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# Local Plan Viability Assessment

May 2024

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## 1. Introduction

### Scope

- 1.1 Stoke-on-Trent City Council is in the process of preparing a new Local Plan which will replace the current adopted *Newcastle-Under-Lyme and Stoke-on-Trent Joint Core Spatial Strategy, 2009* and the saved policies from the *Stoke-on-Trent City Plan 2001*. The new Local Plan will address revisions to the National Planning Policy Framework (NPPF) and associated Planning Practice Guidance (PPG); addressing the future development needs of the City including housing needs, the local economy, environmental considerations, and community infrastructure needs and transport.
- 1.2 HDH Planning & Development Ltd has been appointed to update the Council's viability evidence and produce this Local Plan Viability Assessment as required by the NPPF and the PPG. The purpose of the commission will be to provide evidence that will validate Plan wide and any site-specific policies, to ensure that the emerging policies are realistic and that the cumulative costs of relevant policies will not undermine the delivery of the Plan.
- 1.3 As part of its preparation, the new Local Plan needs to be tested to ensure the planned development is deliverable in line with tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG). This includes:
  - assessing the cumulative impact of the emerging policies, including affordable housing.
  - testing the deliverability of the key development site allocations that may come forward over the course of the Local Plan period.
  - considering the ability of development to accommodate developer contributions alongside other policy requirements.
- 1.4 This viability assessment is being undertaken to inform the development of policy and explore the impact, on the economics of development, of the options that are under consideration. This report sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.
- 1.5 An early draft formed the basis of a consultation process with the development industry, that was undertaken in November 2023, to elicit comments on the approach, the methodology and the cost and value assumptions. Representatives of the main

developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations were be invited to comment.

- 1.6 HDH was initially instructed to undertake this Viability Assessment in February 2023 when it was anticipated that a technical consultation would be held in April 2023. The timetable was delayed, so the pre-consultation draft was refreshed in October 2023. This study was then completed in May 2024.
- 1.7 The Government published the NPPF in December 2023. This updated NPPF makes some significant changes to the planning system, however, does not change the place of viability testing in the plan-making process. The methodology used in this report is consistent with the updated NPPF, the CIL Regulations (as amended) and the updated PPG. The implications in relation to viability are set out in Chapter 2 below, but are not material to this report.
- 1.8 The *Levelling-up and Regeneration Act* became law in October 2023. The Act will have a significant impact on the overall plan-making process, but does not alter the place of viability in the current Local Plan process. The Act includes reference to a new national Infrastructure Levy that would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. In March 2023, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy* (March 2023). Under the proposals set out in the consultation, CIL and the delivery of affordable housing would be combined into a single Infrastructure Levy, that would be calculated as a proportion of a scheme's value above a threshold. This is considered further in Chapter 2 below.
- 1.9 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be deliverable. It will be necessary to consider the findings of this report in the wider context including the availability external funding and whether or not sites are in the public sector.

### **Report Structure**

- 1.10 This report follows the following format:

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

**Chapter 3** The methodology used.

- Chapter 4** An assessment of the housing market, including market and affordable housing, with the purpose of establishing the worth of different types of housing in different areas.
- Chapter 5** An assessment of the non-residential market.
- Chapter 6** An assessment of the costs of land to be used when assessing viability.
- Chapter 7** The cost and general development assumptions to be used in the development appraisals.
- Chapter 8** A summary of the various policy requirements and constraints that influence the type of development that come forward.
- Chapter 9** A summary of the range of modelled sites used for the financial development appraisals.
- Chapter 10** The results of the appraisals and consideration of residential development.
- Chapter 11** The results of the appraisals and consideration of non-residential development.
- Chapter 12** Conclusions in relation to the deliverability development sites in the context of the emerging policy options.

### **HDH Planning & Development Ltd (HDH)**

- 1.11 HDH is a specialist planning consultancy providing evidence to support planning and housing authorities. The firm's main areas of expertise are:
- a. District wide and site-specific viability analysis.
  - b. Community Infrastructure Levy.
  - c. Housing Market Assessments.
- 1.12 The findings contained in this report are based upon information from various sources including that provided by the Council and by others, upon the assumption that all relevant information has been provided. This information has not been independently verified by HDH. The conclusions and recommendations contained in this report are concerned with policy requirements, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice.

### *Caveat and Material Uncertainty*

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

- 1.14 Whilst the RICS withdrew the formal advice in relation to the uncertainty in March 2022, due to the nature of this assessment it is important to note the uncertainty in the current market. The impact from the COVID-19 pandemic continues to impact on the global economy which continues to be faced with an unprecedented set of circumstances caused by the pandemic, uncertainty around world trade and the ongoing war in Ukraine and unrest in the Middle East, with the impact on energy costs and inflationary pressures in the economy. Consequently, in respect of this report, the assessment of viability is less certain so a higher degree of caution should be attached to our findings than would normally be the case.
- 1.15 For the avoidance of doubt this does not mean that the report cannot be relied upon. Rather, this note has been included to ensure transparency and to provide further insight as to the market context under which the report was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, the importance of keeping the findings under review as the plan-making process continues is highlighted.

#### *Compliance*

- 1.16 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1<sup>st</sup> Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).
- 1.17 *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published in May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. The May 2019 Guidance has been followed in full.
- a. HDH confirms that in preparing this report the firm has acted with objectivity, impartially and without interference and with reference to all appropriate available sources of information.
  - b. HDH is following a collaborative approach involving the LPA, developers, landowners and other interested parties. An early draft of this report formed the basis of a technical consultation undertaken in November 2023.
  - c. The instructions under which this project is undertaken is included as **Appendix 1** of this report.

- d. HDH confirms it has no conflicts of interest in undertaking this project. HDH confirms that, in preparing this report, no performance-related or contingent fees have been agreed.
- e. The presumption is that a viability assessment should be published in full. HDH has prepared this report on the assumption that it will be published in full.
- f. HDH confirms that a non-technical summary will be provided (in the form of Chapter 12). Viability in the plan-making process is a technical exercise that is undertaken specifically to demonstrate compliance (or otherwise) with the NPPF and PPG. It is firmly recommended that this report only be published and read in full.
- g. HDH confirms that the planned programme allowed for adequate time to allow engagement with stakeholders.
- h. This report includes a range of sensitivity testing. The effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change are tested.

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

### **Metric or Imperial**

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

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

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

## 2. Viability Testing

- 2.1 Viability testing is an important part of the planning process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF) and is a requirement of the Community Infrastructure Levy (CIL) Regulations. In each case the requirement is slightly different, but they have much in common. Over several years in the run up to this report, various national consultations have been carried out about different aspects of the plan-making process. These have included references to, and sections on, viability and are considered in this chapter.

### **National Planning Policy Framework**

- 2.2 The Government updated the NPPF in December 2023. This updated NPPF makes some significant changes to the planning system, however, does not change the place of viability testing in the plan-making process. The changes are not material to this report. Paragraph 34 of the NPPF says that plans should set out what development is expected to provide, and that the requirement should not be so high as to undermine the delivery of the Plan.

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

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

*Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.*

*NPPF, Paragraph 22*

*To ensure faster delivery of other public service infrastructure such as further education colleges, hospitals and criminal justice accommodation, local planning authorities should also work proactively and positively with promoters, delivery partners and statutory bodies to plan for required facilities and resolve key planning issues before applications are submitted.*

*NPPF, Paragraph 100*

- 2.4 The Council has identified several potential strategic / larger sites. These are tested in this assessment. In due course, the Council will need to engage further with the promoters of potential strategic / larger sites as the plan-making process continues.
- 2.5 The NPPF does not include detail on the viability process, rather stresses the importance of viability. The main change is a shift of viability testing from the development management stage to the plan-making stage.

*Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.*

*NPPF Paragraph 58*

- 2.6 Consideration has been made to the updated PPG (see below). The Local Plan Viability Assessment will become the reference point for viability assessments submitted through the development management process in the future.
- 2.7 Of particular importance to this viability assessment is deliverability. The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the NPPF which includes an updated definition:

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

- a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).*
- b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.*

*NPPF Glossary*

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

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

- a) specific, deliverable sites for years one to five of the plan period<sup>32</sup>; and*
- b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.*

*NPPF Paragraph 68*

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

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

*NPPF Paragraph 125*

2.10 The *Levelling-up and Regeneration Act* became law in late October 2023. The Act will have a significant impact on the overall plan-making process but does not alter the place of viability in the current Local Plan process.

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

### **Planning Practice Guidance**

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

*173 ... To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account*

*of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.*

*174 ... the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle...*

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

*... ensure policy compliance and optimal public benefits through economic cycles...*

*PPG 10-009-20190509*

*... and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*

*PPG 10-010-20180724*

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

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

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

*PPG 23b-005-20190315*

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

- 2.17 The PPG includes 4 main sections:

*Section 1 - Viability and plan making*

- 2.18 The overall requirement is that:

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

*PPG 10-001-20190509*

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

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

*PPG 10-002-20190509*

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

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

*PPG 10-002-20190509*

- 2.21 Consultation has formed part of this Local Plan Viability Assessment process, with a technical consultation being carried out in December 2023.

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

*PPG 10-002-20190509*

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

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

*PPG 10-002-20190509*

2.23 Consultation has formed part of this Local Plan Viability Assessment. The Council has identified nine potential strategic / larger sites, which are tested. In due course, and as the site selection process develops, the Council will engage with the promoters of the preferred strategic / larger sites.

2.24 The modelling in this assessment has been informed by the long list of sites submitted to the Council through the call for sites process. These are being assessed for allocation. The purpose of this viability assessment is to ensure the deliverability of the overall Plan.

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

*PPG 10-003-20180724*

2.25 This study is based on typologies<sup>1</sup> that have been developed by having regard to the potential development sites that are most likely to be identified through the emerging Plan. In addition, the nine potential strategic / larger sites are tested, so as to inform a decision as to whether or not they are to be included in the Plan.

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

*PPG 10-004-20190509*

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<sup>1</sup> The PPG provides further detail at 10-004-20190509:

*A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.*

*In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.*

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

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

*PPG 10-005-20180724*

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

*Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.*

*It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.*

*PPG 10-006-20190509*

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

*Section 2 - Viability and decision taking*

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

*Section 3 - Standardised inputs to viability assessment*

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

*Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return. ...*

*... Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.*

*In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*

PPG 10-010-20180724

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

*Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.*

*For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.*

PPG 10-011-20180724

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

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

- *build costs based on appropriate data, for example that of the Building Cost Information Service*

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

2.34 All these costs are taken into account.

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

*To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*

*PPG 10-013-20190509*

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

*Benchmark land value should:*

- *be based upon existing use value*

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

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

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

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

*PPG 10-014-20190509*

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

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

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

*PPG 10-015-20190509*

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

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

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

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

*PPG 10-018-20190509*

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

#### *Section 4 - Accountability*

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

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

#### **Community Infrastructure Levy Regulations and Guidance**

2.43 The Council has not adopted CIL. In any event, the CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking any plan-wide viability assessment and considering the deliverability of development.

- 2.44 The CIL Regulations came into effect in April 2010 and have been subject to subsequent amendment<sup>2</sup>.
- 2.45 From April 2015, councils were restricted in pooling S106 contributions from more than five developments<sup>3</sup> (where the obligation in the s106 agreement / undertaking is a reason for granting consent). The CIL Regulations were amended from September 2019 lifting these restrictions, however payments requested under the s106 regime must still be (as set out in CIL Regulation 122):
- a. necessary to make the development acceptable in planning terms;
  - b. directly related to the development; and
  - c. fairly and reasonably related in scale and kind to the development.

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<sup>2</sup> **SI 2010 No. 948.** The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987.** The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918.** The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975.** The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982.** The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385.** The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24<sup>th</sup> February 2014, Coming into force 24<sup>th</sup> February 2014.* **SI 2015 No. 836.** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015.* **SI 2018 No. 172** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES. The Community Infrastructure Levy (Amendment) Regulations 2018. *Made 8th February 2018. Coming into force in accordance with regulation 1.* **SI 2019 No. 966** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. *Made - 22nd May 2019.* **SI 2019 No. 1103** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) (No. 2) Regulations 2019 *Made 9<sup>th</sup> July 2019. Coming into Force 1st September 2019.* **SI 2020 No. 781** **The Community Infrastructure Levy (Coronavirus) (Amendment) (England) Regulations 2020.** *Made 21st July 2020, Coming into force 22nd July 2020.* **SI 2020 No. 1226** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND, The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020. *Made 5th November 2020. Coming into force 16th November 2020.*

<sup>3</sup> CIL Regulations 123(3)

- 2.46 As set out at the start of this report, in October 2023 the *Levelling-up and Regeneration Act* became law. The Act includes reference to a new national Infrastructure Levy to replace CIL and reform the current developer contribution system. The limited information available suggests that the new Infrastructure Levy would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. It may be necessary for the Council to review this report when the Regulations are published.

### **Wider Changes Impacting on Viability**

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

#### *Affordable Housing Thresholds*

- 2.48 Paragraph 65 of the NPPF now sets out national thresholds for the provision of affordable housing:

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

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

**Major development:** *For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m<sup>2</sup> or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

- 2.50 None of the Council area is within a 'Designated Rural Area'<sup>4</sup>.

#### *Affordable Home Ownership*

- 2.51 The NPPF sets out a policy for a minimum of 10% affordable home ownership units on larger sites.

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<sup>4</sup> Designated rural areas applies to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty (see PPG Paragraph 23b-023-20190901).

*Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership<sup>5</sup>, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*

- a) provides solely for Build to Rent homes;*
- b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
- c) is proposed to be developed by people who wish to build or commission their own homes; or*
- d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*

*Paragraph 66, NPPF*

2.52 The 10% relates to all the homes on a site and is assumed to apply.

#### *First Homes*

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

*What is a First Home?*

*First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*

- a. must be discounted by a minimum of 30% against the market value;*
- b. are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c. on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d. after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

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<sup>5</sup> Footnote 29 of the 2018 NPPF clarifies as 'As part of the overall affordable housing contribution from the site'.

*First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*

PPG: 70-001-21210524

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

*Can the required minimum discount be changed?*

*In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%.*

*However, the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures (such as First Homes). Specific demographic data is available on open data communities which can be used to inform this process. The assessment will enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.*

*In such circumstances, the minimum discount level should be fixed at either 40% or 50% below market value and should not be set at any other value. In each case, these percentages represent the minimum discount required for a home to qualify as a First Home. Developers who are able to offer higher discounts within their contributions should be free to do so but the local authority cannot require this. In such cases, whatever discount (as a percentage of market value) is given at the first disposal should be the same at each subsequent sale. These minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas) and should not be changed on a site-by-site basis.*

*If local authorities or neighbourhood planning groups choose to revise their required minimum discounts in any future alterations to their plans, this should not affect the minimum discounts required for previously sold First Homes when they come to be resold, as these will be bound by the section 106 agreements entered into at the time of their first sale.*

PPG: 70-004-20210524

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

*Accessible and Adaptable Standards*

- 2.56 In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes<sup>6</sup> saying:

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

- 2.57 The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard.

- 2.58 As highlighted through the technical consultation<sup>7</sup> the application of wheelchair standards is restricted, though paragraph 56-010-20150327 of the PPG, to those units where the Council has nomination rights:

*What issues should local planning authorities consider in determining whether dwellings should be fully wheelchair accessible or adaptable?*

*Part M of the Building Regulations sets a distinction between wheelchair accessible (a home readily useable by a wheelchair user at the point of completion) and wheelchair adaptable (a home that can be easily adapted to meet the needs of a household including wheelchair users) dwellings.*

*Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling.*

*PPG Paragraph 56-009-20150327*

- 2.59 No timescale has been announced. This is considered in Chapter 8 below.

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<sup>6</sup> [Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes)

<sup>7</sup> Rachel Danemann for the HBF.

### *Environmental Standards*

- 2.60 The outcome of the Government consultation on The Future Homes Standard<sup>8</sup> was announced during January 2021<sup>9</sup>. This is linked to achieving the ‘net zero’ greenhouse gas emissions by 2050.
- 2.61 The Department of Levelling up, Communities and Housing, published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a ‘stepping stone’ on the pathway to Zero Carbon homes. It sets the target of an interim 31% reduction in CO<sub>2</sub> emissions over 2013 standards for dwellings. The changes now apply to new homes.
- 2.62 The revisions to Approved Document L, set out above, are a step towards the introduction of the Future Homes Standard in 2025. In December 2023 the Government published a further consultation on the details of the implementation of the Future Homes Standard. At the same time the Housing Minister, Lee Rowley, made a Written Parliamentary Statement<sup>10</sup> which set out the Government’s position in this regard as follows:

*... Any planning policies that propose local energy efficiency standards for buildings that go beyond current or planned buildings regulation should be rejected at examination if they do not have a well-reasoned and robustly costed rationale that ensures:*

- *That development remains viable, and the impact on housing supply and affordability is considered in accordance with the National Planning Policy Framework.*
- *The additional requirement is expressed as a percentage uplift of a dwelling’s Target Emissions Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP).*

*Where plan policies go beyond current or planned building regulations, those policies should be applied flexibly to decisions on planning applications and appeals where the applicant can demonstrate that meeting the higher standards is not technically feasible ....*

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<sup>8</sup> [The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings](#)

<sup>9</sup> [The Future Buildings Standard - GOV.UK \(www.gov.uk\)](#)

<sup>10</sup> [Written statements - Written questions, answers and statements - UK Parliament](#)

- 2.63 Whilst this direction does not preclude the introduction of policies that go beyond national standards, this does suggest that such policies will need to be well justified and subject to greater scrutiny.
- 2.64 The Council is exploring options in this regard, including going further than the minimum national standards sought under Building Regulations. This is considered in Chapter 8 below and a range of options are tested.
- 2.65 In November 2021, the Government announced that, from 2022, all new homes would be required to include an electric vehicle charging point. This is assumed to apply.

*Biodiversity*

- 2.66 The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity. This requirement is considered in Chapter 8 below.

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

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

***Assessments of housing need, viability and environmental impacts are too complex and opaque:*** *Land supply decisions are based on projections of household and business ‘need’ typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environmental improvements nor ensure sites are brought forward and delivered;*

***Local Plans should be subject to a single statutory “sustainable development” test,*** *and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished. This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*

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

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

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

- 2.69 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report (January 2024) a viability assessment is a requirement.

*Fire Safety Standards*

- 2.70 A number of further national consultations were announced during December 2022. These include proposed Changes to Approved Document B, sprinklers in care homes, and staircases in residential buildings. The proposed changes to the regulations around second staircases<sup>11</sup> would apply to buildings of over 18m (about 6 storeys). It is important to note that the Council is not planning for taller buildings of 6 storeys or more, although such buildings are not precluded under the emerging policies.
- 2.71 The costs of sprinklers are considered in Chapter 8 below.

*National Model Design Code*

- 2.72 The *Levelling-up and Regeneration Act* requires LPAs to introduce a design code covering their entire area. The time frame for this is to be confirmed. The Government published the *National Model Design Code* as part of the PPG in 2021, when the NPPF was updated:

*133. To provide maximum clarity about design expectations at an early stage, all local planning authorities should prepare design guides or codes consistent with the principles set out in the National Design Guide and National Model Design Code, and which reflect local character and design preferences. Design guides and codes provide a local framework for creating beautiful and distinctive places with a consistent and high quality standard of design. Their geographic coverage, level of detail and degree of prescription should be tailored to the circumstances and scale of change in each place, and should allow a suitable degree of variety.*

*134. Design guides and codes can be prepared at an area-wide, neighbourhood or site-specific scale, and to carry weight in decision-making should be produced either as part of a plan or as supplementary planning documents. Landowners and developers may contribute to these*

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<sup>11</sup> [Government proposes second staircases to make buildings safer - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/government-proposes-second-staircases-to-make-buildings-safer)

*exercises, but may also choose to prepare design codes in support of a planning application for sites they wish to develop. Whoever prepares them, all guides and codes should be based on effective community engagement and reflect local aspirations for the development of their area, taking into account the guidance contained in the National Design Guide and the National Model Design Code. These national documents should be used to guide decisions on applications in the absence of locally produced design guides or design codes.*

- 2.73 The National Design Code does not add to the cost of development in itself. Rather it sets out good practice in a consistent format. It will provide a checklist of design principles to consider for new schemes, including street character, building type and requirements addressing wellbeing and environmental impact. Local authorities can use the code to form their own local design codes.
- 2.74 In this regard, the Council currently works to the *Newcastle-under-Lyme and Stoke-on-Trent Urban Design Guidance, Supplementary Planning Document, December 2010*. This is considered further in Chapter 8 below.

### **Queen’s Speech 2021 and 2022**

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

*Planning Bill “Laws to modernise the planning system, so that more homes can be built, will be brought forward...”*

*The purpose of the Bill is to:*

- *Create a simpler, faster and more modern planning system to replace the current one ...*
- *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*

*The main benefits of the Bill would be:*

- *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*

*The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.*

- 2.76 In the summer of 2021, the Ministry of Housing Communities and Local Government was renamed as the Department for Levelling Up, Housing and Communities (DLUHC). Various ministers have commented about revisiting some of the subjects

that had been consulted on, however, beyond statements that housebuilding remains a priority, no further detail have been released.

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

*“A bill will be brought forward to drive local growth, empowering local leaders to regenerate their areas, and ensuring everyone can share in the United Kingdom's success. The planning system will be reformed to give residents more involvement in local development.”*

*The main benefits of the Bill would be:*

- *Laying the foundations for all of England to have the opportunity to benefit from a devolution deal by 2030 – giving local leaders the powers they need to drive real improvement in their communities.*
- *Improving outcomes for our natural environment by introducing a new approach to environmental assessment in our planning system. This benefit of Brexit will mean the environment is further prioritised in planning decisions.*
- *Capturing more of the financial value created by development with a locally set, non-negotiable levy to deliver the infrastructure that communities need, such as housing, schools, GPs and new roads.*
- *Simplifying and standardising the process for local plans so that they are produced more quickly and are easier for communities to influence.*

*Levelling-up and Regeneration Act*

2.78 In October 2023, the *Levelling-up and Regeneration Act* become law. The provisions within the Act will have a significant impact on the overall plan-making process, but do not alter the place of viability in the current Local Plan process. The *Levelling-up and Regeneration Act* includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the Infrastructure Levy Regulations. Infrastructure Levy Regulations have yet to be published.

*Technical consultation on the Infrastructure Levy*

2.79 In March 2023, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy*<sup>12</sup> to seek views on technical aspects of the design of the Infrastructure Levy. The responses will inform

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<sup>12</sup> [Technical consultation on the Infrastructure Levy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/technical-consultation-on-the-infrastructure-levy)

the preparation and content of regulations, which will themselves be consulted on, in due course.

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

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

*1.34 The Levy aims to create a simpler and more consistent system than the current system of CIL and s106. However, paying the Levy may not always be enough to fully mitigate the impact of a development and make it acceptable in planning terms. Indeed, there are some situations where sites have very complex infrastructure needs, which necessitates retaining a negotiated approach to developer contributions. That is why we do not propose to remove s106 agreements altogether.*

*1.35 New Section 204Z1 of the Bill sets out that regulations can provide for how s106 of the Town and Country Planning Act may or may not be used. This power enables s106 planning obligations to be crafted in the new system, to support how infrastructure will be delivered under the Levy. To create a clear distinction over how s106 agreements should be used in different circumstances, we propose creating three distinct routeways for securing developer contributions. How infrastructure is secured and how s106 agreements operate in each routeway will vary, and this will reflect the size and type of site being brought forward.*

*1.36 The 3 routeways are as follows:*

- 1. The core Levy routeway*
- 2. Infrastructure in-kind routeway*
- 3. S106-only routeway*

*1.37 An overarching framework for these 'routeways' will be set out in regulations, following further consultation. Based on this framework, the routeway which will apply to a particular kind of site will be set out in the Local Plan.*

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

2.82 At this stage the relationship with s106 is not known. As set out earlier, it will be necessary for the Council to monitor the progress of the Regulations as and when they are published.

## **Viability Guidance**

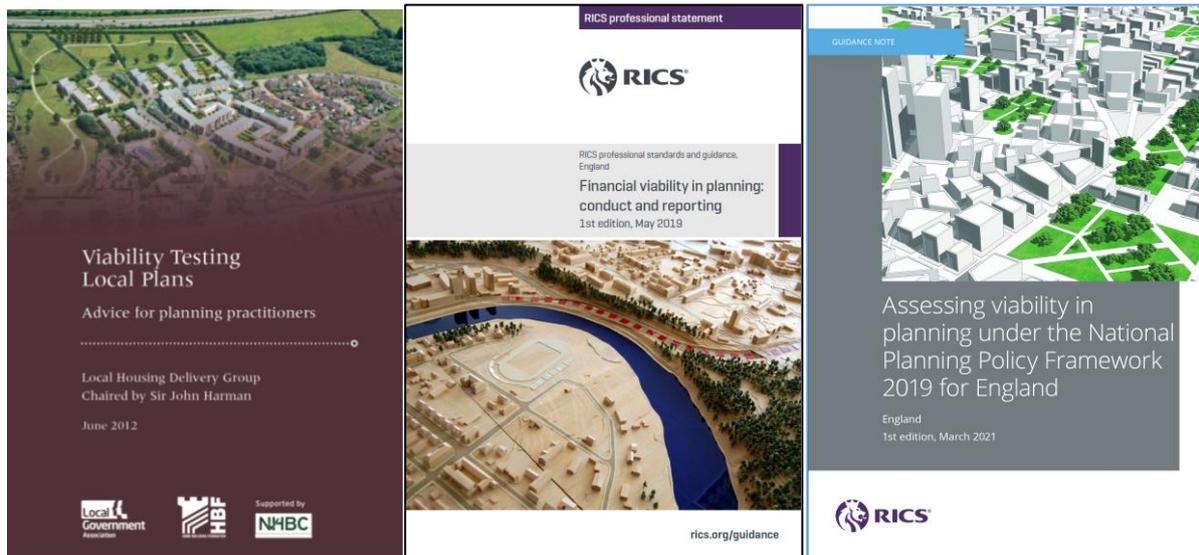
- 2.83 There is no specific technical guidance on how to test viability in the NPPF. The PPG includes guidance in a number of specific areas. There are also several sources of guidance and appeal decisions<sup>13</sup> that support the methodology HDH has developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012<sup>14</sup> (known as the **Harman Guidance**).
- 2.84 The planning appeal decisions and the HCA good practice publication<sup>15</sup> suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell. This approach is now specified in the PPG. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities that supports this approach.

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

<sup>14</sup> Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

<sup>15</sup> *Good Practice Guide*. Homes and Communities Agency (July 2009).



- 2.85 As set out at the start of this report, there are two principal pieces of relevant RICS guidance notes. These do not specify a step-by-step approach, rather they make reference to the NPPF and provide interpretation on implementation.
- 2.86 In line with the updated PPG, this assessment follows the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the value of the land both with and without the benefit of planning consent. This approach is in line with that recommended in the Harman Guidance.
- 2.87 In September 2019, the House Builders Federation (HBF) produced further guidance in the form of *HBF Local Plan Viability Guide* (Version 1.2: Sept 2019). This guidance draws on the Harman Guidance and the 2012 RICS Guidance, (which the RICS is updating as it is out of date), but not the more recent May 2019 RICS Guidance. This HBF guidance stresses the importance of following the guidance in the PPG and of consultation, both of which this report has done. We do have some concerns around this guidance as it does not reflect *'the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission'* as set out in paragraph 10-009-20190509 of the PPG. The HBF Guidance raises several 'common concerns'. Regard has been had to these under the appropriate headings through this report.

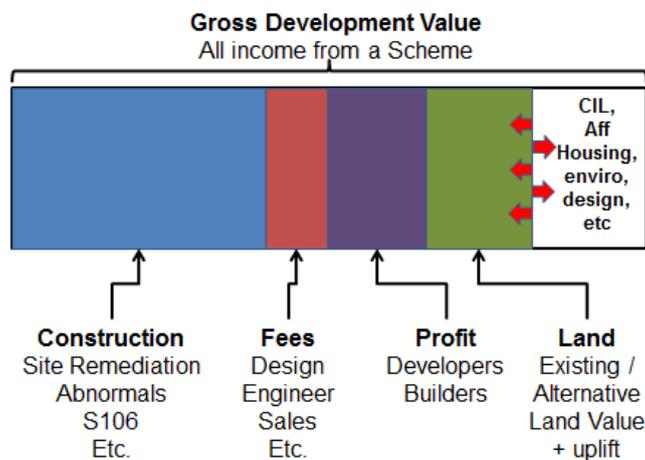
### 3. Methodology

#### Viability Testing – Outline Methodology

- 3.1 This report follows the Harman Guidance and the RICS Guidance, and was subject to a technical consultation with the development industry in November 2023. The comments made have been addressed through this iteration of this report.
- 3.2 The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

$$\begin{array}{c}
 \textbf{Gross Development Value} \\
 \text{(The combined value of the complete development)} \\
 \text{LESS} \\
 \textbf{Cost of creating the asset, including a profit margin} \\
 \text{(Construction + fees + finance charges)} \\
 = \\
 \textbf{RESIDUAL VALUE}
 \end{array}$$

- 3.3 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).
- 3.4 In the following graphic, the bar illustrates all the income from a scheme. This is set by the market (rather than by the developer or local authority). Beyond the economies of scale that larger developers can often enjoy, the developer has relatively little control over the costs of development, and whilst there is scope to build to different standards the costs are largely out of the developer’s direct control – they are what they are.



- 3.5 The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions a planning authority asks for, the less the developer can afford to pay for the land. The purpose of this assessment is to quantify the costs of the Council's policies (including CIL), to assess the effect of these, and then make a judgement as to whether or not land prices are reduced to such an extent that the Plan is not deliverable. It is necessary to take a cautious approach and ensure that policies are not set at the limits of viability.
- 3.6 The land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift' above the EUV which would make the landowner sell.
- 3.7 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the NPPF (and CIL Regulations). The approach taken in this report is different from the approach taken by developers when making an assessment to inform commercial decision making, particularly on the largest sites to be delivered over many years.

#### **Limitations of viability testing in the context of the NPPF**

- 3.8 High level viability testing does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind, and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is worth, a community may extend a village hall even though the value of the facility, in financial terms, is not significantly enhanced, or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.
- 3.9 This is a challenge when considering policy proposals. It is necessary to determine whether or not the impact of a policy requirement on a development type that may appear only to be marginally viable will have any material impact on the rates of development or whether the developments will proceed anyway. Some development comes forward for operational reasons rather than for property development purposes.

#### **The meaning of Landowner Premium**

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

*Benchmark land value should:*

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

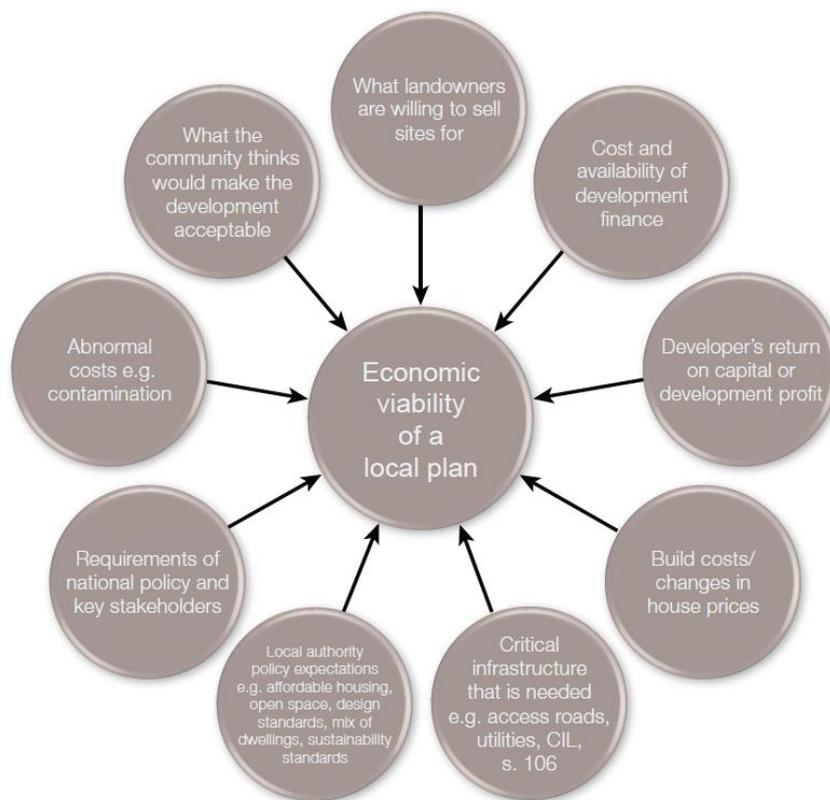
*Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used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

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

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

*PPG 10-014-20190509*

- 3.11 The term *landowner's premium* has not been defined through the appeal, Local Plan examination or legal processes – although various approaches have been accepted by planning inspectors. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.
- 3.12 This report is about the economics of development however, viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.



### Existing Available Evidence

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

3.14 The main reports are:

- a. *SoTCC & NULBC SHLAA SHLAA Viability Assessment* (NCS, 10/2016). This included the *SoTCC & NULBC SHLAA Valuation Study* (heb Chartered Surveyors, 06/2016), and *Planning Policy Viability Assessment - Order of Cost Study* (Gleeds Cost Management Ltd, 13/06/16)
- b. *Whole Plan Viability Assessment - Construction Cost Study* (Gleeds Cost Management Limited 02/11/2020)

3.15 These built on a series of earlier reports (including those prepared in 2012/13 in connection with the possible implementation of CIL) and are taken as a starting point.

3.16 The Council also holds development appraisals that have been submitted by developers in connection with specific developments to support negotiations around the provision of affordable housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it – see **Appendix 6**. In some cases,

the appraisals are based on detailed cost plans that are not directly comparable with the BCIS. Only the figures that are comparable on a like for like basis are presented.

- 3.17 It is important to note these figures are the figures submitted by developers for discussion at the start of the viability process, and are not necessarily the figures agreed between the parties.
- 3.18 The Council also holds evidence of what is being collected from developers under the s106 regime. This is being collected by the Council outside this study<sup>16</sup>.

### **Stakeholder Engagement**

- 3.19 The PPG and the CIL Guidance require stakeholder engagement. The preparation of this viability assessment includes specific consultation and engagement with the industry. A consultation process was conducted during November 2023 and a presentation was given, and a draft of this report and a questionnaire circulated. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited to comment. **Appendix 2** includes a list of the consultees. **Appendix 3** includes the consultation presentation and **Appendix 4** the questionnaire circulated with the draft report. **Appendix 5** includes the notes taken at the consultation event.
- 3.20 The comments of the consultees are reflected through this report and the assumptions adjusted where appropriate. The consultation presentation was well attended, and several written responses were received. The main points from the consultation were:
- a. That it is necessary to properly reflect the requirements for BNG. This may impact in site capacity<sup>17 18</sup>.

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<sup>16</sup> Paragraphs 10-020-20180724 to 10-028-20180724 of the PPG introduce reporting requirements in this regard. In particular 10-027-20180724 says:

*How should monitoring and reporting inform plan reviews?*

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

<sup>17</sup> Rachel Danemann of the HBF

<sup>18</sup> Alistair Stewart of Persimmon Homes

- b. That when considering developer's return / profit First Homes should be treated as for market housing as the risk lies with the developer<sup>19</sup>.
  - c. The uncertainty in the market is considerable and should be highlighted in the introduction to the report<sup>20</sup>. Whilst the uncertainty is acknowledged through the report, this is done as appropriate through the document.
- 3.21 The consultation process was carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance.

### **Viability Process**

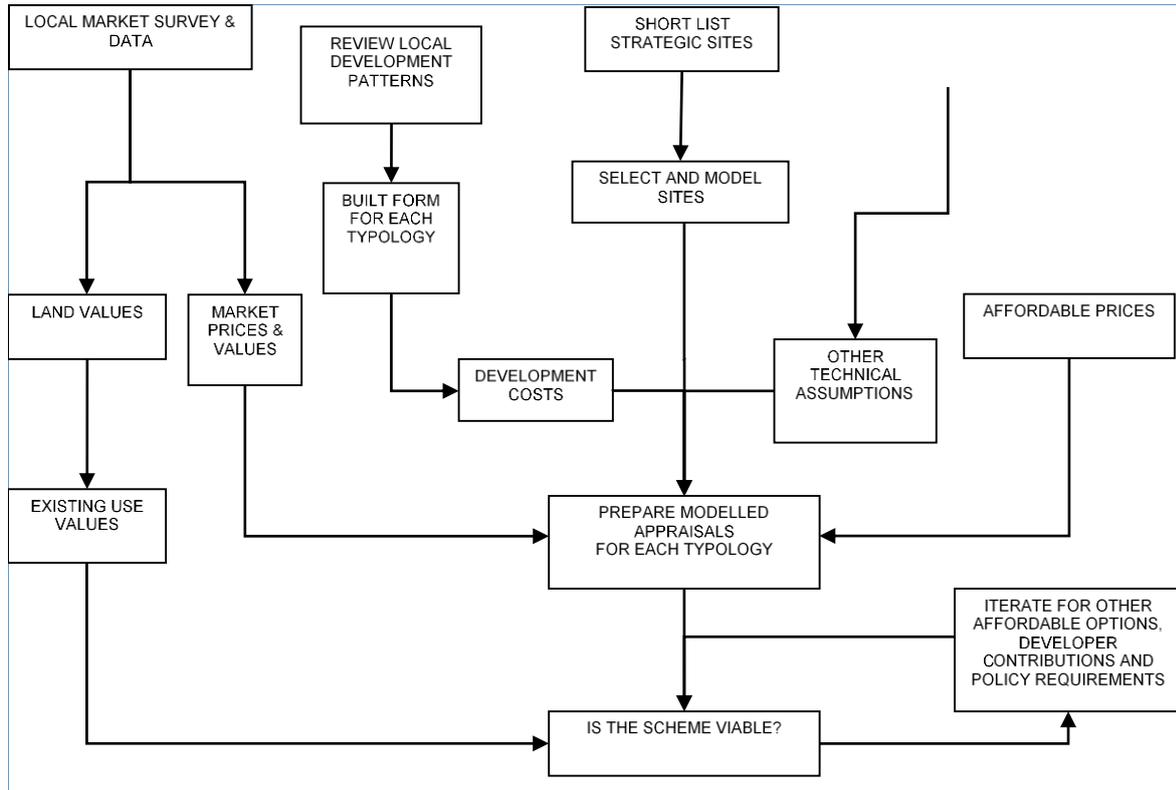
- 3.22 The assessment of viability as required under the NPPF, and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) '*...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106*'.
- 3.23 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, and the potential strategic / larger sites, and using these to assess whether development, generally, is viable. It is important to note that the potential strategic / larger sites are included to inform a decision as to whether or not they should be included in the plan in due course. Any decision to include them will be taken having regard to the wider evidence base, of which viability testing forms just one part. The typologies were modelled based on discussions with Council officers, the existing available evidence supplied to HDH by the Council. In addition, the nine potential strategic / larger sites are modelled. Details of the modelling are set out in Chapter 9 below. This process ensures that the appraisals are representative of typical development in the Council area over the plan-period.

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<sup>19</sup> Rachel Danemann of the HBF

<sup>20</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

**Figure 3.1 Viability Methodology**



Source: HDH 2023

**Table 3.1 Potential Strategic / Larger Sites for Viability Testing**

No.	Address	Type	Current Use	Units	Area
1	Minton Hollins	Brown	PDL	682	2.790
2	Birches Head Rd, Redhills Rd	Green	Mixed	360	6.530
3	Off Lordship Lane	Green	Amenity	420	6.850
4	Cobridge Road	Brown	PDL	356	5.600
5	Packmoor West	Green	Agricultural	800	38.095
6	Mitchell High School	Brown	PDL	243	7.550
7	Edensor Tech School	Brown	PDL	250	8.970
8	Berry Hill High School & College	Brown	PDL	221	7.880
9	Land at N.Staffs R.I.	Brown	PDL	236	8.750

Source: SoTCC (February 2024)

3.24 The local housing markets were surveyed to obtain a picture of sales values. Land values were assessed to calibrate the appraisals and to assess EUVs. Local development patterns were considered, to arrive at appropriate built form

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

- 3.25 The appraisals are based on existing and emerging policy options as summarised in Chapter 8 below. The preparation of draft policies within the Local Plan Review is still ongoing, so the policy topics used in this assessment may be subject to change. For appropriate sensitivity testing, a range of options are tested. If the Council allocates different types of site, or develops significantly different policies to those tested in this study, it may be necessary to revisit viability and consider the impact of any further or different requirements.
- 3.26 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the NPPF and CIL Regulations<sup>21</sup>. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality, and to provide high level advice to assist the Council in assessing the deliverability of the Local Plan.

