Contributions. £/unit in Addition to CIL

East Rutland / Stamford Area

Lower Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Greenfield						
Very Large >200	£50,000	£50,000	£50,000	£50,000	£50,000	£45,000
100 to 200	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
50 to 99	£50,000	£50,000	£50,000	£45,000	£40,000	£35,000
20 to 49	£50,000	£50,000	£50,000	£45,000	£40,000	£35,000
<20	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
Mid Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Greenfield						
Very Large >200	£50,000	£50,000	£50,000	£50,000	£50,000	£45,000
100 to 200	£50,000	£45,000	£40,000	£35,000	£25,000	£25,000
50 to 99	£50,000	£50,000	£50,000	£45,000	£40,000	£35,000
20 to 49	£50,000	£50,000	£50,000	£45,000	£40,000	£35,000
<20	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
Higher Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Greenfield						
Very Large >200	£50,000	£50,000	£50,000	£45,000	£45,000	£40,000
100 to 200	£40,000	£35,000	£30,000	£25,000	£20,000	£10,000
50 to 99	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
20 to 49	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
<20	£45,000	£35,000	£30,000	£25,000	£15,000	£10,000

Source: HDH (July 2023)

10.34 This analysis suggests that the delivery of brownfield sites is likely to be challenging however there is some scope for additional policy requirements on greenfield sites.

10.35 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.

10.36 Having discussed the early results of this report with the Council, in making these suggestions the following have been taken into account:

a. The delivery of affordable housing is important, and within this the priority is for affordable housing for rent which should be maximised.

b. There is a requirement for both Affordable Rent and Social Rent, however seeking Social Rent would have a significantly adverse impact on viability.

c. The impact on viability of seeking 20% Biodiversity Net Gain is modest, particularly on greenfield sites.

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.

   The cost of providing wheelchair adaptable housing is significant, however the Council has a need for such accommodation and the provision of some accommodation that meets this standard is a priority / requirement.

e. 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.

   Whilst the Council has not declared a climate emergency, the move towards zero carbon development is a priority. The Council recognises that this would have a material impact on the provision of affordable housing.

   The Council appreciates that it necessary to consider policies in this regard in the round, for example balancing the wishes to maximise on-site generation, with wider principles of locally distinctive and vernacular design – is it preferable to orientate the roofs east to west and include asymmetric roofs (to maximise south facing slopes), or continue to seek more traditional building layouts and forms?

   The Council has commissioned evidence to inform policy development and the move towards zero carbon. This is at a relatively early stage, however, will include estimates of the cost (relative to current build costs reflected in the BCIS). The testing in this assessment draws on studies undertaken for other councils. As and when the Council has developed the preferred options in this regard, and the costs of those options, it may be necessary to revisit the impact that such policies may have on development viability.

f. The viability testing includes the testing of District Heating, and Rainwater Harvesting.

   District Heating is not a particular priority of the Council. The key to a successful District Heating Scheme is a readily available heat source (for example the Energetik network in Enfield or the Vital / Veolia network in Sheffield) and the Council will further investigate establishing such a network, rather than mandate for the connection to a scheme to be built.

   Mandatory rainwater harvesting is expensive to seek.

g. 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.

h. On the whole, recent planning approvals for housing schemes on greenfield sites have provided affordable housing. There have been very few brownfield sites coming forward.

i. Brownfield sites comprise a limited part of the land supply for future development. This is most likely to be in Oakham but is unlikely to be delivered as flatted development. Bearing in mind that there are only a few brownfield sites, it would not be proportionate to develop specific policies for brownfield sites, rather viability would normally be considered at the development management stage. This type of development is the least viable, so the Council should be cautious about relying on flatted schemes to deliver development.

j. There is a need for infrastructure funding at the levels tested. The Council has adopted CIL. This analysis suggests that most types of development have capacity to bear developer contributions in addition to the adopted rates of CIL. There is considerable uncertainty over the future of CIL. It would be sensible to delay a formal decision as to whether or not to pursue a CIL review, pending the announcement of details of a new Infrastructure Levy. It is recommended that the Council completes the updating of the IDP prior to making a decision in this regard.

10.37 With the above in mind, in discussion with the Council, the following policy obligations have been settled on.

a.	Affordable Housing	30%, with 67% Affordable Rent, 25% First Homes and the balance as Shared Ownership.
b.	Design	99% Accessible and Adaptable (M4(2)), 1% Wheelchair Adaptable (M4(3)a)[64].
		Zero Carbon as per Option 1.
		Water efficiency standard with water butts.
		20% Biodiversity Net Gain.

10.38 As a final step in the iterative viability process, the above policy requirements are subject to a final round of sensitivity testing.

Sensitivity Testing Impact of Change in Values and Costs

10.39 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.

[64] 1% Wheelchair Accessible is approximately equivalent to 3% of the affordable housing.

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 9% over the next 3 years[65]. A scenario has been tested with increases in build costs up to 20%.

10.40 As set out in Chapter 4, there is a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. Price change scenarios have been tested, from minus 15% to plus 20%. In this analysis, as set out in **Appendix 17**, 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.

10.41 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability. It is recommended that the Council keeps the assessment under review as the plan-making process continues.

Self and Custom Build Housing

10.42 The draft policy seeks 2% Self and Custom Build units within sites of 50 plus units. It is assumed that this policy would be implemented on a 'whole plot' basis, so sites over 50 units would be required to provide 1 plot, sites over 100 units would be required to provide 2 plots and so on.

10.43 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 £45,000 to £60,000/plot range.

10.44 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.

10.45 The modelling in this viability update is based on at least 30 units per net ha with allowance for open space. On this basis, a self-build plot is likely to be about 0.03ha or so. A conservative plot price of £75,000 would lead to a land value of over £2,250,000/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.

[65] BCIS General Building Cost Index. March 2023 - 440.0, March 2026 - 479.6.

10.46 Based on the above analysis it is unlikely that a requirement for self-build plots will adversely impact on viability.

Build to Rent

10.47 The Council does not expect to allocate sites specifically for Build to Rent development however a flatted scheme and a housing scheme have been modelled. The base appraisals are included in **Appendix 18**.

10.48 As for mainstream housing, a range of appraisals have been run at the policies requirements as set out earlier in this chapter. The results for affordable housing from 0% to 30% are presented below. As per paragraphs 60-002-20180913 to 10-007-20180913 of the PPG, in this analysis the affordable element is assumed to be Affordable Private Rent, with a value of 80% of market value. Allowance is made for s106 contributions of £1,500 per unit. CIL is applied at the current residential rate.

