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PRELIMINARY VIABILITY REPORT

compiled from and based upon

High-Level Financial Viability Appraisals

undertaken by Burrows-Hutchinson Ltd

and

Candidate Site Viability Assessments

reviewed by Burrows-Hutchinson Ltd

for

Monmouthshire County Council's



SEPTEMBER 2024

A.J.L.B.

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List of Acronyms / Abbreviations

AMR	Annual Monitoring Report
BBNP	Bannau Brycheiniog National Park
BHL	Burrows-Hutchinson Ltd
DVM	Development Viability Model (site-specific Viability Appraisal toolkit)
FVA	Financial Viability Assessment (or Appraisal)
FW	Future Wales – The National Plan 2040
GDV	Gross Development Value
GIA	Gross Internal Area
ISA	Integrated Sustainability Appraisal
LDP	Local Development Plan
LHMA	Local Housing Market Assessment
LPA	Local Planning Authority
MCC	Monmouthshire County Council
NIA	Net Internal Area
ORS	Opinion Research Services
PPW	Planning Policy Wales (Edition 12 : February 2024)
RDP	Replacement Deposit Plan
RHMA	Regional Housing Market Assessment
RVM	Regional Viability Model (for high-level viability assessments)
RLDP	Replacement Local Development Plan
SAB	SuDS Approving Body
SME	Small-to-Medium Enterprise
SoCG	Statement of Common Ground
SPG	Supplementary Planning Guidance
SuDS	Sustainable Drainage System(s)
The Manual	Welsh Government Development Plans Manual (Edition 3) : March 2020
TAN	Technical Advice Note
ULEV	Ultra-Low-Emission Vehicle
VSG	Viability Study Group
WDQR	Welsh Development Quality Requirements
WG	Welsh Government

Glossary of Terms

Adoption	The final stage of Local Development Plan preparation where the RLDP becomes the statutory development plan for the area it covers.
Affordable Housing	Residential development for sale or rent below market prices and retained as affordable in perpetuity
Affordable Housing Allocation	Land allocated for affordable housing either low cost home ownership or to rent.
Availability and Deliverability of Land	Available land includes land which the owner is willing to develop or to sell for development. Deliverability relates to the economic viability of bringing a site forward; and to the absence of other material constraints to its development.
Countryside	Land outside the settlements identified within the Settlement Hierarchy
Deposit Plan	A full draft of the Plan which is available for public consultation during the Deposit Period.
Housing Allocation	Residential development sites identified in the Development Plan.
Infrastructure	Infrastructure encompasses power supplies, water supply, means of sewage or surface water disposal, roads and other transportation networks, telecommunications and other facilities that are required as a framework for development. It can also encompass facilities and services needed to support communities, such as schools, parks and/or leisure facilities.
Market Housing	Housing for sale at market prices (can include self-build or custom build housing).
Preferred Strategy	The first formal strategy document for the Replacement LDP which sets out the framework and overarching policies that will guide the policies and proposals relating to land use.
Review Report	A document which evaluates the extent to which the adopted LDP is functioning effectively. PCC consulted on a draft review report between Dec 2017 – Feb 2018; and published a final report in March 2018.
Settlement Hierarchy	Settlements are classified within the hierarchy according to the population, level of services and the sustainability of the settlement. Some very small settlements with very limited or no services will fall outside the hierarchy and are defined as countryside.
Self-build/custom build housing	Bespoke housing development commissioned and managed by the intended occupier. In all cases whether a home is self-build or custom build, the initial owner of the home will have primary input into its final design and layout.

1. NON-TECHNICAL EXECUTIVE SUMMARY

- 1.1 Burrows-Hutchinson Ltd (“BHL”) has been commissioned by Monmouthshire County Council to undertake a County-wide Viability Assessment (“the Study”) of its Housing policies, with a particular focus on the financial viability of affordable housing and other s.106 obligations on market-led residential development sites.
- 1.2 The Study responds to the guidance in the Development Plans Manual, which requires a Local Planning Authority (LPA) to undertake appropriate viability assessments to support proposed policies in a Development Plan; starting at the candidate site stage, where all submitted sites should be accompanied by a viability assessment^A.
- 1.3 The Study has drawn on market evidence of house prices from a range of development sites across Monmouthshire; in addition to evidence submitted alongside candidate site viability assessments from site promoters and their agents. For development costs, the Study relies on
- a series of three Viability Study Group sessions in 2021, 2022 and 2023, the most recent of which was a joint Study Group session covering Monmouthshire and Newport in July 2023 (see **Appendix A**);
 - evidence from site-specific viability assessments that have been undertaken for candidate sites that the Council is proposing to allocate in its Replacement LDP; and from other site-specific appraisals in recent Development Management cases;
 - data from the Building Cost Information Service (BCIS).

The methodology adopted for the Study is described in section 4 of this Report; following a summary of the policy context in section 3.

- 1.4 Site-specific viability assessments, submitted by site promoters for all candidate sites that the Council is proposing to allocate for development in the Replacement LDP, have been carefully reviewed and interrogated by BHL in the course of this Study. Headline details for each site are set out in **Appendix B** to this Report, supported by commentary in section 5 of this Report.
- 1.5 Only one site promoter has failed to co-operate with the Council and BHL in this process. With that one exception, it is clear from the work that BHL has undertaken that it is viable for all the sites that the Council is allocating for new residential development in the Deposit version of its Replacement LDP, to deliver 50% of their new homes as affordable dwellings.
- 1.6 Alongside the review of candidate site viability assessments, BHL has also undertaken high-level viability assessments to establish the proportion of affordable housing that smaller sites of less than 20 dwellings should be able to deliver. The results from that part of the Study are presented in **Appendix C**; and are described in section 6 of this Report. BHL’s conclusions from this element of the Study are that it should be viable for sites of between 5 - 19 new homes to deliver 40% of those new homes as affordable dwellings on-site.
- 1.7 Based on the viability assessments reported at Appendix C, BHL also considers that it should be viable for sites of less than 5 dwellings, which are required to make a financial contribution to the provision of affordable housing off-site, to make higher contributions than are currently required under the Council’s 2019 Affordable Housing SPG.
- 1.8 The Council intends to include a new policy (Policy NZ1) in its Replacement LDP, aimed at enhancing the energy efficiency of all new homes that are built in the Council’s administrative area. The likely effect of such a policy, both on development costs and property values, is still the subject of some debate within the housing industry. BHL has carefully considered all the

^A Paragraph 5.87 of the Development Plans Manual; and more generally

available evidence on this subject; and has adopted a balanced approach to the ways in which the issue has been handled by individual site promoters in their financial viability assessments. For the purposes of the high-level viability assessments on smaller sites, BHL has assumed that additional costs involved in meeting the requirements of Policy NZ1 will be counterbalanced by an uplift in a property's market value; as this can be evidenced from a number of cases where new homes on smaller sites are already being built to a more energy efficient standard.

- 1.9 Viability assessments undertaken at this stage of the plan-making process will often include a number of assumptions that are subject to confirmation as that process continues to evolve. This Report also observes that the housing market across the UK has experienced a degree of turbulence in recent years; and that further disruption could be caused by the ongoing war in Ukraine and unrest in the Middle East.
- 1.10 These factors and a need to review (and probably increase) the transfer values for new social rented housing on s.106 sites, to align current transfer values with changes in social rents and development costs over the last 3 years, will likely lead to a general review of the results from this Study before the Replacement LDP is submitted for Examination. The Development Plans Manual expects viability work to be "kept up-to-date throughout the statutory preparation process"^B. In this context, however, it may be noted that policies soundly based on a series of site-specific viability assessments are likely to be more robust and less susceptible to change than those based in the main on high-level viability assessments. That is one of the strengths of the Study that lies behind this Preliminary Report.

^B Paragraph 5.97 in the Development Plans Manual

2. RICS COMPLIANCE

- 2.1 Prior to accepting the commission referred to in paragraph 1.1 above, it was confirmed that BHL has no actual/potential conflict of interest in undertaking the Study. BHL does not act for any site promoter(s), landowner or developer, who might have a financial or other beneficial interest in the outcome of the Study.
- 2.2 BHL also confirms that the fees agreed for this Study are not performance-related or in any way contingent on the outcome of the Study or the conclusions reached in this Report.
- 2.3 In accordance with the RICS Professional Standard entitled Financial Viability in Planning: conduct and reporting (April 2023), BHL confirms that the High-Level Viability Assessments (“HLVA’s”) and its review of all individual site appraisals has been undertaken impartially, in an objective way and without interference.
- 2.4 It is also confirmed that all relevant and available sources of information have been taken into account; and that, in accordance with best practice, the Study has relied on market-based, rather than client-specific, information.
- 2.5 It should be noted though that this Study has been undertaken at a time of some uncertainty in relation to future building specifications for tackling climate change. Developers and others in the construction industry have also faced significant supply chain and other challenges in the last 5 years, initially arising from the Covid-19 pandemic and compounded by the events surrounding the war in Ukraine; and now the unrest in the Middle East.
- 2.6 The Council expects there to be further engagement with developers, landowners and the construction industry more generally during the period when the Replacement LDP is on deposit. To ensure that the viability evidence that supports relevant policies in the RLDP is as up to date and robust as possible, it is likely that at least some assumptions on which this Study has been based will be reviewed prior to submission of the Plan for Examination^c.
- 2.7 This Report still refers to the RICS Guidance Note entitled Financial Viability in Planning (GN 94/2012) as the more recent Guidance issued in March 2021 on Assessing Viability in Planning under the National Planning Policy Framework 2019 for England has a more direct application in England, rather than in Wales. The spirit of the Guidance has changed little between 2012 and 2021; and has been developed in any event by relevant case law and a variety of Planning Appeal decisions, which the methodology behind this Report takes into account.

^c Paragraph 5.97 in the Development Plans Manual refers to the need for evidence “to remain relevant, up to date and proportionate to the stage reached” in the statutory plan preparation process.

3. BACKGROUND and POLICY CONTEXT

- 3.1 Monmouthshire County Council is preparing a replacement Local Development Plan, covering the period from 2018 to 2033. When adopted, it will provide a revised and updated policy framework to guide development in all part of the County, excluding land within the Bannau Brycheiniog National Park. It will inform planning decisions taken by the County Council. During the production of the Plan, the existing Local Development Plan remains in place until the Replacement Local Development Plan (RLDP) is adopted.
- 3.2 Monmouthshire County Council has commissioned Burrows-Hutchinson Ltd (“BHL”) to carry out a County-wide Viability Assessment (“the Study”) of its Housing Policies, with particular regard to the potential for developments that include a residential element, to accommodate:
- **affordable housing contributions** (whether on site, or as an off-site contribution);
 - **other s.106 obligations** that were initially set out in a guidance note with the Council’s second call for candidate sites in 2021; and
 - **to give general advice** on development viability in the context of the Replacement LDP.
- 3.3 This Report, based on the Study briefly described above:
- confirms **site-specific affordable housing percentages** for all housing allocations in the Replacement LDP, as well as potential windfall sites; and
 - assesses whether or not **smaller sites** (for less than 20 units) and **individual properties** can support affordable housing contributions.
- 3.4 In order to identify high level targets, sales values achieved on recent developments in a range of locations across the Plan area have been collected and analysed.
- 3.5 This current Study/Report also draws on evidence gathered for and from
- a) site-specific viability assessments undertaken and agreed during the last 3 years;
 - b) viability assessments submitted by candidate site promoters since the second call in 2021; and
 - c) a series of Viability Study Group meetings and workshops across South Wales that have taken place since June 2021, including a joint study group meeting in July 2023 between Monmouthshire and Newport (see **Appendix A**).
- 3.6 It should be acknowledged that the conclusions from this Study may yet be subject to some further review prior to Examination and Adoption of the Replacement LDP. The last 4 years have seen significant fluctuations in the balance between development costs and house prices in most of South East Wales. Further changes to Building Regulations are imminent; and some LPA’s (including Monmouthshire County Council) are considering net zero carbon policies specific to their own administrative areas. At the date of this Report, discussions around the most efficient means (both economically and environmentally) of further addressing the challenges posed by climate change have yet to reach a firm conclusion.

National Policy and Guidance

- 3.7 The delivery of new housing is one of the key issues facing Planning Authorities in Wales. The importance of new housing to meet social needs and allow communities to grow is recognised by Welsh Government, as is the important role of new house building in generating economic growth.
- 3.8 The national planning system therefore seeks to facilitate the construction of new homes in appropriate locations; and is clear that the LDP should act as an effective tool for the delivery of sustainable development and local aspirations. Ensuring that LDP policies and allocations

are viable and deliverable is therefore a guiding principle for LDP's, and is a key element of meeting the tests of soundness set out in the Welsh Government Development Plans Manual (Edition 3, 2020) and examination procedural guidance issued by Planning and Environment Decisions Wales (PEDW) in November 2022.

Welsh Government Development Plans Manual (Edition 3, March 2020)

3.9 At paragraph 3.10, the Development Plans Manual notes that one of the key outcomes of the LDP system is to:

"7) Deliver what is intended through deliverable and viable plans, taking into account necessary infrastructure requirements, financial viability and other market factors".

3.10 It also requires that Development Management policies should set out any relevant mitigation /compensation requirements, based on viability assessments and legislation parameters^D.

3.11 The Manual suggests that the Candidate Site process should be used to frontload provision of a viability assessment. It also notes that to support delivery of the Plan, site-specific testing in the form of a viability appraisal should be undertaken for sites which are key to delivering the plan, demonstrating that they are deliverable in principle^E. The Manual's *"preferred approach is for this to be done in conjunction with a site promoter ..."*

3.12 A plan-wide financial viability appraisal should also be undertaken as early as possible, ideally at the candidate site stage, but no later than deposit^F. This Study was commissioned in response to that requirement.

3.13 The Manual further states that, whilst seeking to maximise the delivery of affordable housing, the affordable housing policy in an LDP should have percentage targets and thresholds that are realistic and relate to evidence-based viability studies. If they differ, e.g. for locally specific circumstances, this should be clearly justified and explained.

