Local Plan Viability Testing

Completed on behalf of South Tyneside Council

December 2021

CP Viability Ltd

Independent Property Experts

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EXECUTIVE SUMMARY

i. South Tyneside Council ("the Council") is currently in the process of developing its Local Plan. To support this process, the Council requires independent viability testing of its policies to ensure deliverability.

ii. The Council therefore requires the latest draft policies to undergo viability testing. In particular, we are instructed to advise the Council regarding affordable housing, S106 policy requirements and other policy provisions (such as the potential introduction of the Nationally Described Space Standards, certain Building Regulations standards etc).

iii. In July 2021 the government published an updated version of the National Planning Policy Framework ('NPPF'), replacing the previous version of the NPPF, revised in July 2018, and updated in February 2019. At the same time, the government also published the Planning Practice Guidance ('PPG') on viability setting out more clearly how plan viability should be approached. The Council therefore requires this updated review to meet the requirements of the NPPF and PPG.

iv. In terms of the testing methodology, central to undertaking viability testing is the residual method of valuation (sometimes referred to as a development appraisal). This is an established valuation approach, where the end value of the scheme once completed is identified and from this all the costs of delivering the project are deducted (such as construction costs, professional fees, planning policies, marketing, developer profit etc). The result or 'residual' is equivalent to the price that can be paid for the land. This residual land value is then compared to a separately assessed benchmark land value (which is the minimum price deemed appropriate to encourage a landowner to release the land for development). If the residual land value is below the benchmark land value, the scheme is unviable. If it is above, the scheme is deemed to be viable. This approach has been central to the viability testing adopted for the purposes of this study.

v. In line with the guidance, we consider it appropriate to undertake base appraisals (i.e. with initial assumptions) and then undertake sensitivity analysis where key assumptions are adjusted in the modelling and the appraisals re-run. This is to provide a broader view on viability (recognising the approach can never be entirely robust). The results of the base appraisals and sensitivity analysis can then be considered holistically before conclusions are reached.

vi. For the testing, the guidance recognises that not every site likely to come forward during the period of the plan can be appraised, this is not considered to be practical. Site typologies are therefore recommended, which reflect the likely scale of schemes coming forward.

vii. In preparing our appraisals we have identified a variety of primary and secondary data sources. We have also undertaken stakeholder engagement (through a workshop and a circulated questionnaire) to ensure the assumptions are as robust as possible.

viii. In terms of residential development, our typology testing results shows that different locations in the borough can sustain different levels of affordable housing. Based on our modelling we conclude that the following affordable housing policy provisions are reasonable (noting that the government has a minimum requirement for all sites to provide 10% of the dwellings as 'First Homes').

Cleadon, East Boldon, Whitburn	-	30%
West Boldon, Boldon Colliery, Hebburn	-	20%
South Shields, Jarrow	-	10%

ix. At these levels of affordable housing the typologies show that additional policy requirements in relation to biodiversity net gain, electric car charging points, accessibility and adaptability, Nationally Described Space Standards, forthcoming changes to Building regulations, Sustainable Drainage Systems, open space, transport and education can all be viably supported. Overall, expected contributions around £13,500 per dwelling to cover these policies can be viably supported for the majority of sites. Furthermore, a 'stress test' of additional contributions up to £18,000 per dwelling show that this could be sustained for the majority of sites. However, beyond this level scheme viability is likely to be impacted.

x. For the commercial testing, only the retail warehousing and small supermarket typologies return a viable outcome, all the rest show a deficit below what is perceived to be the viable outcome. However, it is stressed that investments of this nature are particularly sensitive to small changes in yields. If yields were to contract, then it is likely the leisure typology would return a viable outcome. It is also conceivable that the medium and large-scale industrial schemes could also reach a viable position, albeit may not just require a contracting of yields but also an adjustment in developer profit expectations.

Summary Schedule – Key 'Basic' Viability Assumptions (Residential)

Appraisal input	Assumptions
Gross to net ratio	5 dwelling scheme 90% 10 dwelling scheme 90% 30 dwelling scheme 75% 80 dwelling scheme 70% 125 dwelling scheme 65% 250 dwelling scheme 65% 40 retirement flats 70% 100 flats 85%
Scheme density	Majority at 35 dwellings per net Ha Sensitivity testing at 30 and 40 dwellings per net Ha 40 retirement flats 100 per net Ha 100 flats at 400 per net Ha
Average dwelling size	5 & 10 dwelling scheme 98 sq m 30, 80, 125, 250 dwelling scheme 90 sq m 40 retirement flats 65 sq m 100 flats 60 sq m
Average sales values for housing	Cleadon £3,200-£3,500 psm East Boldon/Whitburn £2,750-£3,000 psm West Boldon/Boldon Colliery £2,350-£2,500 psm Hebburn £2,250-£2,400 psm South Shields/Jarrow £2,100-£2,250 psm
Social rent transfer values	40% of market value
First Homes	70% of market value