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<sup>21</sup> This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS and has been widely used by Councils across England. The model includes a cashflow so that sales rates can be reflected.

## 4. Residential Market

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

### **The Residential Market**

- 4.2 Stoke-on-Trent is a city with a population of about 250,000 in Staffordshire. Stoke has grown through the amalgamation of smaller towns, in large part driven by a strong manufacturing base, centred on the pottery industry since the 17<sup>th</sup> Century.
- 4.3 Companies such as Royal Doulton, Dudson, Spode, Wedgwood, Minton and Baker & Co all grew in the City. The local abundance of coal and clay suitable for earthenware production led to the early development of the local pottery industry. The completion of the Trent and Mersey Canal in 1777 enabled the import of china clay from Cornwall and was a catalyst for industrial expansion. Having said this, the coal industry has a long association with the area, with the last pit being closed in the 1990s. The City was also a centre for the steel industry and specialist engineering.
- 4.4 Like many industrial centres across England, the area was affected by numerous factories and works closures in the 1980s and 1990s which led to a period of decline. The City continues to have some serious challenges that result from its industrial past. Geographically, Stoke-on-Trent is well placed for the logistics industries and is the home to several large scale food processors and office headquarters.
- a. Stoke-on-Trent is strategically located in the West Midlands, with the M6 lying just outside the administrative boundary to the west and the A50 (being a major east – west trunk road) running east towards Leicester, Nottingham and Derby.
  - b. The City is well placed on the national railway network, being on the West Coast Mainline, with direct trains to London and Birmingham as well as to the north of England.
  - c. The City is centred on Hanley. Much of the housing stock is Victorian terraces that date to the industrial heyday. Whilst much of this is well proportioned and attractive, a significant element is in rather poor condition and small, lacking usable outside space and parking.

d. Similarly, a significant proportion of the housing stock is well-proportioned post-war estate housing, some of which is council housing. Development from this era tends to have large gardens and to be quite aspirational.

4.5 Overall, the market is perceived to be active, with a strong market for the right scheme in the right place, with the Council delivering about 765 new homes per year<sup>22</sup>. Having said this, some areas are challenging and the relatively low house prices in some areas do make the delivery of new housing less easy.

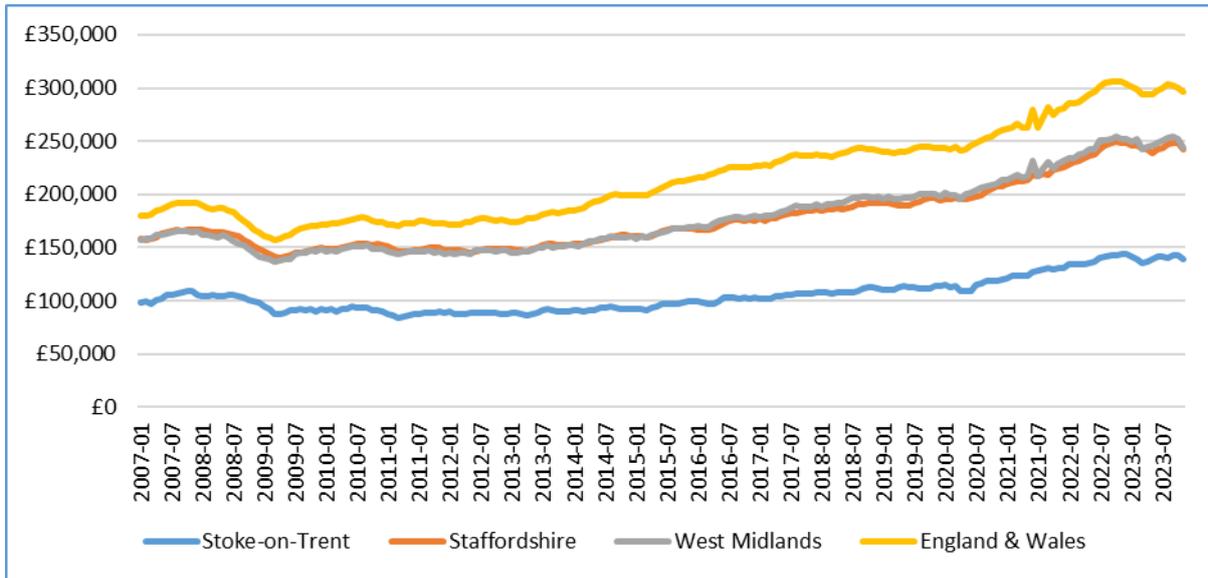
*National Trends and the relationship with the wider area*

4.6 The local housing market peaked in October 2007 and then fell considerably in the 2008/2009 recession during what became known as the 'Credit Crunch'. Since then, house prices have increased steadily, but are now widely perceived to have peaked. Locally, average house prices in the area returned to their pre-recession peak in August 2018. This recovery was substantially slower than across England and Wales where prices returned to the pre-recession peak in May 2014. In Stoke-on-Trent, average prices are now about 28% above the 2007 peak. This a substantial increase but substantially less than that seen in the West Midlands (47%) and England and Wales (54%).

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<sup>22</sup> 2016/17 to 2020/21 Stoke on Trent - Annual Monitoring Report March 2022.

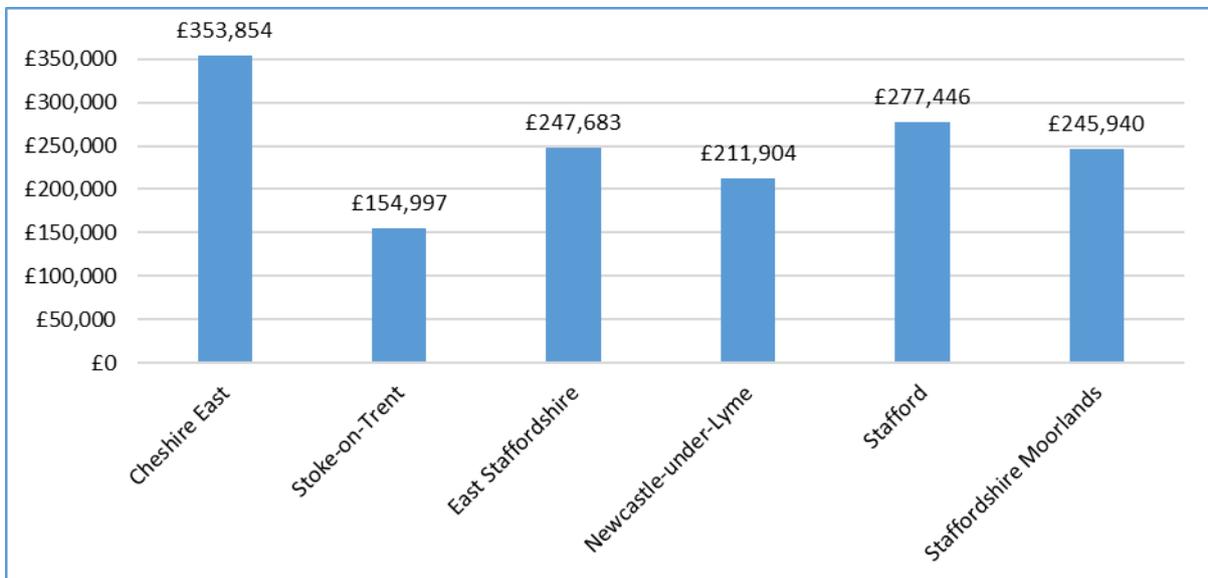
Figure 4.1 Average House Prices (£)



Source: Land Registry (January 2024). Contains public sector information licensed under the Open Government Licence v3.0.

4.7 The average prices in Stoke-on-Trent are substantially less than in nearby authority areas.

Figure 4.2 Average House Prices (£)



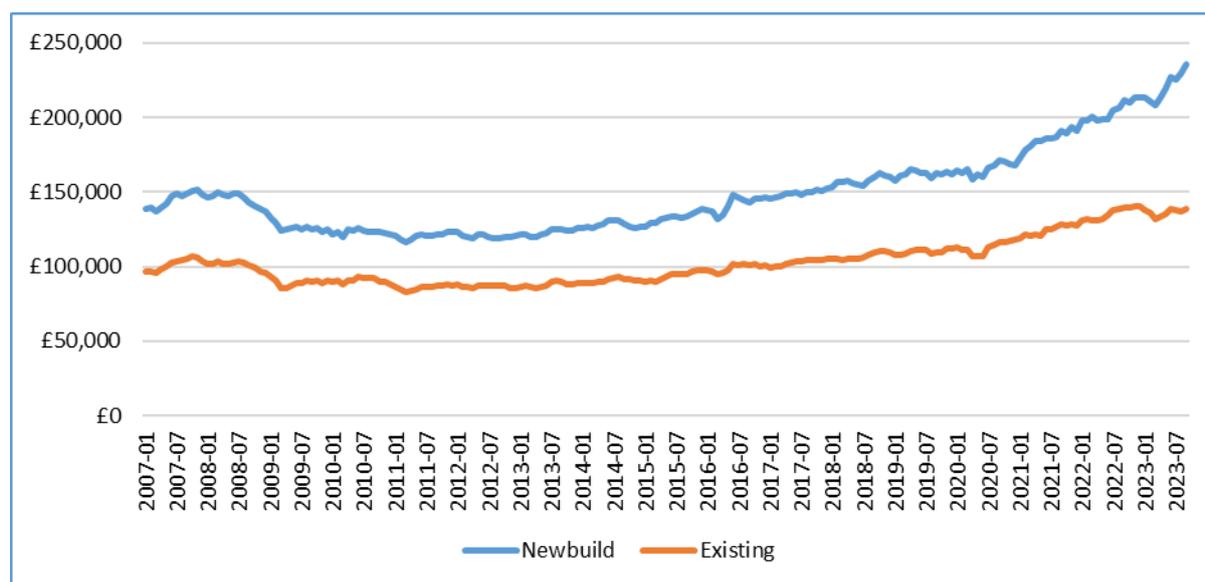
Source: Mean house prices for administrative geographies: HPSSA dataset 12 (Release 20<sup>th</sup> September 2023). Contains public sector information licensed under the Open Government Licence v3.0

4.8 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Stoke-on-Trent is 325<sup>th</sup> (out

of 331) at £154,997<sup>23</sup>. To set this in context, this is almost in the middle of the rank. the council at the middle of the rank (166<sup>th</sup> – West Suffolk), has an average price of £337,186. The Stoke-on-Trent median price is lower than the average at £140,000<sup>24</sup>.

- 4.9 This study concerns new homes. The figure above shows that prices in the Council area have seen a significant recovery since the bottom of the market in 2011. Newbuild homes have increased more quickly than existing homes.

**Figure 4.3 Change in House Prices. Existing v Newbuild**



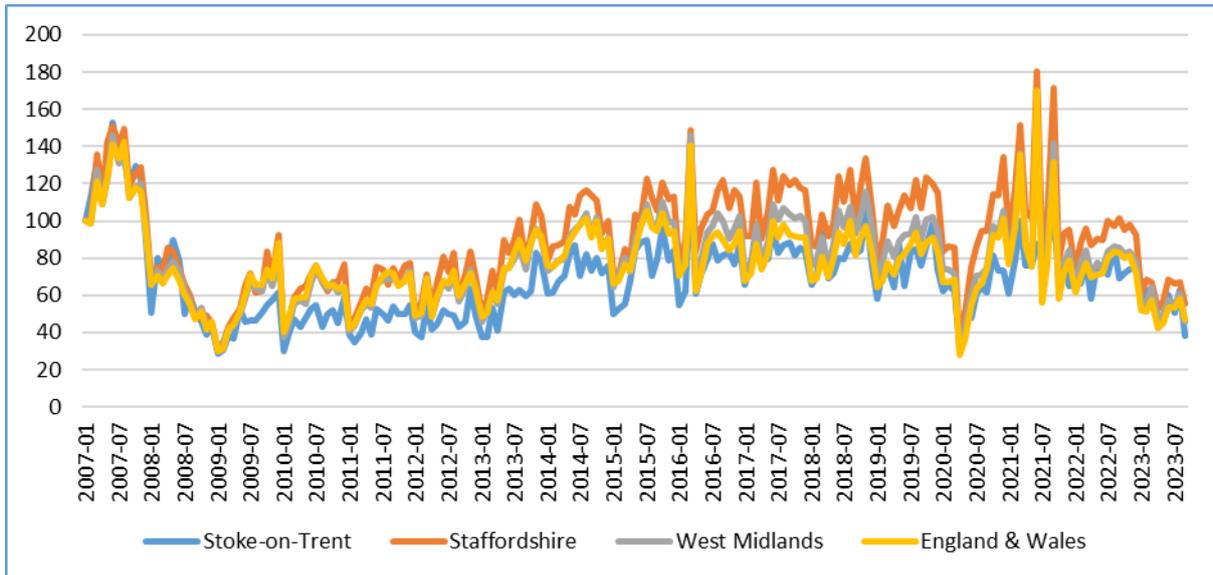
**Source: Land Registry (January 2024). Contains public sector information licensed under the Open Government Licence v3.0.**

- 4.10 The Land Registry shows that the average price paid for newbuild homes in Stoke-on-Trent (£236,113) is £97,052 (or 70%) more than the average price paid for existing homes (£139,061).
- 4.11 The rate of sales (i.e. sales per month) in the area is a little greater than the wider country, suggesting that the local market is an active market. At the time of this report, the most recent data published by the Land Registry is for October 2022.

<sup>23</sup> Mean house prices for administrative geographies: HPSSA dataset 12 (Release 20<sup>th</sup> September 2023).

<sup>24</sup> Median house prices for administrative geographies: HPSSA dataset 9 (Release 20<sup>th</sup> September 2023)

Figure 4.4 Sales per Month – Indexed to January 2007



Source: Land Registry (January 2024). Contains public sector information licensed under the Open Government Licence v3.0.

- 4.12 The rise in house prices over the last 12 or so years has, at least in part, been enabled by the historically low mortgage rates offered to home buyers. In addition, the housing market has been actively supported by the Government through products and initiatives such as Help-to-Buy. A Stamp Duty ‘holiday’ was introduced to support prices during the COVID-19 pandemic, although this was phased out between July and October 2021.
- 4.13 The housing market and wider economy has been through various uncertainties, including that of the COVID-19 pandemic. A range of views as to the impact on house prices of the pandemic and Brexit were expressed which covered nearly the whole spectrum of possibilities, but the consensus was that there would be a fall in house prices. As can be seen from the above, prices increased substantially. The pandemic, Brexit, Russia’s invasion of Ukraine and more recently the issues in the Middle East, all add uncertainty.
- 4.14 There is a degree of uncertainty in the housing market as reported by the RICS. The December 2023 RICS UK Residential Market Survey<sup>25</sup> said:

*Outlook for sales market activity continues to improve gradually*

<sup>25</sup> [UK Residential Market Survey - RICS](#)

- *Three and twelve-month sales expectations pick-up for a second consecutive month*
- *Buyer enquiries indicator records the least downbeat reading since April 2022*
- *House price declines continue to moderate at the national level, with respondents now anticipating a flat trend over the year ahead*

*The December 2023 RICS UK Residential Survey results signal another gradual improvement in market sentiment over the month. Indeed, likely driven by the continued easing in mortgage interest rates during recent weeks, near-term sales expectations moved a little further into positive territory. Meanwhile, the tide seems to be turning with respect to house prices, with contributors now envisaging a largely flat trend coming through at the twelve-month time horizon.*

*Looking at buyer demand, the headline net balance for the new buyer enquiries indicator registered a reading of -3% in December (compared to a figure of -13% in the previous results). Moreover, this metric has now turned less negative in each of the past four months, with the latest return moving into neutral territory (defined as a net balance reading between +5% and -5%) for the first time since April 2022. Alongside this, the latest national net balance of -6% for the newly agreed sales measure also represents the least negative figure going back to early 2022. Looking ahead, near-term sales expectations continue to improve, with the December net balance edging up to +12%, building on a modestly positive reading of +7% beforehand. What's more, respondents now foresee a solid recovery in residential sales volumes emerging over the year ahead, with the latest net balance climbing to +34% (up from +24% last month). At the same time, the average length of time to complete a sale continues to shorten, with it now taking on average 18 weeks compared to a recent high of 20 weeks back in September.*

*With respect to supply, a generally stable trend was reported for new instructions over the month, evidenced by a flat net balance reading of +1% being recorded. In keeping with this, the average number of homes currently listed for sale on estate agents book remained at 39 for a second consecutive month, albeit this has risen from 34 properties at the start of 2023. Nevertheless, current stock levels remain relatively low when viewed in a longer term historical comparison (inventory levels have averaged 51 homes per branch over the past fifteen years).*

*The headline house price gauge posted a net balance reading of -30% in December, which compares with readings of -41% and -60% in November and October respectively. As such, this continues to suggest that the downward pressure on prices is diminishing, with the latest reading in fact the least negative since November 2022. Even so, most regions still exhibit negative readings for this metric at present. Continuing to run counter to the aggregate trend however, respondents in Northern Ireland once again noted an increase in house prices during the latest survey period.*

*Going forward, near-term price expectations remain marginally negative, albeit the December reading of -13% again points to an anticipated easing in the pace of price declines relative to last month's net balance of -23%. Significantly, over*

*the year ahead, respondents now foresee house prices stabilising at the national level (posting a net balance of zero vs -10% previously). The latest feedback on house price expectations remains varied across different parts of the UK, although respondents based in Northern Ireland, the North West of England and Scotland do anticipate prices moving higher on a twelve-month view.*

*In the lettings market, tenant demand rose over the month according to a net balance of +17% of survey participants (part of the non-seasonally adjusted monthly rental market dataset). It is worth noting however that demand growth appears to have softened noticeably over recent months, as the net balance for this indicator has moderated in five straight survey reports (down from a recent high of +59% back in July). Nevertheless, with landlord instructions remaining scarce, having declined continuously over the past year, a lack of properties available on the lettings market continues to underpin rental prices. Consequently, a net balance of +50% of respondents expect rents to continue to rise over the near-term, with longer term projections now pointing to a near 4% increase over the year ahead and for rental growth to average 5% per annum over the next five years.*

- 4.15 HM Treasury brings together some of the forecasts in its regular *Forecasts for the UK economy: a comparison of independent forecasts* report.

**Table 4.1 Consolidated House Price Forecasts**

Table 2 - 2023: Growth in prices and monetary indicators (% change)										
Forecasters and dates of forecasts			CPI (Q4 on Q4 year ago, %)	RPI (Q4 on Q4 year ago, %)	Average earnings (Q4 on Q4 year ago, %)	Sterling index (Jan 2005=100)	Official Bank rate (level in Q4, %)	Oil price (Brent, \$/bbl)	Nominal GDP	House price inflation (Q4 on Q4 year ago, %)
<b>City forecasters</b>										
Barclays Capital	Jan	*	4.1	5.5	-	-	5.25	82.0	-	-
Bloomberg Economics	Jan	*	4.1	-	-	-	5.25	-	-	-
Capital Economics	Jan	*	4.1	5.4	5.7	-	5.25	85.0	8.0	-2.3
Citigroup	Aug		4.2	5.9	6.1	-	5.75	-	-	-0.2
Deutsche Bank	Feb		4.1	4.9	-	-	4.25	-	-	-
Goldman Sachs	Feb		3.8	-	-	-	4.25	92.0	-	-
HSBC	Jan	*	4.1	5.5	6.0	-	5.25	-	-	-2.3
JP Morgan	Jan	*	4.5	-	-	-	5.25	-	8.2	-
KPMG	Jan	*	4.1	-	-	-	5.25	82.2	-	-
Morgan Stanley	Dec		4.3	5.6	6.6	-	-	-	-	-
Natwest Markets	Jan	*	4.1	5.5	5.7	-	5.25	83.0	8.2	-
Nomura	Jan	*	4.1	-	7.1	-	5.25	-	-	-
Pantheon	Dec		2.6	5.2	6.1	-	5.25	-	-	-4.0
Schroders Investment Management	Mar		3.7	4.0	-	-	4.00	-	5.8	-3.3
Societe Generale	Sep		5.1	7.0	6.6	-	5.50	84.0	6.4	-
UBS	Jan	*	4.0	5.4	7.2	-	5.25	-	7.9	-
<b>Non-City forecasters</b>										
British Chambers of Commerce	Jan	*	4.6	-	5.5	-	5.25	-	-	-
Beacon Economic Forecasting	Jan	*	3.9	5.3	7.0	81.1	5.25	81.8	8.1	-3.7
CBI	Jan	*	4.7	5.9	7.2	80.4	5.25	84.4	8.0	-2.4
CEBR	Jan	*	4.1	5.5	7.3	80.2	5.25	-	-	-7.5
Economic Perspectives	Apr		5.8	6.8	-	78.0	3.50	80.0	6.2	-4.5
Experian Economics	Jan	*	4.1	5.5	6.6	84.8	5.25	82.9	-	-2.3
EIU	Oct		-	-	-	-	5.25	83.2	-	-
Heteronomics	Jan	*	4.1	5.5	7.7	82.0	5.25	83.0	-	-2.5
ICAEW	Jan	*	4.5	-	-	-	5.25	-	-	-
ITEM Club	Jan	*	4.1	5.0	6.2	80.9	5.25	-	-	-1.0
Kern Consulting	Apr		6.9	-	-	-	3.50	84.0	-	-
Liverpool Macro Research	Dec		5.0	8.2	5.5	79.3	5.25	-	-	-
NIESR	Dec		5.1	10.0	8.5	-	5.25	-	-	-3.6
Oxford Economics	Jan	*	4.1	5.5	6.9	81.1	5.25	82.5	8.0	-1.4
OECD	Sep		-	-	-	-	-	-	-	-
IMF	Oct		5.2	-	-	-	-	-	-	-
<b>Average of forecasts made in the last 3 months (excludes OBR forecasts)</b>										
Independent			4.2	5.9	6.6	81.2	5.25	83.0	8.1	-3.0
New (marked *)			4.2	5.5	6.6	81.5	5.25	83.0	8.1	-2.8
City			4.0	5.4	6.4	-	5.25	83.1	8.1	-2.9
<b>Range of forecasts made in the last 3 months (excludes OBR forecasts)</b>										
Highest			5.1	10.0	8.5	84.8	5.25	85.0	8.2	-1.0
Lowest			2.6	5.0	5.5	79.3	5.25	81.8	7.9	-7.5
Median			4.1	5.5	6.6	81.0	5.25	82.9	8.0	-2.4
OBR	Nov		4.8	6.7	6.8	-	5.35	83.5	7.6	0.9

**Source: Forecasts for the UK economy: a comparison of independent forecasts No 438 (HM Treasury, January 2024).**

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

**Table 4.2 Savills Residential Price Forecasts**

	2024	2025	2026	2027	2028	5 Year
Mainstream UK	-3.0%	3.5%	5.0%	6.5%	5.0%	17.9%
West Midlands	-2.0%	4.0%	5.5%	6.5%	5.0%	20.2%
Prime Midlands/North	-1.0%	4.0%	5.5%	7.0%	4.5%	21.5%
UK Rents	6.0%	3.5%	3.0%	2.5%	2.0%	18.1%

**Source: UK Housing Market Update (November 2023)<sup>26</sup>, Savills Spotlight: Prime Residential Property Forecasts (November 2023)<sup>27</sup> and Savills Mainstream Rental Forecasts<sup>28</sup>**

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

***House prices fall 1.8% over the course of 2023***

- *House prices down 1.8% compared with a year ago*
- *Northern Ireland and Scotland the only parts of the UK to see prices rise in 2023*
- *East Anglia the weakest performing region with prices down 5.2% over the year*

Headlines	Dec-23	Nov-23
Monthly Index*	517.5	517.8
Monthly Change*	0.0%	0.2%
Annual Change	-1.8%	-2.0%
Average Price (not seasonally adjusted)	£257,443	£258,557

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

4.18 The regional data suggests that the annual change in the West Midlands was -2.8% in the quarter to December 2023 and by -2.4% over the previous quarter.

<sup>26</sup> [Savills UK | Regional Performance: Cycles and Inflection points](#)

<sup>27</sup> [Savills UK | Outer prime London and prime regional forecasts](#)

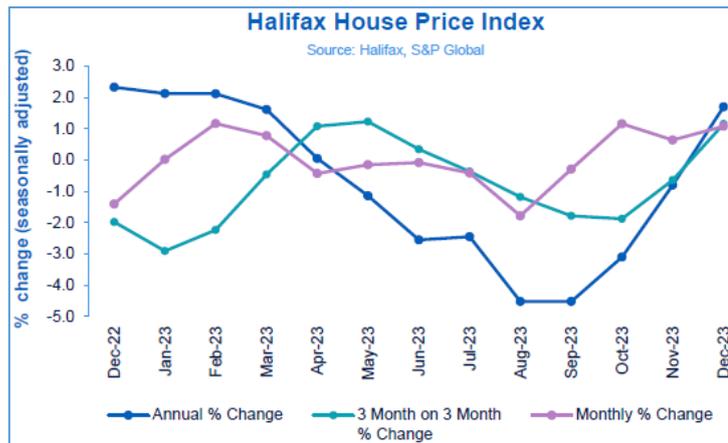
<sup>28</sup> [Savills UK | Mainstream Rental Forecasts](#)

4.19 Halifax Building Society reported a more positive situation in December 2023:



*UK house prices rise for third consecutive month*

- Average house prices rose by +1.1% in December, the third monthly rise in a row
- Property prices grew +1.7% overall in 2023
- Typical UK home now costs £287,105, just over £3,000 more than last month
- House prices predicted to fall by between -2% and -4% in 2024
- South East England continues to see most downward pressure on house prices

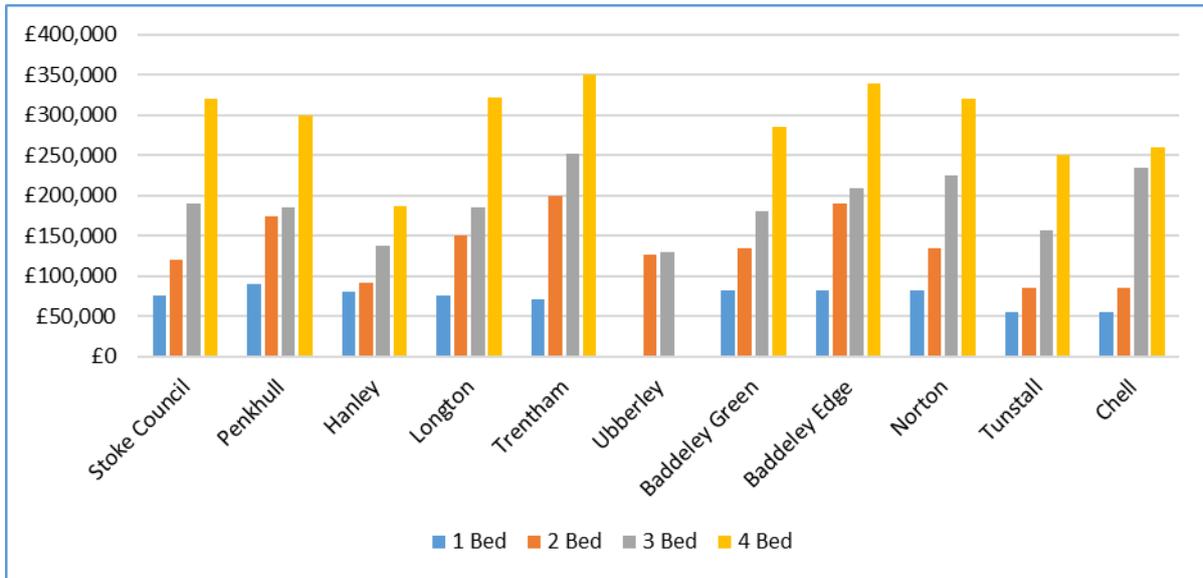


4.20 There is clearly uncertainty in the market, and the substantial growth reported over the last few years seems unlikely to continue.

**The Local Market**

4.21 A survey of asking prices across the Council area was carried out in February 2023 and refreshed in October 2023. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

**Figure 4.5 Median Asking Prices (£)**



**Source: Rightmove.co.uk (October 2023)**

- 4.22 It is notable that since the above information was initially collected in March 2023, asking prices for 2 bed and 3 bed homes are generally greater now than they were six months ago, although the asking prices for 4 bed units have fallen marginally. The above data are asking prices which reflect the seller’s aspiration of value, rather than the actual value, they are however a useful indication of how prices vary across areas.
- 4.23 As part of the research, data from Landmark has been used. This brings together data from the following sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms:

**Table 4.3 Landmark Data Sources**

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

**Source: Landmark**

- 4.24 This data includes the records 8,510 sales since the start of 2020. Of these, floor areas are available for 10,798 sales and the number of bedrooms is available for 5,014 sales. There is a significant delay in the Land Registry updating the dataset, with only 28 newbuild sales recorded in 2022 and none yet in 2023.

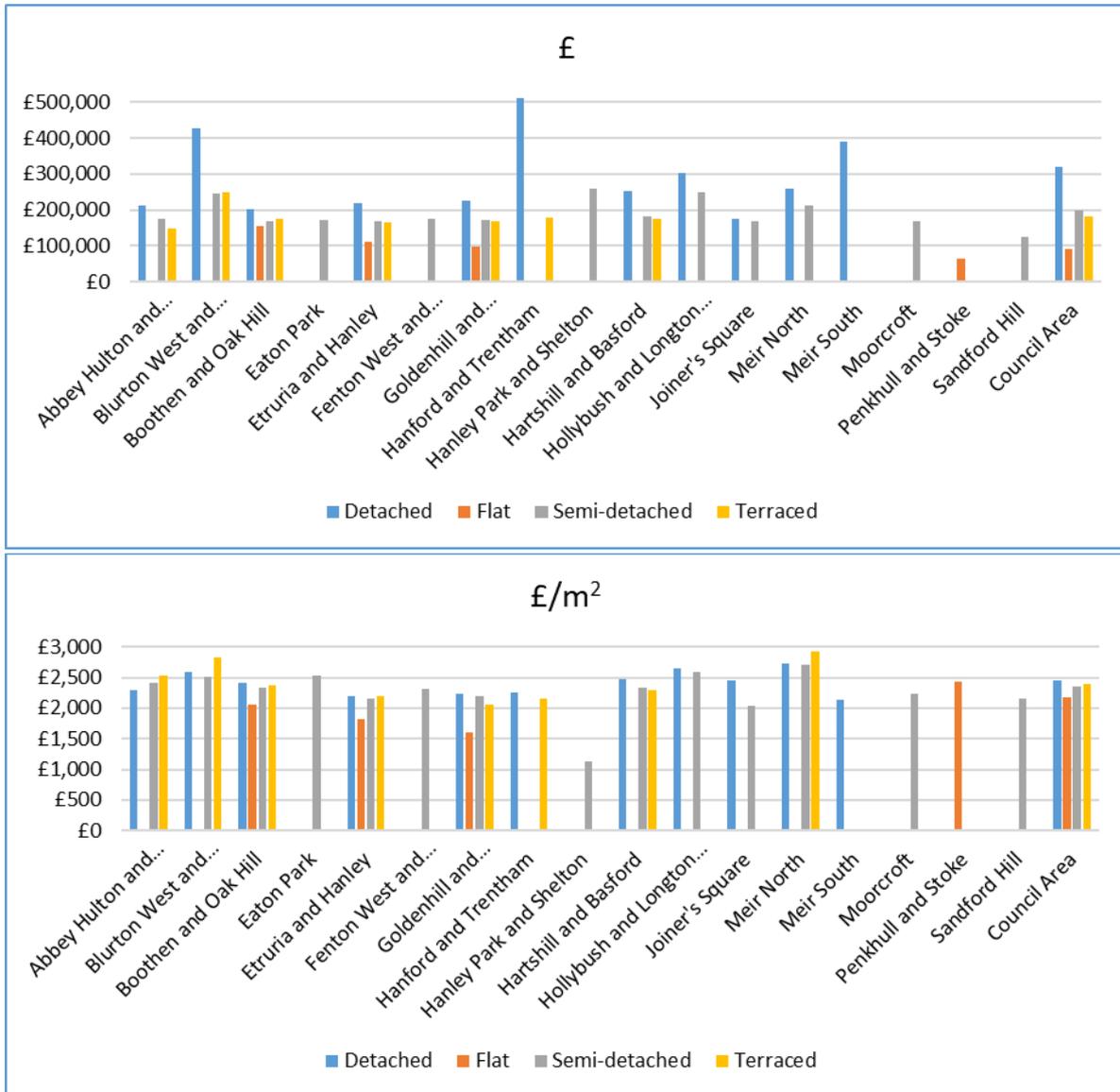
**Table 4.4 Landmark Data – Sample Sizes**

	Count of Sale Value	Count of Floor Area (m)	Count of Bedrooms
<b>Newbuild</b>	<b>301</b>	<b>301</b>	<b>0</b>
2020	173	173	0
2021	100	100	0
2022	28	28	0
<b>Non Newbuild</b>	<b>8,209</b>	<b>7,616</b>	<b>3,318</b>
2020	2,517	2,280	1,093
2021	3,425	3,192	1,333
2022	2,267	2,144	892
<b>All</b>	<b>8,510</b>	<b>10,798</b>	<b>5,014</b>
2020	2,690	2,453	1,093
2021	3,525	3,292	1,333
2022	2,295	2,172	892

**Source: Landmark (February 2023)**

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

Figure 4.6 Residential Prices Paid – From January 2020 - Newbuild Only



Source: Landmark (February 2023)

- 4.26 The full data tables are set out in **Appendix 7** below. This data can be disaggregated by year and between newbuild and existing homes.
- 4.27 The sample size for newbuild in the above data is small so this data was refreshed in January 2024, when price paid data from the Land Registry, from January 2021, was married with floor area data (from the EPC Register).

**Table 4.5 New build Price Paid Data Sample Size**

Count of Price Paid						
	Detached	Flat	Semi-detached	Student Flat	Terraced	All
2021	56	1	85	28	54	224
2022	40	0	95	92	35	262
2023	1	0	2	32	7	42
Total	97	1	182	152	96	528
Count of £ per sqm						
	Detached	Flat	Semi-detached	Student Flat	Terraced	All
2021	54	1	85	25	54	219
2022	40	0	95	9	35	179
2023	1	0	2	0	7	10
Total	95	1	182	34	96	408

**Source: Source: Land Registry and EPC Register (January 2024). Contains public sector information licensed under the Open Government Licence v3.0.**

- 4.28 The dataset includes 152 student flats that have been sold as separate units. Whilst the floor area data is not available for all of them, the average size is less 18 sqm. These should not be considered as representative of mainstream market housing. The dataset also includes 24 homes with exceptionally low values. It is suspected that these are affordable homes that should not be included in the dataset. It is understood from the Land Registry that the error is probably due to conveyancing solicitors ‘ticking the wrong box’ when making the returns.

**Table 4.6 Average Price Paid Newbuild from 1<sup>st</sup> January 2021**

**Stoke-on-Trent City Council**  
Local Plan Viability Assessment – May 2024

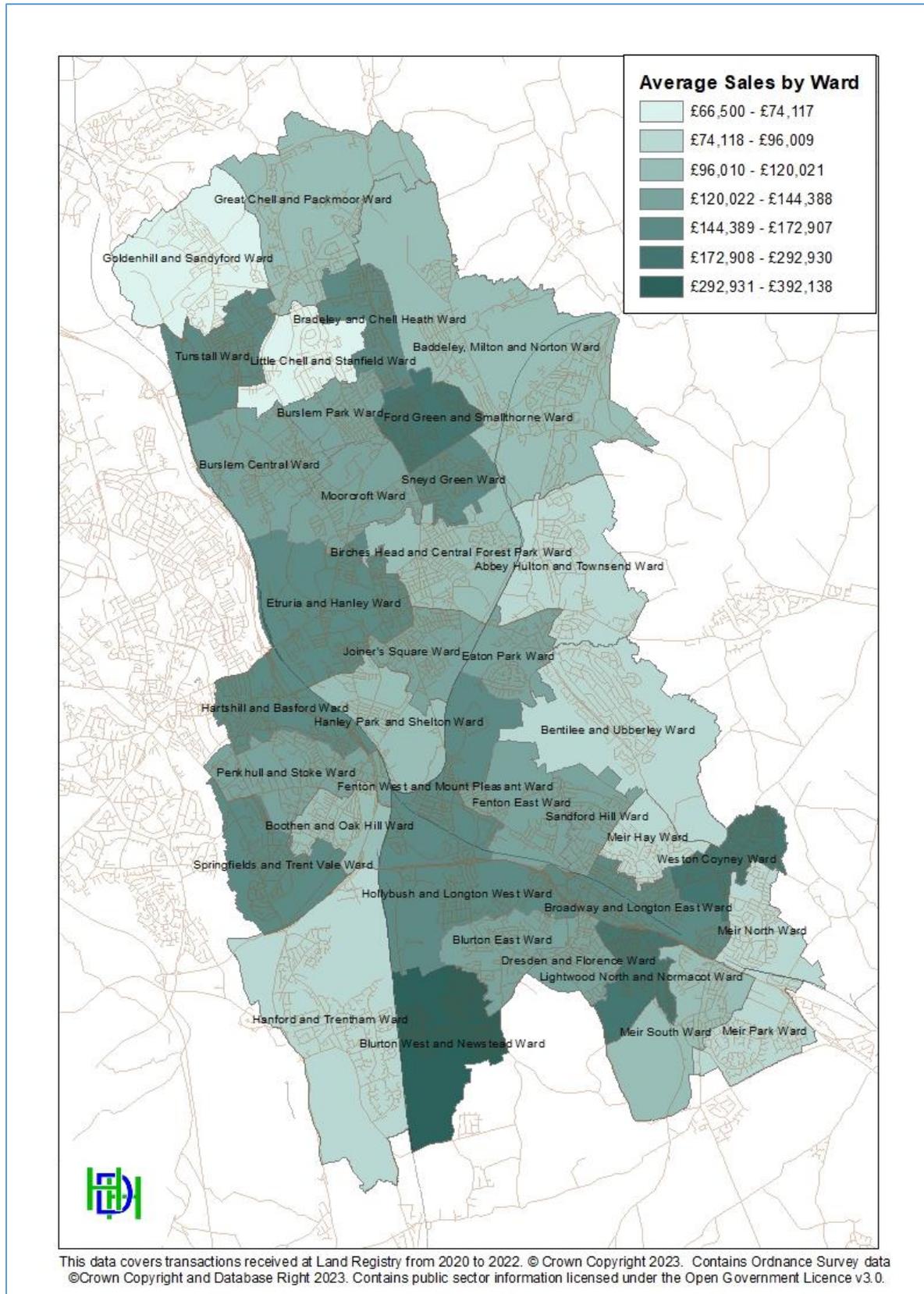
		<b>Detached</b>	<b>Flat</b>	<b>Semi-detached</b>	<b>Student Flat</b>	<b>Terraced</b>	<b>All</b>
Central	Count £	0	1	0	152	0	153
	Average £		£77,300		£61,185		£61,291
	Average £/m2		£4,294		£3,534		£3,555
Central East	Count £	7	0	13	0	0	20
	Average £	£175,638		£151,731			£160,098
	Average £/m2	£2,451		£2,059			£2,196
Central North	Count £	0	0	6	0	1	7
	Average £			£173,767		£190,000	£176,086
	Average £/m2			£2,484		£2,235	£2,448
Fringe East	Count £	33	0	39	0	10	82
	Average £	£244,896		£189,207		£162,908	£208,411
	Average £/m2	£2,571		£2,553		£2,786	£2,589
Fringe North	Count £	10	0	29	0	1	40
	Average £	£237,695		£207,236		£204,995	£214,795
	Average £/m2	£2,407		£2,388		£2,697	£2,400
Fringe South	Count £	1	0	0	0	0	1
	Average £	£390,000					£390,000
	Average £/m2						
Other Central East	Count £	0	0	42	0	35	77
	Average £			£190,430		£184,540	£187,753
	Average £/m2			£2,495		£2,459	£2,479
Outer Central North	Count £	2	0	0	0	0	2
	Average £	£281,995					£281,995
	Average £/m2	£2,220					£2,220
	Count £	17	0	29	0	11	57
	Average £	£251,052		£205,994		£172,286	£212,927

		<b>Detached</b>	<b>Flat</b>	<b>Semi-detached</b>	<b>Student Flat</b>	<b>Terraced</b>	<b>All</b>
Outer Central South	Average £/m2	£2,632		£2,608		£2,482	£2,588
South Stoke	Count	26	0	16	0	21	63
	Average £	£472,412		£257,913		£229,652	£337,016
	Average £/m2	£2,557		£2,617		£2,683	£2,614
All	Count	96	1	174	152	79	502
	Average £	£304,089	£77,300	£198,290	£61,185	£192,415	£175,843
	Average £/m2	£2,544	£4,294	£2,484	£3,534	£2,563	£2,615

**Source: Source: Land Registry and EPC Register (January 2024). Contains public sector information licensed under the Open Government Licence v3.0.**

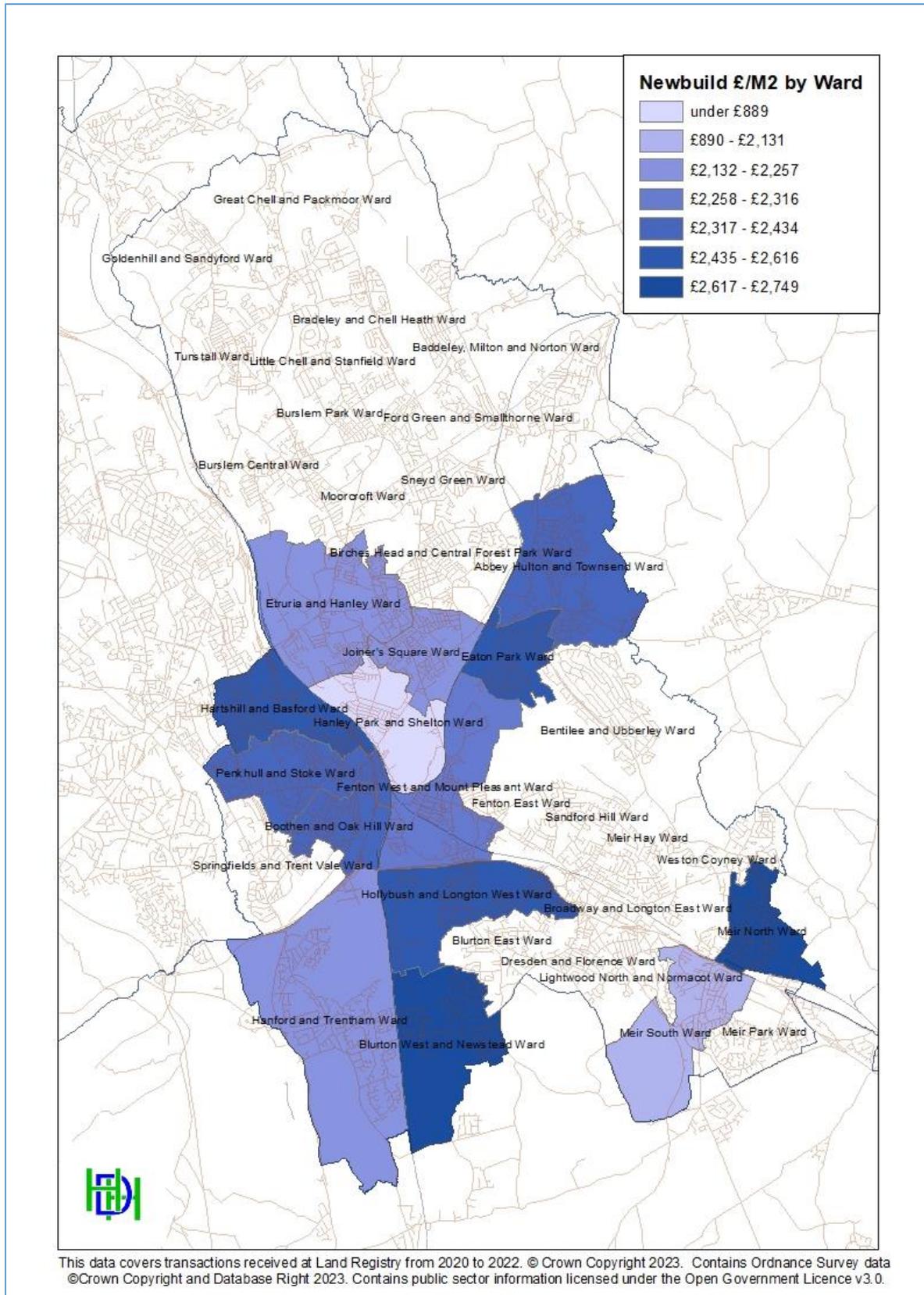
- 4.29 In deriving the assumptions in this report, weight has been put on the more recent data to ensure the more recent changes in values are reflected in the assumptions.
- 4.30 The average price paid varies across the area as illustrated in the following maps. The second map below shows that the distribution of newbuild development is concentrated in relatively few wards:
- 4.31 It is important to note that some of the sample sizes are small so care should be taken when considering a very fine grained approach.