3.14 The Manual includes the following definition of Viability^G:

"Development can be considered viable if, after taking account of all known costs including Government policy/regulations, all construction and infrastructure costs, the cost of and availability of finance, other costs such as fees and a contingency sum, the value of the development will generate a surplus sufficient to provide both an adequate profit margin for the developer and a land value sufficient to encourage a land owner to sell for the proposed use. Development can also be made viable through the availability of Government grants."

Planning Policy Wales (Edition 12) and Technical Advice Notes

3.15 PPW 12 states that as part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to their inclusion as allocations in a development plan^H.

3.16 In the same paragraph, PPW 12 demands that at the 'Candidate Site' stage of development plan preparation landowners/developers should carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites. Progress with the Council's review of existing LDP policies was interrupted by the Covid-19 pandemic and nutrient neutrality issues; but recommenced with a second call for candidate sites in the summer of 2021.

^D See Table 1 (page 17) in the Development Plans Manual (Edition 3)

^E See paragraphs 3.52 and 5.89 of the Development Plans Manual (Edition 3)

^F Paragraph 3.55 of the Development Plans Manual (Edition 3)

^G At the foot of page 138 in the Development Plans Manual (Edition 3)

^H Paragraph 4.2.20 in PPW12

- 3.17 There was a strong response to that second call, supported by financial viability assessments (“FVA’s”) from all those promoting the sites that the Council is now minded to allocate for development in its Replacement LDP; as well as FVA’s for sites that the Council is not choosing to bring forward in the Replacement LDP.
- 3.18 PPW 12 advises that at the Deposit Stage there must also be a high-level plan-wide viability appraisal undertaken to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements. In addition, for sites which are key to the delivery of the plan’s strategy a site-specific viability assessment should be undertaken. This Study aims to meet both those requirements in a way that is proportionate to this stage in the plan-making process. If any additional information is considered necessary in support of the Plan, that will be addressed during the remaining stages of the Replacement LDP’s preparation for Examination.
- 3.19 Technical Advice Note 2: Planning and Affordable Housing sets out additional guidance on affordable housing. It requires LPA’s to include either site thresholds or combinations of site thresholds and site-specific targets in their plans. It notes that LPAs may identify sites for up to 100% Affordable Housing.
- 3.20 Technical Advice Note 6: Planning for Sustainable Rural Communities notes that development plans should include sufficient land to meet market and affordable housing needs across the planning authority’s area. It notes that in rural areas, planning authorities may wish to give priority to affordable housing to meet local needs.

Future Wales: The National Plan 2040

- 3.21 Future Wales (FW) is the highest tier of development plans in Wales, focusing on issues and challenges at a national scale. This framework is to be built upon by Strategic Development Plans (SDPs) at a regional sub-level and (once the current review cycle of LDP’s has concluded) by Local Development Plan Lites (LDPL’s) at a local authority level. LDP’s must support Future Wales; and the strategic decisions they take must conform to the direction provided by FW. The County Council’s Replacement LDP is therefore guided and bound by FW’s strategic direction and ambitions; and has regard to the outcomes identified within it, the first of which notes the following:

Our cities, towns and villages will be physically and digitally well connected, offering good quality of life to their residents. High-quality homes meeting the needs of society will be well located in relation to jobs, services and accessible green and open spaces. Places will meet and suit the needs of a diverse population, with accessible community facilities and services.

- 3.22 FW notes that the provision of affordable homes should be a key focus for housing delivery. To facilitate this, Policy 7 of FW provides guidance on making provision for affordable housing through development plans, as follows:

Policy 7 – Delivering Affordable Homes

The Welsh Government will increase delivery of affordable homes by ensuring that funding for these homes is effectively allocated and utilised.

Through their Strategic and Local Development Plans, planning authorities should develop strong evidence-based policy frameworks to deliver affordable housing, including setting development plan targets based on regional estimates of housing need and local assessments. In response to local and regional needs, planning authorities should identify sites for affordable housing led developments and explore all opportunities to increase the supply of affordable housing.

- 3.23 It is the aim of this evidence to support the provision and delivery of affordable housing across the county of Monmouthshire (outside the BBNP, which has its own LDP), by identifying realistic and achievable targets for maximising the delivery of affordable housing through the planning system. As noted above, these targets are informed by viability evidence to support the robustness and realistic delivery of the targets.

PEDW Local Development Plan Examinations: Procedure Guidance November 2022

- 3.24 The PEDW guidance says that viability evidence would normally be presented to demonstrate an LPA's compliance with **Soundness Test 2 – Is the Plan appropriate?** (for the area in light of the evidence).
- 3.25 The Guidance note also clarifies that in order to demonstrate compliance with **Soundness Test 3 – Will the Plan deliver?** (i.e. is it likely to be effective?), viability evidence should show that proposals (particularly allocations) are likely to be delivered as anticipated.
- 3.26 The national policy position reflects the growing recognition within Planning of the critical link that exists between aspirations set out in development plans and the delivery of individual site allocations, in achieving timely and sustainable development during the course of the Plan period.
- 3.27 The ability to demonstrate that LDP allocations will come forward during the plan period also helps to provide evidence that the Council will meet the requirements in PPW to ensure that sufficient land is available, or will become available, to provide a sufficient supply of land for housing.

Independent Review of Affordable Housing Land Supply – April 2019 for WG

- 3.28 The report identifies a number of key recommendations to assist in increasing the quality and number of affordable homes built in Wales. These include a better understanding of housing need through the LHMA process, consolidated and simplified standards for new-build grant-funded and s.106 homes. The report recommends that WG should introduce a requirement for all new affordable homes to be near zero carbon/EPC 'A' using a fabric first approach from 2021, supplemented by technology (renewables) if required. The report further suggests that there should be a longer-term goal of 2025 at the latest, to have the same standards for all homes irrespective of tenure.
- 3.29 Such requirements, if adopted, are likely to have cost implications which are considered in the methodology of this Study. Further recommendations in the report are in relation to modern methods of construction, rent policy and Local Authorities as enablers and builders; with a particular recommendation for the management of public sector land. Finally, there are recommendations in relation to the financing of affordable housing, dowry and major repairs allowance.

Welsh Government Affordable Housing Design Requirements 2021

- 3.30 Welsh Government introduced the Welsh Development Quality Requirements (WDQR 2021) to achieve minimum design standards for all new affordable homes constructed by registered social landlords (RSLs); and by private developers building affordable homes to be transferred to an RSL. It prescribes minimum gross internal floor areas for each type of dwelling and the number of people it is intended to accommodate, including minimum bedroom size and dimensions. It also prohibits the use of fossil fuel heating/hot water systems and requires an Energy Performance Certificate (EPC) rating 'A' in terms of the fabric of the building; although these last two requirements (relating to energy efficiency) are not yet applicable to affordable homes delivered via s.106 obligations on market-led housing sites. This may change, of course, during the period covered by the Council's Replacement LDP; as there is already some concern

among RSL's about accepting a transfer of affordable homes that do not meet the WDQR standards as a whole.

- 3.31 The minimum space standards in the 2021 WDQR's have been accounted for in this Study in relation to all new affordable homes. Open market dwellings are not subject to a minimum design standard; meaning that a private developer can build open market dwellings that are smaller in size; and whose EPC rating is governed by Building Regulations rather than the 2021 WDQR. The build costs used in this Study reflect the above factors. Again, this could be subject to change during the period covered by the Replacement LDP.

Local and Regional Policy Context

- 3.32 At the end of 2018, and with the support of Welsh Government, the 8 LPA's in the Mid and South West Wales Region (MSWWR) procured the delivery of a **Regional House Price Database**; two **Viability Models** to make financial assessments of development proposals at a site-specific and at a higher level; and a programme of **training and knowledge transfer** to enhance existing skills, and to establish a broader understanding of viability issues across the region.
- 3.33 In 2020, the scope of this commission was extended to include the 10 LPA's in the South East Wales Strategic Planning Group, including Monmouthshire. At the same time, enhancements were made to the two viability models, in particular to enable the site-specific Development Viability Model (**DVM**) to be used by the promoters of candidate sites to provide evidence of financial viability in the plan-making process.
- 3.34 To inform the preparation of its Replacement LDP and Local Housing Strategy, the Council carried out a Local Housing Market Assessment (LHMA), covering the period from 2020 – 2025. This Assessment provides an overall view of housing need – and particularly affordable housing need – across the county of Monmouthshire. More recently the Council produced a Local Housing Market Assessment Refresh 2022- 2037 (May 2024)¹ which estimates a net need of 453 affordable homes per annum for Monmouthshire Council's administrative area (excluding the BBNP) over the first five years of the LHMA period (2022 – 2027); and 82 affordable homes per annum for the remaining 10-year period.
- 3.35 The LHMA Refresh takes account of the 2018-based Welsh Government population and household projections as these align most closely with the RLDP Preferred Strategy; and gives additional detail on housing need for the Abergavenny, Chepstow and Monmouth housing market areas. It demonstrates that Affordable Housing will be required in locations across the whole County; and also identifies the type and size of housing required.
- 3.36 Within the County Council's Planning Area and for social rented tenure, the greatest need is for 1-bed affordable homes; although it is recognised that while this need is particularly high, it is important to ensure that a mix of house types and tenures are provided.
- 3.37 The LHMA provides a strong correlation between the location of affordable housing need and the distribution of proposed housing growth set out within the RLDP strategy and settlement framework.

¹ MCC Cabinet approved the LHMA Refresh 2022-2037 in May 2024 prior to submission to Welsh Government. The housing team are currently awaiting sign off from Welsh Government.

Monmouthshire Local Development Plan (2011 – 2021)

- 3.38 Monmouthshire County Council’s current Local Development Plan was adopted in 2014 and will run until the Replacement LDP is adopted. It includes a range of policies aimed at supporting delivery of Affordable Housing and Planning Obligations; including the following policies:
- S1 The Spatial Distribution of New Housing Provision;
 - S4 Affordable Housing Provision;
 - S7 Infrastructure Provision;
 - SAH1-SAH11 Residential Site Allocations (with indicative Affordable Housing Targets for each allocation); and
 - H7 Affordable Housing Rural Exception Sites for Local Needs Housing
- 3.39 The Council’s 9th Annual Monitoring Report 2022-2023 indicates that overall the Council’s affordable housing targets are not being delivered.
- 3.40 The Council has adopted Supplementary Planning Guidance on Affordable Housing. It also has information, which has informed this Viability Study, on the planning obligations typically being delivered by new development sites.

Monmouthshire Replacement Local Development Deposit Plan (2018 - 2033)

- 3.41 The Council’s Deposit RLDP includes a target, in Strategic Policy S7, to deliver approximately 2,000 new affordable dwellings; of which 1,065 will be delivered on sites allocated in the RLDP. It identifies a Settlement Hierarchy (Strategic Policy S2) and sets out the proportion of residential growth to be accommodated by each of the settlement tiers, while seeking
- a) to focus new development in the primary settlements of Abergavenny (including Llanfoist), Chepstow, Monmouth and Caldicot (including the Severnside area); with
 - b) a lower level of growth in the most sustainable lower tier settlements, in order to deliver much needed affordable homes and to address rural inequality and rural isolation in these areas.
- 3.42 The Deposit RLDP also includes a new policy (NZ1, reproduced below) aimed at enhancing the energy efficiency of new homes.

Policy NZ1 – Monmouthshire Net Zero Carbon Homes

All new build residential development will be required to demonstrate compliance with the standards outlined below through the submission of an appropriately detailed, RICS-aligned operational energy assessment with any planning application resulting in the creation of 1 or more dwellings.

Development proposals for new homes must demonstrate the following:

- Space heating demand less than 25 kWh/m²/yr;
- On-site renewable energy generation to deliver the greater of:
 - matching the annual regulated electricity demand of the development; or
 - generating at least 40 kWh/m²fp/yr.
- EPC A or equivalent in accordance with the current version of the National Calculation Methodology for assessing the energy performance of dwellings;
- New homes must not connect to the gas grid and all heating and hot water needs should be met by low carbon heating systems. No fossil fuel systems are to be used on-site;
- ULEV charging infrastructure must be provided to every dwelling.

All developments must submit an as built performance survey following construction and prior to occupation of the home/s to demonstrate that they have been built to the applicable standards and minimise the ‘performance gap.’

3.43 The way in which this proposed policy has been taken into account in the viability assessments covered by this Report is explained in sections 4 and 5 below.

Common Housing Register (position as at July 2024)

3.44 The Common Housing Register is held by Monmouthshire County Council. In July 2024, 3,772 households were on the register. The total number of those in Bands 1 – 4 (considered to be in need) was 2,093.

4. METHODOLOGY

- 4.1 The following three principles underlie any proper understanding and assessment of viability in a Planning context:
- a) **Evidence based judgement:** assessing viability requires judgements, informed by the relevant available facts. It requires a realistic understanding of the costs and the value of development in the local area, and an understanding of the way the market operates. Understanding past performance too, in relation to build rates (for example) and the scale of historic planning obligations, is a useful starting point; as is the form and scale in which new development has generally come forward. Direct engagement with the development sector/industry and other key stakeholders is helpful and desirable for accessing evidence.
 - b) **Collaboration:** as outlined in the Development Plans Manual Edition 3, a collaborative approach involving the local planning authority, business community, developers, landowners and other interested parties will improve understanding of deliverability and viability. Transparency of evidence should be encouraged wherever possible. It is also important to look ahead, in conjunction with the stakeholders just mentioned, and to make any reasonable adjustments to past performance that may be appropriate and necessary to achieve future aims and objectives.
 - c) **A consistent approach:** local planning authorities should be encouraged to ensure that their evidence base is fully supported by a comprehensive and consistent understanding of viability across their areas. For the Monmouthshire Study, this has been achieved by the assembly of a County-wide database of development costs and values. It is also important that the methodology used in carrying out the FVA's should be applied in a consistent fashion across the County; and that the Council should be able to demonstrate that.