Average 'basic' house build cost	10 or less dwellings - £1,085 psm 11 or more dwellings - £964 psm Cleadon & East Boldon / Whitburn increased to £1,194 psm in smaller scale schemes and £1,060 psm in larger scale schemes
External / site infrastructure costs	15% of the basic build cost
Contingency	3.5% of basic build costs and externals for greenfield 4.5% of basic build costs and externals for brownfield
'Abnormal' development costs	Greenfield – £200,000 per net Ha Brownfield – £300,000 per net Ha
Professional fees	10 or less dwellings - 8% of build costs 11 or more dwellings - 6% of build costs
Marketing costs	10 or less dwellings - 2% of revenue 11 or more dwellings - 3% of revenue Plus legal costs at £800 per unit
Finance Costs	10 or less dwellings - 7% debit 11 or more dwellings - 6% debit
Developer's return	**Market Value & First Homes** 10 or less dwellings - 15% of revenue 30 dwellings - 18% of revenue 50 dwellings or more - 20% on revenue All other affordable dwelling types charged at 6% on revenue
Benchmark Land Values	**Greenfield** Cleadon £800,000 per net Ha East Boldon/Whitburn £600,000 per net Ha West Boldon/Boldon Colliery £450,000 per net Ha Hebburn £400,000 per net Ha South Shields/Jarrow £300,000 per net Ha

	Brownfield Cleadon £600,000 per net Ha East Boldon/Whitburn £510,000 per net Ha West Boldon/Boldon Colliery £450,000 per net Ha Hebburn £360,000 per net Ha South Shields/Jarrow £360,000 per net Ha

1. INTRODUCTION

1.1. South Tyneside Council ("the Council") is currently in the process of developing its Local Plan. To support this process, the Council requires independent viability testing of its policies to ensure deliverability.

1.2. The South Tyneside Pre-Publication Draft Local Plan was the subject of an 8-week consultation in 2019. However, the March 2021 Cabinet meeting authorised officers to review the spatial strategy and produce a new Regulation 18 draft Local Plan.

1.3. It is essential that the policies and the allocations in the new draft Local Plan are supported by robust viability evidence. We are therefore instructed to test the emerging policies to ensure that they do not undermine development viability.

1.4. In July 2021 the government published an updated version of the National Planning Policy Framework ('NPPF'), replacing the previous version of the NPPF, revised in July 2018, and updated in February 2019. At the same time, the government also published the Planning Practice Guidance ('PPG') on viability setting out more clearly how plan viability should be approached. The Council therefore requires this updated review to meet the requirements of the NPPF and PPG.

1.5. CP Viability specialises in providing advice to local authorities on all matters related to housing and commercial development; including individual site assessments, area wide studies and also providing expert witness advice at planning appeals. The company's Director, David Newham, has extensive experience in undertaking development appraisals and market studies.

2. NATIONAL POLICY CONTEXT AND PROFESSIONAL GUIDANCE

2.1. Introduction

2.1.1. Plan wide viability assessments are subject to a combination of national planning policies and professional guidance.

2.1.2. The principal national policy is formed through the National Planning Policy Framework ('NNPF'). This was initially introduced in 2012 but was revised in July 2018, February 2019 and most recently in July 2021[1]. The NPPF sets out the Government's planning policies and how these should be applied in plan making.

2.1.3. In support of the NPPF, the government has also published (in July 2018 and last updated in September 2019) a Planning Practice Guidance ('PPG') on viability[2]. This provides detail on how viability assessments should be undertaken, providing guidance on some key aspects of the process.

2.1.4. The NPPF and PPG supersede previous guidance documents. These documents reiterate the importance of viability in plan-making, confirming that Local Authorities should seek to ensure emerging policies are set at achievable levels that do not financially undermine development sites being brought forward. We have provided a brief overview of these documents and in particular the areas relating specifically to viability testing.

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005759/NPPF_July_2021.pdf
[2] https://www.gov.uk/guidance/viability

2.1.5. In addition to the government's guidance, in March 2021 the Royal Institute of Chartered Surveyors ("RICS") also published a guidance note entitled "Assessing viability in planning under the National Planning Policy Framework 2019 for England" 1st Edition (see attached Appendix 1).

2.1.6. By way of context this chapter summarises the key aspects of the respective guidance.

2.2. National Planning Policy Framework ('NPPF') July 2021

2.2.1. The NPPF sets out the Government's planning policies and how these should be applied in plan making. The latest version was updated in July 2021.

2.2.2. The NPPF states that developer contributions are to be expected from development:

> ***Paragraph 34*** *– 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.

2.2.3. The NPPF is clear that there has to be a balance struck between Council policies and scheme viability. It should not be the case that Council plans undermine viability and therefore development.

2.2.4. The NPPF also explicitly refers to viability on a number of occasions. The key paragraphs are stated below:

Paragraph 58 – 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.

Paragraph 68 – *Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:*

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

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

Paragraph 77 *– To help ensure that proposals for housing development are implemented in a timely manner, local planning authorities should consider imposing a planning condition providing that development must begin within a timescale shorter than the relevant default period, where this would expedite the development without threatening its deliverability or viability. For major development involving the provision of housing, local planning authorities should also assess why any earlier grant of planning permission for a similar development on the same site did not start.*

Paragraph 124 *– Planning policies and decisions should support development that makes efficient use of land, taking into account:*

(b) local market conditions and viability [et al]

2.2.5. The general tone of the NPPF regarding viability is that the policies set by Local Authorities through their plan-making should be set at levels which do not undermine the viability of development. The NPPF is clear that there is a finite level of available monies derived from development which can be used to meet policy requirements. If the Local Authorities set their policies above this finite threshold, then this will undermine scheme delivery. Policies should therefore be carefully considered and set at realistic and deliverable levels.

2.2.6. With regard to affordable housing, the NPPF now explicitly refers to mix of tenure and sets a minimum expectation by stating that at least 10% should be made available for affordable home ownership. There are some exemptions, albeit viability is not referred to as being a reason which qualifies as an exemption (therefore this requirement also applies to sites located within low demand areas):

Paragraph 65 *– 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, 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.