Figure 4.7 Average Price Paid (£) – All Properties – By Ward



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

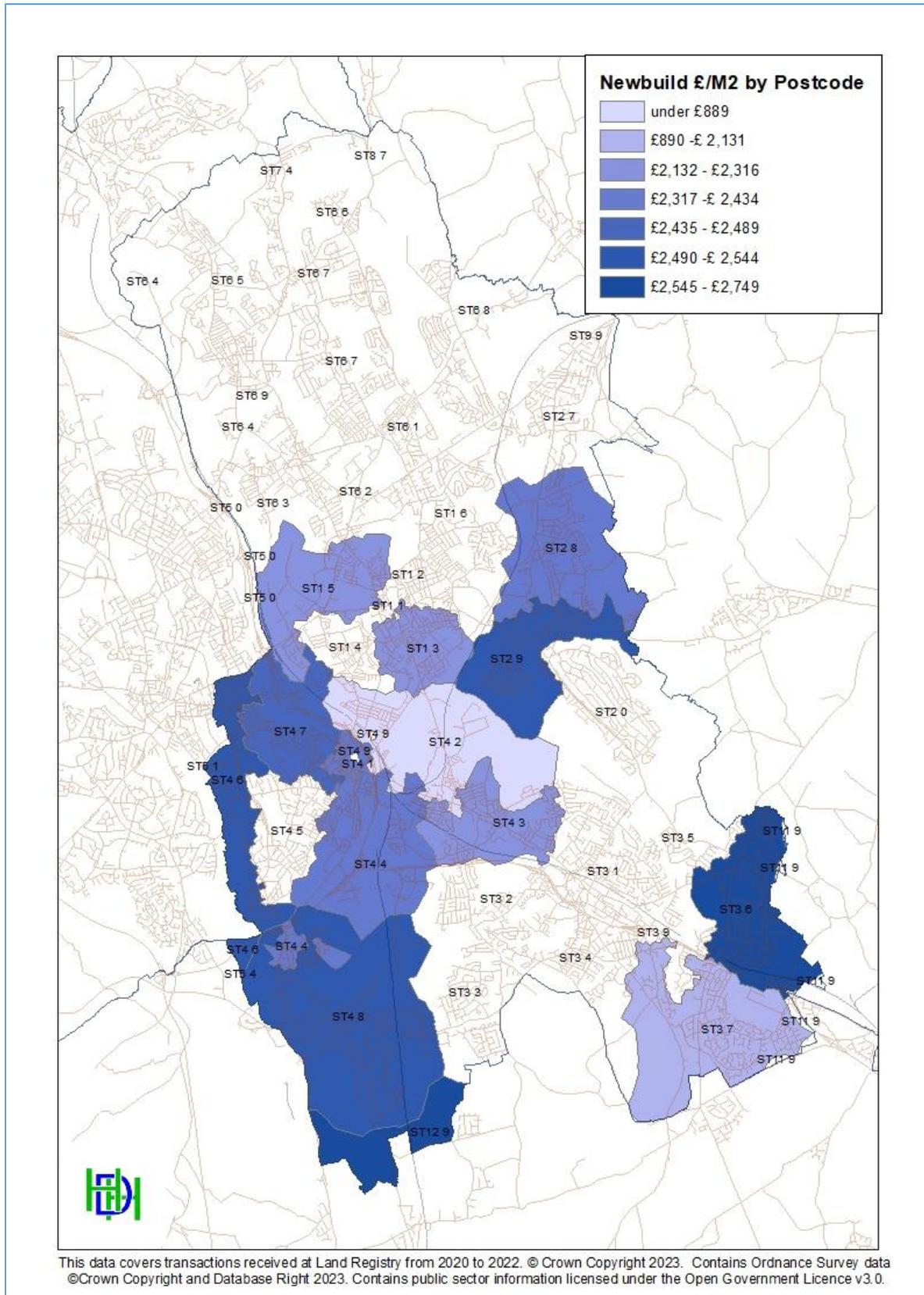
Figure 4.8 Average Price Paid (£ per sqm) – Newbuild Properties – By Ward



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



Figure 4.10 Average Price Paid (£ per sqm) – Newbuild Properties – By Postcode



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

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

**Table 4.7 Median Price Paid by Ward - Year Ending March 2023 (£)**

	Newbuild				Existing			
	Detached	Semi-detached	Terraced	Flats	Detached	Semi-detached	Terraced	Flats
Abbey Hulton and Townsend	£274,995	£199,995			£220,000	£145,500	£125,000	
Baddeley, Milton and Norton					£259,000	£166,500	£123,000	
Bentilee and Ubbberley						£129,000	£116,000	
Birches Head and Central Forest Park					£213,000	£155,000	£95,000	£67,750
Boothem and Oak Hill						£161,000	£94,100	
Bradeley and Chell Heath						£155,000	£130,000	
Blurton East					£260,500	£171,750	£107,500	
Ford Green and Smallthorne					£294,975	£162,000	£105,000	£89,950
Eaton Park					£218,500	£146,750	£132,000	
Burslem Central					£225,000	£145,000	£98,750	£70,000
Fenton East						£143,000	£90,000	
Goldenhill and Sandyford					£242,500	£143,000	£114,750	
Etruria and Hanley					£250,000	£160,000	£80,000	£87,498
Burslem Park					£192,500	£150,000	£90,000	
Fenton West and Mount Pleasant						£146,500	£94,000	
Blurton West and Newstead					£379,250	£145,000	£181,500	£96,500
Broadway and Longton East					£210,000	£150,000	£115,050	
Great Chell and Packmoor					£240,000	£145,000	£115,500	
Dresden and Florence					£308,000	£160,000	£115,950	
Hollybush and Longton West						£157,000	£130,000	£58,750
Tunstall					£270,000	£144,250	£82,500	
Weston Coyney					£253,000	£172,000	£150,000	
Joiner's Square						£141,500	£110,000	£80,000
Hanley Park and Shelton							£113,000	£85,000
Meir Park					£275,000	£195,000	£140,000	
Little Chell and Stanfield					£257,500	£142,000	£80,000	
Penkhull and Stoke				£62,950		£181,000	£130,500	£97,000
Sneyd Green					£212,500	£168,750	£108,000	
Meir Hay					£235,000	£162,500		
Meir North	£241,225	£215,725				£136,000	£123,500	
Hanford and Trentham					£295,000	£201,000	£166,250	
Sandford Hill						£152,500	£110,000	
Springfields and Trent Vale						£172,000	£105,000	£95,000
Lightwood North and Normacot					£225,000	£174,000	£86,250	
Hartshill and Basford					£270,500	£176,500	£115,000	
Meir South					£292,250	£146,500	£122,500	
Moorcroft						£142,500	£80,000	

**Source: HPSSA Dataset 37 (Data Release 20<sup>th</sup> September 2023)**

*Newbuild Asking Prices*

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

4.34 At the time of the initial research in February 2023, there were about 110 new homes being advertised for sale in the Council area. In October 2023, there were about 130

new homes being advertised for sale in the Council area. All the new homes being advertised were housing, and none were flats (other than student flats). These are summarised in the following table and set out in detail in **Appendix 8**.

**Table 4.8 Average Newbuild Asking Prices £ per sqm – February 2023**

		<b>Detached</b>	<b>Semi-detached</b>	<b>Terraced</b>	<b>All</b>
<b>Addison Mead</b>					
Foxley Close	£	£350,000			£350,000
	£/m <sup>2</sup>	£3,278			£3,278
<b>Barratt</b>					
Waterside	£	£329,995	£300,248	£317,995	£318,079
	£/m <sup>2</sup>	£3,395	£3,355	£3,180	£3,336
<b>Bellway</b>					
The Crescent	£	£325,830	£250,000		£295,498
	£/m <sup>2</sup>	£2,894	£2,833		£2,870
<b>Cerris Housing Assoc</b>					
Bellerton Lane	£			£412,500	£412,500
	£/m <sup>2</sup>			£0	£0
<b>Gleeson Homes</b>					
Hawthorns	£	£289,995	£186,995		£238,495
	£/m <sup>2</sup>	£2,231	£2,226		£2,228
<b>Keepmoat</b>					
Hollington Grange	£	£264,995	£233,395		£242,424
	£/m <sup>2</sup>	£2,747	£2,709		£2,720
<b>Lioncourt</b>					
Queen's Gate	£	£353,950	£278,700		£320,506
	£/m <sup>2</sup>	£3,135	£3,139		£3,137
<b>Oak-Ngate</b>					
New Inn Lane	£	£489,995			£489,995
	£/m <sup>2</sup>	£0			£0
<b>Persimmon</b>					
Foxfields	£	£293,950	£172,310	£152,758	£229,220
	£/m <sup>2</sup>	£2,794	£2,362	£1,995	£2,504
<b>St Modwen</b>					

		<b>Detached</b>	<b>Semi-detached</b>	<b>Terraced</b>	<b>All</b>
Blythe Fields	£	£308,995		£259,995	£292,662
	£/m <sup>2</sup>	£2,884		£2,921	£2,896
Kiln Gate	£		£208,599		£208,599
	£/m <sup>2</sup>		£2,779		£2,779
Victoria Park	£		£206,500		£206,500
	£/m <sup>2</sup>		£2,682		£2,682
<b>All</b>	£	<b>£349,819</b>	<b>£231,987</b>	<b>£284,751</b>	<b>£295,423</b>
	£/m <sup>2</sup>	<b>£2,962</b>	<b>£2,798</b>	<b>£2,523</b>	<b>£2,849</b>

**Source: Market Survey (February 2023) (The blanks indicate where no asking price and or GIA is available).**

**Table 4.9 Average Newbuild Asking Prices £ per sqm – October 2023**

		<b>Detached</b>	<b>Semi-detached</b>	<b>Terraced</b>	<b>Not Stated</b>	<b>All</b>
<b>Barratt</b>						
Waterside	£	£338,750				£338,750
	£/m <sup>2</sup>	£3,425				£3,425
<b>Bellway</b>						
The Crescent	£	£307,123	£234,750	£193,665		£253,220
	£/m <sup>2</sup>	£2,895	£2,659	£2,804		£2,812
<b>Gleeson Homes</b>						
Hawthorns	£	£289,495				£289,495
	£/m <sup>2</sup>	£2,775				£2,775
<b>James du Pavey</b>						
Palmers Green	£				£395,000	£395,000
	£/m <sup>2</sup>				£3,086	£3,086
<b>Keepmoat</b>						
Hollington Grange	£	£263,328	£235,995			£245,106
	£/m <sup>2</sup>	£2,752	£2,511			£2,591
<b>Lioncourt</b>						
Queen's Gate	£	£373,750	£274,967			£331,414
	£/m <sup>2</sup>	£3,085	£2,860			£2,989
<b>Oak-NGate</b>						
New Inn Lane	£	£533,995				£533,995
	£/m <sup>2</sup>	£3,309				£3,309
<b>Persimmon</b>						
Foxfields	£	£296,200				£296,200
	£/m <sup>2</sup>	£3,070				£3,070
<b>St Modwen</b>						
Kiln Gate	£	£257,950	£187,475			£210,967

		<b>Detache d</b>	<b>Semi- detached</b>	<b>Terraced</b>	<b>Not Stated</b>	<b>All</b>
	£/m <sup>2</sup>	£3,033	£2,776			£2,861
<b>ALL</b>						
	£	<b>£346,571</b>	<b>£230,685</b>	<b>£193,665</b>	<b>£395,000</b>	<b>£302,722</b>
	£/m <sup>2</sup>	<b>£3,008</b>	<b>£2,671</b>	<b>£2,804</b>	<b>£3,086</b>	<b>£2,881</b>

**Source: Market Survey (October 2023) (The blanks indicate where no asking price and or GIA is available).**

**Table 4.10 Average Newbuild Asking Prices £ per sqm – January 2024**

		<b>Detach ed</b>	<b>Flats</b>	<b>Semi- detached</b>	<b>Terrac ed</b>	<b>All</b>
<b>Austerberry Agents</b>						
Finstock Avenue	£				£199,950	£199,950
	£/ m <sup>2</sup>					
<b>Barratt</b>						
Waterside	£	£337,500				£337,500
	£/ m <sup>2</sup>	£3,204				£3,204
<b>Bellway</b>						
The Crescent	£	£274,748		£234,748	£193,998	£228,712
	£/ m <sup>2</sup>	£2,642		£2,659	£2,810	£2,719
<b>Butters John Bee</b>						
Pleasant Street	£				£190,000	£190,000
	£/ m <sup>2</sup>					
<b>Cerris Homes Housing Assoc</b>						
Hollington Grange	£			£245,000		£245,000
	£/ m <sup>2</sup>			£2,426		£2,426
<b>Gleeson Homes</b>						
Hawthorns	£	£292,995				£292,995
	£/ m <sup>2</sup>	£2,825				£2,825
<b>James du Pavey</b>						
Palmers Green	£	£350,000				£350,000
	£/ m <sup>2</sup>	£2,734				£2,734
<b>Keepmoat</b>						
Hollington Grange	£	£269,995		£229,197		£240,854
	£/ m <sup>2</sup>	£2,798		£2,570		£2,635
<b>Knight Knox</b>						
Axiom	£		£84,166			£84,166
	£/ m <sup>2</sup>					

		<b>Detach ed</b>	<b>Flats</b>	<b>Semi- detached</b>	<b>Terrac ed</b>	<b>All</b>
<b>Lioncourt</b>						
Queen's Gate	£	£359,3 50		£262,498	£279,9 50	£320,3 35
	£/ m <sup>2</sup>	£3,200		£3,002	£3,294	£3,156
<b>Oak-Ngate</b>						
New Inn Lane	£	£674,9 95				£674,9 95
	£/ m <sup>2</sup>	£3,309				£3,309
<b>Persimmon</b>						
Foxfields	£	£299,9 50		£224,950		£284,9 50
	£/ m <sup>2</sup>	£3,115		£3,082		£3,108
<b>St Modwen</b>						
Kiln Gate	£		£99,9 50	£183,088		£166,4 60
	£/ m <sup>2</sup>			£2,710		£2,710
<b>Tinsley Garner</b>						
Chivelstone Grove	£	£695,0 00				£695,0 00
	£/ m <sup>2</sup>					
<b>All</b>						
	£	£347,3 17	£86,4 21	£222,852	£208,6 49	£254,9 65
	£/ m <sup>2</sup>	£2,984		£2,701	£2,931	£2,867

**Source: Market Survey (January 2024) (The blanks indicate where no asking price and or GIA is available).**

- 4.35 The analysis of these shows that, in February 2023, asking prices for newbuild homes started at £124,000, and went up to £540,000 (£1,855 per sqm to £3,770 per sqm). The February 2023 average was about £295,425 (£2,849 per sqm). In October 2023, asking prices for newbuild homes started at £169,950, and went up to £674,950 (£2,369 per sqm to £3,735 per sqm). In October 2023, the average was about £302,722 (£2,881 per sqm). It is notable that, contrary to some of the national commentary, asking prices of newbuild homes have increased in Stoke-on-Trent over the last 6 months, rather than fallen. In January 2024, the average was about £254,965 (£2,867 per sqm). Whilst the average has fallen significantly, this is in large part due to the very inexpensive (less than £90,000 each) flats at Bethesda Street, marketed as student accommodation by Knight Knox.

- 4.36 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that significant discounts are not available, and were unlikely to be available. This reflects the situation being found in the wider country where larger housebuilders tend to say that the asking price is the price to be paid.
- 4.37 The above data shows variance across the area, however it is necessary to consider the reason for that variance. An important driver of the differences is the situation rather than the location of a site. Based on the existing data, the value will be more influenced by the specific site characteristics, the immediate neighbours, and the environment, as well as where the scheme is located.

### **Price Assumptions for Financial Appraisals**

- 4.38 It is necessary to form a view about the appropriate prices for the schemes to be appraised in this study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied) the following approach is taken.
- a) Brownfield Sites. Development is likely to be of a higher density than greenfield sites and be based around schemes of flats, semi-detached housing and terraces.
  - b) Flatted Schemes. This is considered to be a separate development type that is only likely to take place in central Stoke. These are modelled as conventional development and as Build to Rent (see below).
  - c) Greenfield Sites. These are likely to be developed as a broad mix including family housing. They are likely to include only a low proportion of flats.
- 4.39 It is important to note that this is a broad-brush, high-level study to test the emerging sites as required by the NPPF. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation, and it is necessary to draw on the widest possible sources of data. In establishing the assumptions, the prices (paid and asking) of existing homes are given greater emphasis when establishing the pattern of price difference across the area and the data from newbuild homes (paid and asking) is given greater emphasis in the actual assumption.
- 4.40 Care is taken not to simply attribute the values of second hand / existing homes to new homes. As shown by the data above, new homes do not always follow the values of existing homes, particularly in those areas where the existing housing stock is less

aspirational. It is also necessary to appreciate that there has been a significant increase in values over the last year that is not yet reflected in the ONS data sources.

4.41 In the *SoTCC & NULBC SHLAA Valuation Study* (heb Chartered Surveyors, 06/2016) the following assumptions were used:

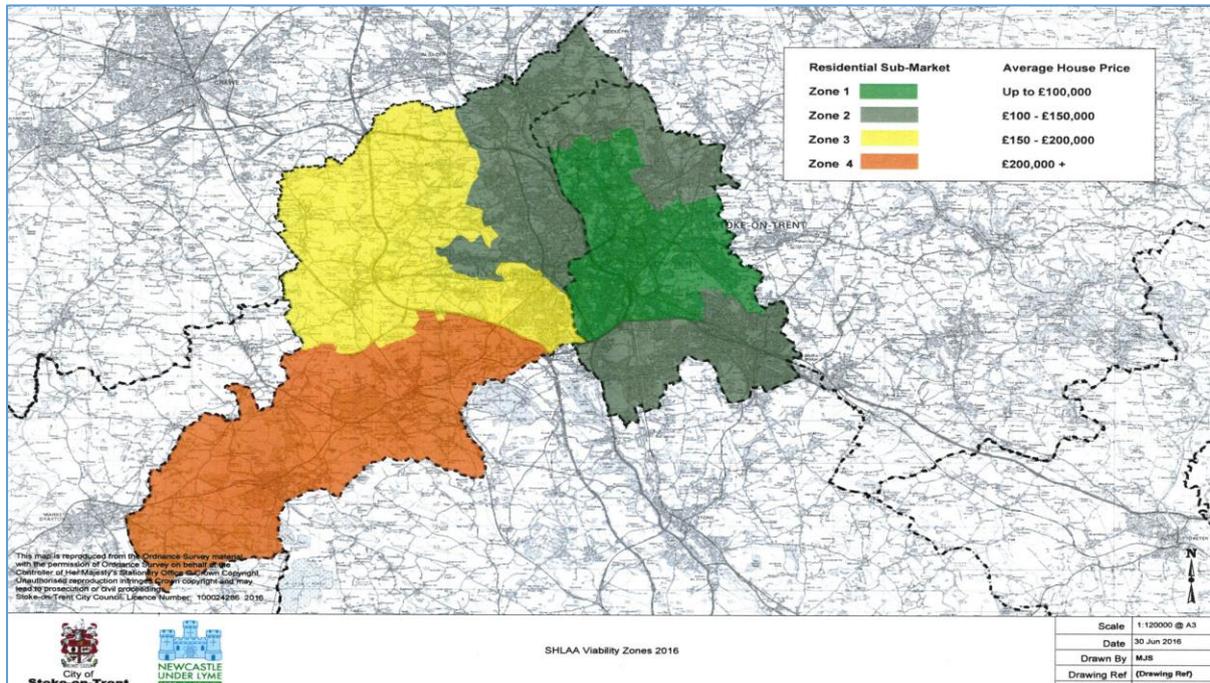
**Table 4.11 Market Housing Value Assumptions – June 2016**

SUB-MARKET	Sales Value £sqm				
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed
1	1,800	1,990	1,930	1,930	1,900
2	1,875	2,000	1,990	1,990	1,950
3	2,000	2,200	2,150	2,150	2,100
4	2,150	2,400	2,350	2,350	2,300

**Source: Appendix II, *SoTCC & NULBC SHLAA Valuation Study* (heb Chartered Surveyors, 06/2016)**

4.42 These were applied to the following sub-areas (note that the higher value Zones 3 and 4 are wholly within the Newcastle-under-Lyme Borough Council area).

**Figure 4.11 Market Housing Value Zones – June 2016**



**Source: Appendix I, *SoTCC & NULBC SHLAA Valuation Study* (heb Chartered Surveyors, 06/2016)**

4.43 Based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the study area, and the wider data presented, the prices put to the consultation are as in the table below.

**Table 4.12 October 2023 Price Assumptions £ per sqm**

Greenfield	
Large sites >100 units	£3,300
Medium sites 100 units to 15 units	£3,000
Small sites <15 units	£3,200
Mixed use sites (greenfield / brownfield)	£2,900
Brownfield	
Housing	£2,750
Flats	£2,500

**Source: HDH (October 2023)**

4.44 These assumptions were confirmed through the technical consultation<sup>29</sup>, although a finer grain (i.e. 'locational') approach was suggested – particularly considering an inner urban core and outer urban core. It is agreed that prices vary by location, however, due to the limited available transactional evidence it is not possible to robustly justify a sub-dividing the area.

#### *Ground Rents*

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

#### **Build to Rent**

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

4.47 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. The value of the units in the PRS

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<sup>29</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

<sup>30</sup> [In October 2018 the Communities Secretary announced that majority of newbuild houses should be sold as freehold and new leases to be capped at £10.](#)

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

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

- 4.48 In estimating the likely level of rent, a survey of market rents across the area was undertaken. Whilst rents vary substantially from property to property, this is due to their condition, quality and specific situation.

**Table 4.13 Median Asking Rents advertised on Rightmove (£/month) - City of Stoke-on-Trent**

1 Bed	2 Bed	3 Bed	4 Bed
£550	£700	£895	£1,295

**Source: Rightmove.co.uk (October 2023)**

- 4.49 It is notable that since the above information was initially collected in March 2023, asking rents for 1 bed, 2 bed and 3 bed homes are generally between 5% and 10% greater in October 2023. The sample size for 4 bed units is too small to make a judgment in this regard. It is important to note that the above rents are for all units across the market. It is likely that Build to Rent units are to be amongst the highest quality in the market, offering high quality and reliable management and a greater certainty of tenure.
- 4.50 Care must be taken when considering the above to recognise the outliers. The Valuation Office Agency (VOA) collect data on rent levels:

**Table 4.14 Rents reported by the VOA. October 2022 to September 2023**

	<b>Count of rents</b>	<b>Mean</b>	<b>Lower quartile</b>	<b>Median</b>	<b>Upper quartile</b>
Room	140	£386	£347	£385	£420
Studio	10	£440	£398	£445	£472
1 Bedroom	200	£452	£400	£450	£495
2 Bedroom	1,300	£530	£450	£515	£595
3 Bedroom	640	£659	£550	£636	£750
4+ Bedroom	90	£926	£668	£895	£1,100

**Source: VOA Private rental market summary statistics in England (Released 20<sup>th</sup> December 2023)**

- 4.51 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed.
- a. Savills in its *UK Build to Rent Market Update- Q4 2022* (Savills, February 2023) reports a prime regional yield of 4%.
  - b. Knight Frank in its *Residential Yield Guide* (January 2023) reported a 4.25% to 4.5% yield for Build to Rent in Tier 2 Regional Cities and a 4% to 4.25% yield for Regional Single Family Housing.
  - c. CBRE is reporting multifamily prime yields of 3.5% to 4.5% in its *UK Property Market Snapshot Q4 2022*.
- 4.52 Having considered a range of sources, a gross yield of 4% has been assumed, being at the cautious end of the range. In considering the rents to use in this assessment it is necessary to appreciate that much of the exiting rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.

**Table 4.15 Capitalisation of Private Rents**

	<b>1 bed</b>	<b>2 bed</b>	<b>3 bed</b>
Rent (£/month)	£495	£595	£750
Rent (£/annum)	£5,940	£7,140	£9,000
Net Rent	£4,752	£5,712	£7,200
Value	£105,600	£126,933	£160,000
m <sup>2</sup>	50	70	84
<b>£ per sqm</b>	<b>£2,112</b>	<b>£1,813</b>	<b>£1,905</b>

**Source: HDH (January 2024)**

- 4.53 This approach derives a value for private rent, under Build to Rent, of £1,950 per sqm or so.
- 4.54 The Council is not making specific allocations for this type of housing so there are no specific sites to test. In this regard paragraph 10-007-20190509 of the PPG is highlighted which specifically anticipates that the viability of Build to Rent housing is considered at the development management stage.

### **Affordable Housing**

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

#### *Affordable Housing Values*

- 4.56 In *SoTCC & NULBC SHLAA Viability Assessment (NCS, 10/2016)* affordable housing was assumed to have the following values:
- Affordable Rent at 50% of market values
  - Affordable Rent at 40% of market values
  - Starter Homes at 80% of market values

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

#### *Social Rent*

- 4.58 The value of social rented property is a factor of the rent – although the condition and demand for the units also have an impact. Social Rents are set through a national

formula that smooths the differences between individual properties and ensures properties of a similar type pay a similar rent:

**Table 4.16 General Needs (Social Rent)**

Average weekly net rent (£ per week) by unit size for Stoke-on-Trent - Large PRPs <sup>31</sup>					<b>£ per week</b>
Unit Size	<b>Net rent</b>	<b>Social rent rate</b>	<b>Service charge</b>	<b>Gross rent</b>	<b>Unit count</b>
Non-self-contained	£84.85	£84.85	£11.04	£95.89	4
Bedsit	£62.47	£61.18	£14.10	£76.57	11
1 Bedroom	£73.17	£72.31	£9.73	£82.66	1,299
2 Bedroom	£80.06	£78.52	£3.73	£82.66	2,389
3 Bedroom	£92.66	£91.50	£1.65	£93.55	1,052
4 Bedroom	£108.53	£106.76	£3.87	£110.14	84
5 Bedroom	-	-	-	-	-
6+ Bedroom	£131.86	£129.60	£3.24	£135.10	3
All self-contained	£81.44	£80.16	£5.58	£85.52	4,838
<b>All stock sizes</b>	<b>£81.44</b>	<b>£80.16</b>	<b>£5.59</b>	<b>£85.53</b>	<b>4,842</b>
Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an exception under the Rent Policy Statement. Stock outside England is excluded.					

**Source: Table 9, SDR 2023 – Data Tool<sup>32</sup>**

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

<sup>31</sup> PRPs are providers of social housing in England that are registered with RSH and are not local authorities. This is the definition of PRPs in the Housing and Regeneration Act 2008.

<sup>32</sup> [Private registered provider social housing stock in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

**Table 4.17 Capitalisation of Social Rents**

	<b>1 Bedroom</b>	<b>2 Bedrooms</b>	<b>3 Bedrooms</b>	<b>4 Bedrooms</b>
Rent (£/month)	£317	£347	£402	£470
Rent (£/annum)	£3,805	£4,163	£4,818	£5,644
Net Rent	£3,044	£3,330	£3,855	£4,515
Value	£76,097	£83,262	£96,366	£112,871
m <sup>2</sup>	50	70	84	97
£ per sqm	<b>£1,522</b>	<b>£1,189</b>	<b>£1,147</b>	<b>£1,164</b>

**Source: HDH (January 2024)**

4.60 On this basis, a value of £1,285 per sqm across the study area would be derived.

*Affordable Rent*

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

4.62 In estimating the likely level of Affordable Rent, a survey of market rents across the Borough has been undertaken and is presented under the Build to Rent heading above.

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

**Table 4.18 BRMA LHA Caps (£/week)**

Shared Accommodation	£60.95
One Bedroom	£86.30
Two Bedrooms	£97.81
Three Bedrooms	£126.58
Four Bedrooms	£171.45

**Source: VOA (January 2024)**

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

**Table 4.19 Affordable Rent General Needs**

Average weekly gross rent (£ per week) and unit counts by unit size for Stoke-on-Trent	<b>£ per week</b>	
Unit Size	<b>Gross rent</b>	<b>Unit count</b>
Non-self-contained	-	-
Bedsit	-	-
1 Bedroom	£85.12	46
2 Bedroom	£100.02	331
3 Bedroom	£111.84	250
4 Bedroom	£132.85	25
5 Bedroom	£152.10	2
6+ Bedroom	-	-
All self-contained	£104.90	654
All stock sizes	<b>£104.90</b>	<b>654</b>
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

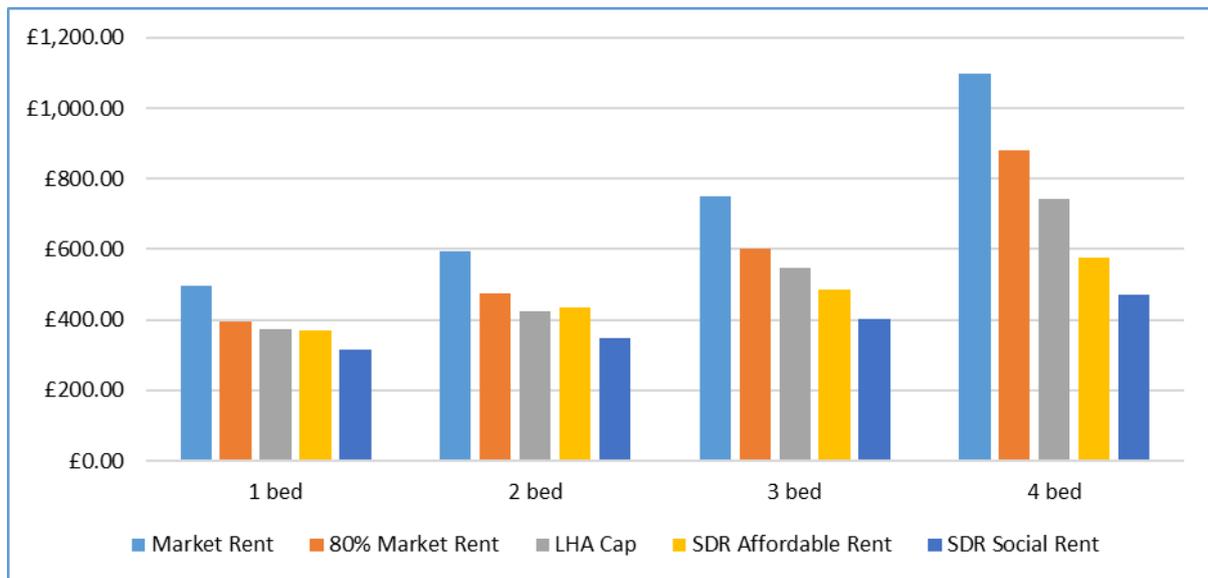
**Source: Table11, SDR 2023 – Data Tool<sup>33</sup>**

4.65 The rents can be summarised as follows.

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<sup>33</sup> [Private registered provider social housing stock in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

**Figure 4.12 Rents by Tenure – £/Month**



**Source: Market Survey, SDR and VOA (January 2024)**

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

**Table 4.20 Capitalisation of Affordable Rents**

	1 Bedroom	2 Bedrooms	3 Bedrooms
Gross Rent (£/month)	£374	£424	£549
Gross Rent (£/annum)	£4,488	£5,086	£6,582
Net Rent	£3,590	£4,069	£5,266
Value	£89,752	£101,722	£131,643
m <sup>2</sup>	50	70	84
£ per sqm	<b>£1,795</b>	<b>£1,453</b>	<b>£1,567</b>

**Source: HDH (January 2024)**

4.67 Using this method to assess the value of affordable housing, under the Affordable Rent tenure, a value of £1,605 per sqm is derived.

*Affordable Home Ownership*

- 4.68 Affordable Home Ownership includes Shared Ownership and shared equity products<sup>34</sup> as well as First Homes. A value of 70% of open market value for these units has been assumed. These values were based on purchasers buying an initial 30% share of a property and a 2.5%<sup>35</sup> per annum rent payable on the equity retained. The rental income is capitalised at 4% having made a 2% management allowance.
- 4.69 In November 2020, the Government undertook a consultation around the standard Shared Ownership model, the outcome of which was announced in April 2021:
- a. A reduction in the minimum first tranche share to 10%.
  - b. The ability of shared owners to staircase by 1% annually for up to 15 years, at a value based on the original purchase price uprated by the local House Price Index (and a reduction in the minimum staircasing threshold from 10% to 5%).
  - c. A ten-year ‘repair-free period’ during which the landlord would fund repairs worth up to £500 per year, with a one-year rollover, with the shared owner responsible for undertaking repairs.
- 4.70 Discussions with RPs suggest that, having taken this change in to account, values are unlikely to fall significantly.
- 4.71 In October 2023, the Government announced reforms to shared ownership rents for new shared owners, including switching the maximum amount that shared ownership rents can increase by once a year from the Retail Prices Index (RPI) plus 0.5%, to the Consumer Prices Index (CPI) plus 1%.
- 4.72 The rationale given behind this change is to ‘*ensure that shared ownership rents are increased using a more modern measure of inflation..... This reform brings shared ownership rents into line with the limit that normally applies to annual rent increases in other forms of social housing*’. This is not expected to have a material impact on the level of rents over the short to medium term.

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<sup>34</sup> For the purpose of this assessment, it is assumed that the ‘affordable home ownership’ products, as referred to in paragraph 65 of the NPPF, fall into this definition,

<sup>35</sup> A rent of up to 3% may be charged – although we understand that in this area 2.75% is more usual.

- 4.73 In relation to First Homes, a 30% discount and a £250,000 cap are assumed to apply. Greater levels of discount will be tested.
- 4.74 These assumptions were confirmed through the technical consultation<sup>36</sup> a housebuilder raised Starter Homes. A Starter Home is a new home that is subject to a 20% discount. The Council does not anticipate including Starter Homes in the preferred affordable housing mix. In this report it is assumed that Starter Homes have been replaced by First Homes.

#### *Grant Funding*

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

#### **Older People's Housing**

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

***Retirement living or sheltered housing:*** This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.

***Extra care housing or housing-with-care:*** This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

- 4.77 HDH has received representations from the Retirement Housing Group (RHG) a trade group representing private sector developers and operators of retirement, care and Extracare homes. They have set out a case that Sheltered Housing and Extracare Housing should be tested separately. The RHG representations assume the price of

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<sup>36</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

a 1 bed Sheltered unit is about 75% of the price of existing 3 bed semi-detached houses and a 2 bed Sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it assumes Extracare Housing is 25% more expensive than Sheltered Housing.

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

**Table 4.21 Worth of Sheltered and Extracare**

	Area (m <sup>2</sup> )	£	£ per sqm
3 bed semi-detached		255,000	
1 bed Sheltered	50	191,250	3,825
2 bed Sheltered	75	255,000	3,400
1 bed Extracare	65	239,063	3,678
2 bed Extracare	80	318,750	3,984

**Source: HDH (October 2023)**

- 4.79 A review of older people’s schemes within the City and surrounding area was undertaken, however few are being advertised at the time of this report. There is a McCarthy Stone scheme at Deans Park Court, Stafford. This is all sold, although there are 2 one bed units for rent; one of 51.88 sqm for £1,965 pcm and one of 51.92 sqm for £1,800 pcm. Similarly, there is a one bed unit for rent at Portland Grange, Leek of 51.97sqm for £1,140 pcm.
- 4.80 Based on the above, a value of £3,700 per sqm is assumed for Sheltered Housing and Extracare Housing. Extracare Housing is likely to have a higher value, however this has not been evidenced owing to the lack of data, so no differentiation has been made. No allowance is made for ground rents.
- 4.81 The value of units as affordable housing has also been considered. It has not been possible to find any directly comparable schemes where housing associations have purchased social units in a market led Extracare development. Private sector developers have been consulted. They have indicated that, whilst they have never disposed of any units in this way, they would expect the value to be in line with other affordable housing – however they stressed that the buyer (be that the local authority or housing association) would need to undertake to meet the full service and care charges.

## 5. Non-Residential Market

- 5.1 This chapter sets out an assessment of the markets for non-residential property within the Stoke-on-Trent City Council area, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the study. Previous assumptions have been referenced for information and sense checking purposes. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward as planned development. In this study the larger format office uses, industrial uses, retail uses and hotel uses have been considered.
- 5.2 Across the City, market conditions broadly reflect a combination of national economic circumstances and local supply and demand factors. However, even within the area, there will be particular localities, and ultimately site-specific factors, that generate different values and costs.