Table 10.7 Specialist Build to Rent – Varied Affordable Housing

			EUV	BLV	Residual Value								
					0%	5%	10%	15%	20%	25%	30%	35%	40%
Site 1	Build to Rent - Flats	Lower	600,000	720,000	-2,821,254	-2,866,517	-2,911,780	-2,957,043	-3,002,306	-3,047,569	-3,092,832	-3,138,095	-3,183,358
Site 2	Build to Rent - Flats	Mid	600,000	720,000	-2,889,006	-2,933,951	-2,978,896	-3,023,841	-3,068,786	-3,113,730	-3,158,675	-3,203,620	-3,248,565
Site 3	Build to Rent - Flats	Higher	600,000	720,000	-3,459,589	-3,501,853	-3,544,118	-3,586,382	-3,628,646	-3,670,911	-3,713,175	-3,755,439	-3,797,704
Site 4	Build to Rent Housing	Lower	25,000	375,000	1,751,815	1,657,343	1,562,871	1,468,399	1,373,927	1,279,455	1,184,982	1,090,510	996,038
Site 5	Build to Rent Housing	Mid	25,000	375,000	1,708,110	1,613,774	1,519,438	1,425,102	1,330,765	1,236,429	1,142,093	1,047,757	953,421
Site 6	Build to Rent Housing	Higher	25,000	375,000	1,324,161	1,231,020	1,137,879	1,044,737	951,596	858,454	765,313	672,172	579,030

Source: HDH (July 2023)

10.49 This shows that Build to Rent housing is likely to be viable and deliverable – and to have capacity to bear more than 20% affordable housing, but flatted development is unlikely to be so.

10.50 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.

Older People's Housing

10.51 The Sheltered and Extracare sectors have been tested separately. In addition, at the request of a developer through the consultation process, an Integrated Retirement Community (IRC) is also modelled, although it is important to note that the Council currently has no plans to allocate land for IRCs.

10.52 As for mainstream housing, a range of appraisals have been run at the Lower, Mid and Higher policies requirements as set out earlier in this chapter. The results for affordable housing from 0% to 40% are presented below. Due to the nature of the schemes, they are modelled without First Homes. The results of these are summarised as follows. A £1,500 per unit allowance is made for s106 contributions. CIL does not apply to this sector. The full appraisals are set out in **Appendix 18**:

Table 10.8 Older People's Housing, Appraisal Results (£/ha)

			EUV	BLV	Residual Value 0%	5%	10%	15%	20%	25%	30%	35%	40%
Site 7	Sheltered Flats	Lower	600,000	720,000	3,626,211	3,259,291	2,892,372	2,525,453	2,158,533	1,790,480	1,422,013	1,053,547	685,081
Site 8	Sheltered Flats	Mid	600,000	720,000	3,527,990	3,161,410	2,794,829	2,428,249	2,061,669	1,693,954	1,325,827	957,699	589,572
Site 9	Sheltered Flats	Higher	600,000	720,000	2,700,819	2,337,093	1,973,367	1,609,642	1,245,916	881,056	515,783	137,235	-246,032
Site 10	Extra Care Flats	Lower	600,000	720,000	2,619,039	2,246,689	1,874,339	1,501,989	1,129,638	755,926	378,315	-12,758	-405,374
Site 11	Extra Care Flats	Mid	600,000	720,000	2,493,000	2,121,395	1,749,790	1,378,185	1,006,581	633,614	252,303	-139,531	-531,365
Site 12	Extra Care Flats	Higher	600,000	720,000	1,432,154	1,066,823	701,492	331,412	-51,296	-436,052	-821,303	-1,214,553	-1,614,605
Site 13	Integrated Retirement	Lower	25,000	375,000	1,749,913	1,603,041	1,456,169	1,309,297	1,162,425	1,015,553	868,681	721,809	574,937
Site 14	Integrated Retirement	Mid	25,000	375,000	1,703,902	1,557,343	1,410,784	1,264,225	1,117,666	971,107	824,548	677,989	531,430
Site 15	Integrated Retirement	Higher	25,000	375,000	1,315,923	1,172,003	1,028,083	884,163	740,243	596,323	452,403	308,483	164,563

Source: HDH (July 2023)

10.53 Based on this analysis, Sheltered housing and IRC are likely to be able to bear 30% affordable housing at the mid policy requirement, but not at the higher requirement. Extracare housing has capacity to bear affordable housing, however this is unlikely to be at policy compliant levels.

11. Non-Residential Appraisals

11.1 Based on the assumptions set out previously, financial appraisals have been run for the non-residential development types.

11.2 As with the residential appraisals, the Residual Valuation approach is used. The appraisals 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. The same methodology with regard to the Benchmark Land Value (EUV 'plus') is used.

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 BREEAM. The appraisals include the adopted rates of CIL (Distribution £13.05 per sqm, Supermarkets £195.77 per sqm, Retail Warehouse £97.89 per sqm).

11.5 The detailed appraisal results are set out in **Appendix 19** and summarised in the following sections.

Employment uses

11.6 Firstly, the main employment uses are considered. The table below summarises the results, comparing the Residual Value with the Benchmark Land Value.

Table 11.1 Employment Appraisal Results

GREENFIELD		Offices - Central	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2	0	0	0	0	13
RESIDUAL VALUE	Site	-1,821,264	-1,507,062	569,756	-345,178	1,734,411
			0			
Existing Use Value	£/ha	50,000	50,000	25,000	50,000	25,000
Benchmark Land Value	£/ha	400,000	400,000	375,000	400,000	380,000
Residual Value	£/ha	-25,497,697	-5,651,482	569,756	-3,451,777	1,517,609

BROWNFIELD		Offices - Central	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2	0	0	0	0	13
RESIDUAL VALUE	Site	-2,258,660	-1,933,505	161,860	-410,720	1,415,754
			0			
Existing Use Value	£/ha	600,000	600,000	600,000	600,000	600,000
Benchmark Land Value	£/ha	720,000	720,000	720,000	720,000	720,000
Residual Value	£/ha	-31,621,239	-7,250,643	161,860	-4,107,196	1,238,785

Source: HDH (July 2023)

11.7 The above results are reflective of the current market in the secondary markets across central England and more widely. The large format logistics uses are shown as viable, however other uses are shown as being unviable.

11.8 Rutland is not a prime employment location, and such development is not being brought forward to on a speculative basis by the development industry. Much of the office and industrial development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.

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. It is understood that the limited development that is coming forward in the County 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**	**£13.05**
RESIDUAL VALUE	**Site**		**-1,507,062**	**569,756**	**-345,178**	**1,734,411**
Existing Use Value	£/ha		50,000	25,000	50,000	25,000
Benchmark Land Va	£/ha		400,000	375,000	400,000	380,000
Residual Value	BREEAM Excellent		-5,651,482	569,756	-3,451,777	1,517,609
	BCIS +5%		-6,263,457	433,393	-3,687,413	1,392,216
	BCIS +10%		-7,283,415	206,122	-4,080,140	1,183,226
	BCIS +15%		-8,303,372	-21,149	-4,472,866	974,237
	BCIS +20%		-9,323,330	-248,420	-4,865,593	765,247
BROWNFIELD						
		Offices - Central	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£13.05**
RESIDUAL VALUE	**Site**	**-2,258,660**	**-1,933,505**	**161,860**	**-410,720**	**1,415,754**
Existing Use Value	£/ha	600,000	600,000	600,000	600,000	600,000
Benchmark Land Va	£/ha	720,000	720,000	720,000	720,000	720,000
Residual Value	BREEAM Excellent	-31,621,239	-7,250,643	161,860	-4,107,196	1,238,785
	BCIS +5%	-34,215,621	-7,907,754	15,440	-4,360,212	1,107,121
	BCIS +10%	-38,539,592	-9,002,940	-228,593	-4,781,904	887,682
	BCIS +15%	-42,863,563	-10,098,126	-472,627	-5,203,596	668,244
	BCIS +20%	-47,187,534	-11,193,311	-716,661	-5,625,289	448,805

Source: HDH (July 2023)

11.11 This analysis shows that there is very limited scope to seek higher environmental standards on the uses. Caution is suggested in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail Uses

11.12 The retail uses are modelled in a similar way. The table below summarises the results, comparing the Residual Value with the Benchmark Land Value.