2.2.7. In Annex 2 what constitutes 'affordable housing' is defined as follows:

(a) ***Affordable housing to rent****: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).*

(b) ***Starter homes****: is a specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.* Please note that 'Starter Homes' have effectively been replaced by 'First Homes' (see below for further detail).

(c) ***Discounted market sales housing:*** *is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

(d) ***Other affordable routes to home ownership:*** *is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.*

2.3. First Homes Guidance May 2021[3]

2.3.1. This is defined in the guidance (**Paragraph 001**) as being "…a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes". The guidance goes on to set out the following criteria to qualify as a First Home:

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).

2.3.2. **Paragraph 001** goes on to state 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.

[3] https://www.gov.uk/guidance/first-homes

2.3.3. The guidance is therefore clear that whatever the Council's affordable housing policy, at least 25% of the affordable houses provided should meet the First Homes definition. This policy requirement needs to be considered alongside the NPPF requirement (**Paragraph 65**, as set out above in Section 2.2) that all homes delivered should provide at least 10% affordable home ownership, which First Homes would qualify as.

2.3.4. By way of an example, for a 100 dwelling scheme if the Council had a 30% affordable housing provision the following would need to be provided as a minimum:

- First Homes: minimum requirement 25% of overall affordable houses = 7.5 (say 8 units)

- Discounted Market Sale: minimum requirement 10% of overall affordable houses = 10 units in total. 8 already delivered as First Homes, so there would be need for a further 2 Discounted Market Sale units (these could be provided through a further 2 First Homes or some other form of Discount Market Sale).

2.3.5. The criteria for a purchaser to qualify as a First Home buyer is stated in **Paragraph 007** of the First Homes guidance, as follows:

A purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.

Purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase.

A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

2.4. Planning Practice Guidance ('PPG') on Viability (published July 2018 and updated most recently in September 2019)

2.4.1. This is an online tool, which has been regularly updated in recent years. This seeks to provide planning guidance in the context of the NPPF, covering a variety of areas including: viability, Build to Rent, CIL, Planning obligations, Housing – optional technical standards, self-build and custom housebuilding (amongst others).

2.4.2. This is split into 4 sections, as follows:

Section 1 – Viability and plan making
Section 2 – Viability and decision making
Section 3 – Standardised inputs to viability assessment
Section 4 – Accountability

2.4.3. We have summarised what we consider to be the key points raised in each section, as follows:

Section 1 – Viability and plan making

- Plans should set out the contributions expected from development. This includes affordable housing and infrastructure (e.g. education, transport, health etc).

- Affordable housing requirements should be expressed as a single figure rather than a range.

- The role of viability assessment is primarily at the plan making stage.

- 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 stakeholders.

- The price paid for land is not a relevant justification for failing to accord with relevant policies in the 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.

- 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.

Section 2 – Viability and decision making

- 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.

- Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.

Section 3 – Standardised inputs to viability assessment

- 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.

- With regards to revenue, for viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. For broad area-wide of site typology assessment at the plan making stage, average figures can be used.

- Assessment of costs should be based on evidence which is reflective of local market conditions. Costs include build costs, abnormals, site-specific infrastructure, policy requirements, finance, professional fees and marketing.

- 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.

- 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. This should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees. This should also be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. However, it is stressed that the principal method for determining benchmark land value is the "EUV plus premium" method.

- 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).

- Existing Use Value is the first component of establishing the benchmark land value. 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. The premium (or the 'plus' in EUV+) is the second component of benchmark land value. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

- For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its current permitted use, and other than other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission, plan makers can set out in which circumstances alternative uses can be used.

- 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 circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

- The economics of build to rent schemes differ from build for sale as they depend on a long-term income stream. Scheme level viability assessment may be improved through the inclusion of two sets of figures, one based on a build to rent scheme and another for an alternative build for sale scheme.

Section 4 – Accountability

- The inputs and findings of any viability assessment should be set out in a way that aids clear interpretation and interrogation by decision makers.

- Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.

- In circumstances where it is deemed that specific details of an assessment are commercially sensitive, the information should be aggregated in published viability assessments and executive summaries, and included as part of total costs figures.

2.4.4. There is also a PPG on Community Infrastructure Levy ('CIL') charging. This states the following:

Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London). They will need to draw on the infrastructure planning evidence that underpins the development strategy for their area. Charging authorities should use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across their area.

2.4.5. An area-based approach should be therefore adopted, where viability is tested across the different market areas of the Council's boundary. Clear evidence should be provided to support the adopted CIL rates and a balance should be sought between maximising funds for infrastructure projects ensuring that schemes remain viable and deliverable. In this regard, a 'buffer' allowance in setting the CIL charge is recommended, which will help limit the impact of changing market conditions on scheme deliverability.

2.5. RICS "Assessing viability in planning under the National Planning Policy Framework 2019 for England" 1st Edition (published March 2021)

2.5.1. The RICS (Royal Institute of Chartered Surveyors) is a professional body which sets professional standards for valuation work. With viability testing principally being a valuation exercise the RICS standards are therefore an important point of reference when undertaking viability assessments.

2.5.2. The purpose of this guidance note is to assist practitioners when undertaking viability testing to ensure that the requirements of the Planning Practice Guidance: Viability are met.