### National Overview

- 5.3 The various non-residential markets in Stoke-on-Trent reflect national trends. The retail markets are particularly challenging:

***Market activity remains subdued given current lending conditions and fragile economic outlook***

- *Headline occupier and investor demand metrics remain in negative territory*
- *Secondary market rents and capital values anticipated to fall further over the year to come*
- *58% of respondents still perceive the market to be in a downturn phase, while 24% sense conditions are consistent with the bottom of the cycle*

*The Q3 2023 RICS UK Commercial Property Monitor results remain relatively downbeat, with tighter financial conditions and a sluggish economic backdrop weighing on activity across both the investor and occupier markets. Perhaps ominously for the market going forward, more than 75% of contributors envisage pressure on corporate cash-flows to intensify over the next year (as captured by an additional question included in the Q3 survey). That said, while the outlook for rents and capital values is still slightly negative at the all-property average level, this masks a somewhat better performance anticipated across prime vs secondary markets as well as for some alternative sectors.*

### ***Occupier Market***

*The headline occupier demand indicator posted a net balance reading of -12% in Q3, down marginally compared to a figure of -10% previously. As such, this measure continues to signal a modest overall decline in occupier demand. When disaggregated, both the office and retail sectors exhibit a clearly negative trend in tenant demand, posting respective net balances of -19% and -25%. For*

*industrials meanwhile, the latest net balance of +3% is pointing to a stalling in demand growth over the quarter and represents the softest reading since Q2 2020.*

*In terms of availability, respondents continue to cite an increase in overall vacant space in both the office and retail sectors. On the back of this, the use of incentive packages (such as rent free periods) continues to climb, evidenced by net balances of +40% of respondents reporting an increase in inducements for offices and +34% for retail. For the industrial sector, a much flatter picture for both vacancies and incentives is being reported, albeit this marks a noteworthy turnaround on the near continuous decline in availability over much of the past decade.*

*Looking ahead, twelve-month rental growth projections remain mixed across the various sub-sectors tracked. At the stronger end of the spectrum, a net balance of +46% of survey participants foresee a continued pick-up in prime industrial rents over the year to come (albeit these expectations have moderated significantly compared to recent years). At the same time, secondary industrial rents are also anticipated to rise modestly. Across the office sector, the divide between prime and secondary remains stark, with anecdotal comments from respondents frequently highlighting the disparity. While prime offices are anticipated to deliver a small uplift in rental values over the year ahead (net balance +21%), rents are seen falling relatively sharply across secondary office space (net balance -47%). For the retail sector, a net balance of -13% of respondents expect prime rents to fall, with the outlook altogether more downbeat across secondary retail (net balance -51%).*

*When viewed at a broad regional level, rental growth expectations for the coming twelve months broadly match those recorded across the UK in aggregate. For London however, there is a slight distinction in that prime office and prime retail rental projections are modestly stronger than the national average.*

### **Investment market**

*Investor demand trends were again subdued at the headline level during Q3. Indeed, the all-property investment enquiries series posted a net balance of -21%, representing the fifth consecutive quarter in which this indicator has been in negative territory. Looking at the sector level data, while the Q3 net balance of zero for industrials points to a generally flat picture for investment enquiries (marginally improved on -2% seen last quarter), the latest readings remain altogether more downbeat for offices and retail at -33% and -35% respectively. What's more, the overseas investment demand numbers point to a continued decline in interest from international buyers across all sectors.*

*In keeping with the weak demand backdrop, twelve-month capital value projections remain negative, to a greater or lesser degree, across most traditional market segments. Secondary office and retail values are seen suffering the sharpest declines (in net balance terms), although the outlook is also negative for values across their prime counterparts (albeit more modestly so). Prime industrial values are anticipated to see a slight increase over the year ahead however, with the latest net balance rising to +26% from +10%*

*previously. That said, the outlook is flat to marginally negative for secondary industrial values.*

*Away from the more traditional market segments, sectors such as data centres, aged care facilities, student housing and life sciences are all expected to post positive capital value growth in the year to come. What's more, twelve-month projections were upgraded in each instance compared to the Q2 results. By way of contrast, capital values across the leisure sector are anticipated to come under downward pressure over the year ahead.*

*Despite the relatively more resilient outlook in some pockets of the market, the overall view on conditions remains downbeat. 58% of respondents still perceive the market to be in a downturn phase of the cycle, although this is slightly lower than the share of 68% who were this opinion beforehand. Significantly though, there was an increase (from 15% to 24%) in the proportion of contributors sensing the market may have reached its floor.*

*RICS – Q3-2023 – UK Commercial Property Monitor*

### **Stoke-on-Trent Non-Residential Market**

- 5.4 As with the housing market, the various non-residential markets in Stoke-on-Trent reflect national trends, but there are local factors that underpin the market. The market is described in detail in the *Newcastle Under Lyme & Stoke on Trent Economic Needs Assessment* (Turley, 06/2020) so that detail is not repeated here.
- 5.5 Historically Stoke-on-Trent is associated with The Potteries. Companies such as Royal Doulton, Dudson, Spode, Wedgwood, Minton and Baker & Co all grew in the City. Before the growth of the ceramics industries, the area had been a coal mining and steel centre. The completion of the Trent and Mersey Canal 1777 enabled the import of china clay from Cornwall allowed the industrial expansion. Like many industrial centres across England, the area was affected by numerous factory and works closures in the 1980s and 1990s which led to a period of decline. The City continues to have some serious challenges that result from its industrial past. Geographically, Stoke-on-Trent is well placed for the logistics industries and is home to several large scale food processors and office headquarters.
- 5.6 More recently, prior to the cancellation of the HS2 rail line to the north of Birmingham, there had been reported interest in accommodation related to the improved connectivity that would have come through the new HS2 railway.
- 5.7 This assessment of viability is concerned with new property that is likely to be purpose built. There is little evidence of a significant variance in price for newer premises more suited to modern business, although very local factors (such as access to the transport network) are important.

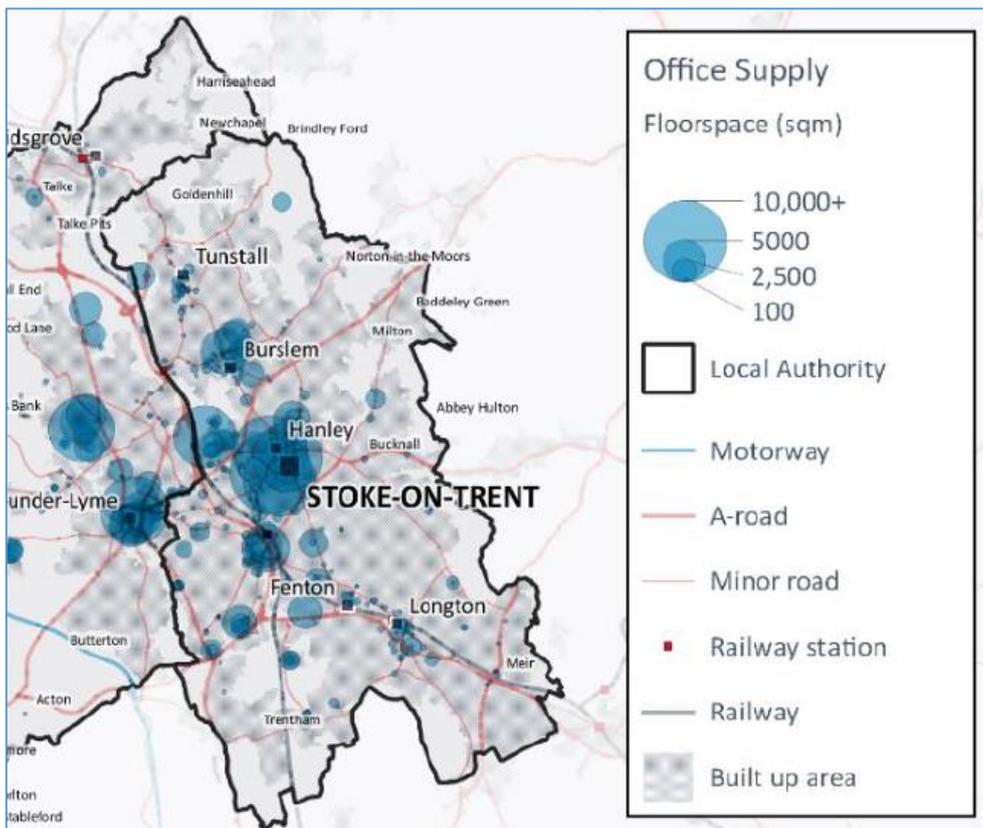
5.8 Various sources of market information have been analysed, the principal sources being the local agents/auctioneers, research published by national agents, and through the Estates Gazette’s Property Link website (a commercial equivalent to Rightmove and Zoopla). In addition, information from CoStar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

5.9 **Appendix 9** includes the up-to-date market data collected (in October 2023) for the above-mentioned sectors and is summarised in the pages that follow.

**Offices**

5.10 As would be expected, office space is mainly in Stoke-on-Trent city centre:

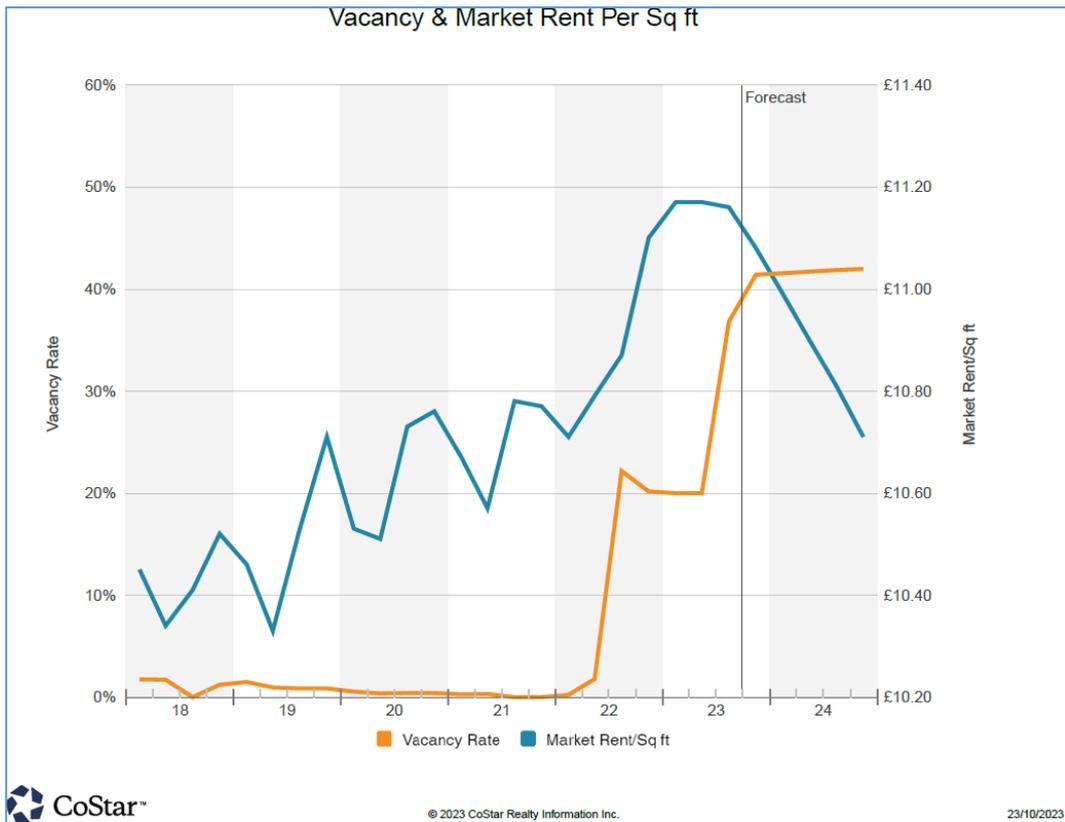
**Figure 5.1 Distribution of Office Space 2020**



**Source: the Newcastle-under-Lyme & Stoke-on-Trent Economic Needs Assessment (Turley, June 2020)**

- 5.11 Currently the area is primarily seen as an industrial location rather than a recognised office market. In the City, the largest occupiers tend to be public sector offices. Other larger occupiers are few and most are usually located in the area for historic reasons.
- 5.12 CoStar data shows an increase in rents in the office sector over the last five years, albeit one with a dip during COVID-19.

**Figure 5.2 Offices - Vacancy Rates v Rent**



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

- 5.13 The *SoTCC & NULBC SHLAA Valuation Study* (heb Chartered Surveyors,06/2016) did not consider office development.
- 5.14 CoStar reports a very broad range of rents from about £2 per sqm per year to about £400 per sqm per year, having said this, most of these are either older buildings or mixed use. Overall, the average is about £113 per sqm per year.
- 5.15 EGI is not showing any newer offices, and the limited supply that is being advertised tends to be on a per desk basis flexible space. This research suggests that there is limited demand for high quality modern office space, and for the better office schemes, for example at Festival Park, rents are likely to be in the region of £175 per sqm per year. Only smaller units on flexible terms are likely to be greater than this.

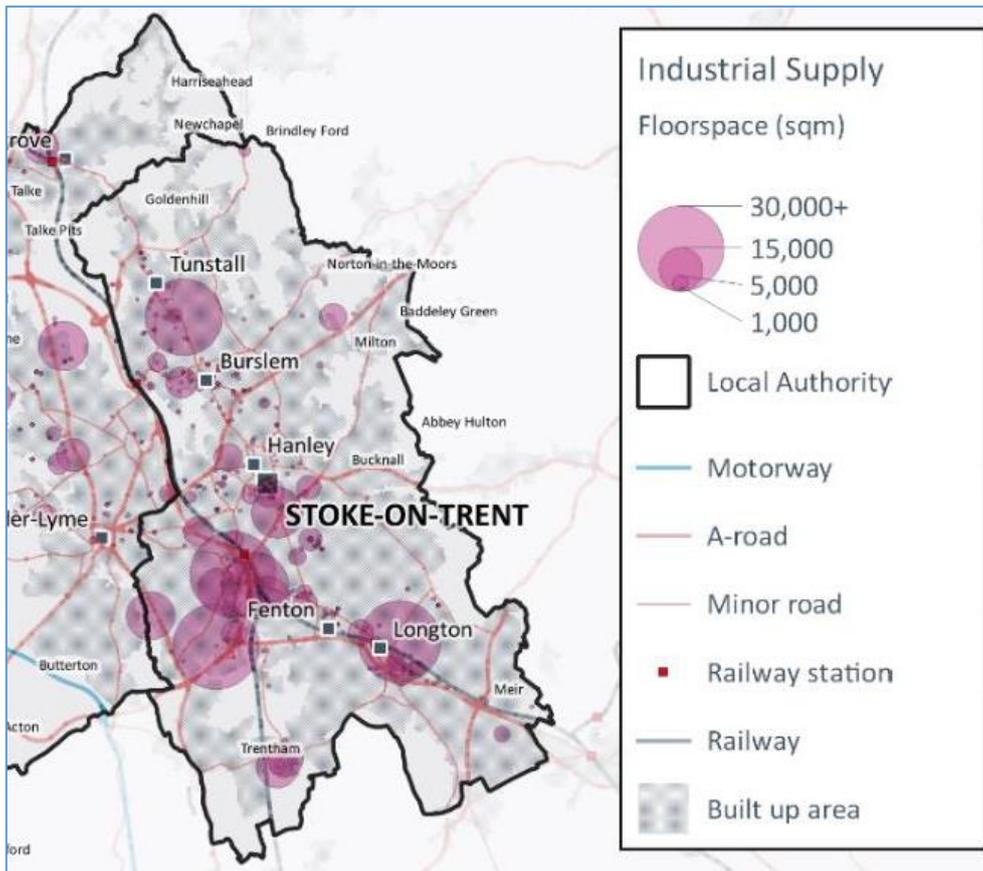
5.16 CoStar is reporting yields of about 8%, however this is based on the wider range of stock. Based on wider experience, a figure of 7% for smaller offices and 6.5% in the business park situation would be expected.

5.17 On this basis, new office development would have a value of £2,200 per sqm for smaller offices, which are more likely to be in central locations, and £2,500 per sqm in the office park situation (having allowed for a rent free / void period of 1 year).

### Industrial and Distribution

5.18 Historically, industrial activity has taken place throughout the City, but was consolidated along the railway and canal corridors, and this continues to be the case, however development has also spread along the A50 / A500 corridor.

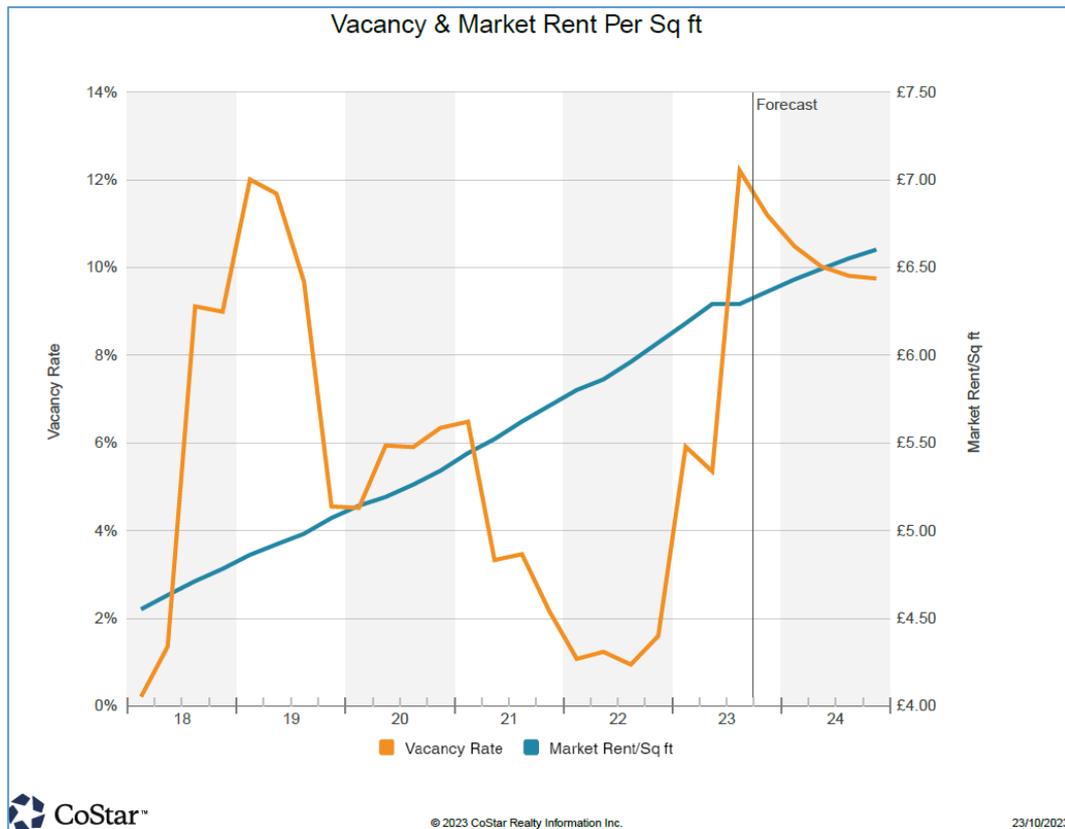
Figure 5.3 Distribution of Industrial Space - 2020



Source: The Newcastle-under-Lyme & Stoke-on-Trent Economic Needs Assessment (Turley, June 2020)

5.19 CoStar data shows an increase in rents in the industrial sector over the last five years.

Figure 5.4 Industrial - Vacancy Rates v Rent



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- 5.20 This sector of the market has seen a notable change over the last few years with a significant growth in logistics, particularly in the south west of the Council area, for example at Radial Park (DHL/Sainsburys, GXO Logistics, Dunelm, DVS Solutions) and along the Stanley Matthews Way (Screwfix, Amazon, Pets at Home, Glen Dimplex, Argos and many others). Informal soundings from agents suggest that there is a strong demand for large scale logistics space, although the recent increase in interest rates has checked the market somewhat. The easy access to the M6 and the A50 trunk road mean that Stoke-on-Trent is well located and is likely to remain attractive, although short term demand is likely to vary through economic cycles.
- 5.21 The *SoTCC & NULBC SHLAA Valuation Study* (heb Chartered Surveyors, 06/2016) did not consider industrial development.
- 5.22 CoStar reports a very broad range of rents from about £25 per sqm per year to about £295 per sqm per year, having said this, most of these are either older buildings or mixed use. Overall, the average is about £68 per sqm per year.
- 5.23 Several newer industrial buildings are being advertised on EGI.

- a. One remaining unit is available at St. Modwen Park Stoke Central, which is part of the wider 300 acre Festival Park development. This 4,800sqm building is being advertised at about £86 per sqm per year.
  - b. A similarly sized unit is available at St Modwen Park, Stoke South at about £75 per sqm per year.
  - c. Units 1 and 2 at Coburg Park (Fenton) are being advertised at about £100 per sqm per year, although these are significantly smaller than those mentioned above.
- 5.24 CoStar is reporting yields of about 6.9%, which aligns with the general expectation for older units. On this basis, new office development would have a value of £1,000 per sqm for smaller industrial, and £1,800 per sqm in the industrial park situation (having allowed for a rent free / void period of 1 year).
- 5.25 Very large units have been considered in more detail as this is currently an area of particular activity. The market is a national market so wider data has been drawn on.
- a. Savills, in *Big Shed Briefing* (Savills, 01/2023), reports rents of £9.75/sqft in both the West and East Midlands. Prime investment yields, on a national basis, of about 5% for multi-let units is given. It is notable that rents have increased and yields fallen in the last year, however the report does note the likely adverse impact on values as a result of increased interest rates:  
*‘Record-breaking first half of 2022 belies market sentiment at the end of this period, with a number of investors taking stock of the impact interest rate rises will have on pricing and the market characterised by outward yield movement’.*
  - b. CBRE, in *UK Logistics Market Summary Q4 2022* (CBRE, 01/2023) reports prime ‘Big Box’ rent in the West Midlands and East Midlands submarket of £9 per sqft per year (5.25% NIY).
  - c. Knight Frank, in *LOGIG: Midlands 2022 Review* (Knight Frank, 01/2023), reports prime rents of £11 per sqft and yields of 5.25%.
- 5.26 On this basis, new large logistics buildings (having allowed for a rent free / void period of 12 months) are assumed to have a value of £1,800 per sqm.

## **Retail**

- 5.27 Even before the Coronavirus pandemic, the retail market was in a period of particular uncertainty. The rise in the online retailer sector has put pressure on the high street and shopping centres. Several national chains have been put into administration or

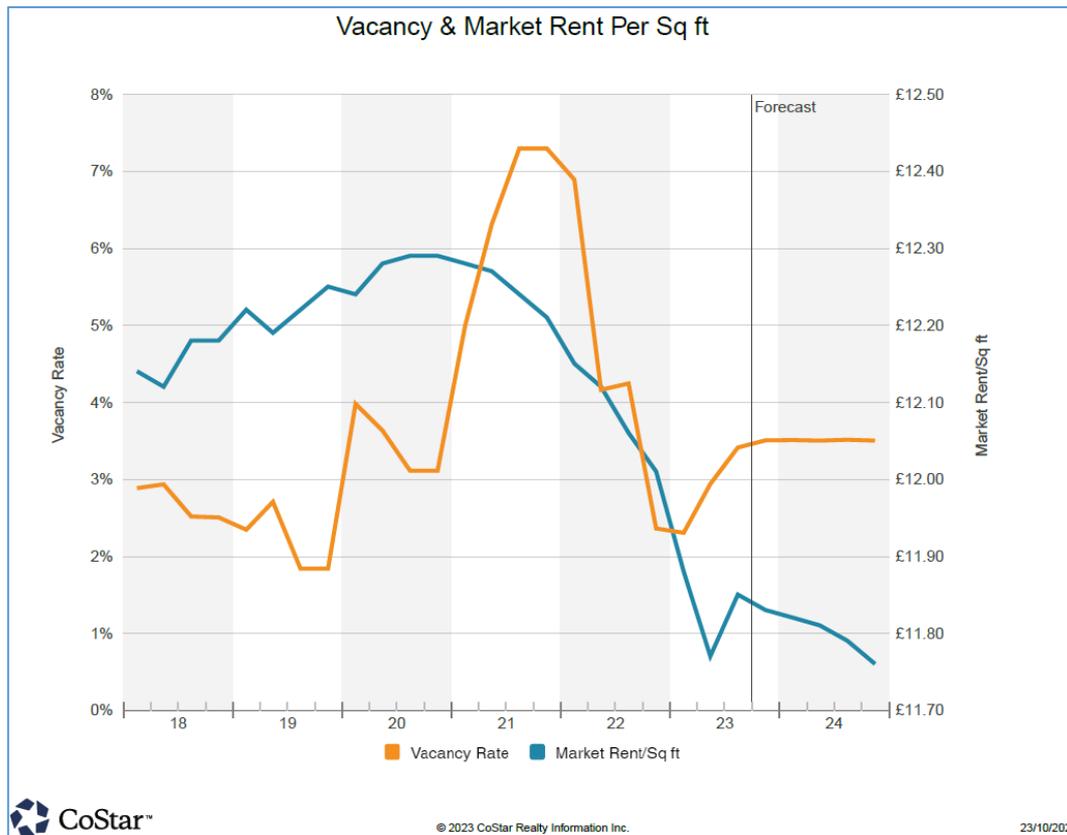
have entered a Company Voluntary Arrangements (CVA)<sup>37</sup>. The value of shopping centres in particular has been put under pressure and is less attractive to investors than it was just a few years ago. Various restaurant and dining chains have announced closures or restructuring, and the banking sector has also closed branches on highstreets nationwide.

- 5.28 In considering the viability of retail development, it is important to note that the Council is not anticipating significant new retail development within the town centres, although some of the existing space may be subject to redevelopment and reconfiguration.
- 5.29 CoStar data also shows a peak in vacancy rates at the time of the pandemic and a significant fall in rents.

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<sup>37</sup> A CVA is a legally binding agreement with a company's creditors. As part of the process companies (subject to the circumstances) may be able to renegotiate the terms of a lease.

Figure 5.5 Retail - Vacancy Rates v Rent



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

- 5.30 CoStar provides average rents in its survey are about £153 per sqm per year. The highest rents reported are over £400 per sqm per year, but these are only for the best central locations. It is important to note that whilst there may be retail development in the central area, this is likely to be redevelopment / reconfiguration of existing space. This may be part of the rationalisation of the existing retail space, rather than new schemes.
- 5.31 On this basis, new prime retail units (having allowed for a rent free / void period of 12 months) are assumed to have a value of £4,500 per sqm. Secondary retail units (having allowed for a rent free / void period of 12 months) derive a value of £1,735 per sqm.
- 5.32 Consideration has been given to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the area, however drawing on wider experience it is assumed that rents are generally in the region of £240 per sqm per year. A yield of 4.5% is assumed for supermarkets and 5% for retail warehouses to give values of £5,100 per sqm and £4,350 per sqm respectively.

### Appraisal Assumptions

5.33 The following assumptions will be presented as part of the initial consultation with local stakeholders. No comments were made in this regard.

**Table 5.1 Non-Residential Values £ per sqm**

	Rent £ per sqm	Yield	Rent free period	Value	Assumption
Offices	£175	6.50%	1.0	£2,528	£2,500
Offices - Smaller	£175	7.00%	2.0	£2,184	£2,200
Industrial	£85	6.00%	1.0	£1,336	£1,335
Smaller Industrial	£75	7.00%	1.0	£1,001	£1,000
Logistics	£100	5.25%	1.0	£1,810	£1,800
Retail (Prime)	£300	6.25%	1.0	£4,518	£4,500
Retail (Elsewhere)	£150	8.00%	1.0	£1,736	£1,735
Supermarket	£240	4.50%	1.0	£5,104	£5,100
Retail Warehouse	£240	5.00%	2.0	£4,354	£4,350

**Source: HDH (October 2023)**

## 6. Land Values

- 6.1 Chapters 2 and 3 set out the background to, and the methodology used, in this study to assess viability. An important element of the assessment is the value of the land. Under the method set out in the updated PPG and recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted through a planning consent, is the Existing Use Value (EUV). This is used as the starting point for the assessment.
- 6.2 In this chapter, the values of different types of land are considered. The value of land relates closely to its use and will range considerably from site to site. As this is a high-level study, the three main uses have been researched, being agricultural, residential and industrial. The amount of uplift that may be required to ensure that land will come forward and be released for development has then been considered.
- 6.3 In this context it is important to note that the PPG says (at 10-016-20180724) that *the ‘Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments’*. It is therefore necessary to consider the EUV as a starting point.
- 6.4 In the *SoTCC & NULBC SHLAA Valuation Study* (heb Chartered Surveyors, 06/2016), the following land values were set out:
- a. Industrial / Brownfield Land £240,000/ha.
  - b. Agricultural Land £20,000/ha
- 6.5 Threshold Land Value assumptions were used based on the following formula (following the Shinfield Appeal principle):

$$\text{Existing Use Value} + \% \text{ Share Of Uplift from Planning Permission} = \text{Threshold Land Value}$$

- 6.6 This approach has been superseded by the updated PPG.

### **Existing Use Values**

- 6.7 To assess development viability, it is necessary to analyse Existing Use Values. EUV refers to the value of the land in its current use before planning consent is granted, for

example, as agricultural land. AUV refers to any other potential use for the site, for example, a brownfield site may have an alternative use as industrial land.

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

*How should land value be defined for the purpose of viability assessment?*

*To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).*

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

*PPG: 10-013-20190509*

*What is meant by existing use value in viability assessment?*

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

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

*PPG: 10-015-20190509*

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

of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis, the outcome might still be contentious.

6.10 The ‘model’ approach is outlined below:

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

### **Residential Land**

6.11 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*<sup>38</sup>. This was prepared by the Valuation Office Agency (VOA) and sets out land values at April 2019. The Stoke-on-Trent figure is £820,000/ha<sup>39</sup>. This figure assumes nil

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<sup>38</sup> [Land value estimates for policy appraisal 2019](#)

<sup>39</sup> The VOA assumed as follows:

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

affordable housing. As stressed in the paper, this is a hypothetical situation and ‘*the figures on this basis, therefore, may be significantly higher than could be reasonably obtained in the actual market*’.

- 6.12 There are few large development sites being marketed in the area however there are a number of small sites being marketed in the area at the time of this study.

- 
- For those local authorities outside London, the hypothetical scheme is for a development of 35, two storey, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.
  - For those local authorities in London, the hypothetical scheme varies by local authority area and reflects the type/scale of development expected in that locality. The attached schedules provide details of gross/net floor areas together with number of units and habitable rooms.

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

**Table 6.1 Small Development Sites – Asking Prices**

				Units	ha	Asking Price	£/ha	£/unit	
Feb 23 & Oct 23	North Street	Stoke-on-Trent	1,357	1.948	£5,500,000	£2,823,409	£4,053	Student housing for 1,377 beds	
Feb-23	Folly Lane	Cheddleton	8	0.367	£895,000	£2,438,692	£111,875	Consented for 8 dormer bungalows	
Feb-23	Gravelly Bank	Lightwood	5	0.320	£650,000	£2,031,250	£130,000	Consent for 5 detached	
Feb-23	Burry Bank	Meaford	1	0.405	£650,000	£1,604,938	£650,000	1 'Grand Design'	
Oct-23	Leek Road	Hanley	119	0.404	£600,000	£1,485,149	£5,042	Student housing for 119 beds	
Oct-23	Birches Rd	Abbey Hulton		0.420	£595,000	£1,416,667		Trent Country Club. Fore redevelopment STP.	
Oct-23	Forrister Rd	Stoke-on-Trent	9	0.490	£450,000	£918,367	£50,000	Approved at appeal	
Oct-23	School Lane	Longsdon		11.416	£315,000	£27,593		28.21 Acres of Agricultural Land	
Feb-23	Off Leek Road	Stoke-on-Trent		10.930	£250,000	£22,873		Agricultural Land	
Feb-23	Fulford Road	Fulford	1	0.070	£250,000	£3,571,429	£250,000	Consent for 4 bed detached	
Oct-23	New Hall Street	Stoke-on-Trent	32	0.073	£225,000	£3,082,192	£7,031	Consent for the construction of a 4-storey residential development of 32 flats.	
Feb-23	Denton Grove	Stoke-on-Trent	4	0.240	£225,000	£937,500	£56,250	Outline for 4	
Feb-23	Kimberley Street	Stoke-on-Trent	8	0.101	£200,000	£1,980,198	£25,000	Outline for 8	
Feb-23	Old Butt Lane	Talke	1	0.002	£112,000	£56,000,000	£112,000	Consented single plot	
Feb 23 & Oct 23	Grove Road	Stoke-on-Trent	5	0.140	£100,000	£714,286	£20,000	Guide for auction Reduced from £100,000	
Oct-23	Yale St / Harper St	Stoke-on-Trent	4	0.032	£100,000	£3,125,000	£25,000	Outline for 4	
Feb-23	High Street	Talke	2	0.125	£99,000	£792,000	£49,500	Consent for 2	
Feb-23	Churnet Grange	Cheddleton	6		£500,000		£83,333	Consent for 6 (part built) lodges	
Feb-23	Summerville Road	Hanford	1	0.034	£90,000	£2,647,059	£90,000	Single plot	
Feb-23	St. Marys Road	Meir Hay	1	0.058	£75,000	£1,293,103	£75,000	Single plot	
Feb-23	Stonebank Road	Kidsgrove	1	0.036	£75,000	£2,083,333	£75,000	3 bed plot	
Feb-23	Burnham Street	Stoke-on-Trent	4	0.042	£60,000	£1,428,571	£15,000	Consent for 4 flats (auction guide)	
Feb-23	Charsley Place	Stoke-on-Trent		0.081	£50,000	£617,284		Bare land	
Feb-23	Calvert Grove	Bradwell	1	0.021	£45,000	£2,142,857	£45,000	3 bed plot	
Oct-23	Dean Street	Stoke-on-Trent	1	0.020	£30,000	£1,500,000	£30,000	Planning submitted for 1 x 3bed.	

**Source: Market Survey (February 2023 & October 2023)**

- 6.13 Informal discussions with agents suggest that there is strong demand for smaller plots across the market, from large ‘grand designs’ projects to modest single plot sites. It was suggested that ‘oven ready’ plots were likely to achieve at least £100,000, and probably significantly more.
- 6.14 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 10**. The data is summarised in the following table, the amount of affordable housing in the scheme is shown, being the key indicator of policy compliance (as required by the PPG). Only the sites for which the data is available are presented here, all sites are included in **Appendix 10**.

**Table 6.2 Price Paid for Consented Development Land**

Site	Approved	ha	All Units	Affordable	s106 contribution (£)	£/ha	£/unit
Land to the west of Caverswall Lane, Meir, Stoke-on-Trent	04/09/2018	13.7	350	None on site	£5,185,000	£939,051	£36,757
Land at New Inn Lane, Hanford, Stoke-on-Trent ST4 8EX	05/09/2018	68.3755	500	15 & financial contribution	£9,375,839	£29,250	£4,000
Wedgwood Estate, Wedgwood Drive, Trentham, Stoke-on-Trent, ST12 9ER	08/10/2013	16.2	209	0	£360,000		
Land off, Biddulph Road, Chatterley Whitfield, Stoke-on-Trent	16/02/2021	4.34	157	39	£254,468	£576,037	£15,924

Site	Approved	ha	All Units	Affordable	s106 contribution (£)	£/ha	£/unit
Former Bucknall Hospital site, Eaves Lane, Stoke-on-Trent, ST2 8LD	29/02/2016	8.9	201	Off-site contribution	£400,000	£347,930	£15,406
Former Victoria Ground, Off Boothen Old Road, Stoke-on-Trent	23/10/2017	6.96	200	0	£100,000	£237,069	£8,250
Former Royal Doulton Works, Nile Street, Burslem, Stoke-on-Trent	27/04/2020	4.7	216	0		£340,426	£7,407
Dyson Ceramic Systems, Shelton New Road, Stoke-on-Trent, ST4 6EP	14/06/2017	3.7	137	0	£180,500	£810,811	£21,898
Land off Meadow Lane/Chessington Crescent, Trentham, Stoke-on-Trent	Appeal Allowed 24/06/2019	11.68	227	57	£1,508,000	£333,904	£17,181
Land at Trentham Lakes South, Stanley Matthews Way, Stoke-on-Trent	Appeal Allowed 10/04/2014	13.6	300	0 - Financial contribution equivalent to 5%	£1,300,000	£452,206	£20,500

Site	Approved	ha	All Units	Affordable	s106 contribution (£)	£/ha	£/unit
Goldenhill Working Mens Club, Kidsgrove Road, Goldenhill, Stoke-on-Trent, ST6 5SH	18/03/2020	0.59	30	30			
Land between Lichfield Street and Eastwood Road, Hanley, Stoke-on-Trent	30-May-18	1.8	128	0		£416,667	£5,859
Land at Broad Street / Potteries Way, Hanley, Stoke-on-Trent	07-Dec-17	0.95	277	0			
Land at Wilson Road, Hanford, Stoke-on-Trent	15/05/2019	1.36	13	Off-site contribution	£160,000	£312,500	£32,692
Land at Cemetery Road and Caledonia Road, Shelton, Stoke-on-Trent	21/12/2017	0.88	23	0			
Former Churchill Pottery, off Waterloo Road, Hanley,	01/03/2017	4.41	193	19			

Site	Approved	ha	All Units	Affordable	s106 contribution (£)	£/ha	£/unit
Stoke-on-Trent							
Former Workshops for the Blind, City Road, Fenton, Stoke-on-Trent ST4 2PL	05-Mar-19	1.31	93	65			
Land and buildings to the north of Glass Street/South of Hillchurch Street, Hanley, Stoke-on-Trent	17/04/2020	0.25	222	0	£184,488		
122, Broad Street, Hanley, Stoke-on-Trent, ST1 4EQ	05/05/2022	0.25	52	0		£1,360,000	£6,538

**Source: Stoke-on-Trent City Council and Land Registry (February 2023) (The blanks in the table are where this source does not include data.)**

6.15 These values are on a whole site basis (gross area). The average is about £515,000 per ha (£44,000 per unit) however this includes some notable outliers (including some with no affordable housing).

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

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

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

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

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

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

### **Previously Developed Land**

6.19 *Land value estimates for policy appraisal* provides the following values for Stoke-on-Trent:

**Table 6.3 Employment Land Values (£ per ha)**

Industrial Land	£475,000
Commercial Land: Office Edge of City Centre	£865,000
Commercial Land: Office Out of Town – Business Park	£474,000

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

6.20 CoStar (a property market data service) includes details of industrial land across both Stoke-on-Trent and Newcastle-under-Lyme. These are summarised in **Appendix 11**, although the sample size is limited. This limited evidence aligns with that set out in the above table.

- 6.21 A figure of £475,000 per ha was put forward to the technical consultation for industrial land across the area. A housebuilder<sup>40</sup> commented as follows:

*The EUV assumptions provided in Table 6.4 follows on from estimates provided in Table 6.3 of the document, resulting in much higher values for commercial land. Table 6.3 is based on estimates from MHCLG dated August 2020. It is considered that these figures will be out of date and reflect an uncertain economic climate. It is considered that a more up to date position would be to also consider using Land Registry Data and information from local land agents to inform these assumptions.*

- 6.22 Further research has been undertaken in this regard however no further transactional evidence is available.

### **Agricultural and Paddocks**

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

- a. Savills' *The Farmland Market*<sup>41</sup> reports a figure of £7,290 per acre (£18,013 per ha) for the West Midlands.
- b. Strutt and Parker's *English Estates & Farmland Market Review Autumn Q4 2022*<sup>42</sup> suggests a value of £8,250 per acre to £11,500 per acre for arable land and £7,000 per acre to £9,500 per acre for pasture.
- c. Knight Fank's *Farmland Index Q4 2022*<sup>43</sup> suggests average values of £21,127 per ha.
- d. Carter Jonas' *Farmland Market Update*<sup>44</sup> reports average values £11,000 per acre for arable land and £9,000 per acre for pasture land.

- 6.24 For agricultural land, a value of £25,000 per ha is assumed to apply here.