Table 11.3 Retail and Hotel Appraisal Results

GREENFIELD		Prime Retail Central	Secondary Retail	Supermarket	Retail Warehouse
		130	130	196	98
CIL	£/m2				
RESIDUAL VALUE	Site	262,624	-120,354	2,814,088	5,862,683
Existing Use Value	£/ha	50,000	50,000	25,000	25,000
Benchmark Land Value	£/ha	400,000	400,000	375,000	375,000
Residual Value	£/ha	10,504,978	-4,814,172	4,689,677	7,328,354

BROWNFIELD		Prime Retail Central	Secondary Retail	Supermarket	Retail Warehouse
		130	130	196	98
CIL	£/m2				
RESIDUAL VALUE	Site	230,912	-152,066	2,391,205	5,420,878
Existing Use Value	£/ha	600,000	600,000	600,000	600,000
Benchmark Land Value	£/ha	720,000	720,000	720,000	720,000
Residual Value	£/ha	9,236,492	-6,082,658	3,984,943	6,776,097

Source: HDH (August 2021)

11.13 The above results are reflective of the current market in the local retail market, however it is important to note that the Council is not anticipating significant new retail development coming forward in either Oakham or Uppingham town centre, and it is likely that there will be some consolidation of the shopping areas.

11.14 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		**£129.77**	**£195.77**	**£97.89**
RESIDUAL VALUE	**Site**		**-120,354**	**2,814,088**	**5,862,683**
Existing Use Value	£/ha		50,000	25,000	25,000
Benchmark Land Va	£/ha		400,000	375,000	375,000
Residual Value	BREEAM Excellent		-4,814,172	4,689,677	7,328,354
	BCIS +5%		-5,294,283	4,434,943	7,134,424
	BCIS +10%		-6,094,466	4,010,387	6,811,207
	BCIS +15%		-6,894,650	3,585,830	6,487,990
	BCIS +20%		-7,694,833	3,161,274	6,164,773
BROWNFIELD					
		Prime Retail Central	Secondary Retail	Supermarket	Retail Warehouse
CIL	£/m2	**£129.77**	**£129.77**	**£195.77**	**£97.89**
RESIDUAL VALUE	**Site**	**230,912**	**-152,066**	**2,391,205**	**5,420,878**
Existing Use Value	£/ha	600,000	600,000	600,000	600,000
Benchmark Land Va	£/ha	720,000	720,000	720,000	720,000
Residual Value	BREEAM Excellent	9,236,492	-6,082,658	3,984,943	6,776,097
	BCIS +5%	8,720,971	-6,598,179	3,711,421	6,567,864
	BCIS +10%	7,861,770	-7,457,380	3,255,551	6,220,808
	BCIS +15%	7,002,568	-8,316,582	2,799,681	5,873,752
	BCIS +20%	6,143,366	-9,175,784	2,343,812	5,526,696

Source: HDH (April 2023)

11.15 This analysis shows that there is scope to seek higher environmental standards, with the exception of Secondary Retail.

12. Summary, 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 stand alone 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 Rutland County Council (RCC / the Council) is now working on a new Local Plan for Rutland. This will replace the adopted Local Plan which comprises the Minerals Core Strategy & Development Control Policies (adopted 2010), the Core Strategy (adopted 2011) and the Site Allocations & Policies Development Plan Document (DPD) (adopted 2014).

12.3 This Whole Plan Viability Assessment has been commissioned to support the development of the new Local Plan and to support the Council in demonstrating the Plan is deliverable through the Examination process. To inform the new Local Plan this report considers the deliverability of planned development, in line with the tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations.

12.4 This viability assessment builds on the Council's existing viability work. 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.

12.5 A consultation was conducted in May and June 2023. Representatives of the main developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations have been invited to comment on an early draft of this report.

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. HDH confirms that the relevant 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.

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. 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*)* 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. The Council will need to keep these changes under review and consider whether or not they impact on the testing in this Assessment.

Viability Guidance

12.13 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.

12.14 In line with the updated PPG, this study is based on 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.

12.15 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

12.16 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).

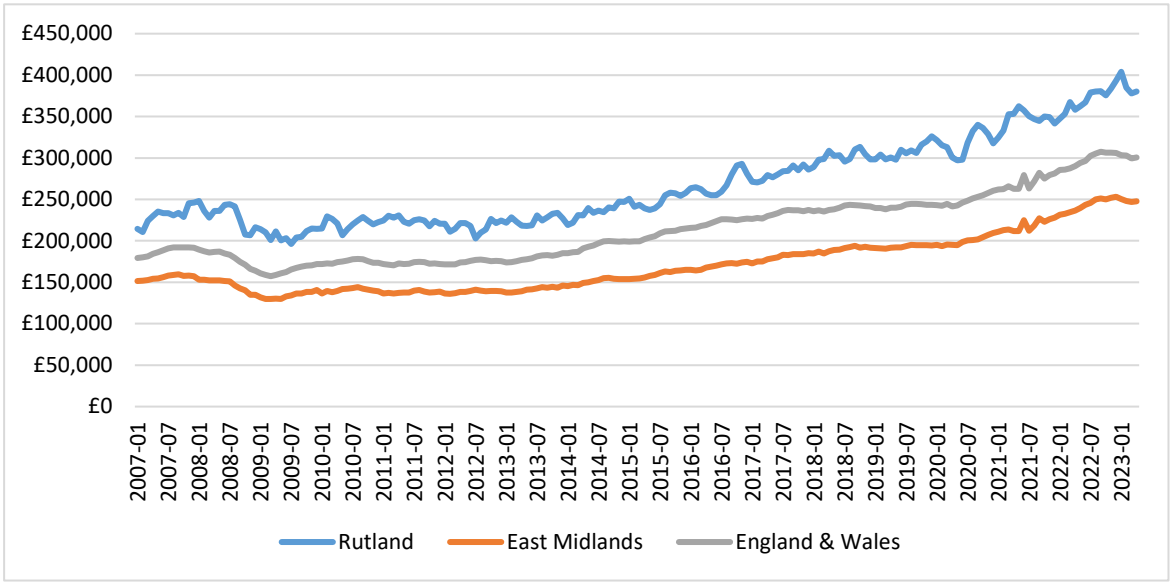
12.17 The NPPF and the PPG are clear that the assessment of viability should be based on existing available evidence, rather than new evidence. The evidence that is available from the Council has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which 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

12.18 An assessment of the housing market was undertaken.

12.19 The local housing market peaked early in January 2008 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. Locally, average house prices in the area returned to their pre-recession peak in November 2014 and are now about 56% above the 2008 peak. This rate of increase is less than that seen regionally (64%) and nationally (64%) over the same period. This is an increase of about 33% since the data was gathered for the *RCC Viability Update* (HDH, February 2018) – which was based on October 2017 values. These increases are substantial. Over the same period this data shows that average newbuild values have increased by about 49%.