2.5.3. One of the key concepts set out in the Planning Practice Guidance: Viability relates to how land value is accounted for in the modelling. In the foreword to the RICS guidance, it states:

Previously in financial viability assessments, the prices paid for land in the market were sometimes used as a justification by developers for being unable to deliver planning policy requirements, introducing an element of circularity within the process. Higher land prices reduce developer contributions and reduced developer contribution expectations can fuel higher land prices. The PPG now makes explicit that this should not occur under the new approach. Market valuations of land will need to take account of this stronger expression of policy requirements.

2.5.4. From the outset, the RICS guidance therefore acknowledges that when attributing land value in a viability assessment 'Market Value' should not be applied, instead the concept of 'Benchmark land value' (as defined in the Planning Practice Guidance: Viability) should be applied.

2.5.5. In section 2.3 the guidance sets out a number of key principles, which we would summarise as follows:

- Local planning authorities have housing and commercial needs that are likely to require the provision of infrastructure (e.g., education, health, affordable housing etc). However, other stakeholders have requirements and expectations (e.g., developer requires a return, landowners do not have to release land for developer therefore they need to be incentivised). There is therefore a balance which needs to be struck between these competing requirements.

- Landowners are therefore a key component. However, the RICS guidance acknowledges that landowner expectations "… may include individual criteria, such as cultural ties to the land, that create different values to individual. Owners and may impact on the release price of that land. The viability assessment system has to operate on a more objective level, and landowners and other stakeholders in the planning process cannot expect assessors to include subjective individual criteria when producing objective market evidence. The reasonable landowner is not defined in the PPG but is not interpreted in any other property market valuation as the actual owner" (**Paragraph 2.3.4**).

- The guidance goes on to indicate that one alternative option for a landowner (to releasing the land for development now) is to wait for a different cycle in the property market, which could result in a higher return. However, **Paragraph 2.3.6** notes that, "Plans need to consider potential changes to the planning and development environment over the plan and the effect that might have on proposed plan policies. Landowners should be aware of the possibility that land allocated in the plan but not brought forward during the life of the plan may not have that allocation renewed in a reviewed plan". In other words, simply holding out on releasing the land is not a guarantee that a higher value in the future could be achieved and if the allocation is lost then the value of the land would return to its existing use value.

- This section of the guidance also briefly discusses the method used to determine viability, which is referred to as the 'residual' method. Whilst the guidance indicates that this is a reasonable approach to apply, it does indicate that there are weaknesses associated with this method (see Section 3 of this report), being that "It is particularly prone to valuation variation at the date of valuation, caused by a range of input assumptions at the valuation date" (**Paragraph 2.3.7**).

- To address the weaknesses in the residual method when assessing plan-making viability the RICS guidance indicates that mandatory sensitivity testing should be applied (**Paragraph 2.3.9**).

- Developer risk is reflected in the level of developer return applied to the viability modelling. However, as noted in Paragraph **2.3.13**, "A review intending to reduce developer contributions based on reduced income or increased costs would be an attempt to protect the developer return and is precluded under PPG paragraph 009".

- This section of the RICS guidance concludes as follows (**Paragraph 2.3.15**), "The level of uncertainty regarding both valuations and market cyclicality, the use of generic typologies and less fine-grained data in plan making, and the number of other factors that drive development values make it particularly important to treat the FVA as indicative rather than definitive in terms of the viability of development when assessing the level of contributions across a plan area. PPG paragraph 002 constrains plan-makers not to use this variation to stretch the level of contributions beyond what is indicated as viable. The PPG envisages that the policy requirements should be set without the need for further viability assessment at the decision making stage. Equally, developers and landowners should adjust their expectations to fit. The requirements of the planning policy". In other words, there needs to be an appropriate balance between the requirements of Landowners, Developers, Local Authorities and other Stakeholders to ensure that developments can be viably delivered.

2.5.6. The rest of the RICS guidance document discusses the various paragraphs of the Planning Practice Guidance: Viability in more detail, upholding the principles and key requirements, discussed above in Section 2.4 of this report.

2.5.7. One key element, not referred to above, is how abnormal costs are reflected in the viability modelling. **Paragraph 4.4.7** of the RICS guidance states, "Abnormal costs related to the development and enabling infrastructure normally impact on the development land value and not the EUV. Each case needs to be treated on its merits, but if the development site value is reduced and the EUV is unaffected, the premium is reduced. Any land transaction evidence also needs to consider the correct adjustments for abnormal costs and enabling infrastructure".

2.5.8. This is discussed further in **Paragraph 4.4.8** which states, "Anticipated rather than actual abnormal costs also reduce the land value and therefore the premium, rather than impacting on the developer's return or planning contributions. The risks that anticipated costs are higher or lower than anticipated, and that unanticipated costs will occur, are part of the risk premium within the profit margin required by developers. It is only where the premium above EUV falls below the minimum level needed for a reasonable landowner to bring forward the site for development, that reducing emerging or actual policy requirements, taking into account the deliverability of the plan and all relevant circumstances, should be considered".

2.5.9. **Paragraphs 4.4.9 and 4.4.10** are also important, stating:

Where a residual valuation is being used to identify the residual planning obligations, the BLV used in that calculation must allow for the reduction in land value of a site that has abnormal costs.

If abnormal costs are not taken into account at the plan-making stage, they may need to be taken into account in any decision-taking FVA, if applicable.

2.5.10. Section 5 of the RICS guidance explores the concept of Benchmark Land Value in more detail, with particular consideration of how this relates to Market Value, how this is arrived at and how factors such as abnormal costs feed into the assessment. By way of summary:

- There are 2 important differences between the concepts of Market Value (used for other valuation exercises) and Benchmark Land Value (used exclusively for viability testing) are method and evidence base.