Mid and South West Wales Regional Viability Commission

- 4.2 At the end of 2018, as part of a Regional Planning initiative, the eight LPA's in what was then the Mid and South West Wales region (MSWWR) published a Commission for the following brief, for which BHL was selected after a tendered procurement process. The Commission was divided into four parts:
- a) the preparation of a **Regional Database** of local house prices achieved on new/recent residential developments, together with a **Regional Viability Model (RVM)** designed for making reliable and transparent high-level assessments of the financial viability of typical development typologies and, where appropriate, of key/allocated sites in the absence of more site-specific data;
 - b) the delivery of a site-specific **Development Viability Model (DVM)** that is cashflow-based and sufficiently transparent to win the confidence of those involved in the consideration of viability issues in a Planning context;
 - c) the provision of **training** for Planning Officers and others within the 8 LPA's, not only in the use of these two Models, but also in the principles of assessing development economics generally, and in the application of precedents from Planning Appeal decisions and other guidance;
 - d) the establishment of a **format for presenting evidence** on financial viability in a consistent and appropriately transparent way across the region.
- 4.3 The principles of this initiative were based not only on recommendations in the Harman Report (Viability Testing Local Plans : June 2012), but also on subsequent studies, such as the

Arcadis Report on a Longitudinal Viability Study of the Planning Process in Wales, published in February 2017. Two of the key objectives of the MSWWR Commission were (a) to reach an improved understanding generally of viability issues, in a Planning context; and (b) to develop existing skills within the 8 commissioning LPA's, through knowledge transfer and the provision of two Viability Models.

- 4.4 Following that original commission, use of the 2 models/toolkits (RVM and DVM) has spread to the 10 LPA's in South East Wales; and the site-specific DVM is now in use across all 18 LPA's across South and Mid Wales for new Candidate Site assessments. In several cases it has also been used to address viability issues in a Development Management context. Various changes have been made to the DVM to facilitate its use in this wider role. Both models are also now available to the remaining 7 LPA's in North Wales; and are being used by at least two of those authorities.
- 4.5 The High-Level Countywide Viability Assessments in this Study have been undertaken using the Regional Viability Model (RVM) and values from a House Price Database that BHL first set up in 2020/21, updated to account for market movements and transactions since then. Costs used in the financial appraisals undertaken for this Study have been based on a combination of information from the BCIS database; input from stakeholders at a succession of workshops and Viability Study Group sessions across Mid, South West and South East Wales; as well as data drawn from a number of site-specific cases, where appraisals have been carried out on an "open book" basis with the developers concerned. This last source includes data from candidate site submissions and Development Management cases.
- 4.6 Some of the information in this last category is commercially sensitive, and the Study is bound to respect and safeguard the confidentiality of such data in an appropriate way. This is possible though, without unduly compromising the transparency of the evidence base, given that one of the objectives of the Study is to reach a position where those participating, and with an interest, in the RLDP Review, will accept and consider its process and conclusions to be fair and reasonable.
- 4.7 Both the site-specific DVM, and the Regional Viability Model for high-level assessments, are constructed to produce a residual value that represents the development profit; i.e. what is left after all development costs – including the land cost (or "benchmark land value") – have been deducted from the gross development value (or total revenue). This residual estimate of profit can then be compared with whatever target margin is considered appropriate for that particular development, having regard to benchmark levels of profit that reflect a "market risk adjusted return".
- 4.8 The "market risk adjusted return to a developer" is a phrase used in the RICS Guidance Note (GN 94/2012) on Financial Viability in Planning. The words reflect the principle that the level/degree of risk inherent in any of the figures used in a Viability Appraisal, as well as the nature (and the relative complexity) of the development, are relevant to the percentage return that the scheme can be expected to yield for the developer. That "return" does, and will, also vary according to the respective levels of supply and demand, in any given set of economic and market circumstances.
- 4.9 This "return" will typically be described either as a percentage of GDV – where the percentage is calculated by dividing the residual profit figure by the gross development value of the project – so effectively the same as a Profit on Turnover for any other commercial enterprise; or as a Profit on Cost, where the profit is expressed as a percentage of all development costs.
- 4.10 Profit on GDV is the measure normally used to assess the viability of a development project; but both the DVM and the Regional Viability Model provide an estimate/calculation of "Profit on GDV" and "Profit on Cost". The Models both estimate the finance/funding costs associated

with a project on the basis of cash-flowed assumptions over income and expenditure, adding transparency to the Models' outputs.

- 4.11 With the Regional Viability Model, all inputs appear on the same page as the outputs (in the form of an Appraisal summary); making it easier to assess the impact of any changes that the user might want to make to those inputs – e.g. for testing an alternative scenario.
- 4.12 Both Models also provide facilities for sensitivity testing the initial Appraisal results; and can produce Sensitivity Tables that illustrate how, in broad terms, incremental changes in selected key variables would impact on development profit. The Tables also reveal how certain changes in the proportion of affordable housing, and in the tenure mix, could affect the developer's return. These features reflect the strong recommendation in the RICS Guidance Note (GN 94/2012), already referred to, that financial appraisals should be subject to sensitivity testing; and that with more complex schemes, further scenario/simulation analysis should be undertaken.

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- 4.13 Undertaking and/or examining site-specific appraisals of candidate sites can be a useful way of informing the high-level assessments that will consider the viability of more general site typologies; in order to establish the broader policies that are applied to windfall sites, for example. Whilst site-specific appraisals can be undertaken without input from the owner or promoter of a site, it is preferable that those parties should be involved in all site-specific appraisals; as in many cases they will have (or will be able to obtain) information pertinent to viability, which may not be so readily available to the LPA.
- 4.14 It is also desirable that the owner and/or promoter of a site should have the initial opportunity to provide evidence of viability. If the site promoter is a developer/housebuilder, that party will (or should) have made some preliminary assessment of the site's financial viability in any event; even if it is based on a number of assumptions that rely on further investigation work. The LPA will be in a position to assess the validity and/or degree of risk attaching to those assumptions, which in turn will enable a sensible judgment to be made about deliverability, and the likely timing of delivery, for each site.
- 4.15 The Council's initial call for candidate sites took place in 2018, before the site-specific Development Viability Model (DVM) was available to site promoters. Preparation of the Replacement LDP was subsequently delayed for various reasons, including the Covid-19 pandemic and nutrient neutrality issues.
- 4.16 A second call for candidate sites was made alongside the Council's Second Preferred Strategy consultation in the summer of 2021. In response to that, the Council has obtained site-specific FVA's from site promoters for all those sites that it wishes to allocate for development in its Replacement LDP. Five of those sites (listed below) are considered by the Council to be "key" to delivery of its Replacement LDP policies:
 - Land East of Abergavenny (CS 0213) – to deliver 500 new homes;
 - Bradbury Farm (CS 0251) and The Showground (CS 0087), together referred to as Land to the East of Caldicot/North of Portskewett and expected to deliver 770 new homes;
 - Land at Leasbrook, Monmouth (CS 0182) – to deliver 270 new homes; and
 - Land at Mounton Road, Chepstow (CS 0165) – to deliver 146 new homes.
- 4.17 The first part of this Study (prior to the second call for sites) concerned analysis by BHL, in tandem with the Council, of the following:
 - a) planning applications and permissions since the LDP was adopted, to see how – in terms of site size/dwelling numbers – development proposals have been coming forward; and

- b) s.106 requirements and settlements, in order to provide guidance to site promoters on the likely requirements for community infrastructure and affordable housing on sites allocated in the Replacement LDP.

Some initial high-level viability testing was undertaken by BHL as part of this process.

- 4.18 This was followed by a detailed review of the FVA's received for all candidate sites that the Council has been minded to allocate for development in the Replacement LDP. In the course of that review, BHL raised questions with each site promoter wherever information was either lacking or needed further clarification.
- 4.19 Where the potential form/content of development on sites has evolved through discussion between site promoters and the Council over the last 18 – 24 months, BHL has reviewed all assumptions made in earlier/initial FVA's with the site promoters to ensure that those FVA's are up to date at the time of this Report.
- 4.20 Given the co-operative response from site promoters, it became clear that it would be viable for all the Council's proposed housing allocations to deliver 50% of the new dwellings as affordable homes; with one exception (CS0277 : Land at Drewen Farm, Monmouth), which is discussed in more detail in section 5 of this Report.
- 4.21 Based on this evidence, BHL advised the Council that it would be reasonable to set a target of 50% affordable housing for any additional market-led housing sites of 20 dwellings or more that might come forward during the period covered by the Replacement LDP.
- 4.22 Final high-level viability assessments were therefore undertaken in March 2024 to inform the proportion of affordable housing that it would be viable for smaller sites (of less than 20 new homes) to deliver. The results from those County-wide assessments are recorded in section 6 of this Report; and gave rise to the following conclusions:
 - a) it should be viable for sites delivering between 5 and 19 dwellings to provide 40% of those new homes as affordable units;
 - b) it should be viable for sites delivering between 1 and 4 new homes to meet the current requirements for financial contributions towards off-site affordable housing (set out in the Council's Affordable Housing SPG); and
 - c) there appears to be scope for increasing the level of those financial contributions for sites delivering less than 5 new homes.
- 4.23 During the course of the overall Study and in tandem with the above Review of candidate site FVA's, three Viability Study Group sessions were held in June 2021, June 2022 and July 2023. The two most recent VSG meetings were held jointly with Newport City Council. Planning officers from Torfaen County Borough Council also had considerable input to the meeting in June 2022, as well as attending the July 2023 meeting. The VSG meetings are an important element in the collaborative effort between LPA's, landowners, developers and other industry stakeholders; as a means of establishing appropriate assumptions and parameters for both high-level and site-specific viability assessments.

5. VIABILITY ASSESSMENTS for ALLOCATED SITES

- 5.1 The Council has identified a selection of sites that are expected to deliver a total of 2,130 new homes (see **Appendix B**). Of these, 5 are identified as “key sites” to the delivery of its RLDP policies^J.
- 5.2 **Appendix B** distinguishes between 3 sites that are carried forward from the Adopted LDP (2011–2021) as existing allocations or commitments; and the remaining 16 sites, which are all new allocations in the Replacement LDP. Of the former,
- Land north of Little Mill (ref: HA16) already has planning permission for 15 new homes (53% affordable) – its implementation has been delayed by nutrient neutrality issues; and
 - Land at Tudor Road, Wyesham (CS0189), for which there is a submitted (and viable) FVA for a market-led housing development (50% affordable); although the site is now subject to a planning application for a 100% affordable housing scheme.
- 5.3 Land at Drewen Farm, Monmouth, (CS0277) is the third allocated site from the Adopted LDP; but there is no recent viability assessment for it. Hence the pink highlighting in **Appendix B**. The site promoters have told the Council that a planning application for the site is “imminent”. It is understood that this will seek consent for a development with 35% affordable housing on-site, in line with the Adopted LDP policy requirements.
- 5.4 As far as the **new allocations** are concerned, BHL and the Council have engaged with the promoters of all these sites over the course of a 18-month period (and since the second call for candidate sites) to establish the financial viability of an indicative development proposal for each one.
- 5.5 The first step in this process was the submission by each site promoter of a viability appraisal, using the DVM, to show whether or not it would be viable for their site to deliver 50% of the proposed number of new homes on that site as affordable dwellings. Site promoters were told to assume that 70% of the affordable dwellings would be for social rent and 30% would be for low cost home ownership (intermediate tenure) at a discount of 40% from full market value.
- 5.6 BHL reviewed all these viability submissions on behalf of the Council and (using a proforma document designed for that purpose) provided feedback to the site promoters on each one. Assumptions in those FVA’s that required clarification or additional supporting information have been resolved. Where new information has come to light, FVA’s have also been updated during this period.
- 5.7 The conclusion from this part of the Study is that all those sites identified as new allocations at Appendix B are financially viable; and can be expected to deliver 50% of their new dwellings as affordable homes in current economic and market conditions. The same applies to the Land at Tudor Road, Wyesham, in the event of that not coming forward as a 100% affordable scheme.
- 5.8 **Appendix B** includes a note of the other main inputs and assumptions that lie behind each site-specific appraisal; summarised in a format that is intended to preserve an appropriate level of confidentiality for information that is still commercially sensitive^K.
- 5.9 It must be recognised that, at this stage in the planning process, viability appraisals will often be based on a number of high-level assumptions; pending more detailed site investigation work, for example, or other more detailed studies and assessments relating to transport or

^J Paragraph 4.2.20 in PPW 12 requires planning authorities to consider how they will define a “key site”; and dictates that a site-specific viability appraisal must be undertaken for those sites, through the consideration of more detailed costs, constraints and specific requirements.

^K See paragraph 5.96 in the Manual

environmental issues. Although a site promoter may have expended not insignificant sums in promoting a site through the candidate site process, it is relatively rare for more detailed work to be undertaken until there is greater certainty of a site being allocated for development in the local development plan.

- 5.10 Nevertheless, where high-level assumptions have been made, the background to them has been interrogated by BHL as far as is reasonably possible at this stage. Any assumptions that might be considered unrealistic, or out of line with general market evidence, have been discussed with the relevant site promoter; and have been amended where appropriate. Each site-specific appraisal is therefore considered to be sufficiently robust to meet the national policy requirements and guidance contained in Planning Policy Wales and the Development Plans Manual at this stage in the planning process. Site promoters are aware that “only in exceptional circumstances should further viability appraisals be undertaken at the planning application stage”^L.
- 5.11 The following paragraphs provide an overview of the evidence base that lies behind the cost and value assumptions used in both the site-specific and high-level Countywide assessments that are covered by this Report.

Gross Development Value

- 5.12 Data on the prices at which houses have sold in different parts of the County is available from HM Land Registry’s website, and can be readily downloaded for further analysis. Other relevant information is also available from the EPC Register, websites such as Rightmove and Zoopla, as well as from an LPA’s own records. However, careful and thorough analysis of this data is necessary to provide a reliable and robust evidence base for viability assessments. One must also recognise that there are often differentials in the popularity of specific housing areas, sometimes not all that far apart geographically, which have a bearing on the market values that are likely to be achieved on a particular development site.
- 5.13 Housing values can also be affected/enhanced by good design, and by creating attractive living environments that are well-serviced and sustainable (i.e. by “place-making”). Well-conceived and well-executed housing developments, in particular, will usually command higher values/selling prices than those achieved for second-hand stock.
- 5.14 As mentioned in section 4 above, BHL created a House Price Database for Monmouthshire in 2020/21, which has been periodically updated to account for market movements and new transactions since then. This has been a primary source of information, not just in the review of site-specific candidate site FVA’s; but also in the High-Level Countywide Viability work that BHL has carried out. Account has also been taken of verifiable evidence submitted with the candidate site FVA’s by site promoters.
- 5.15 It can be seen from **Appendix B** that the estimated selling prices for open market homes from all the candidate site FVA’s fall primarily within a range from £3,596 psm (lower quartile) to £3,864 psm (upper quartile), with the median figure being c.£3,750 psm.
- 5.16 A similar, but slightly broader, range of values has been employed in the high-level viability assessments undertaken by BHL for smaller sites (less than 20 dwellings) that might yet come forward as windfall sites during the Replacement LDP period. It should be noted though that the values (in £ psm) achieved on smaller sites will often reflect a premium of 10% or more, due to the “individual” character/quality of such developments. This is reflected in the broader range of values (from £3,500 psm to £4,000 psm) used in the high-level Countywide assessments (see **Appendix C**).