Figure 12.1 Average House Prices (£)



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

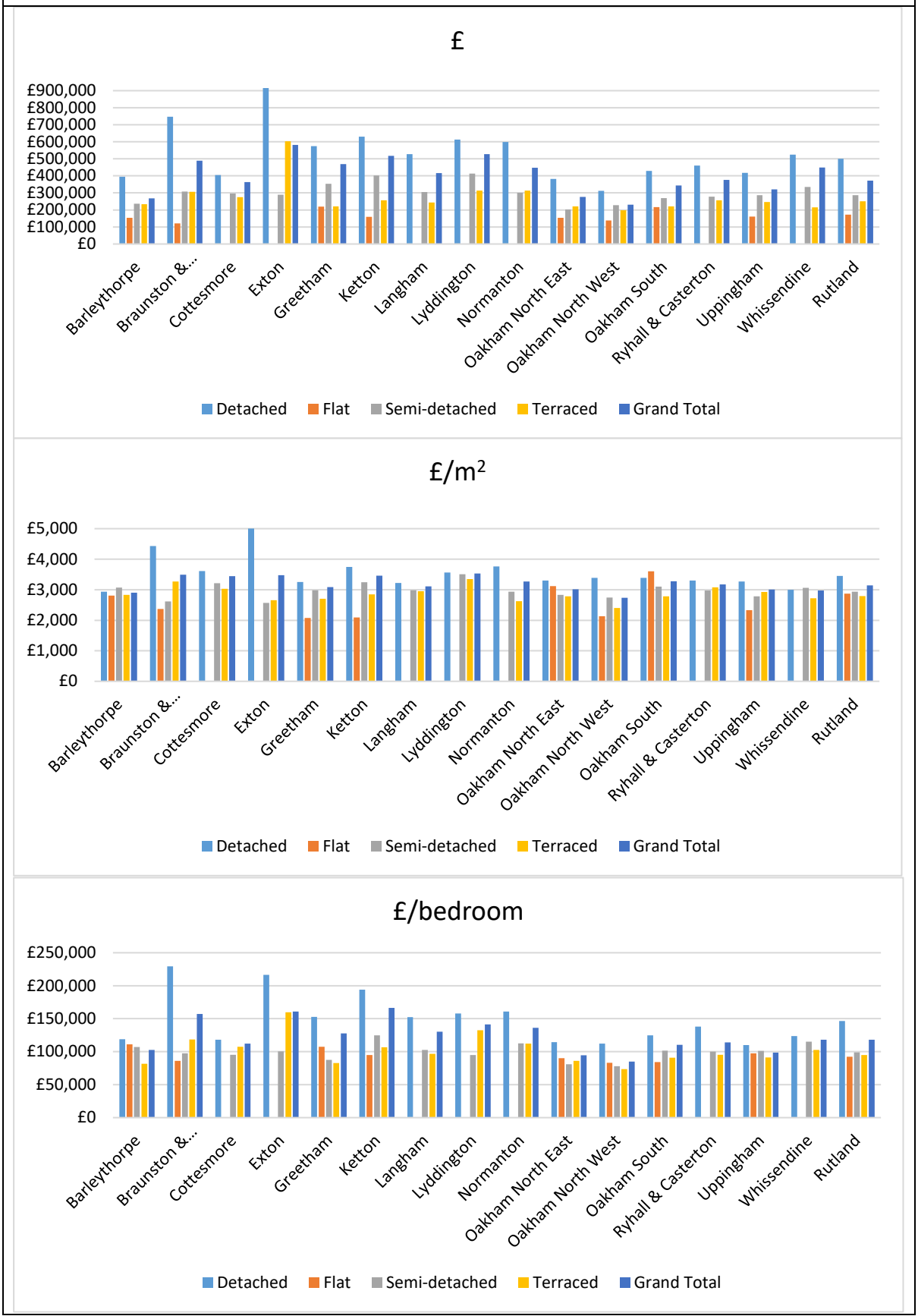
12.20 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Rutland is 107th (out of 331) at £392,623. To set this in context, the council at the middle of the rank (166th – Swale), has an average price of £322,614. The Rutland median price is lower than the average at £322,250.

The Local Market

12.21 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.

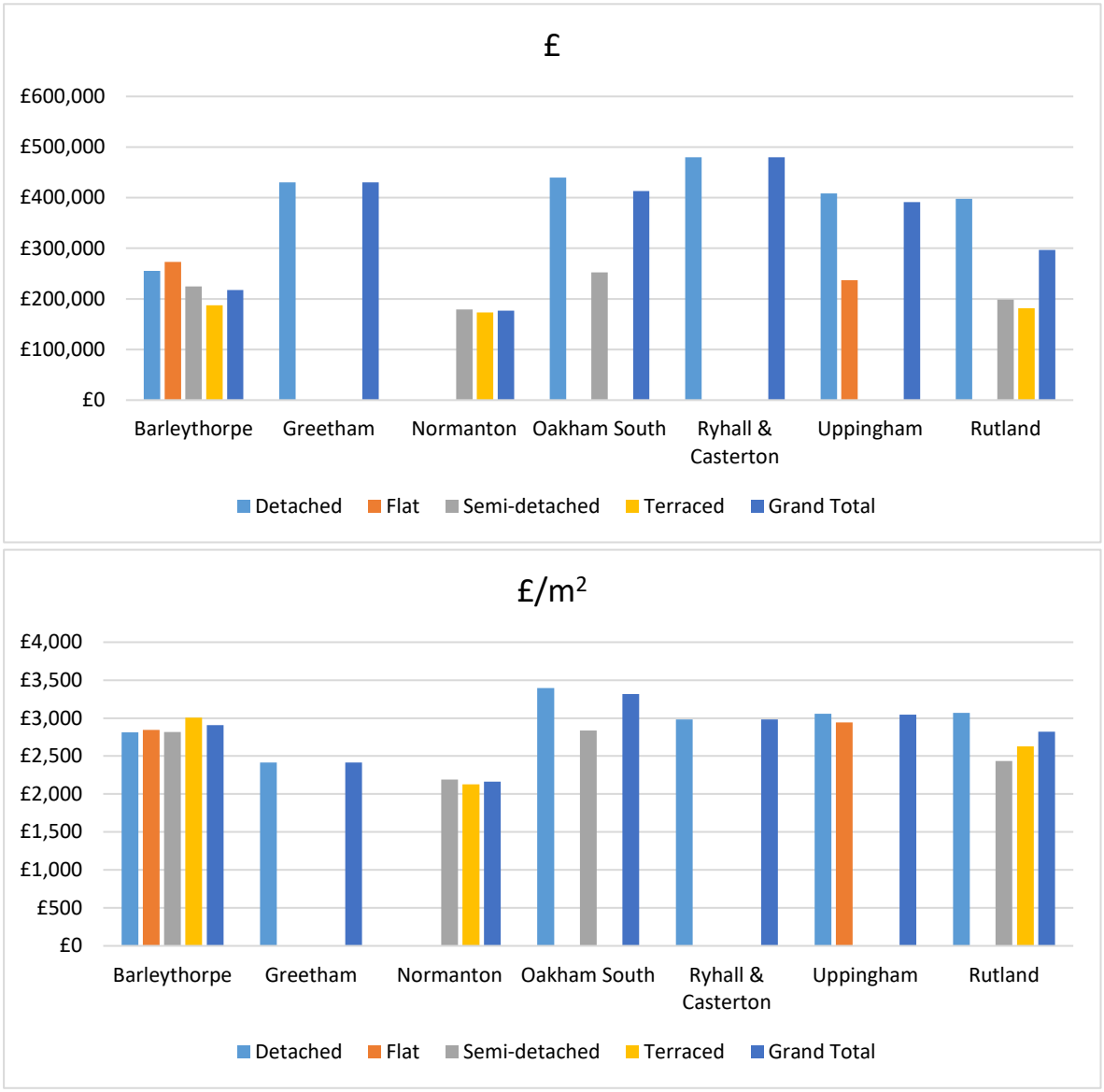
12.22 Data from Landmark was analysed. This brings together data from a range of sources to allow the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms. This data includes the records 1,678 sales since the start of 2020. Of these, floor areas are available for 1,475 sales and the number of bedrooms is available for 881 sales. The data is available for newbuild and existing homes and by ward and can be summarised as follows:

Figure 12.2 Average Prices – All Properties



Source: Landmark (April 2023).

Figure 12.3 Median Prices – Newbuild Properties



Source: Landmark (April 2023).

12.23 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 through the consultation process, the following price assumptions are used.

Table 12.1 2023 Price Assumptions (£ per sqm)		
Typology	Area	£ per sqm
Brownfield	Oakham and Uppingham Houses	£3,450
	Flats	£3,690
Greenfield	Adjacent Oakham and Uppingham	£3,450
	Adjacent Stamford	£4,000
Small Greenfield		£3,800

Source: HDH (April 2023)

Affordable Housing

12.24 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 £1,385 per sqm

b. Affordable Rent £2,200 per sqm

c. Shared Ownership 70% market value

d. First Homes 70% market value capped at £250,000

12.25 In addition, values are derived for specialist older people's housing.

Non-Residential Market

12.26 The following value assumptions have been used:

Table 12.2 2023 Non-Residential Values (£ per sqm)					
	Rent £ per sqm	Yield	Rent free period	Value	Assumption
Offices Central	£180	6.00%	1.0	£2,830	£2,830
Offices Park	£180	6.00%	1.0	£2,830	£2,830
Smaller Offices	£180	7.00%	1.0	£2,403	£2,400
Industrial	£110	6.00%	1.0	£1,730	£1,730
Smaller Industrial	£110	7.00%	1.0	£1,469	£1,500
Logistics	£110	5.00%	1.0	£2,095	£2,100
Retail (Prime)	£300	6.25%	1.0	£4,518	£4,500
Retail (elsewhere)	£190	8.00%	1.0	£2,199	£2,200
Supermarket	£250	4.50%	1.0	£5,316	£5,300
Retail Warehouse	£200	5.00%	2.0	£3,628	£3,630

Source: HDH (April 2023)

Land Values

12.27 In this assessment the following Existing Use Value (EUV) assumptions are used.

Table 12.3 Existing Use Value Land Prices - 2023	
PDL	£600,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha

Source: HDH (July 2023)

12.28 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

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

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

Strategic Sites 10 x EUV.

Development Costs

12.29 These are the costs and other assumptions required to produce the financial appraisals.

12.30 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Leicestershire. The cost figure for 'Estate Housing – Generally' is (July 2023) £1,467 per sqm, being an increase of 0.6% from April 2023 (£1,458 per sqm). 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.

12.31 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 strategic sites.

12.32 An additional allowance is made for abnormal costs 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

12.33 For both residential and non-residential development, professional fees are assumed to amount to 8% of build costs. Additional allowances are made for acquisition and disposal costs, planning application fees and Stamp Duty Land Tax.

Contingencies

12.34 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% has been allowed for, with a higher figure of 5% on more risky types of development, on previously developed land and the strategic sites.

S106 Contributions and the costs of strategic infrastructure

12.35 The Council seeks payments from developers to mitigate the impact of the development through improvements to the local infrastructure through the s106 and s278 regimes and through Community Infrastructure Levy (CIL). The details of these costs to development are set out later in this chapter.

12.36 A range of infrastructure costs ranging from £0 to £50,000 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

12.37 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

12.38 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.

12.39 An assumption of 17.5% is used in relation to market housing (and First Homes) and 6% for affordable housing. 15% is assumed for other types of development.

Local Plan Policy Requirements

12.40 The current Development Plan for Rutland comprises the Minerals Core Strategy & Development Control Policies (adopted 2010), Core Strategy (adopted 2011) and the Site Allocations & Policies DPD (adopted 2014). In 2015 the Council began work on a review of these documents to create a single Local Plan for the County. This Plan was submitted for Examination in March 2021 but was withdrawn in September 2021. Since 2021 the Council

has further updated the evidence base and undertaken early consultation to help prepare a new single Local Plan for the County.

12.41 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. Some of the policies will be carried forward from the Withdrawn Local Plan, although some will also be updated to reflect the changing local priorities and to reflect the updated national policy and requirements. Initially the analysis in this report was based on the policies in the Withdrawn Plan, updated as appropriate. The Council have now provided the draft policy wording (as at July 2023). These are still at the draft stage, however the policy aspirations are adequate to be used as the basis of the analysis in this report.

12.42 A core part of this analysis is the move towards zero carbon. The Council has commissioned evidence to inform policy development and the move towards zero carbon that will include estimates of the costs. In the meantime, three options have been tested, being the costs of staying aligned with Building Regulations, and two options of moving beyond Building Regulations.

Modelling

12.43 The Council is in the process of updating its *Strategic Housing and Economic Land Availability Assessment* (SHELAA), having recently carried out a call for sites. The sites included in the SHELAA is a long list of sites, from which the potential allocations will be drawn. RCC has provided a copy of the database, showing both the SHELAA data, including and the size of the sites and the basic information, such a size and land use. It is important to note that at this stage the SHELAA is a long list of sites, many of which will not be suitable for development (for example they may be subject to flooding or have insurmountable highways problems. It is however useful to use the data set to inform the modelling and to ensure the range of sites that are under consideration are reflected in the typologies.

12.44 A range of non-residential uses are also modelled.

Residential Appraisals

12.45 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

12.46 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

12.47 The initial appraisals are based on the full policy-on scenario with all the policy requirements, unless stated, being the following assumptions.

a.	Affordable Housing	30% – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes. The balance as Affordable Rent.
b.	Design	Part M4(2), 1% Part M4(3)a, Zero Carbon (Option 1), Water Efficiency and water butts, 10% Biodiversity Net Gain.
c.	Developer Contributions	CIL as adopted: s106 1 to 9 units £0 per unit 10 to 100 units £2,000 per unit 100 plus units £5,000 per unit. Large Greenfield (potential strategic sites) £25,000 per unit.