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<sup>40</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

<sup>41</sup> [The Farmland Market - Savills](#)

<sup>42</sup> [Agricultural land values in England rise to record levels - Strutt & Parker \(struttandparker.com\)](#)

<sup>43</sup> [English Farmland Index - Q4 2022 | Knight Frank Research](#)

<sup>44</sup> [Farmland Market Update Q4 2022 | Carter Jonas](#)

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

### Existing Use Value Assumptions

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

**Table 6.4 Existing Use Value Land Prices - 2023**

PDL	£475,000 per ha
Agricultural	£25,000 per ha
Paddock	£50,000 per ha

**Source: HDH (October 2023)**

### Benchmark Land Values

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

*Benchmark land value should:*

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

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

*This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to*

*reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*

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

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

PPG 10-014-20190509

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

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

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

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

PPG 10-016-20190509

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

- a. Brownfield/Urban Sites: EUV Plus 20%.
- b. Greenfield Sites: Generally, EUV Plus £300,000 per ha.

Strategic Sites EUV x 10

6.30 A housebuilder<sup>45</sup> commented as follows:

*We consider that when defining a BLV for previously developed urban sites in Stoke-on-Trent that it should be adjusted to make allowance for the level of costs associated in bringing such sites forward for development. The PPG states that the following costs should be taken into account when defining BLVs:*

- 1) Abnormal costs including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites;*
- 2) Site-specific infrastructure costs which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy;*
- 3) The total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, CIL charges, and any other relevant policies or standards; and,*
- 4) Any professional site fees including project management, sales, marketing and legal costs incorporating organisational overheads associated with the site.*

*The BLV percentage needs to have further explanation and justification as to whether or not 20% is reasonable and appropriate and whether or not it should be an alternative percentage in recognition of, for example, the coal mining legacy of the City where there may be unstable ground, or whether there are mine shafts on sites that need capping or former shallow workings that were subsequently filled with waste that need to be dealt with.*

*On the basis of the above, it may be sensible to have a slightly more granular approach to BLV assumptions, such as:*

- Greenfield sites within the urban area*
- Greenfield sites on the urban fringe*
- Previously developed sites affected by mine shafts and other mine workings*
- Other previously developed sites*

*Having a slightly broader range of site categorisation to establish BLV would provide greater assistance to the LPA in assessing viability at plan making stage and is likely to give a more clearer picture as to what policy objectives (such as affordable housing) can be achieved and in which locations.*

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<sup>45</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

6.31 The assumptions used by neighbouring authorities have been researched:

**Table 6.5 Neighbouring LPA Viability Assumptions – Land Values**

			EUV	BLV
Stafford BC Aspinall Verdi	Sep-22	Greenfield	£24,710/ha	Times 12.1 to 22.5
		Brownfield	£400,000/ha	Plus 10% to 18%
Staffordshire Moorlands Keppie Massie / WYG	May-18	Greenfield	£12,500/ha to £50,000	Brownfield £432k/ha to £618k/ha
		Brownfield		Brownfield £432k/ha to £618k/ha
Newcastle Under Lyme NCS	Apr-23	Greenfield	£25,000/ha	50% Uplift
		Brownfield	£1,000,000/ha	50% Uplift
Telford & Wrekin HDH	Jun-23	Greenfield	£25k / £50k /ha	EUV +£350k
		PDL	£1,000,000 /ha	EUV +20%
				Strategic EUV (£25k/ha) x10
Cheshire East HDH	Jul-20	PDL	£740,000 per ha	EUV +20%
		Greenfield	£25k / £50k /ha	Large Greenfield EUV + £600k/ha
				Small Greenfield EUV + £750k/ha

**Source: LPA Websites (January 2024)**

6.32 The assumptions proposed are consistent with those used elsewhere. Whilst no change in made in this regard, sensitivity testing has been carried out.

## 7. Development Costs

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

### Construction Costs

- 7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Staffordshire. The cost figure for ‘Estate Housing – Generally’ is £1,394 per sqm, being an increase of 7.9% from £1,291 per sqm in February 2023 (**Appendix 12**). The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale.

- 7.3 A housebuilder<sup>46</sup> commented as follows:

*As a starting point, it is agreed that Building Costs Information Service (BCIS) is a useful starting point for considering build costs, however it should be noted that this may not include all construction costs, so this should be treated as a starting point, rather than an absolute.*

- 7.4 It is agreed that the BCIS does not include all the construction costs, the further costs are considered below.
- 7.5 As set out in Chapter 2 above, the Government recently updated Part L of Regulations following the consultation on ‘The Future Homes Standard’. This is linked to achieving the ‘net zero’ greenhouse gas emissions by 2050. This is considered in Chapter 8 below.
- 7.6 The appropriate build cost is applied to each house type, with the cost of Estate Housing Detached being applied to detached housing, the costs of Flats being applied to flats and so on. Appropriate costs for non-residential uses are also applied. The lower quartile cost is used for schemes of over 200 units where economies of scale can be achieved, and the median cost is used for smaller schemes.

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<sup>46</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

*Other normal development costs*

- 7.7 In addition to the BCIS £ per sqm build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad-brush study and the approach taken is in line with the PPG and the Harman Guidance.
- 7.8 Nevertheless, it is possible to generalise. Drawing on experience, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently – larger greenfield sites tend to have lower net developable areas, so more land requires work.
- 7.9 A scale of allowances for site costs has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes within the urban area, to 15% for the larger greenfield schemes.
- 7.10 Detached houses are modelled with garages.

*Abnormal development costs and brownfield sites*

- 7.11 With regard to abnormals, paragraph 10-012-20180724 of the PPG says:
- ... abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value ...*
- 7.12 This needs to be read with paragraph 10-014-20180724 of the PPG that says that:
- Benchmark land value should: ... reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and ...*
- 7.13 The consequence of this, when considering viability in the planning, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e. deducted from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.
- 7.14 This approach is consistent with the treatment of abnormals that was considered at Gedling Council's Examination in Public. As set out in Gedling, it may not be appropriate for abnormals to be built into appraisals in a high-level assessment of this type. Councils should not plan for the worst-case option – rather for the norm. For example, if two similar sites were offered to the market and one was previously in

industrial use with significant contamination, and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

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

- 7.15 In some cases, where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on. An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs.
- 7.16 In summary, abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

#### *Fees*

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

#### *Contingencies*

- 7.18 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder.
- 7.19 A housebuilder<sup>47</sup> commented as follows:

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<sup>47</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

*With many sites in Stoke-on-Trent, a number are affected by coal mining legacy, which could include shallow workings that have been backfilled or mine shafts. These issues add to the costs of development in terms of what types of capping or grouting are required, and suitable foundation design also adds further cost to development. The appraisal suggests 2.5% for contingencies for more straightforward sites and 5% for more risky development. Given the risk profiles across the City, we would agree that there should be a tiered approach, however it may be prudent to increase the percentage figure to 6% for the more risky sites in recognition of the financial risks that developers take to bring such sites forward. Likewise, contingencies of 3% for greenfield sites may be more appropriate in the City, as while they may not be contaminated, there may be instances where coal mining legacies still have an impact on development costs for such sites.*

7.20 The assumptions used by neighbouring authorities have been researched:

**Table 7.1 Neighbouring LPA Viability Assumptions – Contingency**

Stafford BC Aspinall Verdi	Sep-22	Greenfield 3% / Brownfield 5%
Staffordshire Moorlands Keppie Massie / WYG	May-18	5%
Newcastle Under Lyme NCS	Apr-23	3%
Telford & Wrekin HDH	Jun-23	2.5% Greenfield / 5% Brownfield
Cheshire East HDH	Jul-20	5%

**Source: LPA Websites (January 2024)**

7.21 In this iteration of this report a 5% contingency is assumed on brownfield and strategic sites, and 2.5% on greenfield sites.

*S106 Contributions and the costs of strategic infrastructure*

7.22 Stoke-on-Trent Council has not adopted CIL. The Council seeks Developer Contributions, for strategic infrastructure and mitigation, under the s106 regime, in line with restrictions set out on CIL Regulation 122, these are treated separately from abnormal costs. Additional costs are allowed for, as set out in Chapter 8 below.

## **Financial and Other Appraisal Assumptions**

### *VAT*

- 7.23 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full<sup>48</sup>.

### *Interest rates*

- 7.24 The appraisals assume 7.5% p.a. for total debit balances (to include interest and associated fees), we have made no allowance for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.
- 7.25 Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cashflow is used to calculate interest.
- 7.26 The assumption of 7.5%, is an 'all-in cost' to cover interest rate and associated finance fees, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest, particularly on the larger schemes, as most developers are required to put some equity into most projects. In this study a cautious approach is being taken.
- 7.27 A housebuilder<sup>49</sup> commented that having considered arrangement fees and associated costs this may be a little low. It was suggested that reference be made to

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<sup>48</sup> VAT is a complex area. Sales of new residential buildings are usually zero-rated supplies for VAT purposes (subject to various conditions). VAT incurred as part of the development can normally be recovered. Where an Appropriate 'election' is made, VAT can also be recovered in relation to commercial development – although VAT must then be charged on the income from the development.

<sup>49</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

SONIA (Sterling Overnight Index Average)<sup>50</sup>. At the time of this report (January 2024) SONIA is 5.19%.

7.28 In this regard, annual reports of large scale housebuilders have been reviewed:

7.29 Barratt Developments<sup>51</sup>. The weighted average interest rates (excluding fees) paid in 2023 were 2.8% (2022 2.8%).

- a. Taylor Wimpey<sup>52</sup>. No overall figure given.
- b. Bellway<sup>53</sup>. Average fixed coupon of 2.7%.
- c. Redrow<sup>54</sup>. No overall figure given.
- d. MJ Gleeson<sup>55</sup>. 2023 Weighted average interest rate 5.74% (2022 2.95%).
- e. Persimmon<sup>56</sup>. Overdrafts at Base plus 1% to 3.25%, Syndicated Loan at SONIA plus 0.9% to 0.93%.

7.30 The assumptions used by neighbouring authorities have been researched:

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<sup>50</sup> [SONIA interest rate benchmark | Bank of England](#)

<sup>51</sup> [Barratt Developments PLC Annual Report and Accounts 2023 \(Single page\)](#) page 194.

<sup>52</sup> [Results, reports and presentations · Taylor Wimpey](#)

<sup>53</sup> [Annual Report 2023 - Bellway](#)

<sup>54</sup> [Redrow PLC Annual Report & Accounts 2023](#)

<sup>55</sup> [Annual Report 2023 - Gleesons](#) page 187.

<sup>56</sup> [Persimmon Annual Report 2022 \(persimmonhomes.com\)](#) page 177.

**Table 7.2 Neighbouring LPA Viability Assumptions – Interest Assumption**

Stafford BC Aspinall Verdi	Sep-22	6.5%
Staffordshire Moorlands Keppie Massie / WYG	May-18	7%
Newcastle Under Lyme NCS	Apr-23	6%
Telford & Wrekin HDH	Jun-23	7.5%
Cheshire East HDH	Jul-20	6.5%

**Source: LPA Websites (January 2024)**

7.31 No change is made in this regard.

*Developers' return*

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

*How should a return to developers be defined for the purpose of viability assessment?*

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

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

7.33 The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of

developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

- 7.34 Broadly there are four different approaches that could be taken:
- a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.
  - b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for Affordable Housing, as suggested by the HCA.
  - c. To set the rate relative to costs – and thus reflect the risks of development.
  - d. To set the rate relative to the gross development value.
- 7.35 In deciding which option to adopt, it is important to note that the intention is not to recreate any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.
- 7.36 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They require a developer to demonstrate a sufficient margin, to protect the lender in the case of changes in prices or development costs. They will also consider a wide range of other factors, including the amount of equity the developer is contributing (both on a loan-to-value and a loan-to-cost basis), the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.
- 7.37 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions and, as set out above, the updated PPG says *'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies ... A lower figure may be more appropriate in consideration of delivery of affordable housing'*. In the initial iteration of this assessment, the developers' return is assessed as 17.5% of the value of market housing and a 6% is applied to the value affordable housing. Additionally, and as

confirmed through the technical consultation<sup>57</sup>, 17.5% is applied to First Homes as the sales risk lies with the developer.

- 7.38 A 15% return was assumed for non-residential development, and for Build to Rent.
- 7.39 Through the technical consultation it was questioned why the PPG was being followed and not simply following market evidence<sup>58</sup>. This assessment is being carried out to meet the requirements of the NPPF and PPG to consider viability through the plan-making process. It is therefore necessary to follow the relevant guidance for doing so. This is a high-level assessment, so it appropriate to make some high level assumptions.
- 7.40 A consultant<sup>59</sup> suggested that major housebuilders are seeking 20% to 25% return and while it is appropriate to appreciate the backdrop of the guidance, this assumption should be checked. A housebuilder<sup>60</sup> commented that 20% should be the starting point.
- 7.41 The assumptions used by neighbouring authorities has been researched:

**Table 7.3 Neighbouring LPA Viability Assumptions – Developer’s Return / Profit**

Stafford BC Aspinall Verdi	Sep-22	Market Housing 18% Affordable Housing 6%
Staffordshire Moorlands Keppie Massie / WYG	May-18	15% small schemes 20% large schemes
Newcastle Under Lyme NCS	Apr-23	Market Housing 20% Affordable Housing 6%
Telford & Wrekin HDH	Jun-23	Market Housing 17.5% Affordable Housing 17.5%
Cheshire East HDH	Jul-20	Market Housing 17.5% Affordable Housing 17.5%

**Source: LPA Websites (January 2024)**

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<sup>57</sup> Rachel Danemann of the HBF

<sup>58</sup> Mark Connell of SoTCC

<sup>59</sup> Grant Dinsdale of DLDC Ltd.

<sup>60</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

- 7.42 In this iteration of this report the developer's return on residential development is assessed as 20% of the value of market housing and 6% of the value of affordable housing.
- 7.43 It is important to appreciate that this is an assessment for planning purposes, as set by the requirements of the PPG, rather than for lending purposes. As mentioned under the Interest heading above, no allowance has been made for any equity provided by the developer, so this does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites. The cushion within the appraisals, to protect a developer's lender against changes in the market or costs, will depend on a wide range of factors, including how much equity the developer is providing (the loan-to-value ratio), the borrower's track record and the complexity of the project. It is appropriate to work within the guidance of the PPG.

#### *Voids*

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

#### *Phasing and timetable*

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

7.47 Build-out rates are assumed to be in line with assumptions used in the Council's SHLAA, as set out in Chapter 9 below. This is the appropriate assumption to make to be in line with the PPG and the Harman Guidance.

7.48 A housebuilder<sup>61</sup> commented as follows.

*The viability appraisal should also ensure that other costs are fully taken into account, including opening up costs, as well as a viability buffer, given that many sites do not start to generate a profit until around 66 – 75% of the development has been completed and occupied, and there are many up front costs associated with new development, including initial infrastructure and some up front s.106 payments and/or CIL costs that also need to be taken into account as these may also need to be taken into account as part of the up front financing of the site and in turn, this will affect the amount of finance costs to be paid.*

7.49 The specific costs are covered elsewhere. The point about timing is important. For this reason, the appraisals are based on a cash flow, that includes an interest calculation (assuming no developer's equity).

### **Site Acquisition and Disposal Costs**

#### *Site holding costs and receipts*

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

#### *Acquisition costs*

7.51 A simplistic approach is taken, it is assumed an allowance 1% for acquisition agents' and 0.5% legal fees.

7.52 A housebuilder<sup>62</sup> commented that This may be a little low and 2% to 2.5% on more complex sites was more appropriate. Stamp Duty is calculated at the prevailing rates.

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<sup>61</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

<sup>62</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

*Disposal costs*

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

## 8. Planning Policy Requirements

- 8.1 As set out at the start of this report Stoke-on-Trent City Council are in the process of preparing a new Local Plan. This will replace the current adopted *Newcastle-under-Lyme and Stoke-on-Trent Joint Core Spatial Strategy, 2009* and saved policies the in the *Stoke-on-Trent City Plan 2001*. This will include addressing revisions to the NPPF and associated PPG; addressing the future development needs of the City including housing needs, the local economy, environmental considerations and community infrastructure needs and transport.
- 8.2 The specific purpose of this study is to consider and inform the development of the emerging Local Plan and to assess the cumulative impact of the policies on the planned development. This viability work is being undertaken to inform the development of policy and explore the consequences, on the economics of development, of the options that are under consideration. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development.
- 8.3 The emerging Plan is at an early stage, so is not yet complete and is likely to be subject to change – including changes that may result in changes to the findings and recommendations in this report. In this report the policy options are reviewed, but it is important to note that, at this stage, some of the options that are considered are included for completeness, and that these are simply options that may or may not be progressed into the new Local Plan. In particular, the Council has asked that the following policy areas are considered:
- Climate change
  - Energy efficiency for buildings
  - Renewable energy
  - Developer contributions
- 8.4 In the following sections the emerging policy requirements have been reviewed.

### **Sustainable Development**

- 8.5 This section will set out high level policies that set out general principles around sustainable development, that are built on in subsequent policies. In themselves they will not add to the costs of development, over and above the costs considered elsewhere or considered under the relevant policies as set out below.

## **Economic Development**

- 8.6 This is a general section that is about enabling development, rather than including provisions that impact on viability.

## **Housing**

- 8.7 This section will include general enabling policies that direct development, but do not impact directly on the costs of development. Several of the provisions will impact on viability.

### *Affordable Housing*

- 8.8 The requirements under this heading will be informed by the outcome of this study. The draft policy seeks *'the provision of affordable housing on proposals over 10 dwellings or the site has an area of 0.5 hectares or more within the Plan area to meet the identified need in the latest evidence'*.
- 8.9 The NPPF (paragraph 65) sets out a policy for a minimum of 10% affordable home ownership units on larger sites (10 plus) and the PPG sets out that *'First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations'*. These requirements are assumed to apply.
- 8.10 The starting point is taken to be an overall affordable housing requirement of 25%. This forms the base assumption, with a mix based on the Council's wider evidence as set out below. As set out in the report put out for the technical consultation, a range of tenure mixes and overall provision are tested. This is consistent with the approach suggested by a housebuilder<sup>63</sup>.
- 8.11 The *Affordable Housing SPD (February 2008)* is a somewhat historic document. This sets out that *'the Council will try to achieve at least 50% of the site for affordable rent; the remainder for intermediate rent, new build homebuy, a fixed equity discount (maintained in perpetuity) or other appropriate models'*. The base modelling assumes 50% affordable housing for rent.
- 8.12 As set out in Chapter 2 above, First Homes must be subject to a discount of at least 30% with a cap in value of £250,000. The impact of greater discounts will be tested.

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<sup>63</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

*Mix of Housing*

8.13 In this regard the Council’s most recent evidence is *Housing and Employment Needs Assessment Update City of Stoke-on-Trent* (Turley, 11/2021) and *Housing Needs Assessment Newcastle-under-Lyme & Stoke-on-Trent* (06/2020). These documents set out the following requirements. There is a negative need for 2 bedroom units, so the proportions below assume zero need in this regard:

**Table 8.1 Size of Affordable Housing Needed**

	1 bed	2 bed	3 bed	4 bed	Total
Need	231	-234	75	67	139
Proportion of total	62%	0%	20%	18%	100%

**Source: Appendix 1 Housing Needs Assessment Newcastle-under-Lyme & Stoke-on-Trent (06/2020)**

8.14 The *Housing Needs Assessment Newcastle-under-Lyme & Stoke-on-Trent* (06/2020) looked at three growth scenarios and broke down the total requirement for housing as follows:

**Table 8.2 Implied Size of Housing Required (2020-37)**

	Standard method	Experian baseline	Higher job growth
1 bed	14%	12%	11%
2 beds	43%	41%	41%
3 beds	37%	39%	40%
4 beds	6%	7%	8%
Total	100%	100%	100%

**Source: Appendix 1 Housing Needs Assessment Newcastle-under-Lyme & Stoke-on-Trent (06/2020)**

**Table 8.3 Implied Type of Housing Required (2020-37)**

	Standard method	Experian baseline	Higher job growth
House	73%	75%	76%
Bungalow	12%	11%	11%
Flat	15%	14%	13%
Total	100%	100%	100%

**Source: Appendix 1 Housing Needs Assessment Newcastle-under-Lyme & Stoke-on-Trent (06/2020)**

8.15 The study cautions against applying these rigidly, saying:

*This does, however, provide only an illustrative modelling of available evidence, which can be used for guidance and monitoring purposes but should not be*

*prescribed as an explicit requirement for all sites given the need to respond to changing market demands, local context and viability factors.*

8.16 The report does not include a breakdown by size by tenure.

8.17 The above information was updated in the *Housing and Employment Needs Assessment Update City of Stoke-on-Trent* (Turley, 11/2021).

**Table 8.4 Updated Implied Type of Housing Required (2020-40)**

	Standard method (679dpa)	Experian baseline (797dpa)	Higher job growth (1,031dpa)
House	75%	75%	76%
Bungalow	11%	11%	11%
Flat	14%	14%	13%
Total	100%	100%	100%

**Source: Table 6.2, Housing and Employment Needs Assessment Update City of Stoke-on-Trent (Turley, 11/2021)**

8.18 The report suggests that the number of larger detached homes should be increased.

**Table 8.5 Updated Size of Affordable Housing Needed**

	1 bed	2 bed	3 bed	4 bed	Total
Need	223	-236	72	65	124
Proportion of total	62%	0%	20%	18%	100%

**Source: Table 6.3, Housing and Employment Needs Assessment Update City of Stoke-on-Trent (Turley, 11/2021)**

8.19 Drawing on the above the modelling in this assessment is based on the following housing mix.

**Table 8.6 Preferred Housing Mix**

	1 bed	2 bed	3 bed	4+ bed
Affordable Housing	62%	0%	20%	18%
Market Housing		30%	40%	30%

**Source: HDH 2023**

8.20 This has been used to inform the modelling, however, in line with the flexibility within the policy, this mix is not applied rigidly, regard has been had to the type and situation of the site. First homes are modelled in line with the market housing mix.

- 8.21 The Council is exploring several options with regard to self and custom build but has not yet developed a policy. To inform the development of policy, a 5% requirement on sites of 20 units and larger has been considered.

### **Transport**

- 8.22 In part this section will include enabling policy that supports development which reduces the need to travel and improve accessibility through sustainable modes of travel. It will also ensure that development is properly served with sustainable transport and the impact on the existing highway network is mitigated.
- 8.23 It is assumed that these requirements will be met through developer contributions. A range of developer contributions are tested.
- 8.24 It is assumed that development proposals must consider appropriate parking provision, bearing in mind the specifics of the development. It has been assumed that these requirements do not impact adversely on the wider site density and capacity assumptions used by the Council through the plan-making process.

### **Design and Heritage**

- 8.25 This topic should be considered with *Newcastle-under-Lyme and Stoke-on-Trent Urban Design Guidance, Supplementary Planning Document, December 2010*. This is a broad document, the majority of which concerns the approach to design and factors that do not impact on the overall costs of development. The exception is in relation to section 7.7 that deals with the design of houses. Whilst this are not prescriptive, they do seek adaptable designs, making reference to Lifetime Homes Standards.

#### *Accessible and Adaptable Housing*

- 8.26 Lifetime Homes Standards have been superseded and the scope for councils to introduce additional standards are constrained to those within the optional Building Regulations. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4<sup>64</sup>) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication

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<sup>64</sup> [Access to and use of buildings: Approved Document M](#)

*Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)<sup>65</sup>, reflect accessibility as follows:

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

8.27 The cost of a wheelchair adaptable dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be is £10,111 per dwelling<sup>66</sup>. The cost of Category 2 is taken to be £521<sup>67</sup> (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed<sup>68</sup> by 45% to £14,661 per dwelling and £755 per dwelling respectively.

8.28 As set out in Chapter 2 above, in July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes<sup>69</sup> saying *‘that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes’*. The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard. No timescale has been announced.

8.29 In line with the Government’s announcement, it is assumed that all new homes are to be designed to be Accessible and Adaptable (M4(2)). In addition, a 5% requirement is tested as being Wheelchair Adaptability M4(3).

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<sup>65</sup> [Housing Standards Review](#)

<sup>66</sup> Paragraph 153 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

<sup>67</sup> Paragraph 157 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

<sup>68</sup> BCIS Index March 2014 316.3, January 2024 456.8.

<sup>69</sup> [Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK \(www.gov.uk\)](#)

8.30 As highlighted through the technical consultation<sup>70</sup> the application of wheelchair standards is restricted through paragraph 56-010-20150327 to those units where the Council has nomination rights.

*Nationally Described Space Standard*

8.31 Historically the Council has not sought Nationally Described Space Standard (NDSS) technical requirements. In March 2015, the Government published *Nationally Described Space Standard – technical requirements*. This says:

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

8.32 The following unit sizes are set out<sup>71</sup>:

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<sup>70</sup> Rachel Danemann for the HBF.

<sup>71</sup> [Nationally Described Space Standards](#)

**Table 8.7 National Space Standards. Minimum Gross Internal Floor Areas and Storage (m<sup>2</sup>)**

Number of bedrooms	number of bed spaces	1 storey dwelling	2 storey dwelling	3 storey dwelling	Built-in storage
1b	1p	39 (37)*			1
	2p	50	58		1.5
2b	3p	61	70		2
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4
	8p	125	132	138	

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

8.33 Generally, the units are assumed to be in line with the NDSS or larger. A housebuilder<sup>72</sup> suggested that a NDSS policy is tested, however this is not done as this is not something the Council is planning to introduce.

#### *Fire Safety Standards*

8.34 As set out in Chapter 2 above, a number of national consultations were announced during the December 2022. Further national consultations were announced during

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<sup>72</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

December 2022. These include proposed Changes to Approved Document B, sprinklers in care homes.

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

## **Natural and Rural Environment**

### *Green and Blue Infrastructure*

- 8.36 Generally, the costs of meeting the requirements for on-site infrastructure will be covered under normal site costs. Where the requirement is higher than this, it is assumed that the requirements will be met through developer contributions. A range of developer contributions are tested.
- 8.37 The Council does not set out specific standards for open space, rather setting out principles. It has been assumed that meeting the principles will not impact adversely on the wider site density and capacity assumptions used by the Council through the plan-making process. In some cases, open space may be provided off-site, in which case it is assumed that the requirements will be met through developer contributions. A range of developer contributions are tested.

### *Biodiversity and Geodiversity*

- 8.38 As set out in Chapter 2 above, this is an area of policy that has progressed at a national level since the *Local Plan Review 2021, Pre-Submission Document (Regulation 19)* was drafted in February 2021. The national requirement for 10% Biodiversity Net Gain, as required by the Environment Act, is assumed to apply in the base appraisals. Under this policy the Council is seeking 10% Biodiversity Net Gain.
- 8.39 The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

- 8.40 Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.
- 8.41 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line ‘pre-development’ situation, as a survey will need to be carried out.
- 8.42 The Government’s impact assessment<sup>73</sup> suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

**Table 8.8 Cost of Biodiversity Net Gain – West Midlands - 2017 based costs**

	<b>Scenario A</b> 100% on-site	<b>Scenario C</b> 100% off-site
Cost per ha of residential development	£3,461/ha	£63,725/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£172/unit	£3,496/unit
Cost per brownfield housing unit	£69/unit	£864/unit
Residential greenfield delivery costs as proportion of build costs	0.2%	3.1%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.8%
% of industrial land values	0.5%	8.1%
% of commercial land values (office edge of city centre)	0.3%	4.9%
% of commercial land values (office out of town – business park)	0.5%	7.6%

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

<sup>73</sup> [Table 14 and 15 Biodiversity net gain and local nature recovery strategies: Impact Assessment.](#)

- 8.43 It is assumed provision will be on-site on greenfield sites and off-site on brownfield sites. The percentage uplift costs are used, as the costs per ha/unit are a little historic.
- 8.44 There are few other published studies in this regard, however Kent County Council recently published *Viability Assessment of Biodiversity Net Gain in Kent FINAL REPORT SQW* (June 2022)<sup>74</sup>. This used a different methodology to that in the Government’s impact assessment set out above, however suggests the following costs, in addition to achieving 10% BNG:

**Table 8.9 KCC comparison of BNG costs £ per dwelling.**

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

**Source: Table 1: Viability Assessment of Biodiversity Net Gain in Kent FINAL REPORT SQW (June 2022)**

- 8.45 The above suggests that, on the whole, on-site provision of additional BNG, over and above the national requirement of 10%, is modest. The report also considered non-residential development:

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<sup>74</sup> [Viability Assessment of BNG in Kent](#)

*We tested three commercial scenarios as part of our modelling. Using the baseline inputs we found industrial development to be viable in some cases and marginally unviable in others. For smaller industrial typology depending on the build cost development becomes viable when rents are between £11 - £13 psf (at the baseline yield) or if yields are between 5.25 – 6.5% (at the baseline rent). For the larger industrial typology depending on the build cost development becomes viable when rents are between £7.50 - £9.50 psf (at the baseline yield) or if yields are between 4.75 – 6.00% (at the baseline rent).*

*Office development is unviable in our baseline scenario. Sensitivity testing shows that there would have to be substantial decreases to build costs and increases to capital values (most importantly yield compression) to render development viable.*

- 8.46 In November 2023 (being after the preparation of the consultation draft report) the Government published, for consultation<sup>75</sup>, the prices for biodiversity. These are expressed as per credit (not per residential unit) and range from £42,000 per credit to over £600,000 per credit, depending on the habitat. As stressed in the consultation, the statutory credit prices are not guideline prices for off-site biodiversity units.
- 8.47 10% Biodiversity Net Gain is incorporated into the base modelling.
- 8.48 In this regard the HBF<sup>76</sup> raised a concern about the cost assumption used and that the requirements for BNG can impact on site capacity and consequently having to provide BNG off-site, where costs of up to £30,000 per unit (BNG Unit) were mentioned. Bearing in mind the details of the assessment are yet to be formally announced by the DLUHC, the costs set out in the consultation and quoted above are used in this assessment. A housebuilder<sup>77</sup> also raised concerns but did not provide any costs or alternative evidence.
- 8.49 It is important to note that SoTCC anticipated that 10% BNG will be provided on-site, and expects the planned site densities (see Chapter 9) to be deliverable on this basis.

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<sup>75</sup> [Statutory biodiversity credit prices - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

<sup>76</sup> Rachel Danemann for the HBF.

<sup>77</sup> Grant Dinsdale of DLDC Ltd.

## Climate Change and Environmental Resources

### *Climate Change & Climate Change Emergency*

- 8.50 This is an area of policy that the Council is investigating. As set out in Chapter 2 above, this is an area of increasing national standards, with the Government making further announcements in January 2024. Through the technical consultation it was highlighted that there were ‘increasing expectations’ in this regard.<sup>78</sup> At the time of this report the Council is continuing to gather evidence on this topic, and to consider the options that are available. The eventual choices will be informed by, amongst other things, the findings of this report.
- 8.51 The Department of Levelling up, Communities and Housing has now published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a ‘stepping stone’ on the pathway to Zero Carbon homes. It sets the target of an interim 31% reduction in CO<sub>2</sub> emissions over 2013 standards for dwellings. The changes will apply to new homes in this assessment.
- 8.52 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation<sup>79</sup>. This suggests that the costs, having been indexed, would add about 3% to the base cost of construction, however these have now been in place for a while, and whilst are not reflected in the BCIS costs (the BCIS costs are based on past schemes). In this assessment the base cost of construction has been lifted by 2% to reflect the higher costs of construction.
- 8.53 The revisions to Approved Document L, set out above, are a step towards the introduction of the Future Homes Standard in 2025. December 2023, the Government published a further consultation on the details of the implementation of the Future Homes Standard. At the same time the Housing Minister, Lee Rowley, made a Written Parliamentary Statement<sup>80</sup> set out the Government’s position in this regard as follows:

*... Any planning policies that propose local energy efficiency standards for buildings that go beyond current or planned buildings regulation should be*

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<sup>78</sup> Mark Connell of SoTCC

<sup>79</sup> The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019).

<sup>80</sup> [Written statements - Written questions, answers and statements - UK Parliament](#)

*rejected at examination if they do not have a well-reasoned and robustly costed rationale that ensures:*

- *That development remains viable, and the impact on housing supply and affordability is considered in accordance with the National Planning Policy Framework.*
- *The additional requirement is expressed as a percentage uplift of a dwelling's Target Emissions Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP).*

*Where plan policies go beyond current or planned building regulations, those policies should be applied flexibly to decisions on planning applications and appeals where the applicant can demonstrate that meeting the higher standards is not technically feasible ....*

8.54 Whilst this direction does not preclude the introduction of policies that go beyond national standards, this does suggest that such policies will need to be well justified and subject to greater scrutiny.

8.55 Paragraph 6.10 of *The Future Homes Standard 2023 consultation on the energy efficiency requirements of the Building Regulations affecting new and existing dwellings. Consultation-Stage Impact Assessment* sets out the following costs:

*6.6 A summary of the impacts considered under this Impact assessment (IA) is provided below in Table 3, relative to the counterfactual – the counterfactual is the 2021 notional building specification, which has a gas boiler, lower efficiency solar panels and wastewater heat recovery, or a heat pump (see Routes to Compliance (para 5.23 - 5.25) section). This is with the exception of mid-high rise, which is an ASHP and gas boiler hybrid communal heat network. Broadly, Option 1 is a home with a heat pump and more efficient solar panels. Option 2 meets our public commitments through the use of heat pumps only. All figures are Net Present Values (NPV) over 10 years of policy and a subsequent 60-year life of the buildings. Negative NPVs are given in parenthesis and represent costs. The figures represent the aggregate impact across the building mix...*

*6.10. ... In 2022 prices, on a per-home basis (3-bed semi-detached), Option 1 leads to a ~£6,200 (4%) increase in upfront capital costs, whereas Option 2 only leads to a ~£1,000 (1%) increase....*

*Additional Capital Costs*

*6.16. The increase in capital costs from the proposed 2025 standards, compared with the continuation of existing 2021 standards (gas boiler and solar pv home), are shown in Table 5. Further breakdown of the costs of the different elements is provided in Appendix C.*

*Table 5: Additional Capital Costs\* relative to 2021 Gas Boiler and Solar PV Counterfactual (£)*

	<b>Option 1</b>	<b>Option 2</b>
<i>Detached house</i>	£6,390	£-200**
<i>Semi-detached house</i>	£6,170	£950
<i>Mid-Terraced house</i>	£5,960	£740
<i>Low Rise Flats (&lt;11m)</i>	£4,460	£2,760
<i>Mid Rise Flats (&gt;11m) (same for both option)</i>	£190	£190
<i>Weighted Average (based on assumed build mix)</i>	£4,360	£640

*\*Gross Undiscounted Costs in 2022 prices, excluding gas asset value cost in counterfactual. If included this would lead to the costs presented in table 5 falling. \*\* a minus equals a cost saving.*

*6.17. Over the longer-term, Currie & Brown estimate that the costs associated with both heat pumps and solar PV will fall, as supply chains mature and become more integrated, and learning rates take effect. By the end of the policy appraisal period (10 years), it is assumed that the cost of a heat pump will be around 70% of the initial cost, whilst for Solar PV they will be around 60% of the initial cost.*

8.56 SoTCC has not undertaken specific work to establish the costs of moving beyond Building Regulations, however the current policy situation is summarised as follows.

**Table 8.10 Overview of the two options currently in the (live – January 2024) Future Homes Standard consultation:**

	Existing Part L 2021	FHS Option 1	FHS Option 2	Net Zero Carbon policy
Fabric	(Baseline: Marginally better insulation & glazing than Part L 2013.)	Very small improvement from Part L 2021 (small improvement to airtightness only). No change to insulation or glazing.	No improvement from Part L 2021.	Significant improvements from Part L 2021. Mild improvement on FHS Option 1.
Heating	Gas boiler	Heat pump	Heat pump	Heat pump
PV	40% of ground floor area	40% of ground floor area. Slightly higher efficiency than in Part L 2021.	None – removed.	To match 100% of energy demand – typically ~50-70% of ground floor area
Ventilation	Natural	Mechanical	Natural	Mechanical with heat recovery
Wastewater heat recovery?	Yes	Yes	No	No
Cost uplift from Part L 2021	n/a baseline	4%	1%	4 – 7% depending on home type

**Source: January 2024**

8.57 In this assessment, the following scenarios are tested, with the following assumptions being made:

- a. The 2021 changes to Part L of Building Regulations (31% CO<sub>2</sub> saving) to add 2% to the BCIS base costs.
- b. The Future Home Standard Option 2 is expected to add a 3% (i.e. 2%+1%) to the current BCIS base costs.
- c. The Future Home Standard Option 1 is expected to add a 6% (i.e. 2%+4%) to the current BCIS base costs.
- d. The cost of Zero Carbon would add 8% to the costs of construction.

- 8.58 The performance of non-residential development is normally assessed using the BREEAM system<sup>81</sup>. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research<sup>82</sup> by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% to 5.5%, depending on the nature of the scheme, with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent, and this increases the construction costs by 2% or so. This is tested in the base appraisals.
- 8.59 The option that all commercial buildings are built to a Net Zero Carbon standard is somewhat more costly than BREEAM Excellent. In this instance it has been assumed that this would be implemented in a similar way to the development under the London Plan. In London, the GLA seeks a 15% reduction in carbon emissions from energy efficiency measures, with a total on-site reduction of 35% and the achievement of Net Zero regulated carbon emissions using allowable solutions, all in comparison to the emissions from a Part L 2013 compliance building with gas heating. In this regard it was estimated that the following costs were identified:

**Table 8.11 Indicative cost uplifts of the potential standards to reduce carbon emissions**

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

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

- 8.60 A paper, *UK Green Building Council, Building the Case for Net Zero* (UK GBC, Advanced Net Zero, 09/2020) for Hoare Lea and JLL, considered the cost of Net Zero in two scenarios on a 16 storey city office building. This estimated the additional cost

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<sup>81</sup> Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990 as a method of assessing, rating, and certifying the sustainability of buildings.

<sup>82</sup> *Delivering sustainable buildings: Savings and payback*. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014.

for an 'intermediate' scenario to be 6.2% and a 'stretch' scenario to be between 8% and 17%.

- 8.61 A paper, *Towards Net Zero Carbon Achieving greater carbon reductions on site - The role of carbon pricing (05/2020)* considered the costs associated with a hotel, a school, and an office building in the context of carbon pricing and a 35% CO<sub>2</sub> saving as per the London Plan. This estimated the additional costs for hotels to be 1.2% to 2.7%, for schools to be 1.1% to 1.7% and for newbuild offices to be 0.8% to 2.1% - although these were only additional construction costs (not whole life costs).
- 8.62 It is clear from a range of data sources that the additional costs will vary depending on the specifics of the building under consideration, however the costs of BREEAM Very Good and BREEAM Excellent are modest. In this assessment non-residential buildings are tested with up to 10% additional costs.
- 8.63 It is timely to note that building to higher standards that result in lower running costs does result in higher values<sup>83</sup>, although no premium is assumed in this study (for either residential or non-residential development).
- 8.64 EV charging facilities are now a national requirement (from 25<sup>th</sup> June 2023) of Building Regulations (Approved Document S). It is assumed that all new homes have EV charging points. A cost of £600/unit has been modelled. It is assumed that this cost is within the cost of the 2025 Part L standards.

#### *District Heat Networks*

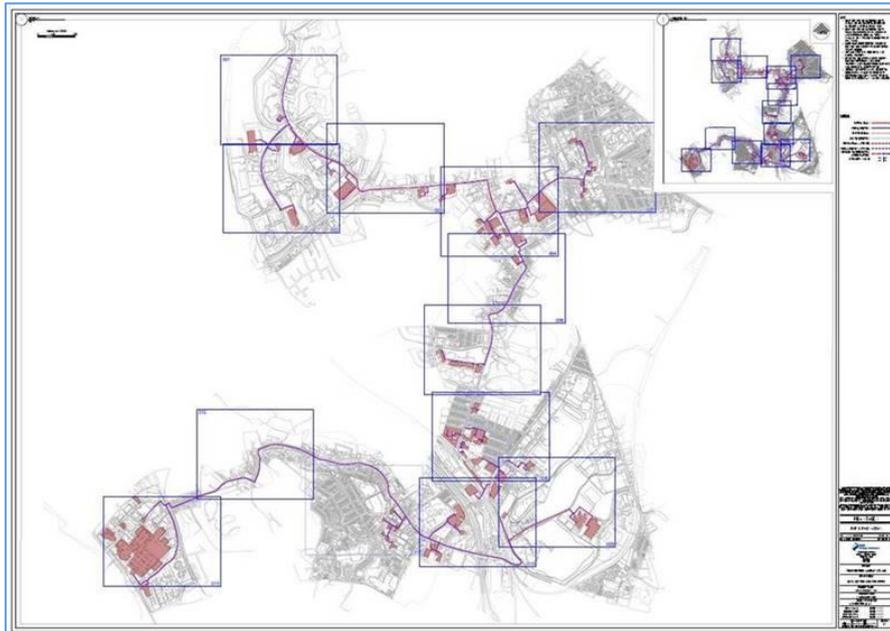
- 8.65 The Stoke-on-Trent and Staffordshire City Deal was published in 2014 outlining plans for a deep geothermal District Heat Network (DHN) as a low carbon and low-cost heating system. The first cluster of the city-wide network is being constructed around the University Quarter.
- 8.66 The DHN in Stoke-on-Trent will provide a closed-loop supply of heated water that can be used to power central heating, reducing the need for gas and electricity powered boilers. This is a long term project, that is expected to take 25 to 30 years to completely roll out, based on the time needed to fully install the required infrastructure and

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<sup>83</sup> See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013.)

introduce technology. So far, 4km of pipes have been laid in the Stoke and Shelton area and connected up to the new Goods Yard development. Work is now ongoing with specialist energy companies SSE and GT/Star Energy to roll out the next phase.