^L See paragraph 5.90 in the Manual

- 5.17 Transfer values for **affordable housing** in Monmouthshire, are based on 42% of the Welsh Government’s Acceptable Cost Guidance (ACG) for social rented tenure; and 60% of market value for intermediate tenure. Welsh Government has not reviewed the ACG rates that include a value for the land on which the new home is built, since 2021. Nevertheless, it is those 2021 rates that have been used to determine the transfer values for social rented new homes in both the site-specific candidate site FVA’s and BHL’s high-level Countywide viability assessments.
- 5.18 It is recognised that this creates transfer values that do not properly reflect changes, both in rental values and development costs, since 2021. It is likely that the rates (and probably the methodology) for calculating those transfer values will change during the course of the next 6 – 9 months; and before the Replacement LDP is submitted for Examination. The changes will doubtless lead to an increase in the transfer values for social rented affordable homes.
- 5.19 This will necessitate a further review of individual candidate site FVA’s; but in the meantime it may be said that using values based on the 2021 ACG’s offers something of a “viability buffer” to both the site-specific and Countywide viability assessments covered by this Report.

Rate of Sales and Development Programme

- 5.20 The rate at which new homes may be sold on the open market will vary from site to site, depending not only on the demand for new homes in any given location (which will also determine their selling price), but also very often on the size of the site being developed. A higher volume of sales each year will normally be achieved on the larger sites; although this is also influenced by the market knowledge of the larger/volume housebuilders, who will tend to build on sites where they expect a higher volume of demand.
- 5.21 Where possible, developers will try to match the rate at which they build to the rate at which the new homes can be sold; but this is not always possible to achieve, particularly when there are fluctuations in the market and/or when macroeconomic conditions create uncertainty. This is one area of risk for a developer that may not always be appreciated or understood. It is one of the things that need to be reflected in the percentage margin/return that is allowed to the developer.
- 5.22 On a majority of new housing developments, there will be an “overhang” period between the date on which final construction works are completed, and the date on which the last market sale is completed. The Viability Models both contain features that allow the user to specify the anticipated/assumed development period, and to decide whether or not to link that with the rate at which houses are likely to sell, and to include allowance for the “overhang” period just mentioned.
- 5.23 A broad analysis of the rate at which new homes have sold in recent years has been made as part of this Study. The sales rates in the table at **Appendix C** are a reflection of the conclusions drawn from that exercise; as are the sales rates adopted by individual site promoters in the FVA’s summarised at **Appendix B**. Any departures at Appendix B, from what might appear to be the norm, can be explained by site-specific evidence provided by the site promoter.
- 5.24 The rate at which affordable homes within a mixed tenure scheme are delivered will not necessarily be the same as the rate at which the open market dwellings are sold. It will often be a requirement of a s.106 obligation for the affordable housing to be delivered before all the open market homes are occupied. All candidate site FVA’s have been checked to ensure that this principle is reflected in the cashflow projections for those developments.

Development Costs

- 5.25 The Building Cost Information Service (BCIS) runs a database on construction costs drawn from development schemes across the UK, which provides subscribers with adjusted cost

estimates for a particular locality/area. Thus, BCIS data on Average Prices for Residential Facilities is commonly used as a guide to establish the basic cost of building houses (often referred to as “plot cost”) in a given area. It is generally accepted as offering a useful and reliable basis for FVA’s, but its data outputs require proper interpretation for three main reasons:

- a) the data is presented as a range of costs; and whilst it may have been customary to adopt the mean or the median rate (from this range) as a natural starting point, cost rates vary according to the complexity and scale of each development, as well as according to the underlying characteristics/nature of each site.
- b) the national/volume housebuilders do not generally contribute to the database; yet those companies are best able to achieve economies of scale. The absence of data from their developments not only reduces the direct relevance of the BCIS data to larger development sites, many of which are controlled and/or built out by these larger companies; but also, because the BCIS database is not a complete and fully-balanced industry dataset, it could be said that the median, upper and lower quartile cost rates would present a different picture if cost information from those larger companies were included.
- c) data is often submitted to BCIS with differing degrees of detail; and examination of the more detailed cost analyses for individual sites reveals a degree of inconsistency in the way that costs are often set out/recorded on the database.

5.26 For some, more rural, locations there is another issue with the BCIS database; namely that the information available is based on a very small sample of sites/schemes, sometimes only in single figures; and with little recent evidence in the data sample. This applies particularly in Wales; and thus highlights the need for viability assessments to be further informed by local evidence drawn from other studies, including site-specific viability appraisals undertaken with developers and site promoters as part of the collaborative, plan-making exercise.

5.27 Building/“plot cost” rates have also been discussed at some length in the course of the three VSG meetings referred to in para. 4.23 of this Report. The cost rates shown in Appendix B and Appendix C fall within the parameters agreed at those (and other relevant) meetings. It is common ground that “plot costs” vary according to the size of a development project; with rates generally being higher for the small sites than for the larger ones. The table at Appendix C also shows how this range of costs compares to the BCIS median rate for estate housing.

5.28 Both the site-specific DVM and the Regional Viability Model require the user to make some allowance for additional build costs relating to **extra Building Regulations requirements** in Wales, which are not currently reflected in the more general BCIS cost rates drawn from the UK as a whole. In the past, this mainly related to the costs of providing sprinkler systems in new homes. There is some evidence indicating that developers are finding ways to reduce the cost of sprinkler systems; and in several of the viability cases with which BHL has been involved recently, developers have offered evidence of build/plot costs that include sprinkler installations. Nevertheless, it has been customary in all recent viability assessments in which BHL has been involved, to make an additional allowance of £2,550 per dwelling for the cost of sprinklers and ULEV charging points in new homes.

5.29 However, BCIS Average Prices do not yet include the costs of complying with the new Part L regulations that recently came into force both in England and in Wales. The average extra cost associated with those changes to Building Regulations has been discussed in various forums attended by BHL over the last 18 – 24 months; and by common consensus has been taken at £3,000 per dwelling (as an average figure for all dwelling types) for the purposes of this Study.

- 5.30 Further changes are to be introduced in 2025 and, given the time period that will be covered by the Replacement LDP, the potential impact of those further changes must also be taken into account in this Study. BHL considers that public consumer awareness of the cost-saving benefits of the new Regulations will develop quite significantly over the course of the next 2 – 3 years; and that lenders will also develop a range of new products and/or practices that take account of that.
- 5.31 BHL has debated the cost of these further changes to the Regulations in 2025 with a number of industry stakeholders during the last 12 months. Opinions vary as to the most appropriate and/or cost-efficient way of addressing the new requirements. As mentioned in section 3 of this Report, Monmouthshire is introducing its own “net zero” policy for new homes.
- 5.32 Individual candidate site FVA’s have made allowances ranging from £7,000 – £12,000 per dwelling for the additional works/equipment that might be required to meet the terms of Policy NZ1 in the Deposit RLDP. It is possible/probable that some of these go beyond what may be strictly necessary to satisfy the requirements of that policy; but are aimed at delivering a product that will have a higher market value and/or appeal to a particular type of purchaser. Others have taken an approach to minimise costs; and have not assumed that significantly higher values will be achievable.
- 5.33 BHL has not sought to dictate any particular approach to site promoters on this issue; and has accepted a variety of approaches, where they can be seen to be reasonable. It is not, as yet, clear what the best approach will be. For the purposes of the High-Level Countywide Viability Assessments that BHL has carried out, it has been assumed that additional costs arising from the requirements in Policy NZ1 will be covered by an increase in the price at which new homes complying with that policy can be sold. Given that the likely additional cost may only be in the order of 2.5% of the average value of a home in Monmouthshire (currently £362,793) – or just 2% of the current average price of a new home (£537,377^M) – this is considered a reasonable assumption. It is also supported by evidence of sales values, especially on developments of up to 20 dwellings, for homes that are already being built to a more energy efficient specification than is required by current Building Regulations.
- 5.34 In addition to the basic cost of building houses (“plot cost”), there are costs associated with servicing each dwelling (e.g. access roads, utility and drainage connections, garages and/or parking areas, gardens and boundary features – known collectively as “external costs”), as well as the costs of providing appropriate infrastructure for the development (sometimes secured by s.106 obligations). In all the viability assessments referred to in this Study, external costs have been allowed for at a rate of no less than £17,500 per dwelling. Higher rates have been used in some of the appraisals; including the high-level assessments for the two single dwelling site typologies (see **Appendix C**).
- 5.35 On larger sites, the amount/cost of appropriate infrastructure may be quite large; such that what are commonly called the “opening up” costs of a major/strategic development site can have a significant impact on the overall land value per acre (or hectare). This is an important factor to be taken into account when one is considering what value represents an acceptable return to the landowner. It is unrealistic for a landowner to expect the same value per acre/ hectare from a site that requires substantial “opening up” expenditure on infrastructure, as one might expect from a site that is already serviced with the necessary infrastructure.
- 5.36 On this basis, and because such infrastructure costs are normally quite site-specific, the high-level viability assessments undertaken for smaller sites have assumed that the land/site value adopted for each assessment is inclusive of what are commonly called “abnormal” site costs;

^M Data from HM Land Registry’s House Price Statistics (<https://landregistry.data.gov.uk/app/ukhpi/>)

in other words, the assumption is that any such costs will be deducted from the price actually paid to the landowner.

- 5.37 Individual candidate site FVA's have made allowances for abnormal/opening-up costs according to whatever information is available to the site promoter (which has been shared with BHL). Such costs have also been reflected in the benchmark land value for each site, as/where appropriate.
- 5.38 Allowances for **s.106 obligations and SuDS requirements** have been made as follows – and are recorded in both **Appendix B** and **Appendix C**:
- a) £3,000 per dwelling for SuDS adoption costs. No doubt partly due to delays caused by nutrient neutrality issues, the Monmouthshire SAB currently has very few examples of commuted sums taken for the adoption of SuDS on residential developments. It was agreed through the VSG meetings that an allowance of £3,000 per dwelling would be made in all candidate sites and high-level viability assessments connected with the RLDP.
 - b) for individual candidate sites (**Appendix B**), site-specific allowances have been made for s.106 obligations in the amounts shown at Appendix B. In some cases these have been “rounded” by the site promoter in their FVA; but none of the allowances is considered to be an under-estimate.
 - c) For the high-level viability assessments on smaller sites, the allowances made are those shown in a separate table at the foot of **Appendix C**.
- 5.39 Further allowances need to be made in a viability assessment for external **professional fees** (or in-house costs) relating to the planning and design of the development, and of individual dwellings; as well as for construction warranties and the design/implementation of other site infrastructure. Expressed as a percentage of construction costs, these costs will typically range between 4% or 5% on a site where house types are drawn from a range of standard designs; to around 12% on a single dwelling site, where more bespoke design work will often be involved. For the high-level assessments on smaller sites, a range of costs/percentages has been applied to the different site typologies in the manner set out in **Appendix C**. In carrying out its review of all candidate site FVA's, BHL has checked that the allowances made in each FVA are appropriate to the scale of the proposed development.
- 5.40 It is also customary to include a **contingency sum** as a buffer against unexpected variations in construction costs. An allowance of 5% on total construction costs has been included in all the viability assessments covered by this Report.
- 5.41 In a similar way, allowances have been made against the estimated gross revenue from open market sales to cover **marketing and sale costs**, as follows:
- a) 2% on all site typologies of less than 20 dwellings;
 - b) 2.5% on all site typologies of 20 dwellings or more (reflecting the higher costs normally associated with marketing and show homes, in order to achieve higher monthly/annual sales rates); and
 - c) a further allowance for legal costs, calculated at £600 per dwelling on both open market and affordable homes. The allowance for legal costs in relation to affordable homes has been reduced in some of the larger candidate site FVA's to reasonable reflect economies arising from a block transfer of several new homes.
- 5.42 The **cost of funding/financing** the development has been calculated using an “all-in” interest rate of 6% p.a. for most of the sites identified in **Appendix B**. Slightly higher rates, from 7% to 8% p.a. have been used for high-level appraisals of smaller sites (see **Appendix C**). The use of an “all-in” interest rate is in line with the approach typically adopted and accepted in many

Planning Appeal decisions. Although it could be argued to be a slightly simplistic way of calculating such costs – which, in reality, will be broken down between separate charges for monthly interest on the sum being borrowed at any given time, plus arrangement/exit/facility fees, and monitoring costs – applying an “all-in” rate of interest has become accepted as a convenient and less complicated way of arriving at much the same result.

- 5.43 The use of a common “all in” rate also reflects a recommendation in the RICS Guidance Note (GN 94/2012) that *“the nature of the applicant should normally be disregarded [in an FVA], as should benefits or disbenefits that are unique to the applicant. The aim should be to reflect industry benchmarks in both development management and plan-making viability testing.”*

Land/Site Value

- 5.44 Both the DVM and the Regional Viability Model require the user to supply an estimated land price (or site value) in the first instance, although this estimate can be changed in the course of finalising the appraisal, if it is appropriate to do so.
- 5.45 The Development Plans Manual states that the land value should be “sufficient to encourage a land owner to sell for the proposed use”. A range of values from £325,000 to £375,000 per net developable acre (£800,000 to £925,000 per net hectare) was agreed as being appropriate for residential development land in Monmouthshire, at the Viability Study Group meeting in July 2023 (see slide 14 at **Appendix A**).
- 5.46 These values have been applied to the high-level viability assessments for smaller sites (see **Appendix C**) with a slight uplift for the smallest site typologies (single plots and 3 units).
- 5.47 Where the land values shown in **Appendix B** (for individual candidate sites) vary from these benchmarks, it is either on account of abnormal/opening-up costs associated with that site or some other site-specific consideration. BHL has looked closely at the site value used in each candidate site FVA, in relation to location, prevailing market values and abnormal/opening-up costs; and (through discussion with the site promoter where necessary) BHL is satisfied that in all cases these values satisfy the requirement of being “sufficient to encourage a land owner to sell for the proposed use^N”.
- 5.48 All the viability assessments covered by this Report include an allowance of 1.5% on top of this land price (or site value) for fees connected with a land purchase; and the appropriate amount for Land Transaction Tax, which the Models calculate on the basis of current LTT rates.