12.48 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology. 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 Oakham & Uppingham and Wider Rutland				
		EUV	BLV	Residual Value
Site 1	V Large Brownfield 1,000	600,000	720,000	60,492
Site 2	Large Brownfield 100 LD	600,000	720,000	-58,056
Site 3	Large Brownfield 100 HD	600,000	720,000	2,817
Site 4	Brownfield 60	600,000	720,000	64,989
Site 5	Brownfield 40	600,000	720,000	102,549
Site 6	Brownfield 20	600,000	720,000	34,134
Site 7	Brownfield 12	600,000	720,000	480,817
Site 8	Brownfield 9	600,000	720,000	552,355
Site 9	Brownfield 5	600,000	720,000	717,781
Site 10	Flats 60	600,000	720,000	-702,454
Site 11	Flats 24	600,000	720,000	-398,362
Site 12	Flats 12	600,000	720,000	-378,330
Site 13	Large Greenfield 1000	25,000	250,000	170,208
Site 14	Large Greenfield 650	25,000	375,000	205,416
Site 15	Large Greenfield 400	25,000	375,000	538,096
Site 16	Large Greenfield 200	25,000	375,000	451,041
Site 17	Large Greenfield 100	25,000	375,000	164,343
Site 18	Greenfield 60	25,000	375,000	449,315
Site 19	Greenfield 40	25,000	375,000	465,329
Site 20	Greenfield 20	25,000	375,000	434,168
Site 21	Greenfield 12	50,000	400,000	933,457
Site 22	Greenfield 9	50,000	400,000	961,771
Site 23	Greenfield 6	50,000	400,000	902,537
Site 24	Greenfield 4	50,000	400,000	784,312

Source: HDH (July 2023)

Table 12.4b Residual Value v BLV East Rutland / Stamford Area				
		EUV	BLV	Residual Value
Site 7	Brownfield 12	600,000	720,000	1,434,008
Site 8	Brownfield 9	600,000	720,000	1,509,403
Site 9	Brownfield 5	600,000	720,000	1,744,542
Site 16	Large Greenfield 200	25,000	375,000	872,766
Site 17	Large Greenfield 100	25,000	375,000	621,871
Site 18	Greenfield 60	25,000	375,000	1,056,878
Site 19	Greenfield 40	25,000	375,000	1,079,001
Site 20	Greenfield 20	25,000	375,000	1,056,545
Site 21	Greenfield 12	50,000	400,000	933,457
Site 22	Greenfield 9	50,000	400,000	961,771
Site 23	Greenfield 6	50,000	400,000	902,537
Site 24	Greenfield 4	50,000	400,000	784,312

Source: HDH (July 2023)

12.49 The results vary between the higher value area in the east of the County around Stamford and the lower value remainder of the County. In the higher value area, all the typologies produce a Residual Value that is in excess of the Benchmark Land Value (BLV) showing that most development that comes forward would be fully policy compliant on the basis tested. In the remaining area, most of the greenfield typologies sites produce a Residual Value that is in excess of the Benchmark Land Value (BLV), the exception being the largest greenfield sites.

12.50 The modelling includes several typologies that are very large in the context of Rutland. These are included to represent the potential strategic sites and to inform the site selection process. 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.*

12.51 The above analysis is based on the Council's policy aspirations, including the steps towards zero carbon. These are in excess of the existing requirements. The Council is exploring various options. Sets of appraisals have been run to establish the costs of the additional policy requirements.

Varied Policy Requirements

12.52 The starting place for this analysis is the base appraisals set out above. The impact of the different types of policy and how they impact on the Residual Value is then considered. Changes in the requirements for zero carbon, 20% Biodiversity Net Gain, water standards and Accessible and Adaptable Standards are considered initially.

12.53 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 12.5 Costs of Policy Requirements (Fall in Residual Value as £/ha)

Zero Carbon, BNG and Water Standards

Oakham & Uppingham and Wider Rutland					
	Zero Carbon		**BNG**	**Water**	
	Option 1	**Option 2**	**BNG 20%**	**+ Butt**	**+ Rainwater Harvesting**
Brownfield					
Very Large >200	-2,056	-65,167	-13,313	-701	-35,751
100 to 200	-5,569	-126,324	-25,132	-1,213	-61,866
20 to 100	-6,499	-167,657	-33,506	-1,697	-86,534
Small	-6,432	-183,450	-38,439	-1,908	-97,864
Flats	-9,148	-266,194	-57,013	-2,769	-141,950
Greenfield					
Very Large >200	-1,508	-61,988	-910	-714	-36,433
100 to 200	-2,593	-76,223	-1,101	-807	-41,133
20 to 100	-3,585	-107,320	-1,619	-1,142	-58,243
Small	-6,548	-138,766	-2,063	-1,291	-65,824
East Rutland / Stamford Area					
	Zero Carbon		**BNG**		**Water**
	Option 1	**Option 2**	**BNG 20%**	**+ Butt**	**+ Rainwater Harvesting**
Brownfield					
Small	-6,237	-176,669	-37,038	-1,847	-94,217
Greenfield					
100 to 200	-2,593	-76,223	-1,101	-807	-41,133
20 to 100	-3,585	-107,320	-1,619	-1,142	-58,243
Small	-6,548	-138,766	-2,063	-1,291	-65,824

Source: HDH (July 2023)

12.54 This analysis shows that the move from the national requirement for 10% BNG to 20% BNG is modest, particularly where it is provided on site, but greater where it is provided off site. The cost of minimal rainwater harvesting through the provision of a water butt is low but seeking full rainwater harvesting is very significant.

12.55 Similarly, the cost of seeking construction standards that are over and above the 2025 Building Regulations Standards as per the Option 1 scenario tested is relatively modest, at less than £10,000/ha. The cost of seeking construction standards that are over and above the 2025 Building Regulations Standards as per the Option 2 scenario tested are very much more, generally being in the £100,000/ha to £200,000/ha range – although this varies considerably across the typologies.

12.56 The base appraisals assume that all new homes are built to the M4(2) Accessible and Adaptable standard. The Council's updated housing evidence suggests a modest need for housing for wheelchair users and proposes a policy seeking such housing on larger sites of over 100 units. This analysis shows that seeking more than very low levels of wheelchair adaptable housing can have a significant cost and thus impact on the Residual Value.

Affordable Housing

12.57 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 has a 30% target, but no distinction is made between Affordable Rent and Social Rent, but it is understood that Affordable Rent (capped at LHA Cap) is normally delivered. 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.

12.58 This analysis shows that, on average, a 5% increase in the amount of affordable housing has the effect of reducing the Residual Value by about £125,000/ha on brownfield sites and £100,000/ha on greenfield sites. The consequence of this is that for each 5% increase in affordable housing, the developer could typically afford to pay a landowner about £125,000/ha or £100,000/ha less on brownfield and greenfield sites respectively.