  (i) In terms of method, Benchmark Land Values are established in a specific way, with the Planning Practice Guidance; Viability setting out clearly that the preferred method is through the 'existing use value plus premium' method. In contrast, Market Value is based on a combination of the residual approach and comparable land transactions evidence.

  (ii) In terms of evidence, Market Value has a greater reliance on comparable land evidence. However, for Benchmark Land Value **Paragraph 5.1.4** states, "The PPG reduces the status of comparable land transactions to that of a cross-check of the BLV [Benchmark Land Value]".

2.5.11. The most difficult element of establishing the Benchmark Land Value using the 'Existing Use Value plus premium' method advocated in the Planning Practice Guidance: Viability is calculating the level of premium deemed necessary to incentivise a landowner to sell the site. As noted in **Paragraph 5.3.3** of the RICS guidance, "There is no standard amount for the premium and the setting of realistic policy requirements that satisfy the reasonable incentive test behind the setting of the premium is a very difficult judgment".

2.5.12. To establish the premium uplift the RICS guidance sets out (Appendix D) how market evidence can be used to inform this. In **Paragraph D.1.1** the 2 main sources of evidence are stated as being:

(i) Benchmark land value from other financial viability assessments

(ii) Land transactions, but only a cross-check to other evidence (and also only land transactions that delivered full planning policies).

2.5.13. The RICS guidance therefore deems that the use of benchmark land value premiums agreed on individual sites is suitable source of evidence for assessing premiums within plan-making viability assessments. **Paragraph D.2.3** states that:

The assessor will need to have knowledge of the circumstances and factors that were considered in determining the EUV and premium uplift within each comparator. This also includes the policy considerations, particularly where comparables are from outside the local plan area.

2.5.14. The RICS guidance is therefore clear that it is appropriate to consider premium uplifts agreed on individual sites, even if they fall outside the Local Plan area. However, adjustments do need to be made to ensure, as much as possible, a 'like for like' comparison is made.

2.5.15. **Paragraphs D.2.6 and D.2.7** note that for brownfield sites the premium uplift is usually a percentage of the existing use value, whereas for greenfield sites the premium is more likely to be a multiplier.

2.5.16. For land transactional evidence the RICS guidance states (**Paragraph D.3.3**) that land transactions need to be adjusted to ensure they are policy compliant. Furthermore, there is an acknowledgement in **Paragraph D.3.4** that the weight given to land transaction evidence will be reduced "…where circumstances and facts are not known…Land transaction information is partly in the public domain (the Land Registry and other sources), but rarely is all relevant information available".

2.5.17. In summary, the RICS guidance therefore builds on the Planning Practice Guidance: Viability and explores in more detail the technical approaches that are required to meet its requirements.

3. METHODOLOGY

3.1. The Residual Method

3.1.1. Central to undertaking viability testing is the residual method of valuation (sometimes referred to as a development appraisal), as referred to in Section 2 above. This is an established valuation approach, which can be illustrated by the following equation:

Completed Development Value

(i.e. Total Revenue)

Less

Development Costs

(Developer's Profit + Construction + Fees + Finance)

Equals

Residue for Land Acquisition

3.1.2. In other words, to arrive at the land value the assessor assumes the scheme has been completed, and from this income takes away all the costs associated with delivering that scheme. The remaining sum, or 'residual' (if any is left), equates to the value that could be paid for the land based on the development being proposed.

3.1.3. Whilst a simple concept, it is stressed that in reality the residual method often becomes a complicated and detailed approach. This is because the methodology inherently requires a wide variety of inputs to be factored into the assessment, all of which are subject to variance (e.g. sales values, build costs, professional fees, abnormal works, Council policies, profit, marketing, finance etc). All of these inputs need to be considered carefully, as potentially relatively small variances to one or two inputs could have a significant impact on the results of the assessment.

3.1.4. This inherent flaw in the methodology is recognised by the RICS and wider industry, and as a result 'sensitivity' testing is recommended to try and minimise the impact of these potential variances. This involves adjusting key elements of the appraisal (typically being stepped percentage changes in sales values and build costs) to show the impact this could have on the viability outcome. Nevertheless, and despite the limitations of the approach, the industry still considers this to be the most appropriate methodology for assessing development sites and appraising land value.

3.1.5. Furthermore, in undertaking a residual appraisal it is important to factor in the impact that the timings of payments and income can have on funding and cash flow. For this reason, and particularly for more complex developments, it is appropriate to use a discounted cash-flow approach when preparing a residual appraisal.

3.1.6. The residual method can be applied to both residential and commercial development and is therefore applicable to area wide viability testing. We have subsequently utilised this approach in undertaking our viability testing.

3.1.7. The guidance (Planning Practice Guidance: Viability and RICS guidance) is clear that the appraisal inputs (e.g. revenue, build costs, professional fees, developer's profit etc) should be evidence based and reflect the dynamics of the market being assessed. Stakeholders should be engaged to ensure the adopted inputs are as robust as possible.

3.1.8. The residual method allows an iterative approach to be undertaken, as certain appraisal inputs (such as planning policies) can be varied and tested to determine their impact on overall viability. The method is therefore consistent with the requirements of the National Planning Policy Framework and Planning Practice Guidance: Viability.