**Figure 8.1 District Heat Network**



**Source: SoTCC (January 2024)**

- 8.67 There are substantial commercial benefits from connecting to a District Heating Scheme as there will be availability of 'low carbon' energy (in the form of heat).
- 8.68 There are few published costs of District Heating Schemes in modern estate housing. There are savings to be made from not installing gas and boilers in each unit, but these are more than offset by the costs of laying the heat pipes through the site, heat metering etc – unless there is an existing network, as is the case in parts of Stoke-on-Trent. Informal discussions with suppliers suggest that the additional costs may be in the range of £3,000 to £7,000 per unit, which is supported by the limited published data<sup>84</sup>, depending on the size and shape of the project. This has not been included in the base appraisals, but this additional cost is tested.

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<sup>84</sup> *Assessment of the Costs, Performance, and Characteristics of UK Heat Networks* (DoE&CC, 2015) provides some guidance for infrastructure to distribute heat, but not generation.

### *Flood Risk and Water Management*

- 8.69 It is necessary to consider water run-off and water usage.
- 8.70 Sustainable Urban Drainage Systems (SUDS) are often a requirement. SUDS aim to limit the waste of water, reduce water pollution and flood risk relative to conventional drainage systems. In this study, it is anticipated that new development will be required to incorporate Sustainable Urban Drainage Schemes (SUDS). SUDS and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. It is assumed that the costs of SUDS are included within the additional costs on brownfield sites, however on the larger greenfield sites it is assumed that SUDS will be incorporated into the green spaces (subject to local ground conditions), and be delivered through soft landscaping within the wider site costs.
- 8.71 In the base assumptions, it is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The costs are modest, likely to be less than £5 per dwelling<sup>85</sup>. This cost was based in 2014 so has been indexed<sup>86</sup> to £10 per dwelling.

### **Infrastructure Provision**

- 8.72 In essence, the requirement is likely to be that development should make appropriate contributions towards strategic infrastructure and mitigation. The Council does not currently set out a formal approach with per unit or similar calculators and has not adopted CIL.
- 8.73 To inform a decision as to what an appropriate assumption for s106 contributions may be, recent planning approvals have been reviewed. Contributions range from zero to about £18,750 per unit. The average is £4,742 per unit and the median is £1,672 per unit. A base assumption of £2,500 per unit is assumed, however sensitivity testing up to £30,000 per unit is undertaken.
- 8.74 In this context it is important to note that the Council has a long track record in securing external funding (for example through HIF), to enable development and to provide infrastructure.

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<sup>85</sup> Paragraph 285 Housing Standards Review, Final Implementation Impact Assessment, March 2015. Department for Communities and Local Government.

<sup>86</sup> BCIS Index March 2014 316.3, January 2024 456.8.

## **Supplementary Planning Documents**

- 8.75 The Council has a number of existing Supplementary Planning Documents. These are also considered.

*Newcastle-under-Lyme and Stoke-on-Trent Urban Design Guidance, Supplementary Planning Document, December 2010*

- 8.76 This is considered under the Design and Heritage heading above.

*Etruria Valley Enterprise Area Supplementary Planning Documents – March 2013*

- 8.77 This SPD sets out a masterplan for this part of Stoke-on-Trent, and much of it has been implemented and put into effect. In itself it does not add to the costs of development that are accounted for elsewhere in this assessment.

*Affordable Housing Supplementary Planning Document (February 2008)*

- 8.78 This is a somewhat historic document, prepared well before the more recent evidence on housing need. Affordable housing is addressed under the Housing section above.

*Healthy Urban Planning Supplementary Planning Document (March 2013)*

- 8.79 On the whole the requirements of this document are reflected through the emerging Local Plan.

- 8.80 The SPD does include the need for Health Impact Assessments (HIA). An HIA is a means of assessing the health impacts of policies, plans and projects in diverse economic sectors using quantitative, qualitative and participatory techniques. HIA help decision-makers make choices about alternatives and improvements to prevent disease/injury and to actively promote health. WHO supports tools and initiatives in HIA to dynamically improve health and well-being across sectors.

- 8.81 Whilst this sounds complex it is widely used across the country and is a relatively simple and inexpensive process, if incorporated into the design process from an early stage. The professional fees assumptions are sufficient to cover HIA costs.

*Inclusive Design Access for All (Supplementary Planning Document (February 2008)*

- 8.82 This is broad set of guidance that impacts more widely than the planned development considered here.

- 8.83 In relation to planned development, the requirements have, to a large extent, been superseded by the changes to Part M of Building Regulations considered under the Design and Heritage heading above.

*Sustainability and Climate Change Supplementary Planning Document (March 2012)*

- 8.84 This is broad set of guidance that impacts more widely than the planned development considered here. In relation to planned development the requirements have, to a large extent, been superseded by the changes to Part L of Building Regulations considered under Climate Change above.

## 9. Modelling

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

### **Residential**

9.2 A set of typologies has been developed. These are consistent with the main assumptions used in the Council's most recent Strategic Housing Land Availability Assessment (SHLAA) that sets out the following modelling assumptions.

**Table 9.1 Developable Area Assumptions**

Site Size (Hectares)	Proportion of site for associated infrastructure	Area of site for housing
Up to 0.5	5%	95%
0.5-2	20%	80%
2+	30%	70%

**Source: Page 13, SHLAA Methodology 2019**

**Table 9.2 Density Assumptions**

Ward	Density Assumption for SHLAA (Dwellings per hectare)
Abbey Hulton & Townsend, Bentilee & Ubberley, Blurton West & Newstead, Goldenhill & Sandford, Hanford & Trentham, Little Chell & Stanfield, Meir North, Weston Coyney, Eaton Park, Meir Hay, Meir Park, Sneyd Green	40
Baddeley, Milton & Norton, Bradeley & Chell Heath, Fenton West & Mount Pleasant, Ford Green & Smallthorne, Great Chell & Packmoor, Meir South, Blurton East, Burslem Central,	50
Burslem Park, Lightwood North & Normacot, Penkhull & Stoke, Sandford Hill, Tunstall	70
Boothen & Oakhill, Etruria & Hanley, Hartshill & Basford, Moorcroft, Broadway & Longton East	90
Birches Head & Central Park, Dresden & Florence, Fenton East, Hanley Park & Shelton, Hollybush & Longton West, Joiner's Square, Springfields & Trent Vale	100

**Source: Page 16, SHLAA Methodology 2019 (Note: Since these densities were derived, the ward boundaries have been updated).**

- 9.3 Through the technical consultation, a consultant<sup>87</sup> suggested at 30 units per ha was more appropriate on large greenfield sites. A housebuilder<sup>88</sup> suggested that some of the densities which may be achievable in some locations is unrealistic and that the density and location approach should be revisited, going on to say:

*Recent changes to national policy and design guidance is likely to impact some of the density assumptions considered in the draft viability appraisals. Densities of 40 dwellings per hectare on greenfield sites on the edge of the urban area would be pushing the limit of what is achievable in such locations and is likely to require an increased proportion of flats delivered in such locations which may be out of character with surrounding densities and settlement patterns and may be deemed unacceptable or out of character in design terms in such areas. It is considered that densities should be assessed based on location, rather than site typology – e.g. urban centre – 50 dwellings per hectare, inner urban area 40 dwellings per hectare, suburbs and urban fringe 30 – 35 dwellings per hectare. Other requirements, such as the need to provide SUDS, public open*

<sup>87</sup> Grant Dinsdale of DLDC Ltd.

<sup>88</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

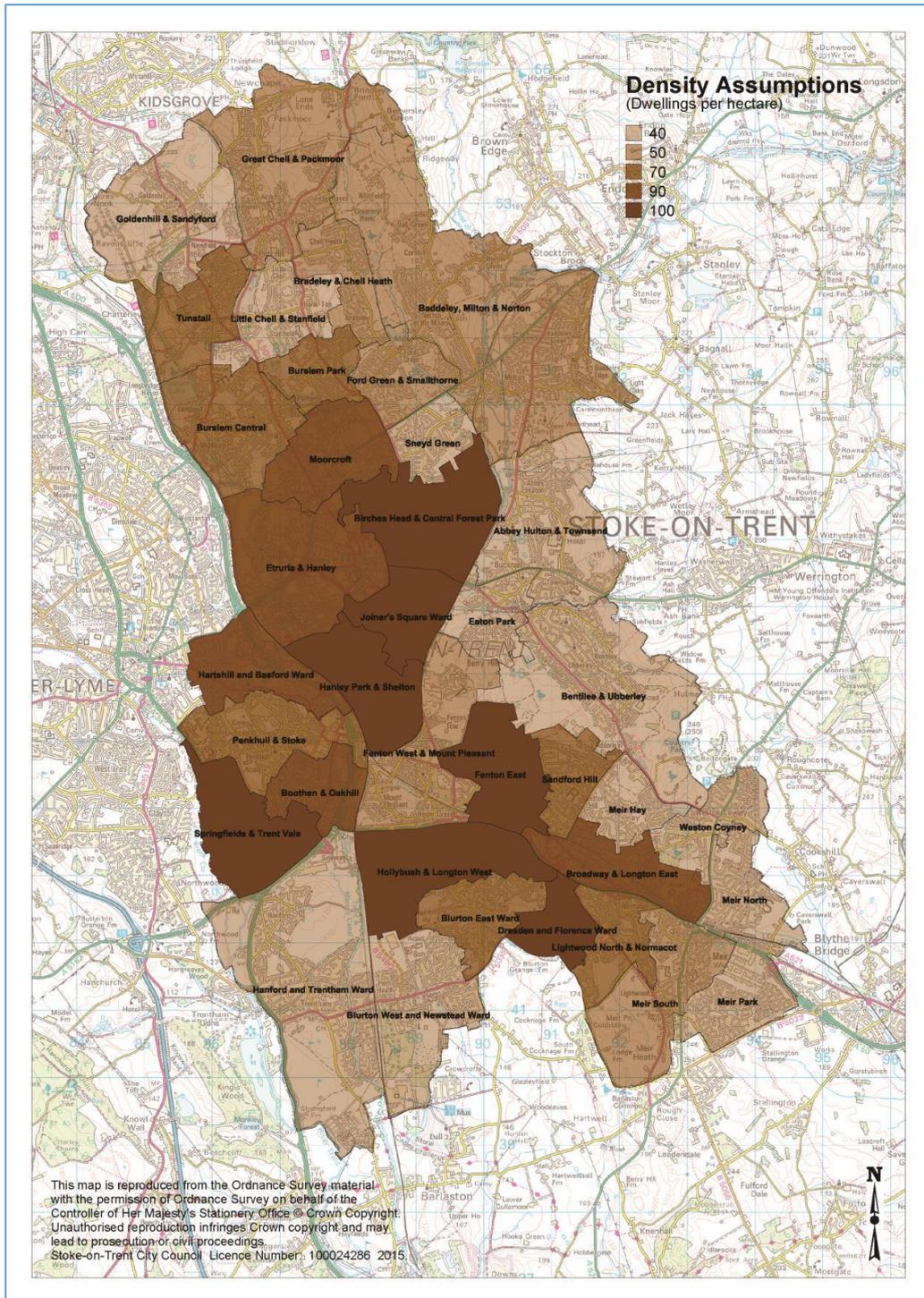
*space, and other open spaces to meet BNG requirements are also likely to be a factor on densities that can be achieved on a range of sites, so it would be sensible to consider a spectrum of densities.*

*The new NPPF is due to be published fairly imminently, and the impact of any changes to policies which increase the weight to be given to design / character matters may have an impact as to what densities could be achieved in particular locations.*

*Some of the density assumptions identified at Table 9.2, such as 100 dwellings per hectare in locations such as Birches Head, 70 dwellings per hectare in Penkhull, and 50 dwellings per hectare in Smallthorne, Baddeley, Milton and Meir South seem to be too high when the prevailing density and character of such locations are taken into account. This may impact the outcome of the viability appraisal if it is to be based upon these assumptions.*

- 9.4 Whilst these comments are noted, it is necessary for this assessment to be prepared in a way that is consistent with the Council's wider evidence base and assumptions in the emerging Local Plan. It is important to note that the above densities are a starting point for officers, when considering site capacities and that wider factors, such as the nature of the site, site constraints and the specific situation / location of the sites are also taken into account.

Figure 9.1 Density Assumptions by Ward



Source: Page 18, SHLAA Methodology 2019

9.5 The SHLAA also makes assumptions about build out rates that are used in this assessment. Schemes of 350 units and larger are assumed to be delivered through multiple outlets. Higher rates are assumed for flatted schemes to reflect the nature of the development.

**Table 9.3 Build-out Rate Assumptions**

Sites of 50 dwellings or more	20 dwellings for the first year, rising to 40 per annum for the subsequent years.
Sites of 16-49 dwellings	20 dwellings per annum
Sites of 5-15 dwellings	5 dwellings per annum

**Source: Page 20, SHLAA Methodology 2019**

- 9.6 A housebuilder<sup>89</sup> questioned this approach. It is understood that this is based on historic, local build-out rates as assessed by the Council. It is therefore appropriate to use these assumptions.
- 9.7 The Council has provided a working copy of the SHLAA database. This includes about 430 sites, of which 193 have been filtered out as being unsuitable. The characteristics of the remaining 236 sites have informed the modelling in this assessment.

**Table 9.4 Summary of SHLAA Sites**

	<b>Not Stated</b>	<b>Brownfield</b>	<b>Greenfield</b>	<b>Mixed</b>	<b>All</b>
Count	5 2.1%	165 69.9%	65 27.5%	1 0.4%	236 100.0%
Area - ha	5.02 0.7%	337.82 45.8%	383.43 52.0%	10.75 1.5%	737.02 100.0%
Capacity - units	825 2.8%	17,002 58.4%	11,057 38.0%	228 0.8%	29,112 100.0%
Minimum - ha	0.03	0.16	0.25	10.75	0.03
Minimum - units	30	6	5	228	5
Average - ha	1.00	2.05	5.90	10.75	3.12
Average - units	165	103	170	228	123
Maximum - units	4.07	9.20	71.82	10.75	71.82
Maximum - ha	250	778	2,513	228	2,513

**Source: SHLAA 2023 working draft**

<sup>89</sup> Alan Corinaldi-Knott of Knights for Gleeson Developments Ltd

- 9.8 As mentioned in Chapter 2 above, the Government has announced requirements for second staircases in taller buildings. This impacts on the net saleable area assumptions in the modelling.
- 9.9 The typologies are described and then summarised as follows. In the subsequent analysis, set out in Chapter 10 below, the typologies are grouped as also shown in the table below:

**Table 9.5 Residential Typologies – modelling**

Type of Site	Units	Gross (ha)	Net (ha)	Density (dph)	Site Description
Large Greenfield	700	25.000	17.500	40.0	Large greenfield site modelled as per SHMA mix. Mostly detached, semi-detached and terraced housing. 70% net developable.
Large Greenfield	240	8.571	6.000	40.0	Large greenfield site modelled as per SHMA mix. Mostly detached, semi-detached and terraced housing. 70% net developable.
Greenfield	120	4.286	3.000	40.0	Greenfield site modelled as per SHMA

Type of Site	Units	Gross (ha)	Net (ha)	Density (dph)	Site Description
					mix. Mostly detached, semi-detached and terraced housing. 70% net developable.
Greenfield	80	2.857	2.000	40.0	Greenfield site modelled as per SHMA mix. Mostly detached, semi-detached and terraced housing. 70% net developable.
Greenfield	40	1.250	1.000	40.0	Greenfield site modelled as per SHMA mix. Mostly detached, semi-detached and terraced housing. 80% net developable.
Greenfield	20	0.625	0.500	40.0	Greenfield site modelled as per SHMA mix. Mostly housing.

Type of Site	Units	Gross (ha)	Net (ha)	Density (dph)	Site Description
					80% net developable.
Greenfield	12	0.375	0.300	40.0	Greenfield housing site modelled. 80% net developable.
Small Greenfield	8	0.211	0.200	40.0	Small greenfield housing site modelled with affordable housing. 95% net developable.
Small Greenfield	4	0.105	0.100	40.0	Small greenfield housing site modelled with affordable housing. 95% net developable.
Higher Density Greenfield	120	1.875	1.500	80.0	Higher density greenfield site modelled as per SHMA mix. Mostly terraced housing and flats. 80% net developable.

Type of Site	Units	Gross (ha)	Net (ha)	Density (dph)	Site Description
Higher Density Greenfield	80	1.429	1.143	70.0	Higher density greenfield site modelled as per SHMA mix. Mostly terraced housing and flats. 80% net developable.
Higher Density Greenfield	20	0.357	0.286	70.0	Higher density greenfield site modelled as per SHMA mix. Mostly terraced housing and flats. 80% net developable.
Large Mixed Use	240	6.857	4.800	50.0	Mixed use site modelled as per SHMA mix. Mostly, terraced and semi-detached with some detached and flats. 70% net developable.
Mixed Use	80	2.286	1.600	50.0	Mixed use site

Type of Site	Units	Gross (ha)	Net (ha)	Density (dph)	Site Description
					modelled as per SHMA mix. Mostly, terraced and semi-detached with some detached and flats. 70% net developable.
Mixed Use	40	1.000	0.800	50.0	Mixed use site modelled as per SHMA mix. Mostly, terraced and semi-detached with some detached and flats. 80% net developable.
Mixed Use	20	0.263	0.250	80.0	Mixed use site. Mostly, terraced and semi-detached with some flats. 95% net developable.
Mixed Use	12	0.180	0.171	70.0	Mixed use site. Mostly, terraced and semi-detached with some

Type of Site	Units	Gross (ha)	Net (ha)	Density (dph)	Site Description
					flats. 95% net developable.
Small Mixed Use	8	0.120	0.114	70.0	Small mixed use site. Modelled with affordable housing. 95% net developable.
Small Mixed Use	4	0.060	0.057	70.0	Small mixed use site. Modelled with affordable housing. 95% net developable.
Large Brownfield	320	5.079	3.556	90.0	Large brownfield site. Higher density housing, mostly terraced housing and flats. 70% net developable.
Brownfield	120	1.667	1.333	90.0	Brownfield site. Higher density housing, mostly terraced and flats. 80%

Type of Site	Units	Gross (ha)	Net (ha)	Density (dph)	Site Description
					net developable.
Brownfield	80	1.111	0.889	90.0	Brownfield site. Higher density housing, mostly terraced and flats. 80% net developable.
Brownfield	40	0.556	0.444	90.0	Brownfield site. Mostly terraced housing and flats. 80% net developable.
Brownfield	20	0.234	0.222	90.0	Brownfield site. Mostly terraced housing and flats. 95% net developable.
Brownfield	12	0.140	0.133	90.0	Brownfield site. Terraced housing and flats. 95% net developable.
Brownfield	8	0.094	0.089	90.0	Brownfield site. Terraced housing and flats.

Type of Site	Units	Gross (ha)	Net (ha)	Density (dph)	Site Description
					Modelled with affordable housing. 95% net developable.
Brownfield Flats	80	0.833	0.667	120.0	Flatted scheme. 80% net developable.
Brownfield Flats	40	0.417	0.333	120.0	Flatted scheme. 80% net developable.
Brownfield Flats	12	0.105	0.100	120.0	Small flatted scheme. 95% net developable.
Brownfield Flats	8	0.084	0.080	100.0	Small flatted scheme. Modelled with affordable housing. 95% net developable.

Source: HDH (December 2023)

**Table 9.6 Summary of Residential Typologies.**

			Current Use	Units	Area Ha			Density Units/ha		Density m2/ha	
					Total	Gross	Net	%	Gross		Net
1	Greenfield 700	Green	Agricultural	700	25.000	25.000	17.500	70.0%	28.00	40.00	3,627
2	Greenfield 240	Green	Agricultural	240	8.571	8.571	6.000	70.0%	28.00	40.00	3,651
3	Greenfield 120	Green	Agricultural	120	4.286	4.286	3.000	70.0%	28.00	40.00	3,669
4	Greenfield 80	Green	Agricultural	80	2.857	2.857	2.000	70.0%	28.00	40.00	3,671
5	Greenfield 40	Green	Agricultural	40	1.250	1.250	1.000	80.0%	32.00	40.00	3,705
6	Greenfield 20	Green	Agricultural	20	0.625	0.625	0.500	80.0%	32.00	40.00	3,467
7	Greenfield 12	Green	Paddock	12	0.375	0.375	0.300	80.0%	32.00	40.00	3,456
8	Greenfield 8	Green	Paddock	8	0.211	0.211	0.200	95.0%	38.00	40.00	4,030
9	Greenfield 4	Green	Paddock	4	0.105	0.105	0.100	95.0%	38.00	40.00	4,329
10	HD Green 120	Green	Agricultural	120	1.875	1.875	1.500	80.0%	64.00	80.00	6,674
11	HD Green 80	Green	Agricultural	80	1.429	1.429	1.143	80.0%	56.00	70.00	5,843
12	HD Green 20	Green	Paddock	20	0.357	0.357	0.286	80.0%	56.00	70.00	5,677
13	Mixed 240	Mixed	Mixed	240	6.857	6.857	4.800	70.0%	35.00	50.00	4,467
14	Mixed 80	Mixed	Mixed	80	2.286	2.286	1.600	70.0%	35.00	50.00	4,456
15	Mixed 40	Mixed	Mixed	40	1.000	1.000	0.800	80.0%	40.00	50.00	4,284
16	Mixed 20	Mixed	Mixed	20	0.263	0.263	0.250	95.0%	76.00	80.00	6,434
17	Mixed 12	Mixed	Mixed	12	0.180	0.180	0.171	95.0%	66.50	70.00	5,791
18	Mixed 8	Mixed	Mixed	8	0.120	0.120	0.114	95.0%	66.50	70.00	6,334
19	Mixed 4	Mixed	Mixed	4	0.060	0.060	0.057	95.0%	66.50	70.00	5,266
20	Brownfield 320	Brown	PDL	320	5.079	5.079	3.556	70.0%	63.00	90.00	7,673
21	Brownfield 120	Brown	PDL	120	1.667	1.667	1.333	80.0%	72.00	90.00	7,640
22	Brownfield 80	Brown	PDL	80	1.111	1.111	0.889	80.0%	72.00	90.00	7,630
23	Brownfield 40	Brown	PDL	40	0.556	0.556	0.444	80.0%	72.00	90.00	7,473
24	Brownfield 20	Brown	PDL	20	0.234	0.234	0.222	95.0%	85.50	90.00	7,289
25	Brownfield 12	Brown	PDL	12	0.234	0.140	0.133	57.0%	85.50	90.00	7,491
26	Brownfield 8	Brown	PDL	8	0.140	0.094	0.089	63.3%	85.50	90.00	7,604
27	Brown Flats 80	Brown	PDL	80	0.833	0.833	0.667	80.0%	96.00	120.00	9,035
28	Brown Flats 40	Brown	PDL	40	0.417	0.417	0.333	80.0%	96.00	120.00	9,072
29	Brown Flats 12	Brown	PDL	12	0.105	0.105	0.100	95.0%	114.00	120.00	8,789
30	Brown Flats 8	Brown	PDL	8	0.084	0.084	0.080	95.0%	95.00	100.00	6,738

**Source: HDH (December 2023)**

9.10 The modelling of the potential strategic / larger sites is summarised as follows:

**Table 9.7 Summary of Potential Strategic / Larger Sites**

			Current Use	Units	Area Ha			Density Units/ha		Density m2/ha
					Total	Gross	Net	%	Gross	
1	Minton Hollins	Brown	PDL	682	2.790	2.790	2.790	100.0%	244.44	19,260
2	Birches Head Rd, Redhills	Green	Mixed	360	6.530	6.530	6.530	100.0%	55.13	4,928
3	Off Lordship Lane	Green	Amenity	420	6.850	6.850	6.850	100.0%	61.31	5,478
4	Cobridge Road	Brown	PDL	356	5.600	5.600	5.600	100.0%	63.57	5,683
5	Packmoor West	Green	Agricultural	800	38.095	38.095	22.857	60.0%	21.00	3,174
6	Mitchell High School	Brown	PDL	243	7.550	7.549	7.549	100.0%	32.19	2,944
7	Edensor Tech School	Brown	PDL	250	8.970	8.970	8.970	100.0%	27.87	2,530
8	Berry Hill High School & CP	Brown	PDL	221	7.880	7.879	7.879	100.0%	28.05	2,548
9	Land at NStaffs RI	Brown	PDL	236	8.750	8.750	8.750	100.0%	26.97	2,447

**Source: HDH (February 2024)**

9.11 In due course this study will be extended to consider all types of development. At that stage a wider range of development types will be considered.

### **Older People's Housing**

9.12 A private Sheltered/retirement and an Extracare scheme have been modelled, each on a 0.5ha site as follows.

- A private Sheltered/retirement scheme of 20 x 1 bed units of 50m<sup>2</sup> and 25 x 2 bed units of 75m<sup>2</sup> to give a net saleable area (GIA) of 2,875m<sup>2</sup>. A further 20% non-saleable service and common areas have been assumed to give a scheme GIA of 3,594m<sup>2</sup>.
- An Extracare scheme of 36 x 1 bed units of 65m<sup>2</sup> and 24 x 2 bed units of 80m<sup>2</sup> to give a net saleable area (GIA) of 4,260m<sup>2</sup>. A further 35% non-saleable service and common areas have been assumed to give a scheme GIA of 6,554m<sup>2</sup>.

### **Employment Uses**

9.13 The modelling is based on the following development types:

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

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

A 500 sqm, smaller office has also been modelled.

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

A smaller unit of 400 sqm and 40% coverage is assumed which is based on single storey construction.

- c. **Distribution and Logistics.** Modern units of over 4,000 sqm is used as the basis of the modelling. 35% coverage is assumed which is based on single storey construction.

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

## **Retail**

- 9.15 The following types of space have been assessed. It is only therefore necessary to look at the main types of development likely to come forward in the future. The following distinct types of retail development are modelled for the sake of completeness – although it should be noted that no such development is scheduled to take place on the specific sites.
- a. **Supermarkets.** Typically, the units that are currently coming forward are around 2,000 sqm unit on a 0.6ha site with 120 or so car parking places (30% coverage).
  - b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 4,000 sqm. It is assumed to require 150 car parking spaces, and to occupy a total site area of 0.8ha. The building is taken to be of steel construction.
  - c. **Shop** is a brick / block built development, of 200 sqm. Site coverage of 80% is assumed.
- 9.16 There are other types of retail development, such as small single farm shops, petrol filling stations and garden centres. These have not been included in this high-level study due to the great diversity of project that may arise.

## 10. Residential Appraisals

- 10.1 At the start of this chapter, it is important to stress that the results of the appraisals do not, in themselves, determine the deliverability of development. The results of this study are one of a number of factors that Stoke-on-Trent City Council will consider when selecting sites for allocation. Council will also consider the track record through the development management process and a plethora of other factors.
- 10.2 The appraisals use the residual valuation approach, they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin, being the Benchmark Land Value (BLV).
- 10.3 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:
- a. **Green Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).
  - b. **Amber Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.
  - c. **Red Non-viable** – where the Residual Value does not exceed the EUV.
- 10.4 A report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a typology is shown as viable does not necessarily mean that, that type of development will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and the comments of the site promoters.

### **Base Appraisals**

- 10.5 The base appraisals are carried out on the basis of the 2025 increase to Part L of Building Regulations, The mandating of Accessible and Adaptable standards under Part M of Building Regulations, mandatory EV Charging and 10% Biodiversity Net

Gain. The full policy-on scenario with all the policy requirements, unless stated, being the following assumptions:

- a. Affordable Housing      25% as 50% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes (with 30% discount and £250,000 cap).
- b. Design                      95% Part M4(2) and 5% Part M4(3), Water efficiency, 10% Biodiversity Net Gain, Future Homes Standard Option 1.
- c. Developer Contributions    S106 as £2,500/unit.

10.6 The base appraisals are included in **Appendix 13**.

Table 10.1 Residential Typologies – Residual Values

							Area (ha)		Units	Residual Value (£)		
							Gross	Net		Gross ha	Net ha	Site
Site 1	Greenfield 700	SoTCC	Green				25.00	17.50	700	920,625	1,315,179	23,015,637
Site 2	Greenfield 240	SoTCC	Green		Agricultural		8.57	6.00	240	1,075,961	1,537,088	9,222,526
Site 3	Greenfield 120	SoTCC	Green		Agricultural		4.29	3.00	120	508,725	726,750	2,180,249
Site 4	Greenfield 80	SoTCC	Green		Agricultural		2.86	2.00	80	104,331	149,044	298,088
Site 5	Greenfield 40	SoTCC	Green		Agricultural		1.25	1.00	40	131,971	164,964	164,964
Site 6	Greenfield 20	SoTCC	Green		Agricultural		0.63	0.50	20	309,705	387,131	193,565
Site 7	Greenfield 12	SoTCC	Green		Paddock		0.38	0.30	12	643,050	803,812	241,144
Site 8	Greenfield 8	SoTCC	Green		Paddock		0.21	0.20	8	655,805	690,321	138,064
Site 9	Greenfield 4	SoTCC	Green		Paddock		0.11	0.10	4	147,334	155,089	15,509
Site 10	HD Green 120	SoTCC	Green		Agricultural		1.88	1.50	120	998,797	1,248,497	1,872,745
Site 11	HD Green 80	SoTCC	Green		Agricultural		1.43	1.14	80	863,447	1,079,308	1,233,495
Site 12	HD Green 20	SoTCC	Green		Paddock		0.36	0.29	20	1,263,143	1,578,929	451,123
Site 13	Mixed 240	SoTCC	Mixed		Mixed		6.86	4.80	240	549,722	785,317	3,769,524
Site 14	Mixed 80	SoTCC	Mixed		Mixed		2.29	1.60	80	-241,769	-345,385	-552,616
Site 15	Mixed 40	SoTCC	Mixed		Mixed		1.00	0.80	40	-301,089	-376,361	-301,089
Site 16	Mixed 20	SoTCC	Mixed		Mixed		0.26	0.25	20	57,479	60,504	15,126
Site 17	Mixed 12	SoTCC	Mixed		Mixed		0.18	0.17	12	-597,667	-629,123	-107,850
Site 18	Mixed 8	SoTCC	Mixed		Mixed		0.12	0.11	8	-156,846	-165,101	-18,869
Site 19	Mixed 4	SoTCC	Brown		Mixed		0.06	0.06	4	389,532	410,033	23,430
Site 20	Brownfield 320	SoTCC	Mixed		PDL		5.08	3.56	320	765,331	1,093,330	3,887,395
Site 21	Brownfield 120	SoTCC	Brown		PDL		1.67	1.33	120	-431,110	-538,888	-718,517
Site 22	Brownfield 80	SoTCC	Brown		PDL		1.11	0.89	80	-487,700	-609,625	-541,889
Site 23	Brownfield 40	SoTCC	Brown		PDL		0.56	0.44	40	-540,605	-675,756	-300,336
Site 24	Brownfield 20	SoTCC	Brown		PDL		0.23	0.22	20	-652,796	-687,153	-152,701
Site 25	Brownfield 12	SoTCC	Brown		PDL		0.14	0.13	12	-291,834	-511,989	-68,265
Site 26	Brownfield 8	SoTCC	Brown		PDL		0.09	0.09	8	-292,267	-461,474	-41,020
Site 27	Brown Flats 80	SoTCC	Brown		PDL		0.83	0.67	80	-5,057,178	-6,321,472	-4,214,315
Site 28	Brown Flats 40	SoTCC	Brown		PDL		0.42	0.33	40	-4,426,381	-5,532,977	-1,844,326
Site 29	Brown Flats 12	SoTCC	Brown		PDL		0.11	0.10	12	-5,132,921	-5,403,075	-540,307
Site 30	Brown Flats 8	SoTCC	Brown		PDL		0.08	0.08	8	-3,954,972	-4,163,129	-333,050

Source: HDH (January 2024)

**Table 10.2 Potential Residential Strategic Sites – Residual Values**

						Area (ha)		Units	Residual Value (£)		
						Gross	Net		Gross ha	Net ha	Site
Site 1	Minton Hollins	Shelton Old Farm	Brown	PDL	2.79	2.79	682	-12,254,592	-12,254,369	-34,190,311	
Site 2	Birches Head Rd, R	Stoke	Green	Mixed	6.53	6.53	360	1,876,973	1,876,967	12,256,635	
Site 3	Off Lordship Lane	Fenton	Green	Amenity	6.85	6.85	420	2,038,211	2,038,082	13,961,746	
Site 4	Cobridge Road	Etruria	Brown	PDL	5.60	5.60	356	1,015,243	1,015,220	5,685,362	
Site 5	Packmoor West	Packmoor	Green	Agricultural	38.10	22.86	800	616,111	1,026,852	23,470,906	
Site 6	Mitchell High School	Bucknall	Brown	PDL	7.55	7.55	243	537,332	537,408	4,056,855	
Site 7	Edensor Tech School	Longton	Brown	PDL	8.97	8.97	250	462,344	462,333	4,147,230	
Site 8	Berry Hill High School	Bucknall	Brown	PDL	7.88	7.88	221	473,016	473,089	3,727,367	
Site 9	Land at NStaffs RI	Hartshill	Brown	PDL	8.75	8.75	236	447,623	447,616	3,916,702	

**Source: HDH (February 2024)**

- 10.7 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology.
- 10.8 The Residual Value is not an indication of viability by itself, simply being the maximum price, a developer may bid for a parcel of land, and still make an adequate return. In

the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

**Table 10.3 Residential Typologies - Residual Value v BLV. £ per ha.**

No.	Type	Authority	EUV	BLV	Residual Value
Site 1	Greenfield 700	SoTCC	25,000	250,000	920,625
Site 2	Greenfield 240	SoTCC	25,000	250,000	1,075,961
Site 3	Greenfield 120	SoTCC	25,000	325,000	508,725
Site 4	Greenfield 80	SoTCC	25,000	325,000	104,331
Site 5	Greenfield 40	SoTCC	25,000	325,000	131,971
Site 6	Greenfield 20	SoTCC	25,000	325,000	309,705
Site 7	Greenfield 12	SoTCC	50,000	350,000	643,050
Site 8	Greenfield 8	SoTCC	50,000	350,000	655,805
Site 9	Greenfield 4	SoTCC	50,000	350,000	147,334
Site 10	HD Green 120	SoTCC	25,000	325,000	998,797
Site 11	HD Green 80	SoTCC	25,000	325,000	863,447
Site 12	HD Green 20	SoTCC	50,000	350,000	1,263,143
Site 13	Mixed 240	SoTCC	250,000	300,000	549,722
Site 14	Mixed 80	SoTCC	250,000	300,000	-241,769
Site 15	Mixed 40	SoTCC	250,000	300,000	-301,089
Site 16	Mixed 20	SoTCC	250,000	300,000	57,479
Site 17	Mixed 12	SoTCC	250,000	300,000	-597,667
Site 18	Mixed 8	SoTCC	250,000	300,000	-156,846
Site 19	Mixed 4	SoTCC	250,000	300,000	389,532
Site 20	Brownfield 320	SoTCC	475,000	570,000	765,331
Site 21	Brownfield 120	SoTCC	475,000	570,000	-431,110
Site 22	Brownfield 80	SoTCC	475,000	570,000	-487,700
Site 23	Brownfield 40	SoTCC	475,000	570,000	-540,605
Site 24	Brownfield 20	SoTCC	475,000	570,000	-652,796
Site 25	Brownfield 12	SoTCC	475,000	570,000	-291,834
Site 26	Brownfield 8	SoTCC	475,000	570,000	-292,267
Site 27	Brown Flats 80	SoTCC	475,000	570,000	-5,057,178
Site 28	Brown Flats 40	SoTCC	475,000	570,000	-4,426,381
Site 29	Brown Flats 12	SoTCC	475,000	570,000	-5,132,921
Site 30	Brown Flats 8	SoTCC	475,000	570,000	-3,954,972

**Source: HDH (January 2024)**

**Table 10.4 Potential Residential Strategic Sites - Residual Value v BLV. £ per ha.**

No.	Site Name	Area	EUV	BLV	Residual Value
Site 1	Minton Hollins	Shelton Old Rd	475,000	570,000	-12,254,592
Site 2	Birches Head Rd, Redhills Rd	Stoke	250,000	550,000	1,876,973
Site 3	Off Lordship Lane	Fenton	250,000	550,000	2,038,211
Site 4	Cobridge Road	Etruria	250,000	550,000	1,015,243
Site 5	Packmoor West	Packmoor	25,000	325,000	616,111
Site 6	Mitchell High School	Bucknall	250,000	550,000	537,332
Site 7	Edensor Tech School	Longton	475,000	570,000	462,344
Site 8	Berry Hill High School & College	Bucknall	250,000	550,000	473,016
Site 9	Land at N.Staffs R.I.	Hartshill	475,000	570,000	447,623

**Source: HDH (February 2024)**

10.9 The results vary considerably across the types of site assessed. With a few exceptions, generally the Residual Value is above the EUV on the greenfield sites, but below the EUV on the brownfield sites.

10.10 The modelling includes the potential strategic sites. These sites are included to inform the site selection process. It is necessary to note that the delivery of any large site is challenging. Regardless of these results, it is recommended that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

*Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

10.11 In this context paragraph 10-006 of the PPG is highlighted:

*... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*

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- 10.12 In relation to the potential strategic sites, these are modelled on the basis that the site is acquired by the developer in a single tranche at the start of the project. Such a scenario is relatively unlikely on very large sites, where the site is typically purchased in phases. Such an approach not only benefits the developer in terms of cashflow but can be beneficial to the landowner in terms of taxation.
- 10.13 The above analysis is based on the Council's current policy aspirations. These are more than the existing requirements. The Council is exploring various options so further sets of appraisals have been run to establish the costs of the additional policy requirements. Before doing this, further appraisals have been run to understand an issue that was highlighted through the technical consultation, being the level of the developer's return assumptions. The approach to deriving the Benchmark Land Value was also questioned, this is considered under the suggested Policy Requirements heading below.

### **Varied Policy Requirements**

- 10.14 The Council is exploring various options, including seeking higher environmental standards and greater accessibility. Sets of appraisals have been run to establish the costs of the additional policy requirements. The results are included in **Appendix 14**.
- 10.15 The starting place for the above analysis is Zero Carbon ready (Option 1 of the FHS consultation). Further appraisals have been run at the current standard, at both Option 1 and Option 2 of the FHS consultation, and an enhanced Zero Carbon standard. In addition, varied levels of Biodiversity Net Gain, and varied levels of Accessible and Adaptable standards under Part M of Building Regulations are tested. The figures in the following table are an indication of the amount the Residual Value will fall or rise for the various policy changes. The reduction in the amount of the Residual Value is the reduced amount in the maximum price a developer can pay a landowner.