12.59 This analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £170,000/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 £170,000/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 across the different typologies.

12.60 Appraisals have also been run where the split between affordable housing for rent and Affordable Home Ownership products is varied. Again, 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 (AHO) and of the PPG that 25% of affordable housing is a First Home.

12.61 This analysis indicates that increasing the amount of AHO / reducing the amount of Affordable Rent has the effect of increasing the Residual Value and improving viability. With 30% affordable housing, a 10% increase in the amount of AHO and 10% reduction in the amount of Affordable Rent results in the Residual Value increasing by about £20,000/ha.

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. A further set of appraisals has been run with the First Homes being subject to these greater discounts and lower caps. 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 about £75,000/ha less where the First Homes is subject to a 50% discount.

12.63 Further, this analysis shows that, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £10,000/ha less where the First Homes are subject to a £200,000 cap and about £50,000/ha less where the First Homes is subject to a £150,000 cap, indicating that seeking a lower cap would have a negative impact on viability. Having said this, it is important to note that, because of the relatively low values in much of the County, the cap does not come into consideration except on the larger homes.

12.64 As above, the impact varies considerably 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 less impact than moving to zero carbon construction.

Developer Contributions

12.65 The above analysis considered the impact of affordable housing on development viability, taking into account the anticipated requirements for developer. These costs are in addition to CIL at the current rate. A range of developer contribution costs ranging from £0 to £50,000 per unit has been tested.

12.66 This analysis suggests that a £5,000 per unit developer contribution has the effect of reducing the Residual Value by about £185,000/ha on brownfield sites, and £100,000/ha on greenfield sites. The impact is greater on the brownfield sites because of the greater densities. On this basis it can be seen, very approximately, that a £5,000 increase in developer contributions has a broadly similar effect of seeking an additional 5% affordable housing.

Suggested Policy Requirements

12.67 The above analysis considered the impact of various policy standards. It is necessary to bring this analysis together. Three further sets of appraisals have been run at varied levels of affordable housing against varied levels of developer contributions at low, mid and high levels of policy requirements.

Table 12.6 Policy Scenarios for Policy Testing

	Lower Policy Requirements	**Mid Policy Requirements**	**Higher Policy Requirements**
	Being as per the minimum existing and emerging national standards		Including most of the items tested
Biodiversity Net Gain	10%	20%	20%
Carbon and Energy	2025 Part L	Zero Carbon Option 1	Zero Carbon Option 2
Accessibility and Design	100% M4(2) Accessible & Adaptable	99% M4(2) Accessible & Adaptable 1% M4(3)a Wheelchair Adaptable Fees 8%	99% M4(2) Accessible & Adaptable 1% M4(3)a Wheelchair Adaptable Fees 10%
Water Standard	Enhanced Building Regulations and Butt	Enhanced Building Regulations and Butt	Enhanced Building Regulations with Rainwater Harvesting
CIL	As adopted	As adopted	As adopted

Source: July 2023

12.68 The appraisal results are summarised below. In the following analysis, all the sites, including the smallest sites, are modelled with affordable housing.

Table 12.7a Maximum Levels of Developer Contributions. £/unit in Addition to CIL

Oakham & Uppingham and Wider Rutland

Lower Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Brownfield						
Very Large >200	£0	Unviable	Unviable	Unviable	Unviable	Unviable
100 to 200	£0	Unviable	Unviable	Unviable	Unviable	Unviable
20 to 100	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Small	£15,000	£0	£0	£0	Unviable	Unviable
Flats	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Greenfield						
Very Large >200	£40,000	£35,000	£30,000	£25,000	£20,000	£15,000
100 to 200	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
50 to 99	£25,000	£20,000	£20,000	£15,000	£10,000	£5,000
20 to 49	£25,000	£20,000	£20,000	£15,000	£10,000	£5,000
<20	£50,000	£45,000	£40,000	£35,000	£25,000	£20,000
Mid Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Brownfield						
Very Large >200	£0	Unviable	Unviable	Unviable	Unviable	Unviable
100 to 200	£0	Unviable	Unviable	Unviable	Unviable	Unviable
20 to 100	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Small	£15,000	£10,000	£5,000	£0	£0	Unviable
Flats	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Greenfield						
Very Large >200	£40,000	£30,000	£30,000	£25,000	£20,000	£15,000
100 to 200	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
50 to 99	£25,000	£20,000	£20,000	£15,000	£10,000	£5,000
20 to 49	£25,000	£20,000	£20,000	£15,000	£10,000	£5,000
<20	£50,000	£45,000	£40,000	£35,000	£25,000	£20,000
Higher Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Brownfield						
Very Large >200	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
100 to 200	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
20 to 100	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Small	£5,000	£0	£0	Unviable	Unviable	Unviable
Flats	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Greenfield						
Very Large >200	£30,000	£25,000	£20,000	£15,000	£10,000	£5,000
100 to 200	£20,000	£15,000	£10,000	£5,000	£0	£0
50 to 99	£20,000	£15,000	£10,000	£5,000	£0	£0
20 to 49	£20,000	£15,000	£10,000	£5,000	£0	£0
<20	£45,000	£35,000	£30,000	£25,000	£20,000	£10,000

Source: HDH (July 2023)

Table 12.7b Maximum Levels of Developer Contributions. £/unit in Addition to CIL

East Rutland / Stamford Area

Lower Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Greenfield						
Very Large >200	£50,000	£50,000	£50,000	£50,000	£50,000	£45,000
100 to 200	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
50 to 99	£50,000	£50,000	£50,000	£45,000	£40,000	£35,000
20 to 49	£50,000	£50,000	£50,000	£45,000	£40,000	£35,000
<20	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
Mid Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Greenfield						
Very Large >200	£50,000	£50,000	£50,000	£50,000	£50,000	£45,000
100 to 200	£50,000	£45,000	£40,000	£35,000	£25,000	£25,000
50 to 99	£50,000	£50,000	£50,000	£45,000	£40,000	£35,000
20 to 49	£50,000	£50,000	£50,000	£45,000	£40,000	£35,000
<20	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
Higher Policy Requirements						
Affordable Housing	0%	10%	15%	20%	25%	30%
Greenfield						
Very Large >200	£50,000	£50,000	£50,000	£45,000	£45,000	£40,000
100 to 200	£40,000	£35,000	£30,000	£25,000	£20,000	£10,000
50 to 99	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
20 to 49	£50,000	£45,000	£40,000	£35,000	£30,000	£25,000
<20	£45,000	£35,000	£30,000	£25,000	£15,000	£10,000

Source: HDH (July 2023)

12.69 This analysis suggests that the delivery of brownfield sites is likely to be challenging however there is some scope for additional policy requirements on greenfield sites.

12.70 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. Having discussed the early results of this report with the Council, in making these suggestions the following are into account:

a. The delivery of affordable housing is important, and within this the priority is for affordable housing for rent which should be maximised.

b. There is a requirement for both Affordable Rent and Social Rent, however seeking Social Rent would have a significant adverse impact on viability.

c. The impact on viability of seeking 20% Biodiversity Net Gain is modest, particularly on greenfield sites.