Development Profit and Viability

- 5.49 In the case of larger and/or more complex development sites, current practice would accept that a development proposal is “viable” if it is expected to achieve a return for the developer of 20% on the gross development value of all open market housing in the scheme, plus a return of 6% on the total development cost of all the affordable housing.
- 5.50 For smaller and medium-sized sites, it is normally considered that a developer’s profit margin should be within a range of between 15%-20% on GDV for a scheme to be considered “viable”; the appropriate percentage within that range being determined both by normal market forces – it is not uncommon for there to be stronger competition between developers for smaller sites than for some large sites – and by the degree of risk attaching to the scheme.
- 5.51 As referred to earlier, the RICS Guidance Note (GN 94/2012) on Financial Viability in Planning refers to the concept of “a market risk adjusted return to the developer”, in the context of deciding what amounts to an “acceptable market level” of return for Viability purposes. As stated in para. 3.3.2 of the Guidance Note, *“a small scheme constructed over a shorter*

^N See the definition of Viability at the foot of page 138 in the Development Plans Manual

timeframe may be considered relatively less risky, and therefore attract a lower profit margin, given that the exit position is more certain, than a large redevelopment spanning a number of years where the outturn is considerably more uncertain.”

- 5.52 A target margin based on 20% of the gross revenue from open market sales is considered appropriate for all developments of 40 dwellings or more; and this is reflected in the candidate site FVA's that BHL has reviewed. A lower level of return – between 15% and 20% – has been set in some of the candidate site FVA's for sites of between 15 – 20 dwellings, which is again considered appropriate and acceptable in viability terms.
- 5.53 Similarly, the appraisal results at **Appendix C** are based on target margins of 15%/16% on the gross revenue from open market sales for sites of 5, 10 and 15 dwellings; and a target margin of 13% for the 3-unit typology. A target margin of 10% on GDV has been used for single dwelling sites, where in many cases the “developer” will be a private individual undertaking a custom build, with or without help from a building contractor. That level of margin on GDV is considered appropriate for that case, more as an additional “buffer” against unexpected costs than as a profit/gain that is likely to be realised. However, it is also considered that a 10% margin is appropriate and adequate to those cases where a contractor is building a new single home on a more speculative basis; because all the plot cost rates (like the BCIS Average Prices per sqm) include an allowance for a contractor's overheads and profit on the building work.

Sensitivity Testing

- 5.54 The methodology behind the high-level viability assessments in this Study already affords a degree of sensitivity testing, by considering a range of potential house prices and land values for each site typology. Nevertheless, in accordance with best practice, the results from all the high-level assessments have been sensitivity tested to show the effect on developer's profit of the following changes to the basic inputs:
- plus/minus 10% in gross development value;
 - plus/minus 10% in build (plot + external) costs;
 - plus/minus 15% in land value.
- 5.55 To illustrate this, an example of the RVM outputs from one of the high-level assessments is attached as **Appendix D**.
- 5.56 The same applies to all candidate site FVA's, where the DVM has been used. The DVM includes sensitivity tables that illustrate the effect on developer's profit of the same potential changes in the basic inputs as those described in para. 5.54 above.

6. HIGH-LEVEL VIABILITY ASSESSMENTS for SMALL WINDFALL SITES

- 6.1 As explained in earlier sections of this Report, the Study has established that it should be viable for sites of 20 or more new dwellings in Monmouthshire, to deliver 50% of the total number of dwellings in each development as affordable homes.
- 6.2 A further part of the Study has therefore considered the viability of providing affordable housing where smaller developments (less than 20 new homes) are involved. To this end, BHL has undertaken High-Level Countywide Viability Assessments for a range of site typologies, the results from which are recorded in **Appendix C**.
- 6.3 The previous section 5 in this Report records how the costs and values used in the high-level assessments have been derived from evidence and from consensus at Viability Study Group meetings. From the tables at Appendix C, it may be noted that the allowance made for basic build (or “plot”) costs for each typology is generally higher than the estimated plot costs for the (larger) allocated sites in Appendix B, for example (see para. 5.27 above).
- 6.4 High-level viability assessments have been undertaken by BHL within a range of estimated market values for the new homes; from £3,500 psm up to £4,000 psm. The rationale for this is explained in para. 5.16 above. In addition to those assessments, the rows highlighted with a pink background in the upper table at **Appendix C**, pinpoint the house price threshold at which viability is achieved for delivering 40% of the new dwellings as affordable homes.
- 6.5 The column towards the right-hand side of the table shows the surplus or shortfall, compared with the target level of profit two columns to the left of that, in £/dwelling. As an example, for a development of 10 dwellings, if the open market homes are expected to sell for £3,500 psm, it is not viable for that site to deliver 40% of the new dwellings as affordable homes on-site; if 3 of the 4 affordable homes are required to be for social rent, there is shortfall against the target profit margin for a developer of c.£10,000 per dwelling. However, 4 affordable homes (40% of the 10 new homes) would be viable, if either the open market homes could be sold for just over £3,700 psm; or if the split between social rent and intermediate tenures for the affordable dwellings could be reversed (i.e. if only 1 of the affordable homes was designated for social rented tenure, with the other 3 dwellings being designated for low-cost ownership).
- 6.6 The results at Appendix C indicate that on smaller sites, where applying the preferred 70/30 tenure split between social rent and intermediate tenure may not arrive at a whole number for each tenure type anyway, there may need to be some flexibility in the choice of affordable tenure in order to achieve viability on a particular/given site. That degree of flexibility is not unreasonable; and would enable the terms of a planning consent to reflect the particular need (in terms of tenure) in a given location.
- 6.7 Thus it is from the viability assessments for sites of 5, 10 and 15 new homes in **Appendix C** that BHL concludes that it should be viable for housing developments of between 5 and 19 new homes to deliver 40% of those new dwellings as affordable units; and that this therefore is an appropriate policy target for the Replacement LDP. It is based on a 70/30 split of those affordable homes between social rent and intermediate tenure (low cost home ownership) as a starting point.
- 6.8 It is not altogether surprising that a lower proportion of affordable housing is viable on smaller sites than on the (larger) sites that the Council proposes to allocate in the Replacement LDP; given the economies of scale that can apply to larger sites. BHL also understands that few small sites have come forward in village locations where, under the Adopted LDP policy S4, at least 60% of the new homes would have to be affordable dwellings.
- 6.9 The table at the foot of **Appendix C** also shows the allowances made for s.106 obligations and SuDS adoption costs for each of the small site typologies. For sites of less than 5 dwellings (the

two typologies at the top of the upper table in **Appendix C**), where the on-site provision of affordable housing is not required/envisaged, the allowances for s.106 obligations include an estimated financial contribution towards the off-site provision of affordable homes, based on the Council's current Affordable Housing SPG (July 2019).

- 6.10 It can be seen from the results for these smallest two site typologies, that the terms of the current Affordable Housing SPG should not represent a challenge for any developments of this size on a greenfield site. The development scenarios illustrated at **Appendix C** show significant surpluses over and above the target profit margin in all cases.
- 6.11 BHL has therefore run alternative viability assessments for these smallest site typologies, to test the maximum level of financial contribution that they could potentially afford to make. The results are shown in the smaller table headed "Alternative Assessments for Smallest Site Typologies" at the centre of **Appendix C**. From this, BHL concludes that it should be viable for sites of less than 5 dwellings to make the following financial contributions towards provision of affordable housing off-site:
- a) for sites in the lowest market value band (£3,500 psm), a financial contribution based on £650 psm, applied to the total gross internal floor area of the proposed new home(s);
 - b) for sites in the median value band (£3,750 psm), a financial contribution based on £975 psm, applied in the same way as in (a) above; and
 - c) for sites in the higher value band (£4,000 psm), a financial contribution based on £1,350 psm, applied in the same way as in (a) and (b) above.

7. SUMMARY and CONCLUSIONS

- 7.1 The affordable housing targets set out in Strategic Policy S7 of the Deposit Replacement LDP are derived from, and are supported by, the financial viability assessments undertaken by or on behalf of the promoter(s) of each site proposed for allocation in the Deposit RLDP, all of which have been reviewed by BHL; and by the Countywide high-level assessments described in previous sections of this report. Policy S7 reads as follows:

S7 – Affordable Housing

The affordable homes target for the Plan period of 2018 – 2033 is 1,595 – 2,000 homes. This will be delivered in accordance with the following framework:

- i) **New site allocations** – On-site provision of 50% affordable homes on all new site allocations.
- ii) **Sites of 20 homes and over** – On-site provision of 50% affordable housing applies to development proposals on sites within existing settlement boundaries as identified in Tiers 1-3 of Strategic Policy S2.
- iii) **Sites of 5 to 19 homes** – On-site provision of 40% affordable housing applies to development proposals on sites within existing settlement boundaries as identified in Tiers 1-3 of Strategic Policy S2.
- iv) **Sites of 1 to 4 homes** – Financial contributions towards the provision of affordable housing in the local planning authority area will be required in accordance with details set out in the Affordable Housing Supplementary Planning Guidance.
- v) **Conversions and sub-divisions** – Financial contributions towards the provision of affordable housing in the local planning authority area will be required in accordance with details set out in Affordable Housing Supplementary Planning Guidance.

In determining how many affordable homes should be provided on a development site, the figure resulting from applying the proportion required to the total number of dwellings will be rounded to the nearest whole number, where half rounds up.

All proposals must meet national policy guidance in relation to the most efficient use of land and should not be subdivided or phased in an attempt to avoid on-site provision of affordable homes.

This Strategic Policy applies to all residential planning applications. Exceptions will not be made for sites that previously had planning permission and have been resubmitted.

- 7.2 High-level viability assessments undertaken by BHL suggest that where it is not viable for sites to deliver affordable housing on-site, there may be scope for increasing the level of financial contributions that are currently required under the Council's 2019 Affordable Housing SPG.
- 7.3 The Study undertaken by BHL confirms the financial viability of all the Council's proposed housing allocations in the Replacement LDP; with the exception of Drewen Farm, Monmouth (CS0277) where further evidence should be provided by the site promoter as soon as possible.

- 7.4 It is likely that the Council will wish to review the methodology for the future calculation of affordable housing transfer values on s.106 sites before the Replacement LDP is submitted for Examination
- 7.5 The FVA's for sites that the Council is proposing to allocate in the Replacement LDP are likely to need a review (and updating) in the light of some increase in the transfer values for social rented homes in particular; as well as any other new information that may become available for those sites, prior to submission of the Replacement LDP for Examination. This might also include the outcome to continuing discussion with and within the industry about the most practical and cost-efficient means of meeting the requirements of the Council's proposed policy NZ1; and any other/similar regulatory requirements at a national level.
- 7.6 This Report is made for Monmouthshire County Council, as part of the evidence base for the Council's Deposit Replacement LDP; and for the purposes of establishing the viability of the proposed policies in the Replacement LDP on affordable housing and other s.106 obligations. The Report has been prepared with all reasonable skill, care and diligence; and in a manner consistent with the RICS Practice Statement and Guidance Note for Surveyors acting as Expert Witnesses. Nevertheless, no duty of care can be accepted to third parties for the whole or any part of its contents.

Andrew Burrows MA FRICS

Director

Burrows-Hutchinson Ltd

Strategic Asset Management,

Economic Regeneration and Viability,

Energy Conservation and Performance.

September 2024

APPENDICES

APPENDIX A : VIABILITY STUDY GROUP – JULY 2023

Newport City Council and Monmouthshire County Council Viability Study Group (24/07/2023)

Draft Statement of Common Ground

Arising from a meeting arranged by Monmouthshire County Council (MCC) and Newport City Council (NCC), attended by the following stakeholders and chaired by Andrew Burrows MA FRICS of Burrows-Hutchinson Ltd:

Home Builders Federation	Mark Harris
Edenstone Homes	Katie Peters
Redrow Homes	Jane Carpenter and Wayne Rees
Persimmon Homes	Ellena Hodges
Melin Homes	Jodine Bishop
Monmouthshire HA	Chris Kinsey and Simon Jenkins
Johnsey Estates	Peter Downes
Elev8 Land	Leighton Morgans
National Grid	Gav Berry
Welsh Water	Dewi Griffiths
Asbri Planning	Catherine Blyth
Boyer Planning	Simon Barry
CBRE	Tom Upton
Lichfields	Simon Coop
NP Linnells	Matt Tyler
Savills	Andrew Weeks and Chloe Latham
Newport City Council	Vicky Gee, Alun Lowe and John Gibson
Monmouthshire County Council	Craig O'Connor, Rachel Lewis, Sarah Jones and Nick Keyse
Torfaen County Borough Council	Adrian Wilcock and Rachel Standfield

1. Background

- 1.1.1 This Statement of Common Ground (SoCG) has been prepared to inform the high level viability work undertaken to inform the preparation of the Newport City Council (NCC) Replacement Local Development Plan (RLDP) and the Monmouthshire County Council (MCC) Replacement Local Development Plan
- 1.1.2 Those listed on the cover sheet have attended, have contributed to and have reviewed this document.

2. Agenda

Slide 1

Monmouthshire & Newport Councils High-Level Viability Assessments



AGENDA

- 1) INTRODUCTIONS
- 2) REPLACEMENT LOCAL DEVELOPMENT PLANS - UPDATE
- 3) HOUSE PRICES and SALES in the CURRENT ECONOMIC CLIMATE
- 4) TRANSFER VALUES for AFFORDABLE HOMES
- 5) IMPACT of CHANGES to BUILDING REGULATIONS
- 6) CONSTRUCTION and DEVELOPMENT COSTS generally
- 7) BENCHMARK LAND VALUES
- 8) ANY OTHER ISSUES

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Andrew Burrows (AB) Comments

- 2.1.1 Sales values for market homes will not be discussed at this session, as data/evidence is in the public domain; but will discuss the effect and likely duration of the current economic climate on house prices.