### **Table 10.5 Costs of Policy Requirements (Change in Residual Value as £ per ha)**

**Environmental Policies - Relative to the Cost of FHS Option 2**

Type	Part L 2021	FHS Option 2	FHS Option 1	Zero Carbon	FHS Option 1 & District Heating
Large Greenfield	117,122	0	87,841	-58,561	-107,118
Greenfield	164,610	0	123,714	-84,125	-141,467
Small Greenfield	269,643	0	202,369	-135,743	-183,856
Higher Density Greenfield	281,488	0	211,116	-140,744	-262,889
Large Mixed Use	159,026	0	119,270	-80,546	-146,833
Mixed Use	301,939	0	226,867	-153,711	-267,823
Small Mixed Use	339,916	0	254,937	-169,958	-321,951
Large Brownfield	255,427	0	192,605	-130,081	-254,877
Brownfield	364,999	0	274,076	-187,504	-335,378
Brownfield Flats	580,058	0	435,075	-290,908	-526,072

**Additional BNG and Rainwater Harvesting - Relative to the Cost of 10% BNG**

Type	10% BNG	20% BNG	Rainwater Harvesting
Large Greenfield	0	2,727	-53,559
Greenfield	0	3,945	-70,421
Small Greenfield	0	6,592	-91,928
Higher Density Greenfield	0	6,641	-131,445
Large Mixed Use	0	9,232	-72,441
Mixed Use	0	18,285	-133,885
Small Mixed Use	0	20,605	-160,874
Large Brownfield	0	50,398	-127,438
Brownfield	0	72,110	-167,219
Brownfield Flats	0	116,341	-263,036

**Accessibility Policies - Relative to the Cost of 95% M4(a) and 5% M4(3)**

Type of Site	M4(2) 100%, M4(3)a 0%, M4(3)b 0%	M4(2) 95%, M4(3)a 5%, M4(3)b 0%	M4(2) 90%, M4(3)a 10%, M4(3)b 0%
Large Greenfield	17,771	0	-17,817
Greenfield	22,479	0	-22,613
Small Greenfield	33,522	0	-33,609

Type of Site	M4(2) 100%, M4(3)a 0%, M4(3)b 0%	M4(2) 95%, M4(3)a 5%, M4(3)b 0%	M4(2) 90%, M4(3)a 10%, M4(3)b 0%
Higher Density Greenfield	39,043	0	-39,144
Large Mixed Use	24,215	0	-24,278
Mixed Use	41,087	0	-41,463
Small Mixed Use	47,344	0	-47,467
Large Brownfield	40,891	0	-40,997
Brownfield	51,996	0	-52,451
Brownfield Flats	69,863	0	-70,144

**Source: HDH (January 2024)**

- 10.16 The amount the Residual Value falls is related to the density of the type of development, by way of an example, seeking Zero Carbon on flatted development is likely to reduce the Residual Value by about £270,000/ha, whilst the impact is about £60,000/ha on the large, and lower density sites.
- 10.17 The increase from the 2025 Future Home Standard (i.e Option 1 Zero Carbon Ready) to Zero Carbon is significant, as is the cost of seeking rainwater harvesting. The move from 10% to 20% BNG is less costly.
- 10.18 **Appendix 14** includes the appraisal results for the strategic sites. The results vary substantially based on the existing use of the land. The BLV is based on the existing use of the land and impacts on the costs of development.

### **Varied Affordable Housing**

- 10.19 A core purpose of this study is to consider an appropriate affordable housing target and the tenure mix. The current affordable housing policy seeks 25% affordable housing. The Council seeks 50% Affordable Rent or Social Rent and the balance as Affordable Home Ownership, however, in line with paragraph 66 of the NPPF, a minimum of 10% affordable home ownership units are assumed, and in line with Paragraph 70-001-21210524 of the PPG, it is assumed that 25% of the affordable homes are First Homes.
- 10.20 The tables included in **Appendix 15** show the results of the appraisals, for both the typologies and the potential strategic sites, where the total amount of affordable housing is varied. All other matters are as in the base appraisals at the start of this chapter.
- 10.21 This analysis shows that the brownfield sites are unlikely to be able to bear affordable housing. To a large extent this correlates with the Council's experience through the development management process. Having said this, it is important to note that that

the Council is a significant landowner, particularly within the built-up area, where it has a long track record of intervening in the development markets.

- 10.22 All the greenfield sites have capacity to bear some affordable housing, although not the current requirement of 25%.
- 10.23 The results are significantly better on the larger scale brownfield and greenfield sites where the lower quartile, rather than the median BCIS costs are assumed.
- 10.24 An alternative set of appraisals has been run where the affordable housing for rent is provided as Social Rent rather than as Affordable Rent. On average, across the typologies, the Residual Value is £100,000 or so less per ha where the affordable housing for rent is provided as Social Rent. This is a significant difference, and broadly equivalent to seeking 10% affordable housing. If the Council were to seek Social Rent rather than Affordable Rent, then this would have a significant impact on the overall affordable housing target.
- 10.25 The balance between Affordable Home Ownership and Affordable Rent is also tested. The appraisals show that increasing the Affordable Rent from the 50% currently sought would have a significant impact on the Residual Value. It is understood from the Council that it is broadly comfortable with the 50% that is currently sought.
- 10.26 First Homes are required to be subject to a minimum discount of 30%. Paragraph 70-004-20210524 of the PPG gives councils scope (subject to conditions) to set an alternative discount of 40% or 50% or a cap reduced below the £250,000 set out in the PPG. A further set of appraisals has been run with the First Homes being subject to a range of discounts and caps, the results of which are also set out in **Appendix 15**.
- 10.27 This analysis shows that, on average, assuming 25% affordable housing, across the typologies, the Residual Value is about £40,000/ha less where the First Homes are subject to a 40% discount rather than the minimum 30% discount. Also, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £100,000/ha less where the First Homes are subject to a 50% discount rather than the minimum 30% discount.
- 10.28 If the Council were to seek a 50% discount for First Homes, the cost, when considered in isolation, would be equivalent to seeking 5% affordable housing, or seeking Zero Carbon (relative to the current standards). It is necessary to consider different policy requirements together, however seeking a discount that is greater than 30% is likely to lead to a reduced overall affordable housing requirement. This analysis shows that when subject to a 30% discount, the cap does not make a material difference to the results until it falls below £200,000.

## Developer Contributions

10.29 The above analysis considered the impact of affordable housing on development viability, taking into account the anticipated requirements for developer contributions of £2,500 per unit on the typologies and the potential strategic sites. Whilst the costs in relation to the strategic sites may be greater than this, the site specific strategic infrastructure and mitigation requirements are yet to be assessed and quantified. A range of developer contribution costs ranging from £0 to £30,000 per unit has been tested, initially this is against a zero affordable housing requirement. The tables included in **Appendix 16** show the results of the appraisals.

**Table 10.6 Costs of Developer Contributions (Change in Residual Value as £ per ha)**

Type	£0	£2,500	£5,000	£10,000	£20,000
Large Greenfield	0	-53,559	-107,118	-214,236	-430,994
Greenfield	0	-69,509	-139,929	-282,022	-569,552
Small Greenfield	0	-91,602	-183,530	-367,386	-737,656
Higher Density Greenfield	0	-131,445	-262,889	-525,778	1,059,470
Large Mixed Use	0	-71,701	-144,142	-292,927	-590,657
Mixed Use	0	-132,528	-266,413	-534,324	1,080,457
Small Mixed Use	0	-160,874	-321,748	-646,569	1,308,018
Large Brownfield	0	-127,231	-254,669	-509,546	1,043,668
Brownfield	0	-163,578	-330,796	-667,114	1,344,812
Brownfield Flats	0	-262,363	-525,399	1,051,471	2,103,616

**Source: HDH (January 2024)**

10.30 Averaged across the typologies, a £5,000 per unit developer contribution has the impact of reducing the Residual Value by about £275,000 per ha, although this varies very considerably across the different typologies, with a greater impact being recorded on the higher density sites.

## Cumulative Costs of Policy Requirements

10.31 The above analysis considered the impact of higher policy standards individually. The effect of affordable housing and developer contributions is now tested in three scenarios.

**Table 10.7 Policy Scenarios for Policy Testing**

<b>Policy</b>	<b>Lower Requirements</b>	<b>Mid Requirements</b>	<b>Higher Requirements</b>
Biodiversity Net Gain	10%	20%	20%
Carbon and Energy	2021 Part L	Future Homes Standard Option 2	Zero Carbon
Accessibility	100% M4(2) Accessible & Adaptable	95% M4(2) Accessible & Adaptable, 5% M4(3)a Wheelchair Adaptable	90% M4(2) Accessible & Adaptable, 10% M4(3)a Wheelchair Adaptable
Water Standard	Enhanced Building Regulations	Enhanced Building Regulations	Enhanced Building Regulations
Affordable Housing	10% AHP and 25% First Homes. 50% affordable housing for rent.	10% AHP and 25% First Homes. 50% affordable housing for rent.	10% AHP and 25% First Homes. 50% affordable housing for rent.

**Source: January 2024**

10.32 The appraisal results are summarised below. In the following analysis, the small sites (less than 10 units) are modelled with affordable housing, although it is important to note that these are under the affordable housing threshold included in paragraph 65 of the NPPF.

10.33 In the following table the typologies that are able to bear at least £5,000 per unit in developer contributions are shaded green, as are the potential strategic sites that are able to bear at least £20,000 per unit in developer contributions – the large greenfield typologies are tested as if they are strategic sites against £20,000 per unit. It is important to note that £20,000 per unit should be considered to be a worst case scenario.

**Table 10.8 Maximum Levels of Developer Contributions. Residential Typologies £/unit**

<b>Lower Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Large Greenfield	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
Greenfield	£20,000	£17,500	£15,000	£12,500	£10,000	£7,500	£5,000
Small Greenfield	£27,500	£25,000	£20,000	£17,500	£15,000	£12,500	£7,500
Higher Density Greenfield	£30,000	£30,000	£30,000	£27,500	£22,500	£17,500	£15,000
Large Mixed Use	£30,000	£27,500	£25,000	£22,500	£20,000	£15,000	£12,500
Mixed Use	£2,500	£0	£0	Unviable	Unviable	Unviable	Unviable
Small Mixed Use	£20,000	£17,500	£15,000	£12,500	£7,500	£5,000	£2,500
Large Brownfield	£22,500	£20,000	£20,000	£15,000	£12,500	£10,000	£7,500
Brownfield	£2,500	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Brownfield Flats	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable

<b>Mid Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Large Greenfield	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
Greenfield	£12,500	£12,500	£10,000	£75,000	£2,500	£0	Unviable
Small Greenfield	£17,500	£15,000	£10,000	£7,500	£2,500	Unviable	Unviable
Higher Density Greenfield	£27,500	£25,000	£22,500	£20,000	£15,000	£12,500	£10,000
Large Mixed Use	£22,500	£20,000	£20,000	£15,000	£12,500	£10,000	£7,500
Mixed Use	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Small Mixed Use	£12,500	£7,500	£0	Unviable	Unviable	Unviable	Unviable
Large Brownfield	£17,500	£15,000	£12,500	£10,000	£7,500	£5,000	£2,500
Brownfield	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Brownfield Flats	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable

<b>Higher Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Large Greenfield	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£25,000
Greenfield	£10,000	£7,500	£5,000	£2,500	£0	Unviable	Unviable
Small Greenfield	£10,000	£7,500	£5,000	£2,500	£0	£0	Unviable
Higher Density Greenfield	£25,000	£22,500	£20,000	£15,000	£12,500	£7,500	£5,000
Large Mixed Use	£20,000	£17,500	£15,000	£12,500	£7,500	£5,000	£2,500
Mixed Use	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Small Mixed Use	£10,000	£5,000	£0	£0	Unviable	Unviable	Unviable
Large Brownfield	£12,500	£10,000	£7,500	£5,000	£2,500	£0	Unviable
Brownfield	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Brownfield Flats	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable

**Source: HDH (January 2024)**

**Table 10.9 Maximum Levels of Developer Contributions. Potential Strategic Sites £/unit**

<b>Lower Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Minton Hollins	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Birches Head Rd, Redhills Rd	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
Off Lordship Lane	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
Cobridge Road	£30,000	£27,500	£25,000	£22,500	£20,000	£17,500	£15,000
Packmoor West	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500	£22,500
Mitchell High School	£22,500	£20,000	£17,500	£12,500	£10,000	£7,500	£5,000
Edensor Tech School	£17,500	£15,000	£12,500	£10,000	£5,000	£2,500	£0
Berry Hill High School & Col	£20,000	£17,500	£15,000	£10,000	£7,500	£5,000	£2,500
Land at N.Staffs R.I.	£17,500	£15,000	£12,500	£7,500	£5,000	£2,500	£0

<b>Mid Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Minton Hollins	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Birches Head Rd, Redhills Rd	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500
Off Lordship Lane	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500
Cobridge Road	£25,000	£22,500	£20,000	£17,500	£12,500	£10,000	£7,500
Packmoor West	£30,000	£30,000	£30,000	£30,000	£25,000	£20,000	£17,500
Mitchell High School	£15,000	£12,500	£10,000	£7,500	£2,500	£0	Unviable
Edensor Tech School	£10,000	£7,500	£5,000	£2,500	£0	Unviable	Unviable
Berry Hill High School & Col	£12,500	£10,000	£7,500	£5,000	£0	Unviable	Unviable
Land at N.Staffs R.I.	£10,000	£7,500	£5,000	£2,500	Unviable	Unviable	Unviable

<b>Higher Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Minton Hollins	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Birches Head Rd, Redhills Rd	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500	£25,000
Off Lordship Lane	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500	£25,000
Cobridge Road	£20,000	£17,500	£15,000	£12,500	£10,000	£7,500	£2,500
Packmoor West	£30,000	£30,000	£30,000	£25,000	£20,000	£17,500	£12,500
Mitchell High School	£10,000	£7,500	£5,000	£2,500	£0	Unviable	Unviable
Edensor Tech School	£5,000	£5,000	£2,500	Unviable	Unviable	Unviable	Unviable
Berry Hill High School & Col	£7,500	£5,000	£2,500	£0	Unviable	Unviable	Unviable
Land at N.Staffs R.I.	£5,000	£2,500	£0	Unviable	Unviable	Unviable	Unviable

**Source: HDH (February 2024)**

### **Suggested Policy Requirements**

10.34 The early results of this report were discussed with the Council, in making these suggestions the following factors have been taken into account:

- a. As set out at the start of this chapter, the findings of this report do not, in themselves, determine the deliverability of development. The results of this study are one of several factors that the Council will consider when selecting sites for allocation. The Council will also consider the track record through the development management process and a plethora of other factors, including land ownership.

Of particular importance to Stoke-on-Trent Council is the ongoing public sector involvement in development. The Council has significant land holdings, and Homes England has a long track record of intervening in the housing markets to facilitate development. This report is primarily concerned with market-led development schemes, without the input of subsidy and grant, however much of the development that has come forward in the more central areas of Stoke-on-Trent have had the benefit of some public sector involvement.

This comment relates, in particular, to several of the potential strategic sites that are tested to inform a decision as to whether or they should be included in the emerging Local Plan, several of which are in the Council’s ownership.

The Council will need to take this wider situation into account when settling on a preferred set of policies and selecting sites for allocation.

- b. Several of the potential strategic sites have the benefit of planning consent or, at the time of this report, are subject to planning applications that are being considered by the Council:

**Table 10.10 Planning Status of Potential Strategic Sites**

<b>Site</b>	<b>Location</b>	<b>Planning Status</b>
Minton Hollins	Shelton Old Road	59223/FUL
Birches Head Rd, Redhills Rd	Birches Head	No Application
Off Lordship Ln	Fenton	70427/FUL Awaiting decision
Cobridge Road	Etruria	62103/OUT
Packmoor West	Packmoor	No Application
Mitchell High School	Bucknall	67351/OUT - Awaiting decision
Edensor Technology School	Longton	No Application
Berry Hill High School & College	Bucknall	No Application
Land at N.Staffs R.I.	Hartshill	Application expired - previous app - 52839/OUT

**Source: SoTCC (February 2024)**

This suggests that, despite the evidence set out in this report, some sites that are found to be unviable, are coming forward. It will be necessary for the Council to recognise the challenges in bringing these more complex sites forward and for it to continue to work with the site owners, developers and promoters to facilitate the delivery of such sites in a timely way.

- c. The delivery of affordable housing is important, and within this the Council is comfortable with 50% being as affordable housing for rent, under the Affordable Rent (capped at the LHA) tenure.
- d. There is a requirement for both Affordable Rent and Social Rent, however seeking Social Rent would have an adverse impact on viability. At present, the Council does not mandate a particular tenure mix within the emerging policy. It

is the Council's preference not to be specific in this regard, rather the tenure mix being informed by local need and viability.

- e. That it is likely that the new national policy requirements for further increases to Part M of Building Regulations (with all new homes to be built to Accessible and Adaptable – Part M4(2) standards) will be adopted around the time that the new Local Plan is implemented. It would be prudent to assume that these are a requirement. Having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.
- f. The cost of providing wheelchair adaptable housing is significant, however the Council has a need for such accommodation within the affordable sector and the provision of some accommodation that meets this standard is a priority.
- g. The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are currently (at May 2024) out for consultation, and bearing in mind the timetable for the introduction of the new Local Plan, it would be prudent to assume that the 'Option 1' is a requirement (Option 1 is the higher of the two Options). Again, there is uncertainty over the direction of Government policy, so the Council should keep this under review.
- h. The viability testing includes the testing of District Heating. The key to a successful District Heating Scheme is a readily available heat source. Rather than mandating connection, the Council is extending the existing network.
- i. The viability testing includes the testing of Rainwater Harvesting. Mandatory Rainwater Harvesting is expensive and would impinge on the ability to provide other requirements. It is not a priority for SoTCC.
- j. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing and developer contributions. Whilst directing development away from the existing built-up area and into the rural areas may achieve greater levels of planning obligations, this does not sit well with wider planning considerations.
- k. The Council declared a climate emergency in 2019, and a move towards Zero Carbon development is important, but not at the significant expense of the provision of affordable housing.
- l. Brownfield sites comprise a significant part of the land supply for future development. This is most likely to be in Stoke-on-Trent built up area, but unlikely to come forward without some form of public intervention or public sector involvement. Brownfield site development, and in particular flatted schemes, are the least viable, so the Council should be cautious about relying on such sites to deliver development.

The Council is committed to delivering policy compliant development and has a long track record of doing so, both through actively intervening in the market and through working with the wider public sector to enable delivery. It is likely that it will continue to be necessary to consider viability on brownfield sites at the development management stage.

- m. There is a need for infrastructure funding. The analysis suggests that most types of greenfield development have capacity to bear developer contributions.

The analysis is carried out on the basis that the typologies should be able to bear at least £5,000 per unit in developer contributions and that the large greenfield sites and potential strategic sites that are able to, bear at least £20,000 per unit in developer contributions. The £5,000 per unit and £20,000 per unit assumptions should be considered to be a worst case scenario.

The infrastructure requirements of the potential strategic sites are not yet known. It will be necessary for the Council to establish the costs of strategic infrastructure and mitigation associated with the potential strategic sites and test the sites' ability to bear those costs before selecting sites to be included in the Plan. It is recommended that the Council completes the updating of the IDP prior to making a decision in this regard.

10.35 The above results were discussed with the Council's officers. Further sets of appraisals were then run based on the following policy requirements which align with the December 2023 consultation on the implementation of Future Homes Standard (Zero Carbon Ready)<sup>90</sup>:

- |    |                    |  |
|----|--------------------|--|
| a. | Affordable Housing | Brownfield sites 10%, mixed use sites 15%, greenfield sites up to 200 units 20%, and greenfield sites over 200 units (which are likely to be potential strategic sites) 25%. In line with the requirements for 10% AHO and 25% of affordable homes to be First Homes (30% discount). 50% as Affordable Rent. |
| b. | Design             | Part M4(2), 100% of affordable housing M4(3)a, Future Homes Standard (Option 2), Water Efficiency, 10% Biodiversity Net Gain.  |

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<sup>90</sup> As set out in Chapter 2 above, as this report was being completed in December 2023, the Government published a further consultation on the details of the implementation of the Future Homes Standard.

- c. Developer Contributions s106 of £2,500 per unit on typologies and £10,000 per unit on strategic sites. These allowances are less than those tested above, however, are considered by the Council, to be realistic estimates, rather than worst case scenarios.

10.36 The appraisal results are set out in **Appendix 17** and subject to sensitivity testing in terms of changes in costs and values, and in relation to the Benchmark Land Value. The affordable housing requirements on the potential strategic sites are assumed to be as follows:

**Table 10.11 Potential Strategic Sites Affordable Housing Assumptions**

Site	Location	Total Affordable	Affordable Rent	Shared Ownership	First Homes
Minton Hollins	Shelton Old Rd	<b>10.00%</b>	0.00%	7.50%	2.50%
Birches Head Rd, Redhills Rd	Stoke	<b>25.00%</b>	12.50%	6.25%	6.25%
Off Lordship Lane	Fenton	<b>25.00%</b>	12.50%	6.25%	6.25%
Cobridge Road	Etruria	<b>20.00%</b>	10.00%	5.00%	5.00%
Packmoor West	Packmoor	<b>25.00%</b>	12.50%	6.25%	6.25%
Mitchell High School	Bucknall	<b>10.00%</b>	0.00%	7.50%	2.50%
Edensor Tech School	Longton	<b>10.00%</b>	0.00%	7.50%	2.50%
Berry Hill High School & College	Bucknall	<b>10.00%</b>	0.00%	7.50%	2.50%
Land at N.Staffs R.I.	Hartshill	<b>10.00%</b>	0.00%	7.50%	2.50%

**Source: March 2024**

- 10.37 Whilst the Council has a good track record of delivering housing on brownfield sites, it will still be necessary to be cautious in relying on brownfield sites in the five year land supply and overall housing trajectory, as the delivery of these is likely to continue to be challenging. It will be necessary to have regard to the progress of brownfield sites through the development management process and / or commitments from site promoters, and the ongoing public sector interventions. This may influence the selection of sites for allocation.
- 10.38 The modelling includes the potential strategic sites. These are included to inform the site selection process. As set out earlier, the delivery of any large site is challenging.

It is recommended that that the Council engages with the owners of all the strategic sites in line with the advice set out in the Harman Guidance, and only includes these sites in the new Local Plan if they can be demonstrated to be deliverable.

10.39 Having said this, the potential strategic sites are modelled as for the typologies in this assessment. It is necessary to highlight an assumption at this stage as it is not representative of such large sites. The potential strategic sites are modelled on the basis that a site is acquired by the developer in a single tranche at the start of the project. Such a scenario is relatively unlikely on very large sites, where the site is typically purchased in phases. Such an approach benefits the developer in terms of cashflow and this will have a material impact on viability.

#### *Impact of Change in Values and Costs*

10.40 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 8.5% over the next 3 years<sup>91</sup>. A range of scenarios are tested with varied increases in build costs.

10.41 As set out in Chapter 4, there is uncertainty in the property market. Several price change scenarios are also tested. In this analysis, it has been assumed all other matters in the base appraisals remain unchanged and the policy requirements are as per the Suggested Policy Requirements heading above. In the appraisals (see **Appendix 17**), only the costs of construction and the value of the market housing are altered.

10.42 The analysis demonstrates that a relatively small fall in values will adversely impact on viability. Conversely, a modest increase in value could have a significant impact in improving viability, particularly on the potential strategic sites.

#### *Changes in BLV Assumptions*

10.43 Through the consultation process the appropriate Benchmark Land Value was questioned, although no alternative evidence was submitted, nor alternative

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<sup>91</sup> BCIS General Building Cost Index January 2024 – 456.8 (Forecast), January 2024 – 495.7 (Forecast).

assumptions put forward. The following BLV assumptions are used (these are applied on a gross site area):

- a. Brownfield/Urban Sites: EUV Plus 20%.
- b. Greenfield Sites: Generally - EUV Plus £300,000 per ha.  
Strategic sites - EUV x 10

10.44 Whilst this is considered to be appropriate, a range of BLV assumptions of up to £750,000 per ha have been tested and are included in **Appendix 17** below.

10.45 In the SoTCC area, when the BLV is increased, more typologies do show as being unviable. Whilst the BLV assumption was questioned, the analysis shows that if a BLV assumption that was significantly higher than the one that is used, the results would be materially different, having said that, the assumptions used are broadly in line with those used elsewhere.

### **Build to Rent**

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

10.47 As above, the appraisals were then run to align with the December 2023 consultation on the implementation of Future Homes Standard (Zero Carbon Ready), and an allowance is made for s106 contributions of £1,000 per unit.

10.48 The results show Build to Rent flatted or housing development is unlikely to be viable even without affordable housing.

10.49 When considering these results, it is timely to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of Build to Rent schemes will be considered at the development management stage. It is therefore not considered proportionate to develop a specific set of policies in this regard. As set out above, the Council does not expect to allocate sites specifically for Build to Rent development. In any event, such development is unlikely to be viable, even without affordable housing. The Council should be cautious about relying on Build to Rent schemes to deliver development, unless there is clear evidence that such development would be forthcoming.

### **Older People's Housing**

10.50 The Sheltered and Extracare sectors have been tested separately.

10.51 As for mainstream housing, a range of appraisals have been run at the policies requirements as set out earlier in this chapter. The results for affordable housing from 0% to 30% are presented below. As above the appraisals were then run to align with the December 2023 consultation on the implementation of Future Homes Standard (Zero Carbon Ready), Part M4(2) of Building Regulations, Water Efficiency, and 10% Biodiversity Net Gain. Allowance is made for s106 contributions of £1,000 per unit. The full appraisals are set out in **Appendix 18**:

**Table 10.12 Older People’s Housing, Appraisal Results (£/ha)**

			EUV	BLV	Residual Value						
					0%	5%	10%	15%	20%	25%	30%
Site 7	Sheltered Flats	Green	25,000	325,000	490,574	247,891	1,452	-244,987	-491,426	-737,864	-993,358
Site 8	Sheltered Flats	Brown	475,000	570,000	-873,892	-1,123,913	-1,373,933	-1,623,954	-1,873,975	-2,123,996	-2,374,017
Site 10	Extra Care Flats	Green	25,000	325,000	-1,087,641	-1,316,683	-1,545,725	-1,774,767	-2,003,809	-2,232,851	-2,461,893
Site 11	Extra Care Flats	Brown	475,000	570,000	-2,844,364	-3,063,129	-3,282,970	-3,506,178	-3,729,387	-3,952,595	-4,175,804

**Source: HDH (January 2024)**

10.52 Based on this analysis, specialist older people’s housing is unlikely to be able to bear affordable housing.

10.53 When considering these results, it is timely to note that paragraph 10-007-20180724 of the PPG specifically anticipates that the viability of specialist housing schemes will be considered at the development management stage. It is therefore not considered proportionate to develop a specific set of policies in this regard.

10.54 The Council does not expect to allocate sites specifically for specialist older people’s housing, however, it may anticipate seeking such housing as part of the strategic sites. It will be necessary for the Council to consider the impact this may have on overall site viability when considering the deliverability of such sites and it may need to be flexible with regard to such requirements.

## 11. Non-Residential Appraisals

- 11.1 Based on the assumptions set out previously, a set of financial appraisals has been run for the non-residential development types. The detailed appraisal results are set out in **Appendix 19** and are summarised in the tables in this chapter, below.
- 11.2 Based on the assumptions set out previously, a set of financial appraisals has been run for the non-residential development types.
- 11.3 As with the residential appraisals, the Residual Valuation approach has been used. Appraisals have been run to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, the same methodology has been used with regard to the Benchmark Land Value (EUV 'plus').
- 11.4 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward, and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development, and what planning applications are being determined – and on what basis.
- 11.5 In the appraisals the costs are based on the BCIS costs, adjusted for the Future Building Standard.
- 11.6 The detailed appraisal results are set out in **Appendix 19** and are summarised in the following sections.

### **Employment Uses**

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

**Table 11.1 Employment Appraisal Results**

GREENFIELD							
		Offices - Central	Offices - Small	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2		£0.00	£0.00	£0.00	£0.00	£0.00
RESIDUAL VALUE	Site		-590,194	-2,321,528	448,805	-461,569	1,926,686
Existing Use Value	£/ha		50,000	50,000	25,000	50,000	25,000
Benchmark Land Value	£/ha		350,000	350,000	325,000	350,000	325,000
Residual Value	£/ha		-11,803,888	-8,705,728	448,805	-4,615,695	1,685,850
BROWNFIELD							
		Offices - Central	Offices - Small	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
RESIDUAL VALUE	Site	-3,590,729	-886,122	-3,606,779	-379,208	-630,872	1,144,673
Existing Use Value	£/ha	475,000	475,000	475,000	475,000	475,000	475,000
Benchmark Land Value	£/ha	570,000	570,000	570,000	570,000	570,000	570,000
Residual Value	£/ha	-50,270,204	-17,722,441	-13,525,420	-379,208	-6,308,717	1,001,589

**Source: HDH (January 2024)**

- 11.8 The above results are reflective of the current market in the secondary markets across England and more widely. The main employment uses are not shown as viable, with the exception of large format logistics.
- 11.9 Whilst Stoke-on-Trent and the surrounding area has some major employers, it is not a prime employment location, and such development is not being brought forward to on a speculative basis by the development industry. Much of the office and industrial development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.
- 11.10 The analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. The assumption is that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. The Guidance, as set out in Chapters 2 and 3 above, does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. It is understood that the limited development that is coming forward in the Council area is 'user-led' being brought forward by businesses, or for specific end users, that will use the eventual space for operational uses, rather than for investment purposes.

11.11 The delivery of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the Future Buildings Standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

**Table 11.2 Effect of Greater Construction Costs on Employment Uses**

GREENFIELD							
		Offices - Central	Offices - Small	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>-590,194</b>	<b>-2,321,528</b>	<b>448,805</b>	<b>-461,569</b>	<b>1,926,686</b>	
Existing Use Value	£/ha	50,000	50,000	25,000	50,000	25,000	
Benchmark Land Value	£/ha	350,000	350,000	325,000	350,000	325,000	
Residual Value	2025 FBS	-11,803,888	-8,705,728	448,805	-4,615,695	1,685,850	
	BCIS +5%	-11,547,459	-8,497,388	482,398	-4,544,184	1,717,043	
	BCIS +10%	-12,829,606	-9,539,091	314,434	-4,901,735	1,561,076	
	BCIS +15%	-14,111,753	-10,580,794	146,469	-5,259,286	1,405,109	
	BCIS +20%	-15,393,900	-11,622,497	-21,496	-5,616,837	1,249,142	
BROWNFIELD							
		Offices - Central	Offices - Small	Offices - Park	Industrial	Industrial - Small	Distribution
CIL	£/m2	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>-3,590,729</b>	<b>-886,122</b>	<b>-3,606,779</b>	<b>-379,208</b>	<b>-630,872</b>	<b>1,144,673</b>
Existing Use Value	£/ha	475,000	475,000	475,000	475,000	475,000	475,000
Benchmark Land Value	£/ha	570,000	570,000	570,000	570,000	570,000	570,000
Residual Value	2025 FBS	-50,270,204	-17,722,441	-13,525,420	-379,208	-6,308,717	1,001,589
	BCIS +5%	-37,742,614	-13,592,303	-10,169,816	161,850	-5,156,950	1,492,885
	BCIS +10%	-41,918,477	-14,969,016	-11,288,350	-18,503	-5,540,873	1,329,120
	BCIS +15%	-46,094,340	-16,345,728	-12,406,885	-198,856	-5,924,795	1,165,354
	BCIS +20%	-50,270,204	-17,722,441	-13,525,420	-379,208	-6,308,717	1,001,589

**Source: HDH (January 2024)**

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

### Retail Uses

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

**Table 11.3 Retail Appraisal Results**

GREENFIELD						
		Prime Retail Central	Secondary Retail	Supermarket	Retail Warehouse	
CIL	£/m2		£0.00	£0.00	£0.00	
RESIDUAL VALUE	Site		-148,782	3,684,839	8,679,843	
Existing Use Value	£/ha		50,000	25,000	25,000	
Benchmark Land Value	£/ha		350,000	325,000	325,000	
Residual Value	£/ha		-5,951,298	6,140,784	10,849,804	
BROWNFIELD						
		Prime Retail Central	Secondary Retail	Supermarket	Retail Warehouse	
CIL	£/m2	£0.00	£0.00	£0.00	£0.00	
RESIDUAL VALUE	Site	223,160	-234,129	2,697,208	7,518,057	
Existing Use Value	£/ha	475,000	475,000	475,000	475,000	
Benchmark Land Value	£/ha	570,000	570,000	570,000	570,000	
Residual Value	£/ha	8,926,401	-9,365,141	4,494,896	9,397,571	

**Source: HDH (January 2024)**

- 11.14 The above results are reflective of the current situation in the local retail market, however it is important to note that the Council is not anticipating significant new retail development to come forward in the Stoke-on-Trent city centre, and it is likely that there will be some consolidation of the shopping areas.
- 11.15 As would be expected, the larger format retail uses are shown as being viable, as are the prime town centre uses.
- 11.16 A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building, so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

**Table 11.4 Effect of Greater Construction Costs on Retail Uses**

<b>GREENFIELD</b>						
		<b>Prime Retail Central</b>	<b>Secondary Retail</b>	<b>Supermarket</b>	<b>Retail Warehouse</b>	
<b>CIL</b>	£/m2		<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	
<b>RESIDUAL VALUE</b>	<b>Site</b>		<b>-148,782</b>	<b>3,684,839</b>	<b>8,679,843</b>	
Existing Use Value	£/ha		50,000	25,000	25,000	
Benchmark Land Value	£/ha		350,000	325,000	325,000	
Residual Value	2025 FBS		<b>-5,951,298</b>	<b>6,140,784</b>	<b>10,849,804</b>	
	BCIS +5%		<b>-5,804,480</b>	<b>6,210,169</b>	<b>10,910,715</b>	
	BCIS +10%		<b>-6,538,567</b>	<b>5,863,244</b>	<b>10,606,163</b>	
	BCIS +15%		<b>-7,272,654</b>	<b>5,516,319</b>	<b>10,301,612</b>	
	BCIS +20%		<b>-8,006,741</b>	<b>5,169,394</b>	<b>9,997,061</b>	
<b>BROWNFIELD</b>						
		<b>Prime Retail Central</b>	<b>Secondary Retail</b>	<b>Supermarket</b>	<b>Retail Warehouse</b>	
<b>CIL</b>	£/m2	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	
<b>RESIDUAL VALUE</b>	<b>Site</b>	<b>223,160</b>	<b>-234,129</b>	<b>2,697,208</b>	<b>7,518,057</b>	
Existing Use Value	£/ha	475,000	475,000	475,000	475,000	
Benchmark Land Value	£/ha	570,000	570,000	570,000	570,000	
Residual Value	2025 FBS	<b>8,926,401</b>	<b>-9,365,141</b>	<b>4,494,896</b>	<b>9,397,571</b>	
	BCIS +5%	<b>11,291,090</b>	<b>-7,000,451</b>	<b>5,612,435</b>	<b>10,378,612</b>	
	BCIS +10%	<b>10,502,860</b>	<b>-7,788,681</b>	<b>5,239,922</b>	<b>10,051,598</b>	
	BCIS +15%	<b>9,714,631</b>	<b>-8,576,911</b>	<b>4,867,409</b>	<b>9,724,585</b>	
	BCIS +20%	<b>8,926,401</b>	<b>-9,365,141</b>	<b>4,494,896</b>	<b>9,397,571</b>	

**Source: HDH (January 2024)**

11.17 This analysis shows that there is scope to seek higher environmental standards on the larger format retail uses.

## 12. Findings and Recommendations

- 12.1 This chapter brings together the findings of this report and provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of the National Planning Policy Framework, so it is recommended the report is read in full. As this is a summary chapter, some of the content of earlier chapters is repeated.
- 12.2 Stoke-on-Trent City Council is in the process of preparing a new Local Plan which will replace the current adopted *Newcastle-Under-Lyme and Stoke-on-Trent Joint Core Spatial Strategy, 2009* and the saved policies from the *Stoke-on-Trent City Plan 2001*. The new Local Plan will address revisions to the National Planning Policy Framework (NPPF) and associated Planning Practice Guidance (PPG), addressing the future development needs of the City including housing needs, the local economy, environmental considerations, and community infrastructure needs and transport.
- 12.3 This viability assessment is being undertaken to inform the development of policy and explore the impact, on the economics of development, of the options that are under consideration. This report sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.
- 12.4 An early draft formed the basis of a consultation process with the development industry, that was undertaken in November 2023, to elicit comments on the approach, the methodology and the cost and value assumptions. Representatives of the main developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations were be invited to comment.
- 12.5 The Viability Assessment sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

### **Compliance**

- 12.6 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). HDH confirms that the relevant RICS Guidance has been followed.

## Uncertainty

- 12.7 This update is being carried out during a period of particular uncertainty, due to the continued impact of COVID-19, the war in Ukraine, conflict in the Middle East and significant levels of inflation. As a result, there are uncertainties around the values of property and the costs of construction. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be. It is recommended that the Council keeps the assessment under review.

## Viability Testing under the NPPF and Updated PPG

- 12.8 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the updated NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.'*
- 12.9 This study is based on typologies that are representative of the type of development expected to come forward under the adopted Local Plan. In addition, the seven potential strategic sites are tested individually.
- 12.10 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV Plus) approach:

*To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*

- 12.11 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.
- 12.12 As this report was being completed, the Government published the December 2023 NPPF. This updated NPPF does make some significant changes to the planning system, however, does not change the place of viability testing in the plan-making process. The methodology used in this report is consistent with the updated NPPF, the CIL Regulations (as amended) and the updated PPG.

12.13 The *Levelling-up and Regeneration Act* became law in late October 2023. The Act will have a significant impact on the overall plan-making process, but does not alter the place of viability in the current Local Plan process. The Act includes reference to a new national Infrastructure Levy that would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. In March 2023, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy* (March 2023). Under the proposals set out in the consultation, CIL and the delivery of affordable housing would be combined into a single Infrastructure Levy, that would be calculated as a proportion of a scheme's value above a threshold. The Council will need to monitor further announcements in this regard.

*Viability Guidance*

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

$$\begin{array}{r} \textbf{Gross Development Value} \\ \text{(The combined value of the complete development)} \\ \text{LESS} \\ \textbf{Cost of creating the asset, including a profit margin} \\ \text{(Construction + fees + finance charges)} \\ = \\ \textbf{RESIDUAL VALUE} \end{array}$$

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

12.16 In line with the PPG, this study is based on the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by financial development appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning permission for development.

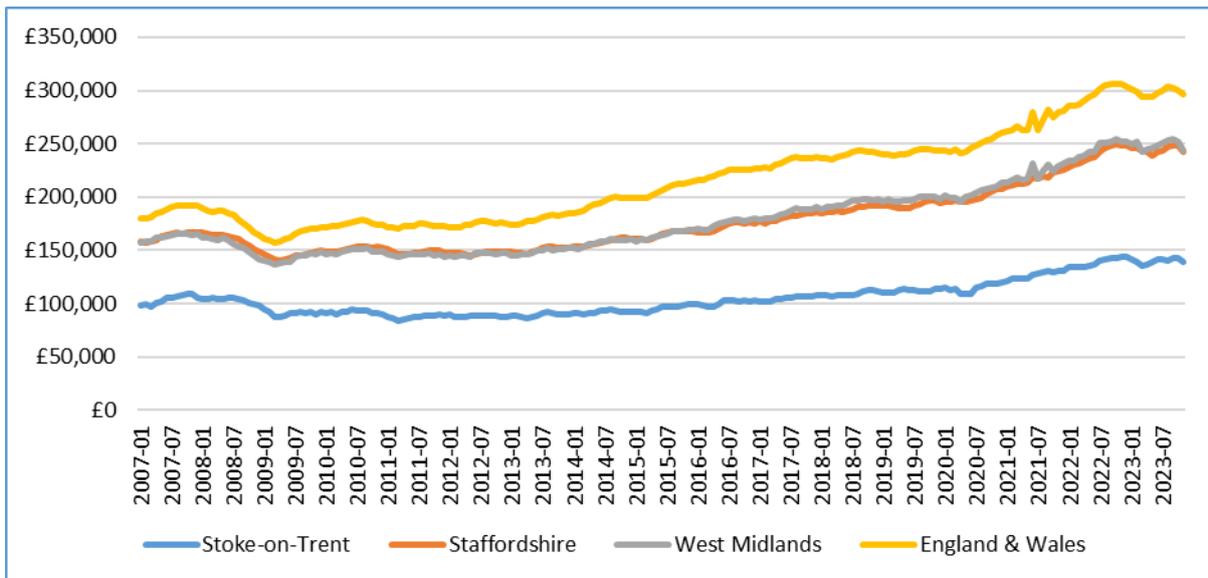
12.17 The NPPF and the PPG are clear that the assessment of viability should be based on existing available evidence. The evidence that is available from the Council has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in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

have been submitted by developers in connection with specific developments to support negotiations around the provision of affordable housing or s106 contributions.

**Residential Market**

12.18 An assessment of the housing market has been undertaken. The local housing market peaked in October 2007 and then fell considerably in the 2008/2009 recession during what became known as the ‘Credit Crunch’. Since then, house prices have increased steadily, but are now widely perceived to have peaked. Locally, average house prices in the area returned to their pre-recession peak in August 2018. This recovery was substantially slower than across England and Wales where prices returned to the pre-recession peak in May 2014. In Stoke-on-Trent, average prices are now about 28% above the 2007 peak. This a substantial increase but substantially less than that seen in the West Midlands (47%) and England and Wales (54%).

**Figure 12.1 Average House Prices (£)**



**Source: Land Registry (January 2024). Contains public sector information licensed under the Open Government Licence v3.0.**

12.19 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Stoke-on-Trent is 325<sup>th</sup> (out of 331) at £154,997<sup>92</sup>. To set this in context, this is almost in the middle of the rank.