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.

The cost of providing wheelchair adaptable housing is significant, however the Council has a need for such accommodation and the provision of some accommodation that meets this standard is a priority / requirement.

e. 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.

Whilst the Council has not declared a climate emergency, the move towards zero carbon development is a priority. The Council recognises that this would have a material impact on the provision of affordable housing.

The Council appreciate that it necessary to consider policies in this regard in the round, for example balancing the wishes to maximise on-site generation, with wider principles of locally distinctive and vernacular design – is it preferable to orientate the roofs east to west and include asymmetric roofs (to maximise south facing slopes), or continue to seek more traditional building layouts and forms?

The Council has commissioned evidence to inform policy development and the move towards zero carbon. This is at a relatively early stage, however, will include estimates of the cost (relative to current build costs reflected in the BCIS). The testing in this assessment draws on studies undertaken for other councils. As and when the Council has developed the preferred options in this regard, and the costs of those options, it may be necessary to revisit the impact that such policies may have on development viability.

f. The viability testing includes the testing of District Heating, and Rainwater Harvesting.

District Heating is not a particular priority of the Council. The key to a successful District Heating Scheme is a readily available heat source (for example the Energetik network in Enfield or the Vital / Veolia network in Sheffield) and the Council will further investigate establishing such a network, rather than mandate the connection to a scheme to be built.

Mandatory rainwater harvesting is expensive to seek.

g. 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.

h. On the whole, recent planning approvals for housing schemes on greenfield sites have provided affordable housing. There have been very few brownfield sites coming forward.

i. Brownfield sites comprise a limited part of the land supply for future development. This is most likely to be in Oakham and unlikely to come forward as flatted development. Bearing in mind that there are few brownfield sites, it would not be proportionate to develop specific policies for brownfield sites, rather viability would normally be considered at the development management stage. This type of development is the least viable so the Council should be cautious about relying on flatted schemes to deliver development.

j. There is a need for infrastructure funding at the levels tested. The Council has adopted CIL. The analysis suggests that most types of development have capacity to bear developer contributions in addition to the adopted rates of CIL. There is considerable uncertainty over the future of CIL. It would be sensible to delay a formal decision as to whether or not to pursue a CIL review, pending the announcement of details of a new Infrastructure Levy. It is recommended that the Council completes the updating of the IDP prior to making a decision in this regard.

12.71 With the above in mind, in discussion with the Council, the following policy obligations have been settled on.

a.	Affordable Housing	30%, with 67% Affordable Rent, 25% First Homes and the balance as Shared Ownership.
b.	Design	99% Accessible and Adaptable (M4(2)), 1% Wheelchair Adaptable (M4(3)a).
		Zero Carbon as per Option 1.
		Water efficiency standard with water butts.
		20% Biodiversity Net Gain.

12.72 As a final step in the iterative viability process, the above policy requirements are subject to a final round of sensitivity testing.

Older People's Housing

12.73 The Sheltered and Extracare sectors have been tested separately. In addition, at the request of a developer through the consultation process, an Integrated Retirement Community (IRC) is also modelled, although it is important to note that the Council currently has no plans to allocate land for IRCs.

12.74 As for mainstream housing, a range of appraisals have been run at the lower, mid and higher policies requirements as set out earlier in this chapter. The results for affordable housing from 0% to 40% are presented below. Due to the nature of the schemes, they are modelled without First Homes. The results of these are summarised as follows. A £1,500 per unit allowance is made for s106 contributions. CIL does not apply to this sector.

12.75 Based on this analysis, sheltered housing and IRC are likely to be able to bear 30% affordable housing at the mid policy requirement, but not at the higher requirement. Extracare housing has capacity to bear affordable housing, however this is unlikely to be at policy compliant levels.

Non-Residential Appraisals

12.76 Based on the assumptions set out previously, a set of financial appraisals for the non-residential development types have been run.

12.77 As with the residential appraisals, the Residual Valuation approach was 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. In the appraisals the costs are based on the BCIS costs, adjusted for Future Building Standard (2025) and include the adopted, indexed, rates of CIL.

Employment Uses

12.78 The results are reflective of the current market in the secondary markets across central England and more widely. The large format logistics uses are shown as viable, however other uses are shown as being unviable.

12.79 Rutland is not a prime employment location, and such development is not being brought forward to on a speculative basis by the development industry. Much of the office and industrial development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.

12.80 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. We understand that the limited development that is coming forward in the County 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.

12.81 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.

12.82 This analysis shows that there is very limited scope to seek higher environmental standards on the uses. Caution is suggested in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail Uses

12.83 The results are reflective of the current market in the local retail market, however it is important to note that the Council is not anticipating significant new retail development coming forward in either Oakham or Uppingham town centres, and it is likely that there will be some consolidation of the shopping areas.

12.84 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.

12.85 This analysis shows that there is scope to seek higher environmental standards, with the exception of Secondary Retail.

Conclusions and Recommendations

12.86 The property market across Rutland is mixed and strong, and the outlook is uncertain, with considerable inflationary and wider economic uncertainties. Most types of residential and non-residential development are coming forward, and on the whole development is policy compliant.

12.87 The headline finding is that there is some scope to increase the overall policy requirements, however this is modest. The Council is keen to move towards zero carbon, ahead of the speed being taken at a national level. The Council has commissioned evidence to inform policy development and the move towards zero carbon that will include estimates of the costs. In the meantime, three options have been tested, being the costs of staying aligned with Building Regulations, and two options of moving beyond Building Regulations. Pending the completion of the RCC work to establish the costs of moving beyond Building Regulations, three scenarios have been tested.

12.88 The testing suggests that there is scope to seek higher targets in relation to regulated energy usage, but going further than this would require a reduction in other policy requirements. There are two main options, either to reduce the requirement for affordable housing below the current requirement of 30%, or to reduce the requirement for developer contributions.

12.89 In terms of developer contributions, the main source is CIL. When reviewing this it will be important to consider what other sources of funding may be available to fund the strategic infrastructure and mitigation that is required to support new development.

12.90 With the above in mind, in discussion with the Council, the following policy obligations have been settled on.

a.	Affordable Housing	30%, with 67% Affordable Rent, 25% First Homes and the balance as Shared Ownership.
b.	Design	99% Accessible and Adaptable (M4(2)), 1% Wheelchair Adaptable (M4(3)a).
		Zero Carbon as per Option 1.
		Water efficiency standard with water butts.
		20% Biodiversity Net Gain.

12.91 If the Council were to follow this advice it would be necessary to be cautious in relying on brownfield sites in the five year land supply and overall housing trajectory, also having regard to the progress of sites through the development management process or commitments from site promoters. This may influence the selection of sites for allocation.

12.92 It is recommended that CIL is not reviewed at the current time due to uncertainly at a national level in this regard. The Council should monitor the changing situation in national policy concerning a national Infrastructure Levy, and continue with the updating of its IDP which may be a material factor.

12.93 On the whole, the employment uses are shown as coming forward, however there is very limited scope to seek higher environmental standards.

HDH Planning & Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

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