3. Timetable

Andrew Burrows (AB) Comments

- 3.1.1 MCC are preparing to publish their Deposit Replacement Local Development Plan in Spring 2024, whilst NCC are holding a Preferred Strategy consultation in Autumn 2023, prior to publishing a Deposit Replacement Local Development in Autumn 2024.
- 3.1.2 MCC Plan Period is 2018-2033, whilst NCC Plan Period is 2021-2036. AB will be undertaking/updating county/city-wide high-level viability assessments for both LPA's during the next 2 – 3 months.
- 3.1.3 The second stage of the new Building Regulations will affect the majority of the Plan Period for both Local Planning Authorities

4. National Policy

Slide 3

Monmouthshire & Newport Councils National Policy & Candidate Sites



- **PPW 11** – *as part of demonstrating deliverability, financial viability must be assessed prior to allocating/re-allocating sites*
- **Development Viability Model (“DVM”)**
- **PPW and LDP Manual** also require plan-wide “high-level” viability assessments to support general policy objectives
- **Phosphates**

Andrew Burrows (AB) Comments

- 4.1.1 Andrew Burrows (AB) identified a list of primary policy guidance that stresses the importance of the presentation of viability information for sites that have not come forward since their allocation in the current LDP.

- 4.1.2 Most of MCC’s Candidate Site Financial Viability Assessments were updated in early 2023. NCC will be undertaking a recall for Candidate Sites in Autumn 2023.
- 4.1.3 High-level Financial Viability Assessments, for both MCC and NCC, will take place from August/September 2023.
- 4.1.4 Phosphates are only an issue for MCC at present, but improvements to the waste water treatment works at Llanfoist and Monmouth are anticipated to be completed by 31st March 2025. NRW is currently conducting a review of all permits and water quality to review what capacity (if any) exists to enable development proposals to come forward while ensuring betterment or neutrality of phosphate levels.

5 Viability Study Group

Slide 4

Monmouthshire & Newport Councils What is a Viability Study Group?



- 1) Key Stakeholder Representation (incl. landowners/site promoters)
- 2) Working together to achieve consensus or “common ground” on key issues and viability inputs
- 3) “Open book” approach
- 4) Proportionality
- 5) Ensuring evidence remains up-to-date

Diagram 10: Viability Study Group Model



Andrew Burrows (AB) Comments

- 5.1.1 The aim is to start the discussion process at an early stage and to undertake initial high-level assessments in tandem with individual candidate site appraisals. There is need for consensus on inputs with developers and landowners, adopting an ‘open-book’ approach.
- 5.1.2 (2), (3) and (5) (above) are a challenge to the development industry and LPA’s alike. It is critical that we address the shortage of housing, climate change and rising costs together.

5.1.3 Recognition that Local Plans should be aspirational, as well as realistic.

6 Housing Market

Slide 5

Monmouthshire & Newport Councils HOUSING MARKET Generally



House price index for all property types, from June 2022 to June 2023 for 3 locations

Date	United Kingdom	Wales	England
June 2022	148.5	156.3	148.5
July 2022	151.6	158.9	151.6
August 2022	152.7	159.8	152.9
September 2022	153.7	163.4	154.0
October 2022	153.1	162.8	153.4
November 2022	153.1	161.2	153.6
December 2022	152.4	162.1	153.3
January 2023	151.2	158.4	152.1
February 2023	150.8	158.4	151.8
March 2023	149.5	158.3	150.0
April 2023	150.3	156.3	150.7



UK House Price Index

Sales data since Jan 1995

Rebased to 100 in Jan 2015

HM Land Registry

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Andrew Burrows (AB) Comments

- 6.1.1 An overview of the current housing market shows that, in the last year, house prices in MCC increased by 6% (and generally appear to be holding up), whilst in NCC they increased by 5.5% (albeit looking more susceptible to a downturn in the last couple of months).
- 6.1.2 What are the expectations over the next 12–24 months and beyond? Interest rates are affecting people attaining mortgages, but values don't appear to be dropping.
- 6.1.3 Rate of sales ranging from 1/month on small sites to 1/week on larger sites.

Stakeholder Comments

- 6.1.4 Mortgage rates are a factor and sales rates are slowing compared to the last 18 months. The rise in mortgage interest rates has affected the rate of sales rather than the level of prices at the moment. Movers are taking longer to sell current homes. To some extent, Wales is 'insulated' from price falls due to the relatively low average price of the housing stock.

- 6.1.5 Viability assessments in the plan-making process need to be based on likely longer term sales rates, rather than those that might apply in the immediate future.
- 6.1.6 Suggested though that values in NCC may be down 5%; and that larger properties (over £300k) are slower to sell – albeit properties valued at less than £300k sell more quickly. But also noted that there is a smaller pool of developers in NCC. As such, the supply of open market stock is limited compared to demand, making values more resilient.
- 6.1.7 Extension of the Help to Buy scheme in Wales is also expected to help maintain values and delivery rates, up to the £300k cap.

Conclusion

- 6.1.8 Consensus that an average sales rate of 3 to 4 homes per month is appropriate for medium to larger sites.
- 6.1.9 Consensus that, in the short term, current values are more likely to remain static than to fall.

7 Affordable Homes

Slide 6



Monmouthshire & Newport Councils AFFORDABLE HOMES



- **2021 WELSH DQR's**
- **2021 ACG's incl. Land**
- **Future Methodology for determining AH Transfer Values**

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Andrew Burrows (AB) Comments

- 7.1.1 The current Development Viability Model (DVM) uses 2021 Acceptable Cost Guidance (ACG) figures including land, which are no longer being updated by WG. However, in the next six months, an updated DVM is expected to offer alternative methods of calculating AH transfer values. Noted that WG have made significant increases to ACG's excluding land over the last two years.
- 7.1.2 MCC policy is currently based on a neutral tenure rate of 42% of ACG, but some financial modelling has been done based on a higher rate of 60% of Open Market Value (OMV) for Intermediate tenure. Confirmed by MCC that "neutral tenure" is open to discussion but must still meet housing need, their priority being to achieve 50% provision of AH on s.106 sites.
- 7.1.3 NCC base their AH transfer values on 50% of ACG for all Affordable Housing (i.e. neutral tenure model).

Stakeholder Comments

- 7.1.4 Monmouthshire HA suggested that a one-to-one discussion with AB about their Living Rents model would be helpful. Drive for 50% AH may


necessitate split tenure modelling. Potential management issues if all social rent.

- 7.1.5 Current WDQR review may result in some changes to affordable home sizes (not affecting open market dwellings).

8 Plot Costs

Slide 8

Monmouthshire & Newport Councils
BCIS database



- ▼ Wales (94; sample 411)
 - > Clwyd (91; sample 69)
 - > Dyfed (97; sample 48)
 - ▼ Gwent (95; sample 64)
 - Blaenau Gwent (96; sample 8)
 - Islwyn (95; sample 7)
 - Torfaen (91; sample 8)
 - Monmouth (99; sample 7)
 - Newport (95; sample 34)
 - > Gwynedd (94; sample 33)
 - > Mid Glamorgan (93; sample 75)
 - > Powys (98; sample 23)
 - > South Glamorgan (95; sample 58)
 - > West Glamorgan (91; sample 41)

- ❖ District sample size in Wales generally
- ❖ Bridgend SoCG (Sept 2020)
 - £970 psm (£90 psf) for sites < 50 units
 - £918 psm (£85 psf) for 50 units or more**All-In TPI +16.75% since then, Gen BCI +24%**
- ❖ Neath Port Talbot (Feb 2023)
 - £1,200 psm (£111.50 psf) for up to 50 units
 - £1,100 psm (£102.20 psf) for > 50 units
- ❖ Should the range be broader than this?
- ❖ Is there some “blurring” between basic “plot costs” and additional cost of Building Regs in Wales? – sprinklers, Part L changes, ULEV etc.

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Andrew Burrows (AB) Comments

- 8.1.1 Slide 8 (above) identifies plot costs agreed for Bridgend and Neath Port Talbot (NPT) councils. £1,200 psm (for sites of less than 50 dwellings) equates to 90%, and £1,100 psm (for sites of 50 dwellings or more) to 80%, of current median BCIS rate. Are economies of scale for national house builders and larger development sites greater than this?

Stakeholder comments

- 8.1.2 Broad agreement to the above cost rates, but suggested that SME’s have been disproportionately affected by supply shortages and increases in cost of materials. A higher plot cost rate should potentially be applied to sites of 20 dwellings or less. It was suggested that there be a call for evidence from SME’s on this issue.
- 8.1.3 “Blurring” (referenced in slide 8) may be due to inclusion of RSL cost rates.

9 Building Regulations

Slide 9

Monmouthshire & Newport Councils New Building Regulations (Parts L, F & O)



- **IMPACT OF NEW PART L from 2023**
 - How much of the new requirement is already being met ?
- **IMPACT OF FURTHER CHANGES in 2025**
 - Will additional costs be reflected in higher sales values ?
- **IMPACT on BENCHMARK LAND VALUES**
- **IMPLICATIONS for HIGH-LEVEL VIABILITY TESTING**

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Andrew Burrows (AB) Comments

- 9.1.1 Extra costs of £2,550 per dwelling for sprinklers + ULEV charging points, plus £3,000 for 2022/23 Part L changes, have been generally accepted in FVA's since 2022; and were confirmed at the Neath Port Talbot Study Group (Feb 2023).
- 9.1.2 Will extra cost in 2025/26 for triple glazing and heat pumps (or MVHR) (c.£5,000 to £7,500) be matched by increase in sales values?
- 9.1.3 WG expectation is that extra costs will be absorbed by landowners and developers, rather than s.106. Is this realistic?

Stakeholder Comments

- 9.1.4 Savills Research suggests that an energy-efficient 'premium' on house values (c.12%) tends only to be achieved on larger houses ($\geq 1,200$ ft²).
- 9.1.5 £3,000 costs for Part L is low; more likely £6,000 per plot for 2023 compliance. Expect £5,000 per plot for 2025 compliance.
- 9.1.6 Octopus Zero Bills initiative was mentioned, guaranteeing zero energy bills for five years on new homes kitted out with the right combination of solar panels, home battery and heat pump.

9.1.7 Noted that, from April 2023, National Grid are spreading the cost of increasing capacity of the existing network across all consumers, as opposed to expecting developers to pay the full cost of reinforcement works. This only applies to the existing grid; network extensions will still have to be paid for by developers.

Conclusion

9.1.8 There was general consensus that, for high-level viability assessments, a supplementary allowance of £3,000 per dwelling would cover the immediate impact of the Part L changes (2022/23).

9.1.9 No supplementary allowance will be made for the further changes scheduled for 2025, in anticipation that additional costs will be covered by higher house price; or can be taken into account by adjustments to land costs.

10 'Other' Development Costs

Slide 10

Monmouthshire & Newport Councils Other Development Costs



➤ **NORMAL "EXTERNAL" COSTS**

- 15% - 20% of Plot Costs : £17,500 per dwelling (Estate Housing)
- 5% - 10% of Plot Costs for High Density/Apartment schemes

➤ **ABNORMAL COSTS – reflected in Land Value**

➤ **SPRINKLERS – an ongoing extra cost?**

➤ **SuDS – land requirements**

– construction & adoption costs

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Andrew Burrows (AB) Comments

10.1.1 Currently applying a combined supplementary allowance of £2,550 per dwelling for sprinklers and ULEV charging points; but some FVA's are now using plot cost rates that include the cost of sprinklers.

10.1.2 Evidence re: SuDS adoption and installation costs remains limited – and quite variable. Neath Port Talbot applying £4,500 per dwelling for adoption costs. MCC costs range from £2,080 to £6,850 per dwelling. NCC applying £7,500 to £10,000 per plot. SuDS requirements may also impact the net to gross ratio of development site areas.

Stakeholder Comments

10.1.3 Agreed that normal “external” costs would range from 15% - 20% of plot costs for Estate Housing; and from 5% - 10% of plot costs for High Density/Apartment schemes.

10.1.4 Agreed that abnormal costs should normally be reflected in land value.

10.1.5 Sprinklers are an on-going issue. Some house builders are installing private sprinkler mains to guarantee sufficient pressure, but there are pressure issues in some areas that still cause problems.

10.1.6 Evidence of £8,000 – £10,000 per plot for SuDS in SE Wales generally was cited by a number of stakeholders; and that site size does not necessarily offer economies of scale.

10.1.7 Noted that WG are reviewing current SuDS regulations; and that the impact of commuted sums is recognised. But any changes will require legislation; and will not therefore be immediate. Possible economies by “stacking” maintenance responsibilities are being considered; but WG generally opposed to the involvement of management companies and service charges on residents.

Conclusion

10.1.8 AB to review allowance of £2,000 per dwelling for sprinklers. Evidence on the issues raised above should be sent to LDP.Consultation@newport.gov.uk.

10.1.9 More concrete evidence is required re: the cost implications of SuDS; to be sent in the first instance to LDP.Consultation@newport.gov.uk.

10.1.10 Monmouth HA to provide evidence of apparent disparity of SuDS costs between MCC and NCC.

11. Fees, Warranties & Contingency Sum

Slide 11

Monmouthshire & Newport Councils Fees, Warranties & Contingency sum



- **PROFESSIONAL FEES**
 - 4% - 12% of Plot Costs + Externals : includes warranties
 - typically 10% on infrastructure/abnormal costs
- **CONTINGENCY SUM – typically 5%**
- **SALE & MARKETING COSTS**
 - 2.5% of Open Market Sales : Legals £600/unit (normally less for AH on larger sites)

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Andrew Burrows (AB) Comments

- 11.1.1 AB commented that the figures in slide 11 should not be contentious, as they have generally been agreed in other sessions.
- 11.1.2 S278 costs would be covered by community infrastructure or abnormal costs, but not professional fees.
- 11.1.3 AB has used 4% – 12% range for professional fees for the last 7 years. Use of a 'blended rate' accounts for the rate starting at the lower end i.e. 4%

Stakeholder Comments

- 11.1.4 Reference made to Lichfields' "Fine Margins" report, pointing to a typical range of 8% - 10% for professional fees in a local plan viability context. AB citing evidence of much lower rates being accepted in site-specific FVA's on larger sites; and in cases where construction is based on standard dwelling types.
- 11.1.5 General comments that s.278 costs, and Planning costs more generally, have increased significantly in recent years.