<sup>92</sup> Mean house prices for administrative geographies: HPSSA dataset 12 (Release 20<sup>th</sup> September 2023).

the council at the middle of the rank (166<sup>th</sup> – West Suffolk), has an average price of £337,186. The Stoke-on-Trent median price is lower than the average at £140,000<sup>93</sup>.

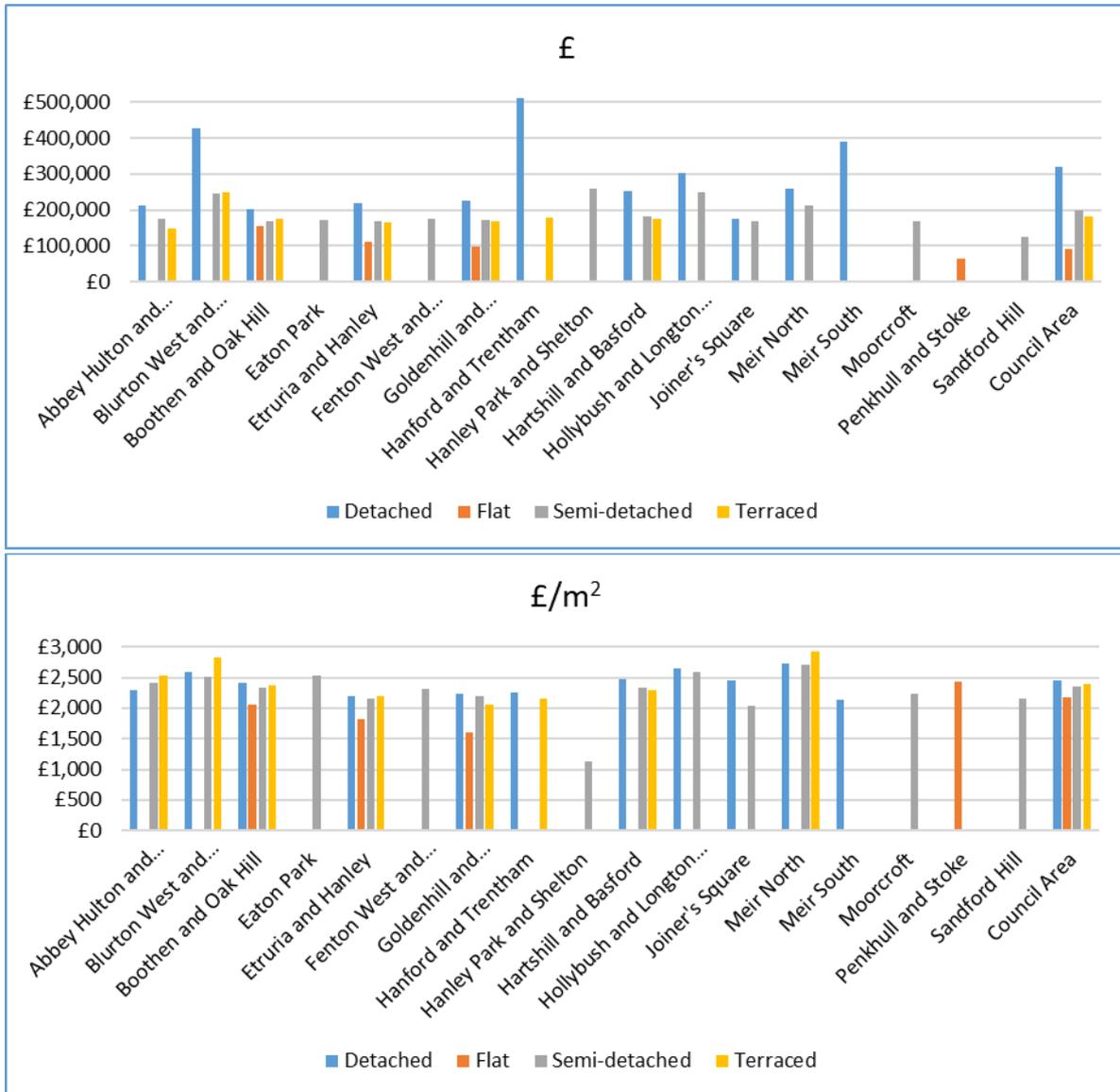
*The Local Market*

12.20 A survey of asking prices across the Council area was carried out, median asking prices were estimated. Data from Landmark was analysed. This data includes the records 8,510 sales since the start of 2020. Of these, floor areas are available for 10,798 sales and the number of bedrooms is available for 5,014 sales. There is a significant delay in the Land Registry updating the dataset, with only 28 newbuild sales recorded in 2022 and none yet in 2023.

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<sup>93</sup> Median house prices for administrative geographies: HPSSA dataset 9 (Release 20<sup>th</sup> September 2023)

Figure 12.2 Residential Prices Paid – From January 2020 - Newbuild Only



Source: Landmark (February 2023)

12.21 Based on the asking prices from active developments and informed by the general pattern of all house prices across the study area, and taking into account the comments made through the consultation process, the following price assumptions are used.

**Table 12.1 Residential Price Assumptions £ per sqm**

Large Greenfield sites >100 units	£3,300
Medium Greenfield sites 100 units to 15 units	£3,000
Small Greenfield sites <15 units	£3,200
Mixed use sites (greenfield / brownfield)	£2,900
Brownfield Housing	£2,750
Brownfield Flats	£2,500

**Source: HDH (February 2024)**

*Affordable Housing*

12.22 In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used:

- a. Social Rent            £1,285 per sqm
- b. Affordable Rent      £1,605 per sqm
- c. Shared Ownership    70% market value
- d. First Homes            70% market value capped at £250,000.

12.23 In addition, values are derived for Build to Rent housing, student housing and specialist older people’s housing.

**Non-Residential Market**

12.24 The employment and retail sectors have been surveyed and the following value assumptions have been derived:

**Table 12.2 Non-Residential Values £ per sqm February 2024**

<b>Use</b>	<b>Rent £ per sqm</b>	<b>Yield</b>	<b>Rent free period</b>	<b>Value</b>	<b>Assumption</b>
Offices	£175	6.50%	1.0	£2,528	£2,500
Offices - Smaller	£175	7.00%	2.0	£2,184	£2,200
Industrial	£85	6.00%	1.0	£1,336	£1,335
Smaller Industrial	£75	7.00%	1.0	£1,001	£1,000
Logistics	£100	5.25%	1.0	£1,810	£1,800
Retail (Prime)	£300	6.25%	1.0	£4,518	£4,500
Retail (Elsewhere)	£150	8.00%	1.0	£1,736	£1,735
Supermarket	£240	4.50%	1.0	£5,104	£5,100
Retail Warehouse	£240	5.00%	2.0	£4,354	£4,350

**Source: HDH (February 2024)**

### **Land Values**

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

**Table 12.3 Existing Use Value Land Prices**

Previously Developed Land	£800,000 per ha
Agricultural	£25,000 per ha
Paddock	£50,000 per ha

**Source: HDH (November 2023)**

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

- a. Brownfield/Urban Sites: EUV Plus 20%.
- b. Greenfield Sites:
 

Non-strategic sites	EUV Plus £300,000 per ha.
Strategic sites	10 times EUV.

### **Development Costs**

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

12.28 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Staffordshire. The cost figure for ‘Estate Housing

– Generally' is £1,394 per sqm. The use of the BCIS data is suggested in the PPG, however it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale.

12.29 In addition to the BCIS build cost, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping, and other external costs). A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for flatted schemes, to 15% for the larger greenfield schemes.

12.30 An additional allowance is made for abnormal costs of 5% of the BCIS costs on brownfield sites. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

#### *Fees*

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

#### *Contingencies*

12.32 A contingency of 5% has been allowed for across the brownfield typologies and 2.5% across the greenfield typologies.

#### *S106 Contributions and the costs of strategic infrastructure*

12.33 The Council does not currently set out a formal approach with per unit or similar calculators and has not adopted CIL.

12.34 To inform an assumption as to what an appropriate assumption for s106 contributions may be, recent planning approvals have been reviewed. Contributions range from zero to about £18,750 per unit. The average is £4,742 per unit and the median is £1,672 per unit. A base assumption of £2,500 per unit is assumed, however sensitivity testing up to £30,000 per unit is undertaken.

12.35 In this context it is important to note that the Council has a long track record in securing external funding (for example through HIF), to enable development and to provide infrastructure.

*Financial and Other Appraisal Assumptions*

12.36 The appraisals assume interest of 7.5% p.a. for total debit balances. No allowance is made for equity provided by the developer.

*Developers' return*

12.37 The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies*'. The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

12.38 An assumption of 20% is used in relation to market housing and 6% in relation to affordable housing. 15% is assumed for other types of development.

**Local Plan Policy Requirements**

12.39 The Council is in the process of preparing a new Local Plan. This will replace the current adopted *Newcastle-under-Lyme and Stoke-on-Trent Joint Core Spatial Strategy, 2009* and saved policies the in the *Stoke-on-Trent City Plan 2001*. The specific purpose of this study is to consider and inform the development of the emerging Local Plan and to assess the cumulative impact of the policies on the planned development. This viability work is being undertaken to inform the development of policy and explore the consequences, on the economics of development, of the options that are under consideration. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development.

12.40 The emerging Plan is at an early stage and is likely to be subject to change. In this report the policy options are reviewed, but it is important to note that, at this stage, some of the options that are considered are included for completeness, and that these are simply options that may or may not be progressed into the new Local Plan. In particular, the Council has asked that the following policy areas including climate change, energy efficiency for buildings, renewable energy and developer contributions are considered:

## Modelling

12.41 A set of typologies has been developed. These are consistent with the main assumptions used in the Council’s most recent Strategic Housing Land Availability Assessment (SHLAA) that sets out the following modelling assumptions. This includes about 430 sites, of which 193 have been filtered out as being unsuitable. The characteristics of the remaining 236 sites have informed the modelling in this assessment. The SHLAA also makes assumptions about build out rates that are used in this assessment. Schemes of 350 units and larger are assumed to be delivered through multiple outlets. Higher rates are assumed for flatted schemes to reflect the nature of the development.

12.42 In addition, the potential strategic / larger sites that are being considered for allocation have been modelled based on the high level information provided by the Council.

**Table 12.4 Potential Strategic Sites**

No.	Site	Type	Current Use	Units	Area
1	Minton Hollins	Brown	PDL	682	2.790
2	Birches Head Rd, Redhills Rd	Green	Mixed	360	6.530
3	Off Lordship Lane	Green	Amenity	420	6.850
4	Cobridge Road	Brown	PDL	356	5.600
5	Packmoor West	Green	Agricultural	800	38.095
6	Mitchell High School	Brown	PDL	243	7.550
7	Edensor Tech School	Brown	PDL	250	8.970
8	Berry Hill High School & College	Brown	PDL	221	7.880
9	Land at N.Staffs R.I.	Brown	PDL	236	8.750

**Source: PCC (November 2023)**

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

## Residential Appraisals

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

12.45 Sets of appraisals have been run based including a varied affordable housing requirement, varied levels of environmental standards and varied developer contributions.

*Base Appraisals*

12.46 The base appraisals are carried out on the basis of the 2025 increase to Part L of Building Regulations, The mandating of Accessible and Adaptable standards under Part M of Building Regulations, mandatory EV Charging and 10% Biodiversity Net Gain. The full policy-on scenario with all the policy requirements, unless stated, being the following assumptions:

- a. Affordable Housing                      25% as 50% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes (with 30% discount and £250,000 cap).
- b. Design                                        95% Part M4(2) and 5% Part M4(3), Water efficiency, 10% Biodiversity Net Gain, Future Homes Standard Option 1.
- c. Developer Contributions                s106 as £2,500/unit.

12.47 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology. The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

**Table 12.5 Residential Typologies - Residual Value v BLV. £ per ha.**

No.	Typology	Authority	EUV	BLV	Residual Value
Site 1	Greenfield 700	SoTCC	25,000	250,000	920,625
Site 2	Greenfield 240	SoTCC	25,000	250,000	1,075,961
Site 3	Greenfield 120	SoTCC	25,000	325,000	508,725
Site 4	Greenfield 80	SoTCC	25,000	325,000	104,331
Site 5	Greenfield 40	SoTCC	25,000	325,000	131,971
Site 6	Greenfield 20	SoTCC	25,000	325,000	309,705
Site 7	Greenfield 12	SoTCC	50,000	350,000	643,050
Site 8	Greenfield 8	SoTCC	50,000	350,000	655,805
Site 9	Greenfield 4	SoTCC	50,000	350,000	147,334
Site 10	HD Green 120	SoTCC	25,000	325,000	998,797
Site 11	HD Green 80	SoTCC	25,000	325,000	863,447
Site 12	HD Green 20	SoTCC	50,000	350,000	1,263,143
Site 13	Mixed 240	SoTCC	250,000	300,000	549,722
Site 14	Mixed 80	SoTCC	250,000	300,000	-241,769
Site 15	Mixed 40	SoTCC	250,000	300,000	-301,089
Site 16	Mixed 20	SoTCC	250,000	300,000	57,479
Site 17	Mixed 12	SoTCC	250,000	300,000	-597,667
Site 18	Mixed 8	SoTCC	250,000	300,000	-156,846
Site 19	Mixed 4	SoTCC	250,000	300,000	389,532
Site 20	Brownfield 320	SoTCC	475,000	570,000	765,331
Site 21	Brownfield 120	SoTCC	475,000	570,000	-431,110
Site 22	Brownfield 80	SoTCC	475,000	570,000	-487,700
Site 23	Brownfield 40	SoTCC	475,000	570,000	-540,605
Site 24	Brownfield 20	SoTCC	475,000	570,000	-652,796
Site 25	Brownfield 12	SoTCC	475,000	570,000	-291,834
Site 26	Brownfield 8	SoTCC	475,000	570,000	-292,267
Site 27	Brown Flats 80	SoTCC	475,000	570,000	-5,057,178
Site 28	Brown Flats 40	SoTCC	475,000	570,000	-4,426,381
Site 29	Brown Flats 12	SoTCC	475,000	570,000	-5,132,921
Site 30	Brown Flats 8	SoTCC	475,000	570,000	-3,954,972

Source: HDH (January 2024)

**Table 12.6 Potential Residential Strategic Sites - Residual Value v BLV. £ per ha.**

No.	Typology	Authority	EUV	BLV	Residual Value
Site 1	Minton Hollins	Shelton Old Rd	475,000	570,000	-12,254,592
Site 2	Birches Head Rd, Redhills Rd	Stoke	250,000	550,000	1,876,973
Site 3	Off Lordship Lane	Fenton	250,000	550,000	2,038,211
Site 4	Cobridge Road	Etruria	250,000	550,000	1,015,243
Site 5	Packmoor West	Packmoor	25,000	325,000	616,111
Site 6	Mitchell High School	Bucknall	250,000	550,000	537,332
Site 7	Edensor Tech School	Longton	475,000	570,000	462,344
Site 8	Berry Hill High School & College	Bucknall	250,000	550,000	473,016
Site 9	Land at N.Staffs R.I.	Hartshill	475,000	570,000	447,623

Source: HDH (February 2024)

12.48 The results vary considerably across the types of site assessed. With a few exceptions, generally the Residual Value is above the EUV on the greenfield sites, but below the EUV on the brownfield sites.

12.49 The modelling includes the potential strategic sites. These sites are included to inform the site selection process. It is necessary to note that the delivery of any large site is challenging. Regardless of these results, it is recommended that the Council engages with the owners in line with the advice set out in the Harman Guidance. The potential strategic sites, these are modelled on the basis that the site is acquired by the developer in a single tranche at the start of the project. Such a scenario is relatively unlikely on very large sites, where the site is typically purchased in phases. Such an approach not only benefits the developer in terms of cashflow but can be beneficial to the landowner in terms of taxation.

12.50 The above analysis is based on the Council's current policy aspirations. These are more than the existing requirements. The Council is exploring various options so

further sets of appraisals have been run to establish the costs of the additional policy requirements. Before doing this, further appraisals have been run to understand an issue that was highlighted through the technical consultation, being the level of the developer's return assumptions. The approach to deriving the Benchmark Land Value was also questioned, this is considered under the suggested Policy Requirements heading below.

#### *Varied Policy Requirements*

- 12.51 The initial analysis is based on Future Homes Standard Option 1 (Zero Carbon Ready). The Council is exploring various options, including seeking higher environmental standards and greater accessibility. Further appraisals have been run at the current standard, at both Option 1 and Option 2 of the FHS consultation, and an enhanced Zero Carbon standard. In addition, varied levels of Biodiversity Net Gain, and varied levels of Accessible and Adaptable standards under Part M of Building Regulations are tested. The appraisal results give an indication of the amount the Residual Value will fall or rise for the various policy changes. The amount the Residual Value falls is related to the density of the type of development, by way of an example, seeking Zero Carbon on flatted development is likely to reduce the Residual Value by about £270,000/ha, whilst the impact is about £60,000/ha on the large, and lower density sites.
- 12.52 The increase from the 2025 Future Home Standard (i.e Option 1 Zero Carbon Ready) to Zero Carbon is significant, as is the cost of seeking rainwater harvesting. The move from 10% to 20% BNG is less costly.

#### *Varied Affordable Housing*

- 12.53 A core purpose of this study is to consider an appropriate affordable housing target and the tenure mix. The current affordable housing policy seeks 25% affordable housing. The Council seeks 50% Affordable Rent or Social Rent and the balance as Affordable Home Ownership, however, in line with paragraph 66 of the NPPF, a minimum of 10% affordable home ownership units are assumed, and in line with Paragraph 70-001-21210524 of the PPG, it is assumed that 25% of the affordable homes are First Homes.
- 12.54 This analysis shows that the brownfield sites are unlikely to be able to bear affordable housing. To a large extent this correlates with the Council's experience through the development management process. Having said this, it is important to note that that the Council is a significant landowner, particularly within the built-up area, where it has a long track record of intervening in the development markets.

- 12.55 All the greenfield sites have capacity to bear some affordable housing, although not the current requirement of 25%.
- 12.56 The results are significantly better on the larger scale brownfield and greenfield sites where the lower quartile, rather than the median BCIS costs are assumed.
- 12.57 An alternative set of appraisals have been run where the affordable housing for rent is provided as Social Rent rather than as Affordable Rent. On average, across the typologies, the Residual Value is £100,000 or so less per ha where the affordable housing for rent is provided as Social Rent. This is a significant difference, and broadly equivalent to seeking 10% affordable housing.
- 12.58 The balance between Affordable Home Ownership and Affordable Rent is also tested. The appraisals show that increasing the Affordable Rent from the 50% currently sought would have a significant impact on the Residual Value. It is understood from the Council that it is broadly comfortable with the 50% that is currently sought.
- 12.59 First Homes are required to be subject to a minimum discount of 30%. Paragraph 70-004-20210524 of the PPG gives councils scope (subject to conditions) to set an alternative discount of 40% or 50% or a cap reduced below the £250,000 set out in the PPG. A further set of appraisals has been run with the First Homes being subject to a range of discounts and caps.
- 12.60 This analysis shows that, on average, assuming 25% affordable housing, across the typologies, the Residual Value is about £40,000/ha less where the First Homes are subject to a 40% discount rather than the minimum 30% discount. Also, on average, assuming 30% affordable housing, across the typologies, the Residual Value is about £100,000/ha less where the First Homes are subject to a 50% discount rather than the minimum 30% discount.
- 12.61 If the Council were to seek a 50% discount for First Homes the cost, when considered in isolation, would be equivalent to seeking 5% affordable housing, or seeking Zero Carbon (relative to the current standards). It is necessary to consider different policy requirements together, however seeking a discount that is greater than 30% is likely to lead to a reduced overall affordable housing requirement. This analysis shows that when subject to a 30% discount, the cap does not make a material difference to the results until it falls below £200,000.

#### *Developer Contributions*

- 12.62 The above analysis takes into account the anticipated requirements for developer contributions of £2,500 per unit on the typologies and the potential strategic sites. Whilst the costs in relation to the strategic sites may be greater than this, the site-

specific strategic infrastructure and mitigation requirements are yet to be assessed and quantified. A range of developer contribution costs ranging from £0 to £30,000 per unit has been tested, initially this is against a zero affordable housing requirement.

12.63 Averaged across the typologies, a £5,000 per unit developer contribution has the impact of reducing the Residual Value by about £275,000 per ha, although this varies very considerably across the different typologies, with a greater impact being recorded on the higher density sites.

*Cumulative Costs of Policy Requirements*

12.64 The above analysis considered the impact of higher policy standards individually. The effect of affordable housing and developer contributions is now tested in three scenarios.

**Table 12.7 Policy Scenarios for Policy Testing**

<b>Policy</b>	<b>Lower Requirements</b>	<b>Mid Requirements</b>	<b>Higher Requirements</b>
Biodiversity Net Gain	10%	20%	20%
Carbon and Energy	2021 Part L	Future Homes Standard Option 2	Zero Carbon
Accessibility	100% M4(2) Accessible & Adaptable	95% M4(2) Accessible & Adaptable, 5% M4(3)a Wheelchair Adaptable	90% M4(2) Accessible & Adaptable, 10% M4(3)a Wheelchair Adaptable
Water Standard	Enhanced Building Regulations	Enhanced Building Regulations	Enhanced Building Regulations
Affordable Housing	10% AHP and 25% First Homes. 50% affordable housing for rent.	10% AHP and 25% First Homes. 50% affordable housing for rent.	10% AHP and 25% First Homes. 50% affordable housing for rent.

Source: January 2024

12.65 The appraisal results are summarised below. In the following analysis, the small sites (less than 10 units) are modelled with affordable housing, although it is important to note that these are under the affordable housing threshold included in paragraph 65 of the NPPF.

12.66 In the following table the typologies that are able to bear at least £5,000 per unit in developer contributions are shaded green, as are the potential strategic sites that are able to bear at least £20,000 per unit in developer contributions – the large greenfield

typologies are tested as if they are strategic sites against £20,000 per unit. It is important to note that £20,000 per unit should be considered to be a worst case scenario.

**Table 12.8 Maximum Levels of Developer Contributions. Residential Typologies £/unit**

<b>Lower Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Large Greenfield	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
Greenfield	£20,000	£17,500	£15,000	£12,500	£10,000	£7,500	£5,000
Small Greenfield	£27,500	£25,000	£20,000	£17,500	£15,000	£12,500	£7,500
Higher Density Greenfield	£30,000	£30,000	£30,000	£27,500	£22,500	£17,500	£15,000
Large Mixed Use	£30,000	£27,500	£25,000	£22,500	£20,000	£15,000	£12,500
Mixed Use	£2,500	£0	£0	Unviable	Unviable	Unviable	Unviable
Small Mixed Use	£20,000	£17,500	£15,000	£12,500	£7,500	£5,000	£2,500
Large Brownfield	£22,500	£20,000	£20,000	£15,000	£12,500	£10,000	£7,500
Brownfield	£2,500	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Brownfield Flats	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable

<b>Mid Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Large Greenfield	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
Greenfield	£12,500	£12,500	£10,000	£7,500	£2,500	£0	Unviable
Small Greenfield	£17,500	£15,000	£10,000	£7,500	£2,500	Unviable	Unviable
Higher Density Greenfield	£27,500	£25,000	£22,500	£20,000	£15,000	£12,500	£10,000
Large Mixed Use	£22,500	£20,000	£20,000	£15,000	£12,500	£10,000	£7,500
Mixed Use	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Small Mixed Use	£12,500	£7,500	£0	Unviable	Unviable	Unviable	Unviable
Large Brownfield	£17,500	£15,000	£12,500	£10,000	£7,500	£5,000	£2,500
Brownfield	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Brownfield Flats	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable

<b>Higher Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Large Greenfield	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£25,000
Greenfield	£10,000	£7,500	£5,000	£2,500	£0	Unviable	Unviable
Small Greenfield	£10,000	£7,500	£5,000	£2,500	£0	£0	Unviable
Higher Density Greenfield	£25,000	£22,500	£20,000	£15,000	£12,500	£7,500	£5,000
Large Mixed Use	£20,000	£17,500	£15,000	£12,500	£7,500	£5,000	£2,500
Mixed Use	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Small Mixed Use	£10,000	£5,000	£0	£0	Unviable	Unviable	Unviable
Large Brownfield	£12,500	£10,000	£7,500	£5,000	£2,500	£0	Unviable
Brownfield	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Brownfield Flats	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable

Source: HDH (January 2024)

**Table 12.9 Maximum Levels of Developer Contributions. Potential Strategic Sites £/unit**

<b>Lower Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Minton Hollins	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Birches Head Rd, Redhills Rd	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
Off Lordship Lane	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
Cobridge Road	£30,000	£27,500	£25,000	£22,500	£20,000	£17,500	£15,000
Packmoor West	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500	£22,500
Mitchell High School	£22,500	£20,000	£17,500	£12,500	£10,000	£7,500	£5,000
Edensor Tech School	£17,500	£15,000	£12,500	£10,000	£5,000	£2,500	£0
Berry Hill High School & Col	£20,000	£17,500	£15,000	£10,000	£7,500	£5,000	£2,500
Land at N.Staffs R.I.	£17,500	£15,000	£12,500	£7,500	£5,000	£2,500	£0

<b>Mid Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Minton Hollins	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Birches Head Rd, Redhills Rd	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500
Off Lordship Lane	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500
Cobridge Road	£25,000	£22,500	£20,000	£17,500	£12,500	£10,000	£7,500
Packmoor West	£30,000	£30,000	£30,000	£30,000	£25,000	£20,000	£17,500
Mitchell High School	£15,000	£12,500	£10,000	£7,500	£2,500	£0	Unviable
Edensor Tech School	£10,000	£7,500	£5,000	£2,500	£0	Unviable	Unviable
Berry Hill High School & Col	£12,500	£10,000	£7,500	£5,000	£0	Unviable	Unviable
Land at N.Staffs R.I.	£10,000	£7,500	£5,000	£2,500	Unviable	Unviable	Unviable

<b>Higher Policy Requirements</b>							
<b>Affordable Housing</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>
Minton Hollins	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable	Unviable
Birches Head Rd, Redhills Rd	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500	£25,000
Off Lordship Lane	£30,000	£30,000	£30,000	£30,000	£30,000	£27,500	£25,000
Cobridge Road	£20,000	£17,500	£15,000	£12,500	£10,000	£7,500	£2,500
Packmoor West	£30,000	£30,000	£30,000	£25,000	£20,000	£17,500	£12,500
Mitchell High School	£10,000	£7,500	£5,000	£2,500	£0	Unviable	Unviable
Edensor Tech School	£5,000	£5,000	£2,500	Unviable	Unviable	Unviable	Unviable
Berry Hill High School & Col	£7,500	£5,000	£2,500	£0	Unviable	Unviable	Unviable
Land at N.Staffs R.I.	£5,000	£2,500	£0	Unviable	Unviable	Unviable	Unviable

Source: HDH (February 2024)

#### *Suggested Residential Policy Requirements*

12.67 The early results of this report were discussed with the Council, in making these suggestions the following factors have been taken into account:

- a. As set out at the start of this chapter the findings of this report do not, in themselves, determine the deliverability of development. The results of this study are one several factors that the Council will consider when selecting sites for allocation. The Council will also consider the track record through the development management process and a plethora of other factors, including land ownership.

Of particular importance to Stoke-on-Trent Council is the ongoing public sector involvement in development. The Council has significant land holdings, and Homes England has a long track record of intervening in the housing markets to facilitate development. This report is primarily concerned with market-led development schemes, without the input of subsidy and grant, however much of the development that has come forward in the more central areas of Stoke on Trent have had the benefit of some public sector involvement.

This comment relates, in particular, to several of the potential strategic sites that are tested to inform a decision as to whether or they should be included in the emerging Local Plan, several of which are in the Council’s ownership.

The Council will need to take this wider situation into account when settling on a preferred set of policies and selecting sites for allocation.

- b. Several of the potential strategic sites have the benefit of planning consent or, at the time of this report, are subject to planning applications that are being considered by the Council:

**Table 12.10 Planning Status of Potential Strategic Sites**

Site		Planning Status
Minton Hollins	Shelton Old Road	59223/FUL
Birches Head Rd, Redhills Rd	Birches Head	No Application
Off Lordship Ln	Fenton	70427/FUL Awaiting decision
Cobridge Road	Etruria	62103/OUT
Packmoor West	Packmoor	No Application
Mitchell High School	Bucknall	67351/OUT - Awaiting decision
Edensor Technology School	Longton	No Application
Berry Hill High School & College	Bucknall	No Application
Land at N.Staffs R.I.	Hartshill	Application expired - previous app - 52839/OUT

Source: SoTCC (February 2024)

This suggests that, despite the evidence set out in this report, some sites that are found to be unviable, are coming forward. It will be necessary for the Council to recognise the challenges in bringing these more complex sites forward and for it to continue to work with the site owners, developers and promoters to facilitate the delivery of such sites in a timely way.

- c. The delivery of affordable housing is important, and within this the Council is comfortable with 50% being as affordable housing for rent, under the Affordable Rent (capped at the LHA) tenure.
- d. There is a requirement for both Affordable Rent and Social Rent, however seeking Social Rent would have an adverse impact on viability. At present, the Council does not mandate a particular tenure mix within the emerging policy. It

is the Council's preference not to be specific in this regard, rather the tenure mix being informed by local need and viability.

- e. That it is likely that the new national policy requirements for further increases to Part M of Building Regulations (with all new homes to be built to Accessible and Adaptable – Part M4(2) standards) will be adopted around the time that the new Local Plan is implemented. It would be prudent to assume that these are a requirement. Having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.
- f. The cost of providing wheelchair adaptable housing is significant, however the Council has a need for such accommodation within the affordable sector and the provision of some accommodation that meets this standard is a priority.
- g. The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are currently (at February 2024) out for consultation, and bearing in mind the timetable for the introduction of the new Local Plan, it would be prudent to assume that the 'Option 1' is a requirement (Option 1 is the higher of the two Options). Again, there is uncertainty over the direction of Government policy, so the Council should keep this under review.
- h. The viability testing includes the testing of District Heating. The key to a successful District Heating Scheme is a readily available heat source. Rather than mandating connection, the Council is extending the existing network.
- i. The viability testing includes the testing of Rainwater Harvesting. Mandatory Rainwater Harvesting is expensive and would impinge on the ability to provide other requirements. It is not a priority for SoTCC.
- j. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing and developer contributions. Whilst directing development away from the existing built-up area and into the rural areas may achieve greater levels of planning obligations, this does not sit well with wider planning considerations.
- k. The Council declared a climate emergency in 2019, and a move towards Zero Carbon development is important, but not at the significant expense of the provision of affordable housing.
- l. Brownfield sites comprise a significant part of the land supply for future development. This is most likely to be in Stoke-on-Trent built up area, but unlikely to come forward without some form of public intervention or public sector involvement. Brownfield site development, and in particular flatted schemes, are the least viable, so the Council should be cautious about relying on such sites to deliver development.

The Council is committed to delivering policy compliant development and has a long track record of doing so, both through actively intervening in the market and through working with the wider public sector to enable delivery. It is likely that it will continue to be necessary to consider viability on brownfield sites at the development management stage.

- m. There is a need for infrastructure funding. The analysis suggests that most types of greenfield development have capacity to bear developer contributions.

The analysis is carried out on the basis that the typologies should be able to bear at least £5,000 per unit in developer contributions and that the large greenfield sites and potential strategic sites that are able to bear at least £20,000 per unit in developer contributions. The £5,000 per unit and £20,000 per unit assumptions should be considered to be a worst case scenario.

The infrastructure requirements of the potential strategic sites are not yet known. It will be necessary for the Council to establish the costs of strategic infrastructure and mitigation associated with the potential strategic sites and test the sites' ability to bear those costs before selecting sites to be included in the Plan. It is recommended that the Council completes the updating of the IDP prior to making a decision in this regard.

12.68 The above results were discussed with the Council's officers. Further sets of appraisals were then run based on the following policy requirements which align with the December 2023 consultation on the implementation of Future Homes Standard (Zero Carbon Ready)<sup>94</sup>:

- |    |                    |  |
|----|--------------------|--|
| a. | Affordable Housing | Brownfield sites 10%, mixed use sites 15%, greenfield sites up to 200 units 20%, and greenfield sites over 200 units (which are likely to be potential strategic sites) 25%. In line with the requirements for 10% AHO and 25% of affordable homes to be First Homes (30% discount). 50% as Affordable Rent. |
| b. | Design             | Part M4(2), 100% of affordable housing M4(3)a, Future Homes Standard (Option 2), Water Efficiency, 10% Biodiversity Net Gain.  |

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<sup>94</sup> As set out in Chapter 2 above, as this report was being completed in December 2023, the Government published a further consultation on the details of the implementation of the Future Homes Standard.

- c. Developer Contributions s106 of £2,500 per unit on typologies and £10,000 per unit on strategic sites. These allowances are less than those tested above, however, are considered by the Council, to be realistic estimates, rather than worst case scenarios.

12.69 The affordable housing requirements on the potential strategic sites are assumed to be as follows:

**Table 12.11 Potential Strategic Sites Affordable Housing Assumptions**

Site	Location	Total Affordable	Affordable Rent	Shared Ownership	First Homes
Minton Hollins	Shelton Old Rd	<b>10.00%</b>	0.00%	7.50%	2.50%
Birches Head Rd, Redhills Rd	Stoke	<b>25.00%</b>	12.50%	6.25%	6.25%
Off Lordship Lane	Fenton	<b>25.00%</b>	12.50%	6.25%	6.25%
Cobridge Road	Etruria	<b>20.00%</b>	10.00%	5.00%	5.00%
Packmoor West	Packmoor	<b>25.00%</b>	12.50%	6.25%	6.25%
Mitchell High School	Bucknall	<b>10.00%</b>	0.00%	7.50%	2.50%
Edensor Tech School	Longton	<b>10.00%</b>	0.00%	7.50%	2.50%
Berry Hill High School & College	Bucknall	<b>10.00%</b>	0.00%	7.50%	2.50%
Land at N.Staffs R.I.	Hartshill	<b>10.00%</b>	0.00%	7.50%	2.50%

Source: March 2024

12.70 Whilst the Council has a good track record of delivering housing on brownfield sites, it would still be necessary to be cautious in relying on brownfield sites in the five year land supply and overall housing trajectory, as the delivery of these is likely to continue to be challenging. It will be necessary to have regard to the progress of brownfield sites through the development management process and / or commitments from site promoters, and the on-going public-sector interventions. This may influence the selection of sites for allocation.

12.71 The modelling includes the potential strategic sites. These are included to inform the site selection process. As set out earlier, the delivery of any large site is challenging. It is recommended that that the Council engages with the owners of all the strategic

sites in line with the advice set out in the Harman Guidance, and only includes these sites in the new Local Plan if they can be demonstrated to be deliverable.

*Impact of Change in Values and Costs*

12.72 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 8.5% over the next 3 years. A range of scenarios are tested with varied increases in build costs.

12.73 As set out in Chapter 4, there is uncertainty in the property market. Several price change scenarios are also tested. In this analysis, it has been assumed all other matters in the base appraisals remain unchanged and the policy requirements are as per the Suggested Policy Requirements heading above. In the appraisals, only the costs of construction and the value of the market housing are altered.

12.74 The analysis demonstrates that a relatively small fall in values will adversely impact on viability. Conversely, a modest increase in value could have a significant impact in improving viability, particularly on the potential strategic sites.

*Older People’s Housing*

12.75 The Sheltered and Extracare sectors have been tested separately. As for mainstream housing, a range of appraisals have been run at the policies requirements as set out earlier in this chapter. The results for affordable housing from 0% to 30% are presented below. As above the appraisals were then run to align with the December 2023 consultation on the implementation of Future Homes Standard (Zero Carbon Ready), Part M4(2) of Building Regulations, Water Efficiency, and 10% Biodiversity Net Gain. Allowance is made for s106 contributions of £1,000 per unit.

**Table 12.12 Older People’s Housing, Appraisal Results (£/ha)**

			EUV	BLV	Residual Value						
					0%	5%	10%	15%	20%	25%	30%
Site 7	Sheltered Flats	Green	25,000	325,000	490,574	247,891	1,452	-244,987	-491,426	-737,864	-993,358
Site 8	Sheltered Flats	Brown	475,000	570,000	-873,892	-1,123,913	-1,373,933	-1,623,954	-1,873,975	-2,123,996	-2,374,017
Site 10	Extra Care Flats	Green	25,000	325,000	-1,087,641	-1,316,683	-1,545,725	-1,774,767	-2,003,809	-2,232,851	-2,461,893
Site 11	Extra Care Flats	Brown	475,000	570,000	-2,844,364	-3,063,129	-3,282,970	-3,506,178	-3,729,387	-3,952,595	-4,175,804

Source: HDH (January 2024)

12.76 Based on this analysis, specialist older people’s housing is unlikely to be able to bear affordable housing.

12.77 When considering these results, it is timely to note that paragraph 10-007-20180724 of the PPG specifically anticipates that the viability of specialist housing schemes will be considered at the development management stage. It is therefore not considered proportionate to develop a specific set of policies in this regard.

### **Non-Residential Appraisals**

12.78 As with the residential appraisals, the Residual Valuation approach has been used. Appraisals have been run to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, the same methodology has been used with regard to the Benchmark Land Value (EUV 'plus').

12.79 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward, and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development, and what planning applications are being determined – and on what basis.

12.80 In the appraisals the costs are based on the BCIS costs, adjusted for the Future Building Standard.

### *Employment Uses*

12.81 Firstly, the main employment uses are considered. The results are reflective of the current market in the secondary markets across England and more widely. The main employment uses are not shown as viable, with the exception of large format logistics.

12.82 Whilst Stoke-on-Trent and the surrounding area has some major employers, it is not a prime employment location, and such development is not being brought forward to on a speculative basis by the development industry. Much of the office and industrial development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.

12.83 The analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. The assumption is that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a

profit from the development. The Guidance, does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. It is understood that the limited development that is coming forward in the Council area is ‘user-led’ being brought forward by businesses, or for specific end users, that will use the eventual space for operational uses, rather than for investment purposes.

12.84 The delivery of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the Future Buildings Standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. This analysis shows that there is very limited scope to seek higher environmental standards on the uses. Caution is suggested in relation to setting policy requirements for employment uses that would unduly impact on viability.

#### *Retail Uses*

12.85 The retail uses are modelled in a similar way. The results are reflective of the current situation in the local retail market, however it is important to note that the Council is not anticipating significant new retail development to come forward in the Stoke-on-Trent city centre, and it is likely that there will be some consolidation of the shopping areas.

12.86 As would be expected, the larger format retail uses are shown as being viable, as are the prime town centre uses.

12.87 A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. This analysis shows that there is scope to seek higher environmental standards on the larger format retail uses.

### **Conclusions and Recommendations**

12.88 The property market across the Stoke-on-Trent City Council area is mixed, and the outlook is uncertain, with considerable inflationary and wider economic uncertainties. Most types of residential and non-residential development are coming forward, and, on the whole, greenfield development is policy compliant. Whilst brownfield development is frequently not policy compliant, it is being delivered, in some instances with public sector involvement.

12.89 The testing highlights the relationships between policy requirements and how they may impact on viability and ultimately the delivery of development. At this stage of the plan-making process it would be premature to finalise the policy requirements. Through the iterative process, the emerging results were discussed with the Council's officers and elected members. From this, the following combination of policies was suggested:

- a. Affordable Housing      Brownfield sites 10%, mixed use sites 15%, greenfield sites up to 200 units 20%, and greenfield sites over 200 units (which are likely to be potential strategic sites) 25%. In line with the requirements for 10% AHO and 25% of affordable homes to be First Homes (30% discount). 50% as Affordable Rent.
- b. Design      Part M4(2), 100% of affordable housing M4(3)a, Future Homes Standard (Option 2), Water Efficiency, 10% Biodiversity Net Gain.
- c. Developer Contributions      s106 of £2,500 per unit on typologies and £10,000 per unit on strategic sites. These allowances are less than those tested above, however, are considered by the Council to be realistic estimates, rather than worst case scenarios.

12.90 It will still be necessary to be cautious in assuming brownfield development, as these are not likely to be delivered, without some form of public sector intervention. This may influence the selection of sites for allocation. Having said this, it is important to note that a significant number of the brownfield sites that may come forward for development are within the Council's control. The Council has a good record of securing 'gap funding' to enable the delivery of large-scale greenfield schemes and anticipates that this will continue in the future.

12.91 Employment uses are not shown as being viable, with the exception of the large scale uses; the Council should be cautious in seeking additional standards from such development.

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