3.2. Benchmark Land Value ('BLV')

3.2.1. As referred to above in Section 2, in short, the BLV represents the minimum land value that a hypothetical landowner would accept to release their land for development, in the context of the prevalent planning policies, as well as the implications of abnormal costs, site specific infrastructure costs and professional site fees. A BLV does not therefore attempt to identify the Market Value, it is a distinct and separate concept used solely for the purposes of viability testing.

3.2.2. To establish whether a site is deemed to be viable or not, the assessor will run a residual appraisal (as described above) to identify the residual land value for that particular site. This is then compared to the BLV (which is separately assessed, as described below). If the residual land value is above the BLV, the scheme is deemed to be viable. If it is below the BLV it is deemed to be unviable.

3.2.3. Establishing the BLV is therefore crucial in determining whether a site is viable or not.

3.2.4. The approach to assessing BLV is discussed above in Section 2, with a particular focus on what is set out in the RICS 2021 viability guidance and its technical detail. However, for the purposes of this section, and to reiterate the key concepts, we have referred to the requirements as set out in the Planning Practice Guidance: Viability, which provides the framework for the concept of Benchmark Land Value:

3.2.5. **Paragraph 014** of the Planning Practice Guidance: Viability states the following:

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*

3.2.6. The Planning Practice Guidance: Viability (again **Paragraph 014**) goes on to say that:

- *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.*

3.2.7. The Planning Practice Guidance: Viability goes on to explain and define 'existing use value'. This is stated as being the first component of calculating the BLV. It is not the price paid for land and should disregard hope value for any future development.

3.2.8. The second component of establishing the BLV is the premium (or the 'plus' in the EUV+). This is described in paragraph 016 of the Planning Practice Guidance: Viability as being:

> *It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.*

3.2.9. In other words, as abnormal costs increase, site value decreases and vice versa (although it is not necessarily the case that cost equals value). This is because a landowner would be forced to reduce their expectations of value as a developer would have to factor in the cost of the undertaking the abnormal costs, resulting in a lower offer. As long as the landowner still secured a reasonable uplift over the EUV this would represent an acceptable deal and therefore the scheme would be viable. It would become unviable if the offer became too close to the EUV leaving no incentive for the landowner to release the land for development.

3.2.10. In terms of assessing the uplift above the EUV, a differential should be made between assessing previously developed land and agricultural (greenfield) land. This is because the underlying EUV of an agricultural field will typically be significantly lower when comparted to previously developed land. This means that different premiums will need to be applied to encourage landowners to sell.

3.2.11. The Planning Practice Guidance: Viability is silent on the precise level of premium that should be applied to existing use values, stating at **Paragraph 016**:

> *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).*

3.2.12. As stated above, evidence for premium uplifts can be based on benchmark land values agreed through the viability process at decision making stage (this is also discussed further in Section 2.5 of this report, which refers to the technical approach as set out in the RICS guidance).

3.2.13. Furthermore, the guidance does point to land transactions as being evidence which can be referred to in an assessor's considerations. However, the guidance indicates that this should be used as a "cross check" only. If land transactions are referred to, then it is appropriate for the assessor to ensure that these are adjusted to the full planning policy requirements for that particular scheme (as stated in **Paragraph 014** of the Planning Practice Guidance: Viability so that "historic benchmark land values of non-policy compliant developments are not used to inflate values over time").

3.2.14. Based on our experience in the market place a premium in the region of 5% to 30% above the EUV is typically expected for previously developed land (dependent on the nature of the land). For agricultural land, where values will be relatively consistent regardless of locational factors, the level of premium will be significantly higher (and can fluctuate typically from 5 to 20 (or higher) times the EUV).

3.3. Site Types

3.3.1. In **Paragraph 003** of the Planning Practice Guidance: Viability it states the following:

> *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.*

3.3.2. Adopting a typology approach is therefore accepted when undertaking a plan making viability assessment. Once identified, these are then tested using the residual method, with comparisons to the separately identified BLV, as outlined above.

3.3.3. The Planning Practice Guidance: Viability goes on to state in **Paragraph 004** that the types of sites assessed as part of the viability testing should represent the likely supply of development over the plan period. Other characteristics of the typology testing, as set out in **Paragraph 004**, include:

- Sites can be grouped by shared characteristics such as location, whether they are brownfield or greenfield, size of site, current and proposed use, type of development etc.

- Average costs and values can be applied to the different typologies.

- There should be engagement with landowners, site promoters and developers to help ensure that the average assumptions applied are "realistic and broadly accurate".

3.3.4. As for strategic sites, **Paragraph 005** of the Planning Practice Guidance: Viability indicates that a site specific assessment is appropriate:

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.

3.4. Iterative Approach / Sensitivity Testing

3.4.1. Through the appraisal testing stage adjustments can be made to the planning policy contributions to adjust the outcome of the viability. For example, if the full aspirational policy provisions are applied and the scheme is shown to be unviable, this would demonstrate that the policy provisions are unlikely to be deliverable (therefore failing to meet the requirements of the National Planning Policy Framework). In this scenario, the policy provisions can be reduced and the scheme re-tested. This can be done on an iterative basis up to the point where the scheme is deemed to be viable.

3.4.2. Alternatively, it may be that the aspirational policy provisions are tested and the scheme is comfortably viable, generating a surplus of income. Under this scenario, the policy provision could be increased and the scheme re-tested until there is a pre-set position of viability reached.

3.4.3. In adopting an iterative approach, it is therefore important to identify 'base' appraisals, from which adjustments can be made. This may involve simply making an initial judgment on the planning policies to include in the appraisal (for example onsite affordable housing and S106 contributions).