Conclusions

11.1.6 AB has reviewed the Fine Margins report since the meeting; and stands by the range of 4% – 12% for professional fees, which is applied to the aggregate of build and external costs; given that a higher, additional allowance is normally made for fees relating to abnormal works/costs. Fine Margins report refers to a range of 8 – 10% “of build costs”, which is a common shortcut taken when using Argus software.

11.1.7 Consensus that sales and marketing costs should be taken at 2.5% of open market sales.

12. Finance Costs

Slide 12

Monmouthshire & Newport Councils Finance Costs



Up to Feb/Mar 2023

- 6% p.a. debit interest, 0.5% p.a. credit : “all-in” rate for medium/smaller sites
- 5% p.a. debit for larger sites

Current Rates – discuss; is the spread between smaller and larger sites widening?

Andrew Burrows (AB) Comments

12.1.1 6% debit interest rate accepted by NPT study group.

Stakeholder Comments

12.1.2 Savills UK basing Red Book valuations on a risk premium of 3.5% over the SONIA 5-year swap rate, currently equating to a debit interest rate of 8.0% – 8.5%. Recognition that the rates will be higher for smaller developers; and lower for larger PLC's.

Conclusion

12.1.3 High-level viability assessments must consider a period way beyond the present; and there is an anticipation that, even if interest rates do not return to the very low levels experienced prior to 2023, they will settle below their current level within the foreseeable future. Agreed that a debit interest rate of 6% for larger developments and 8% for smaller sites would be an appropriate basis for current high-level assessments.

13. Developers' Profit Margins

Slide 13

Monmouthshire & Newport Councils Developer's Profit



*" a surplus sufficient to provide both an **adequate profit margin for the developer** and a land value sufficient to encourage a landowner to sell for the proposed use."* (Development Plans Manual p.138)

- **Concept of "market risk adjustment"**
- **Lender's requirements**
- **Typical margins**
 - 15% to 20% on Gross Revenue from Open Market Sales
 - 10% incentive/contingency on single plots
 - 6% on Affordable Housing costs

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Monmouthshire & Newport Joint VSG

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Conclusion

13.1.1 The figures in slide 13 (above) were agreed; the higher 20% rate applying to larger/more complex sites (typically 50 dwellings or more); reducing to 15% on sites of 10 dwellings or less.

14. Land Values & Acquisition Costs

Slide 14

Monmouthshire & Newport Councils Land Values & Acquisition Costs



- **EXISTING USE VALUES** – agricultural and commercial
- **LAND for NEW HOUSING - MONMOUTHSHIRE**
 - From £325k per net acre (South and Mid-West)
 - To £375k per net acre (Chepstow)
 - Average £350k per net acre (Abergavenny & Monmouth)
- **ACQUISITION COSTS**
 - Models calculate LTT
 - 1.5% for legal and agency/introductory fees

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Monmouthshire & Newport Joint VSG

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Conclusion

- 14.1.1 Consensus on Benchmark land values for MCC (as above) supported by candidate site viability submissions.
- 14.1.2 NCC land values probably similar to MCC values, but more feedback is required.
- 14.1.3 Agricultural values dependent on location and topography, but typically £8k – £10k per acre; with pony paddocks fetching higher values £15k – £20k per acre.
- 14.1.4 Commercial land values ranging from £150,000 – £250,000 per acre, depending on location, use class and quality.

15. AOB

- 15.1.1 Several concerns expressed about the deliverability of 50% affordable housing without grant funding, which is not normally available on s.106 sites.
- 15.1.2 Commuted sums being requested for internal roads (15-20%), adding to abnormal costs. Evidence to be provided by Redrow and HBF.

15.1.3 Intend to hold another VSG session in November 2023, primarily to inform NCC high-level viability assessments (e.g. matters not resolved at this session). All current attendees will be invited.

APPENDIX B : SUMMARY of DATA for ALLOCATED SITES

CS Ref	Site Name	No. Homes in Plan Period			Site Area (net ha)	Develpmt Density		Affordable Homes		DVM reviewed by BHL					Comments
		RLDP site	LDP site	Total		dph	sqm/ha	Total	SR	OMV/m ²	Build/m ²	s.106/dwg	Sales/mth	Land /ac	
Abergavenny															
CS0213	Land East of Abergavenny	500		500	14.82	39.0	3,579	50%	70%	£3,773	£1,163	£3,735	3.75	£334,515	Mixed-use, including commercial uses & local centre
CS0094	Land at Penlanlas Farm	100		100	3.40	29.4	2,721	50%	70%	£3,902	£1,248	£7,500	4.00	£350,000	
Total		600		600	<i>26.0% of total new homes</i>										
Monmouth															
CS0270	Leasbrook (Dixton)	270		270	7.08	38.1	3,658	50%	70%	£3,621	£1,100	£11,967	3.00	£400,000	
CS0189	Land at Tudor Road, Wyesham		50	50	1.15	43.5	3,847	50%	69%	£4,282	£1,317	£7,500	3.00	£350,000	Current planning application for 100% affordable housing
CS0277	Land at Drewen Farm		110	110	Site allocated for development in existing LDP and planning application said to be imminent. No recent evidence confirming viability.										
CS0076	Land west of Rockfield Road	60		60	3.23	18.6	3,270	50%	68%	£3,596	£1,100	£13,062	4.00	£150,351	Allocation for 60 additional homes in RLDP, adding to existing consent for 70 units.
Total		330	160	490	<i>21.3% of total new homes</i>										
Chepstow															
CS0165	Mounton Rd	146		146	3.90	37.4	3,601	50%	70%	£3,804	£1,184	£10,000	4.33	£337,245	Mixed-use, may include hotel and care home
Total		146		146	<i>6.3% of total new homes</i>										
Sevenside															
CS0087	The Showground	385		385	11.36	33.9	2,882	50%	70%	£3,748	£1,100	£8,695	4.00	£350,000	Taken together, these two candidate sites are entitled "Land east of Caldicot/North of Portskewett" in the RLDP
CS0251	Bradbury Farm	385		385	13.00	29.6	2,519	50%	70%	£3,787	£1,100	£8,695	4.00	£300,400	
CS0009	Former MoD Training Centre, Caerwent	40		40	2.47	23.0	2,166	50%	70%	£3,438	£1,200	£9,058	3.00	£81,967	Mixed-use, with 1 ha of employment land
Total		810		810	<i>35.1% of total new homes</i>										
Rural Secondary Settlements															
CS0183	South of Monmouth Road, Raglan	54		54	1.56	34.6	3,000	50%	70%	£3,848	£1,100	£9,101	2.75	£300,000	
CS0113	Castle Oaks (Site D), Usk	40		40	1.26	31.7	2,990	50%	70%	£4,290	£1,300	£11,584	2.22	£480,750	
CS0037	Usk Road, Penperlleni	42		42	1.20	35.0	3,086	50%	71%	£3,875	£1,248	£7,500	4.00	£350,000	
Total		136		136	<i>5.9% of total new homes</i>										
Rural															
CS0214	Land at Churchfields, Devauden	20		20	0.52	38.5	3,492	50%	70%	£3,315	£1,163	£3,600	2.00	£337,209	
CS0016	Land to the east of Little Mill	20		20	0.77	26.0	2,283	50%	60%	£3,566	£1,213	£500	2.50	£315,346	
HA16	Land north of Little Mill		15	15	Site rolling forward from existing LDP, with planning for consent for 7 open market homes and 8 affordable dwellings (53% AH).										
CS0027	Land at Llanellen Ct Fm, Llanellen	26		26	1.08	24.1	2,520	50%	69%	£3,635	£1,220	£6,221	1.18	£284,785	
CS0232	Land west of Redd Landes, Shirenewton	26		26	1.20	21.7	2,375	50%	60%	£3,864	£1,270	£2,827	4.00	£236,072	
CS0077	Land at Piercefield, St Arvans	16		16	0.48	33.3	3,196	50%	63%	£3,069	£1,145	£8,463	4.00	£21,078	
Total		108	15	123	<i>5.3% of total new homes</i>										
GRAND TOTALS															
NEW ALLOCATIONS in RLDP		2,130			Analysis of Open Market Values : Median £3,748 U/Qtle £3,864 L/Qtle £3,596										
EXISTING LDP SITES		175													
TOTAL NEW HOMES on ALLOCATED SITES during PLAN PERIOD		2,305													100.0%

Sites highlighted with a yellow background are designated by the Council as "key sites"

APPENDIX C : HIGH-LEVEL VIABILITY ASSESSMENTS for SMALL SITES

Summary of High-Level Viability Assessments

Monmouthshire County Council - Replacement LDP

Financial Viability Report - Appendix C

Value Range	N° of Units	Site Area		Building Densities			OMV £ psm	OM Sales p.a.	AH % on site	SuDS & s.106/ dwelling	Build Cost £ psm	% of MCC Median	% of BCIS Median	Design Fees %	Debit Rate %	Land Price (£)	Land Value £/ha	Developer's Profit		Surplus/ Shortfall per unit *	Comment
		ha	ac	dph	dpa	sqm /ha												Target % OM GDV	Blended Margin		
Higher Value	1	0.04	0.10	25	10		£4,000	1	0.0%	£17,600	£1,535	122%	110%	12%	8.0%	£45,000	£1,125,000	10.0%	29.6%	£101,871	Surplus = £783.62 psm
Median Value	1	0.04	0.10	25	10	3,250	£3,750	1	0.0%	£16,100	£1,535	122%	110%	12%	8.0%	£40,000	£1,000,000	10.0%	26.5%	£80,361	Surplus = £618.16 psm
Lower Value	1	0.04	0.10	25	10		£3,500	1	0.0%	£14,600	£1,535	122%	110%	12%	8.0%	£37,500	£937,500	10.0%	22.3%	£56,120	Surplus = £431.69 psm
Higher Value	3	0.100	0.25	30	12		£4,000	4	0.0%	£15,000	£1,475	117%	105%	10%	8.0%	£100,000	£1,000,000	13.0%	31.6%	£68,627	Surplus = £745.95 psm
Median Value	3	0.100	0.25	30	12	2,760	£3,750	4	0.0%	£13,900	£1,475	117%	105%	10%	8.0%	£95,000	£950,000	13.0%	28.0%	£51,895	Surplus = £564.08 psm
Lower Value	3	0.100	0.25	30	12		£3,500	4	0.0%	£12,900	£1,475	117%	105%	10%	8.0%	£90,000	£900,000	13.0%	23.9%	£35,037	Surplus = £380.84 psm
Higher Value	5	0.200	0.49	25	10		£4,000	6	40.0%	£10,600	£1,415	112%	101%	10%	8.0%	£185,000	£925,000	15.0%	15.5%	£2,573	Viable at 40% AH : 70/30 SR/Int
Minimum OMV for viability : 40% AH							£3,950	6	40.0%	£10,600	£1,415	112%	101%	10%	8.0%	£185,000	£925,000	15.0%	14.5%	-	Viable at 40% AH : 70/30 SR/Int
Median Value	5	0.200	0.49	25	10	1,938	£3,750	6	40.0%	£10,600	£1,415	112%	101%	10%	8.0%	£173,000	£865,000	15.0%	11.4%	£7,301	Viable at 40% AH : 38/62 SR/Int
Lower Value	5	0.200	0.49	25	10		£3,500	6	20.0%	£10,600	£1,415	112%	101%	10%	8.0%	£160,000	£800,000	15.0%	14.5%	£1,518	Viable with 20% AH (No SR)
Higher Value	10	0.400	0.99	25	10		£4,000	8	50.0%	£15,100	£1,370	109%	98%	9%	7.5%	£370,000	£925,000	15.0%	14.0%	£192	Viable at 50% AH : 60/40 SR/Int
Median Value	10	0.400	0.99	25	10	2,259	£3,750	8	40.0%	£15,100	£1,370	109%	98%	9%	7.5%	£346,000	£865,000	15.0%	14.8%	£854	Viable at 40% AH : 75/25 SR/Int
Minimum OMV for viability : 40% AH							£3,709	6	40.0%	£15,100	£1,370	109%	98%	9%	7.5%	£346,000	£865,000	15.0%	14.4%	-	Viable at 40% AH : 70/30 SR/Int
Lower Value	10	0.400	0.99	25	10		£3,500	8	40.0%	£15,100	£1,370	109%	98%	9%	7.5%	£300,000	£750,000	15.0%	10.5%	£10,019	Viable at 40% AH : 34/66 SR/Int
Higher Value	15	0.600	1.48	25	10		£4,000	12	46.7%	£15,100	£1,310	104%	94%	8%	7.0%	£555,000	£925,000	16.0%	15.1%	£691	Viable at 46.7% AH : 70/30 SR/Int
Median Value	15	0.600	1.48	25	10	2,279	£3,750	12	46.7%	£15,100	£1,310	104%	94%	8%	7.0%	£519,000	£865,000	16.0%	12.7%	£5,800	Viable at 46.7% AH : 56/44 SR/Int
Minimum OMV for viability : 40% AH							£3,621	12	40.0%	£15,100	£1,310	104%	94%	8%	7.0%	£480,000	£800,000	16.0%	15.2%	-	Viable at 40% AH : 70/30 SR/Int
Lower Value	15	0.600	1.48	25	10		£3,500	12	40.0%	£15,100	£1,310	104%	94%	8%	7.0%	£480,000	£800,000	16.0%	12.0%	£8,113	Viable at 40% AH : 45/55 SR/Int

Extra allowance for special Bldg Regs requirements £6,500 /dwelling MCC Median plot cost £1,260 psm 90% of BCIS Median £1,400 psm * based on 70/30 SR/Int split
 £117.05 psf

Alternative Assessments for Smallest Site Typologies

Higher Value	1	0.04	0.10	25	10		£4,000	1	0.0%	£110,400	£1,535	122%	110%	12%	8.0%	£45,000	£1,125,000	10.0%	11.7%	£9,032	Increased AH rate = £1,350 psm
Median Value	1	0.04	0.10	25	10	3,250	£3,750	1	0.0%	£82,100	£1,535	122%	110%	12%	8.0%	£40,000	£1,000,000	10.0%	12.9%	£14,334	Increased AH rate = £975 psm
Lower Value	1	0.04	0.10	25	10		£3,500	1	0.0%	£57,600	£1,535	122%	110%	12%	8.0%	£37,500	£937,500	10.0%	12.9%	£13,102	Increased AH rate = £650 psm
Higher Value	3	0.100	0.25	30	12		£4,000	4	0.0%	£80,600	£1,475	117%	105%	10%	8.0%	£100,000	£1,000,000	13.0%	13.6%	£2,126	Increased AH rate = £1,350 psm
Median Value	3	0.100	0.25	30	12	2,760	£3,750	4	0.0%	£60,600	£1,475	117%	105%	10%	8.0%	£95,000	£950,000	13.0%	14.3%	£4,509	Increased AH rate = £975 psm
Lower Value	3	0.100	0.25	30	12		£3,500	4	0.0%	£43,300	£1,475	117%	105%	10%	8.0%	£90,000	£900,000	13.0%	14.3%	£4,143	Increased AH rate = £650 psm

s.106 obligations and SuDS adoption costs (all £/dwelling)

Typology	GI/POS/Rec'n	Education	Travel/Health	SuDS adoption	TOTALS
1 unit	£3,600		£2,000	£3,000	£8,600
3 units	£3,600		£2,000	£3,000	£8,600
5 units	£3,600	£2,000	£2,000	£3,000	£10,600
10 units	£8,100	£2,000	£2,000	£3,000	£15,100
15 units	£8,100	£2,000	£2,000	£3,000	£15,100

APPENDIX D : EXAMPLE of RVM OUTPUT with SENSITIVITY TABLES

Main Inputs & Key Variables						Collect / Update GIA's and ACG's	
Unit Nos.			GIA's in m ²		Overall	Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m ²	OMV
	2	1b2p flat - w/u	53.0	55.8	20.0%	£ 1,370	
	2	2b4p house	83.0	83.0	20.0%	£ 1,370	
	2	3b5p house	93.0	93.0	20.0%	£ 1,370	£349,000
	4	4b6p house	110.0	110.0	40.0%	£ 1,370	£413,000
6	4	ACG Band			100.0%		
ACG Band			5				
Percentage of Affordable Homes			40.0%	OMV per m ²		£ 3,750	£348 psf
Sales GIA's		OM	626.0 m ²	AH	272.0 m ²		
Net to gross ratio for flats			95.0%	Total Build (m ²)		903.6	
Allowance for External Site Costs			15.0%	of Build Costs, or £/unit			
Site/Sales Agency & Marketing Costs			2.50% of OM Sales				
Legals on all Units			£600 per dwelling				
AH transfer values - Social Rent			42.0%	of ACG	Intermediate	60.0%	of OMV
Extra cost/unit (if any) for additional Building Regs requirements			£6,500				
Contingency on all construction & physical infrastructure costs			5.00%				
s.106 and SuDS			£15,100	per dwelling -		or CIL psm (excl AH)	
Abnormal Site Costs (if any)			per net acre				
Opening-up Costs (if any)			per net acre				
Net Developable Site Area			Benchmark Land Value		£346,000		
0.99 acres		0.40 hectares	£350,061 per acre		£865,000 per hectare		
Housing Density		25.0 units/hectare	and		2,259 sq.m/hectare		

High-Level Appraisal						
Gross Development Value	Units (N°)	% GDV				
Open Market Homes	6	£	2,347,500			
Social Rented Homes	75.0%	3	£	236,754		
Intermediate Homes	25.0%	1	£	153,000		
Total Revenue	10	£	2,737,254	100.0%		
Land Cost, incl LTT, and fees @	1.50%	£	356,990	13.0%		
Pre-Construction Costs (if applicable)		£	-			
Physical Infrastructure						
Normal External Costs	£/unit	£	18,569	£	194,970	7.1%
Abnormal Site Costs	£/unit	£	-	£	-	
Opening-up Costs	£/unit	£	-	£	-	
Professional Fees			9.00%	£	17,547	0.6%
Planning Obligations / CIL / SuDS	£/unit	£	15,100	£	151,000	5.5%
Housing Construction						
Building Costs	£/unit	£	136,805	£	1,368,048	50.0%
Professional Fees			9.00%	£	123,124	4.5%
Sale & Marketing Costs				£	64,688	2.4%
Finance Costs		Debit	Credit			
Interest rates (p.a.)		7.50%	0.50%	£	55,126	2.0%
Total Development Costs				£	2,331,494	
Blended Margin on Total GDV	14.8%	Profit	£	405,760		
Overall Profit on Cost	17.40%	(see benchmark below)				
Target/Benchmark Profit		£	397,221			
based on open market sales @		15.00%	£	352,125		
and on affordable housing cost @		6.00%	£	45,096		
Surplus/(Shortfall) on Target Profit		£	8,539	2.15%		
Total Equity & Borrowing (Capital Employed)		£	1,121,527	48.10%		

Development Programme	17 months in total
Pre-Construction period	2 months
Construction period	14 months
Sales rate (OM homes)	8 per year
Sales period (OM & AH)	9 months
	Estate/Mixed starting in Month 3
	Overhang 1 months
	starting in Month 9

Create / Update Sensitivity

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	75.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)

Sensitivity Tables - Profit on GDV

Resi GDV / Build Costs		<i>Variation in Value of Open Market Homes</i>										
Development Profit (£)	-10.00%	-7.00%	-4.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+4.00%	+7.00%	+10.00%	
-10.00%	307,815	378,240	448,665	495,615	519,090	542,565	566,040	589,515	636,465	706,890	777,315	
-7.00%	266,774	337,199	407,624	454,574	478,049	501,524	524,999	548,474	595,424	665,849	736,274	
-4.00%	225,732	296,157	366,582	413,532	437,007	460,482	483,957	507,432	554,382	624,807	695,232	
-2.00%	198,371	268,796	339,221	386,171	409,646	433,121	456,596	480,071	527,021	597,446	667,871	
-1.00%	184,691	255,116	325,541	372,491	395,966	419,441	442,916	466,391	513,341	583,766	654,191	
0.00%	171,010	241,435	311,860	358,810	382,285	405,760	429,235	452,710	499,660	570,085	640,510	
+1.00%	157,330	227,755	298,180	345,130	368,605	392,080	415,555	439,030	485,980	556,405	626,830	
+2.00%	143,650	214,075	284,500	331,450	354,925	378,400	401,875	425,350	472,300	542,725	613,150	
+4.00%	116,289	186,714	257,139	304,089	327,564	351,039	374,514	397,989	444,939	515,364	585,789	
+7.00%	75,247	145,672	216,097	263,047	286,522	309,997	333,472	356,947	403,897	474,322	544,747	
+10.00%	34,206	104,631	175,056	222,006	245,481	268,956	292,431	315,906	362,856	433,281	503,706	
		<i>Variation in Value of Open Market Homes</i>										
Profit on GDV (%)	-10.00%	-7.00%	-4.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+4.00%	+7.00%	+10.00%	
-10.00%	12.30%	14.70%	16.97%	18.42%	19.13%	19.82%	20.50%	21.17%	22.48%	24.36%	26.15%	
-7.00%	10.66%	13.11%	15.42%	16.90%	17.62%	18.32%	19.02%	19.70%	21.03%	22.95%	24.77%	
-4.00%	9.02%	11.51%	13.87%	15.37%	16.10%	16.82%	17.53%	18.23%	19.58%	21.53%	23.39%	
-2.00%	7.93%	10.45%	12.83%	14.35%	15.10%	15.82%	16.54%	17.24%	18.62%	20.59%	22.47%	
-1.00%	7.38%	9.92%	12.32%	13.85%	14.59%	15.32%	16.04%	16.75%	18.13%	20.12%	22.01%	
0.00%	6.83%	9.38%	11.80%	13.34%	14.09%	14.82%	15.55%	16.26%	17.65%	19.65%	21.55%	
+1.00%	6.29%	8.85%	11.28%	12.83%	13.58%	14.32%	15.05%	15.77%	17.17%	19.18%	21.09%	
+2.00%	5.74%	8.32%	10.76%	12.32%	13.08%	13.82%	14.56%	15.28%	16.68%	18.70%	20.63%	
+4.00%	4.65%	7.26%	9.73%	11.30%	12.07%	12.82%	13.57%	14.29%	15.72%	17.76%	19.71%	
+7.00%	3.01%	5.66%	8.18%	9.78%	10.56%	11.33%	12.08%	12.82%	14.27%	16.35%	18.33%	
+10.00%	1.37%	4.07%	6.62%	8.25%	9.05%	9.83%	10.59%	11.35%	12.82%	14.93%	16.95%	

Resi GDV / Site Value		<i>Variation in Value of Open Market Homes</i>										
Development Profit (£)	-10.00%	-7.00%	-4.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+4.00%	+7.00%	+10.00%	
-15.00%	224,559	294,984	365,409	412,359	435,834	459,309	482,784	506,259	553,209	623,634	694,059	
-10.00%	206,709	277,134	347,559	394,509	417,984	441,459	464,934	488,409	535,359	605,784	676,209	
-5.00%	188,860	259,285	329,710	376,660	400,135	423,610	447,085	470,560	517,510	587,935	658,360	
-2.00%	178,150	248,575	319,000	365,950	389,425	412,900	436,375	459,850	506,800	577,225	647,650	
0.00%	171,010	241,435	311,860	358,810	382,285	405,760	429,235	452,710	499,660	570,085	640,510	
+2.00%	163,871	234,296	304,721	351,671	375,146	398,621	422,096	445,571	492,521	562,946	633,371	
+5.00%	153,161	223,586	294,011	340,961	364,436	387,911	411,386	434,861	481,811	552,236	622,661	
+10.00%	135,311	205,736	276,161	323,111	346,586	370,061	393,536	417,011	463,961	534,386	604,811	
+15.00%	117,462	187,887	258,312	305,262	328,737	352,212	375,687	399,162	446,112	516,537	586,962	
Profit on GDV (%)	-10.00%	-7.00%	-4.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+4.00%	+7.00%	+10.00%	
-15.00%	8.97%	11.46%	13.82%	15.33%	16.06%	16.78%	17.49%	18.18%	19.54%	21.49%	23.35%	
-10.00%	8.26%	10.77%	13.15%	14.66%	15.40%	16.13%	16.84%	17.54%	18.91%	20.88%	22.75%	
-5.00%	7.55%	10.08%	12.47%	14.00%	14.74%	15.48%	16.19%	16.90%	18.28%	20.26%	22.15%	
-2.00%	7.12%	9.66%	12.07%	13.60%	14.35%	15.08%	15.81%	16.52%	17.90%	19.89%	21.79%	
0.00%	6.83%	9.38%	11.80%	13.34%	14.09%	14.82%	15.55%	16.26%	17.65%	19.65%	21.55%	
+2.00%	6.55%	9.11%	11.53%	13.07%	13.82%	14.56%	15.29%	16.00%	17.40%	19.40%	21.31%	
+5.00%	6.12%	8.69%	11.12%	12.67%	13.43%	14.17%	14.90%	15.62%	17.02%	19.03%	20.95%	
+10.00%	5.41%	8.00%	10.45%	12.01%	12.77%	13.52%	14.25%	14.98%	16.39%	18.42%	20.35%	
+15.00%	4.69%	7.30%	9.77%	11.35%	12.11%	12.87%	13.61%	14.34%	15.76%	17.80%	19.75%	

OM Values /AH %age		<i>Variations in Percentage of Affordable Housing (assuming same split between Social Rent and Intermediate tenures as appears on Resi sheet)</i>										
Profit on GDV (%)	-5.00%	-4.00%	-3.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+3.00%	+4.00%	+5.00%	
-5.00%	11.01%	11.01%	11.01%	11.01%	11.01%	11.01%	11.01%	11.01%	11.01%	11.01%	-0.19%	
-4.00%	11.80%	11.80%	11.80%	11.80%	11.80%	11.80%	11.80%	11.80%	11.80%	11.80%	0.65%	
-3.00%	12.57%	12.57%	12.57%	12.57%	12.57%	12.57%	12.57%	12.57%	12.57%	12.57%	1.47%	
-2.00%	13.34%	13.34%	13.34%	13.34%	13.34%	13.34%	13.34%	13.34%	13.34%	13.34%	2.28%	
-1.00%	14.09%	14.09%	14.09%	14.09%	14.09%	14.09%	14.09%	14.09%	14.09%	14.09%	3.07%	
0.00%	14.82%	14.82%	14.82%	14.82%	14.82%	14.82%	14.82%	14.82%	14.82%	14.82%	3.85%	
+1.00%	15.55%	15.55%	15.55%	15.55%	15.55%	15.55%	15.55%	15.55%	15.55%	15.55%	4.62%	
+2.00%	16.26%	16.26%	16.26%	16.26%	16.26%	16.26%	16.26%	16.26%	16.26%	16.26%	5.38%	
+3.00%	16.96%	16.96%	16.96%	16.96%	16.96%	16.96%	16.96%	16.96%	16.96%	16.96%	6.12%	
+4.00%	17.65%	17.65%	17.65%	17.65%	17.65%	17.65%	17.65%	17.65%	17.65%	17.65%	6.86%	
+5.00%	18.33%	18.33%	18.33%	18.33%	18.33%	18.33%	18.33%	18.33%	18.33%	18.33%	7.58%	
Aff Hsg %age	40.00%	<i>Changes in the Proportions of Social Rented and Intermediate Tenure</i>										
Social Rented	75.00%	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Intermediate	25.00%	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
Development Profit (£)	628,006	628,006	553,924	553,924	479,842	479,842	479,842	405,760	405,760	331,678	331,678	
Profit on GDV (%)	22.94%	22.94%	20.24%	20.24%	17.53%	17.53%	17.53%	14.82%	14.82%	12.12%	12.12%	