3.4.4. Having established a 'base' position, the model can then be re-run based on adjustments to (i) planning policies (ii) key appraisal assumptions (a form of sensitivity testing).

3.4.5. By way of example, if (in the base appraisals) a scheme is shown an unviable outcome with a 20% affordable housing provision, the level of affordable housing could be reduced to 15% and re-tested to determine with this generates a viable outcome. In terms of sensitivity testing, sales values could be increased by 5% and also separately reduced by 5% to see the impact this has on the viability and subsequent planning policies. Likewise, it may be that benchmark land values are adjusted (both up and down) to again see how these impact on the viability outcomes.

3.4.6. The intention is therefore to have various appraisal 'sets' showing the viability outcomes, which reflect the different assumptions applied. For example, one 'set' could be the base appraisals at 20% affordable housing, another 'set' could be at 15% affordable housing, another would be the model with sales values increased by 5%, another with sales values reduced by 5% and so on. The results of the sets can then be reviewed holistically before a final conclusion is reached on the suitable level of planning policies.

3.5. Our Approach

3.5.1. On the basis of the above we have adopted the following approach for the purposes of the plan wide viability testing:

- We have identified hypothetical site types (in line with the previous study), which we consider to best reflect the future supply of sites across South Tyneside district.

- For each hypothetical site type or real site we have modelled a base development appraisal, inputting the revenue and costs associated with that scheme. This has been modelled in accordance with the residual method, whereby the outcome is the land value (with all other inputs fixed costs).

- Initially, we look to test base appraisals, building in the emerging policies.

- Adjustments are then made to policy provisions dependent on the viability outcome of the base test.

- Furthermore, sensitivity testing is undertaken, where key appraisal inputs are varied to test the impact on viability. This aids the overall analysis and ensures that the conclusions reached are as robust as possible.

- In forming our recommendations, a holistic approach is taken to all testing results.

3.6. Evidence

3.6.1. Primary data is crucial to ensuring the viability testing is robust. This can include a variety of sources, such as the Land Registry for residential, build cost databanks such as the Build Cost Information Service (BCIS) part of the RICS, historic viability assessments undertaken across the region giving parameters for appraisal inputs etc.

3.6.2. Likewise appeal decisions from the Planning Inspectorate can provide a useful indication of appraisal inputs, albeit the context of each case needs to be understood before conclusions are reached. We have identified a number of cases which we consider to be useful in the context of viability testing:

Parkhurst Road Ltd vs Secretary of State for Communities and Local Government

3.6.3. A High Court of Justice decision between Parkhurst Road Limited, the Secretary of State for Communities and Local Government and the Council of the London Borough of Islington (Citation Number [April 2018] EWHC 991).

3.6.4. The claimant (Parkhurst Road Limited) sought to challenge a previous appeal decision relating to the development of a Former Territorial Army Centre in Islington, London, which had previously been dismissed through a Planning Appeal process. The case involved the examination of a number of key viability issues, most notably in relation to establishing Benchmark Land Values ("BLV").

3.6.5. Mr Justice Holgate dismissed the appeal and in his judgement supported the approach adopted by the Council to establish the BLV of the site for the purposes of the viability appraisal. The method used involved establishing the existing use value and then applying a premium uplift to this figure to arrive at a suitable BLV. This decision was a key influencing factor in the preparation of the Planning Practice Guidance: Viability and in particular the requirements relating to how BLV's are established.

Land off Poplar Close, Ruskington, Lincolnshire (APP/R2520/S/16/3150756) *– see Appendix 2*

3.6.6. This related to a greenfield site comprising 67 dwellings.

3.6.7. The Inspector ruled that it was appropriate to depart from the BCIS median when identifying build costs, on the grounds that the BCIS data can be considered to be inherently high and did not represent the savings made by larger regional / volume housebuilders in terms of materials and labour.

Land off Flaxley Rd, Selby (APP/N2739/s/16/3149425) – *see Appendix 3*

3.6.8. This related to a greenfield site comprising 202 dwellings.

3.6.9. The Inspector went further than the Ruskington decision outlined above and ruled that it was appropriate to depart from the BCIS lower quartile when identifying build costs. Again, this was on the grounds that the BCIS has its limitations as a data set and can be regarded as being inherently high for schemes likely to be implemented by larger regional or volume housebuilders.

Land off Lowfield Road, Bolton upon Dearne, Barnsley (APP/R4408/W/17/3170851) – *see Appendix 4*

3.6.10. This related to Phase 3, greenfield site of 97 dwellings.

3.6.11. This case related to the implication of a development in a low value area by a 'low cost developer' specialist (in this case Gleesons, but could also apply to Keepmoat Homes, Lovell Homes, Kier Homes etc). The Inspector recognised that for this type of development in this location, the developer would implement a different type of product compared to other high value locations.

3.6.12. To reflect this, the viability assumptions should therefore be adjusted to take into account: significantly lower base build costs (particularly when compared to the BCIS rates), a higher percentage allowance for external works, lower professional fees and a lower debit interest charge. These adjustments resulted in the scheme being shown to be viable (which was considered to be appropriate as Phase 1 and 2 of the project had been delivered).

Land at Warburton Lane, Trafford (APP/Q4245/W/19/3243720) *– see Appendix 5*

3.6.13. This related to a greenfield site of up to 400 dwellings, situated in a buoyant market area within the district.

3.6.14. The Inspector concluded that there is a relationship between the level of abnormal costs and the corresponding benchmark land value (on the basis that as abnormals increase the benchmark land value decreases and vice versa). The scheme details were as follows:

- The gross site area is 61.70 acres. The net developable area is 33.75 acres (the areas are stated on page 25 of the decision notice, footnote 13).
- Abnormal costs were significant (and disputed). The appellant suggested £486,500 per net developable acre, however the Inspector stated in paragraph 127 that "…this information does not allay my concern that a conservative position has been adopted [with regards to the abnormal costs]".
- The existing use value deemed appropriate by the Inspector totalled £493,600. This is therefore equivalent to £8,000 per gross acre.

- The Inspector goes on to state (in paragraph 119 of the appeal decision) that a benchmark land value of £2.9million is appropriate. This is calculated by applying 10 times multiple to the net developable area (33.75 acres) and then a rate equivalent to £8,000 per acre for the remaining, undevelopable land (27.95 acres).

3.6.15. Based on this decision, a multiple of the existing use value should therefore be applied to the net developable area, not the gross site area.

3.6.16. Furthermore, a multiple of 10 times the existing use value was deemed to be appropriate in the context of high abnormal costs (although the Inspector had reservations as to the veracity of the suggested abnormal costs, but still judged a multiple of 10 times the existing use value to be reasonable).

4. COUNCIL DRAFT PLAN POLICIES

4.1. Introduction

4.1.1. The Council has provided us with an initial set of draft plan policies where there is an anticipated impact on scheme viability (and therefore require consideration within the plan wide viability testing).

4.1.2. Please note, this does not preclude other plan policies being introduced as the Local Plan process progresses, which would also potentially impact scheme viability. If other plan policies are introduced at a later stage, we would look to revisit the viability testing by way of an addendum.

4.2. Policy 18: Affordable Housing

4.2.1. This draft policy will seek an onsite provision off affordable housing (unless an offsite commuted sum in lieu of an onsite provision is deemed acceptable by the Council, to be determined on a site-by-site basis at the decision-making stage). This will apply to all residential development providing 10 or more dwellings or where the gross internal area is greater than 1,000 sq m.

4.2.2. The policy will set out a percentage requirement for affordable housing. The level of percentage requirement, whether different percentages should be applied to different locations / site types is to be determined through the viability testing.

4.2.3. In terms of tenure mix, as per the current government requirements, 10% of the housing delivered on a scheme will be delivered as affordable home ownership.

4.2.4. The Council has indicated that, based on the South Tyneside Strategic Housing Market Assessment 2021 ("SHMA") there was a need for 209 affordable units per annum, with a suggested split of 75% for affordable housing for rent and 25% affordable home ownership. This needs to be considered alongside the national requirement for at least 25% of all affordable dwellings provided to be Discounted Market Sale.

4.3. Policy 20: Technical Design Standards for New Homes

4.3.1. This includes 2 elements, as follows:

(i) All new build dwellings to comply with Building Regulations M4(2) Category 2: Accessible and adaptable dwellings. To meet this standard reasonable provision must be made for people to gain access to and use the dwelling and its facilities. The provision made must be sufficient to meet the needs of occupants with differing needs including some older or disabled people and to allow adaptation of the dwelling to meet the changing needs of occupants over time. As this is an optional standard, there is limited available evidence to demonstrate the impact meeting this standard would have on overall build costs. However, the Ministry of Housing, Communities & Local Government released a consultation paper in September 2020 titled "Raising accessibility standards for new homes" (see Appendix 6), in which it stated (Paragraph 45) that the estimate to meet the M4(2) standard was £1,400 per new dwelling. Allowing for sales price inflation, and adopting a cautious approach, we consider a £1,500 per dwelling allowance to be appropriate.

(ii) Up to 12.6% of new build housing for schemes of 50 dwellings or more to comply with Building Regulations M4(3) Category 3: Wheelchair user dwellings. Reasonable provision must be made for people to gain access to and use the dwelling and its facilities. The provision must be made sufficient to (a) allow simple adaptation of the dwelling to meet the needs of occupants who use wheelchairs or (b) meet the needs of occupants who use wheelchairs. As this is again an optional standard, there is limited available evidence to demonstrate the impact meeting this standard would have on overall build costs. For this reason, it is considered the EC Harris "Housing Standards Review – Cost Impacts" report from Sept 2014 (see Appendix 7) provides an important evidence base for the construction costings. The report includes a variety of cost estimates related to construction work, process costs, approval costs etc. For M4(3) adaptable the cost estimate (as set out in Pg 38 of the EC Harris report), the costs range from £7,607 to £10,568, dependent on dwelling type. According to the BCIS All-in Tender Price Index (a measure of construction cost inflation regularly used in the industry) build costs have increased by 26% since Sept 2014. This adjusts the range to £9,585 to £13,316. However, the upper end of the range reflects housing (and the lower end flats). For the purposes of the modelling, we consider the housing to be more appropriate, therefore we have applied a (rounded) average rate of £13,000 per dwelling to meet the M4(3) adaptable standard. Adopting the same approach for the M4(3) accessible standard, we calculate an average cost of £28,000 per house.

4.4. Policy 47: Design Principles

Policy SP2: Strategy for Sustainable Development to meet identified needs

Policy 48: Promoting Good Deign with New Residential Developments

4.4.1. This group of policies relates to general design. Policy 47 relates to a requirement for high quality design in all developments and sets out a specific list of design principles which would be supported by the Council. Policy SP2 is a commitment to deliver sustainable development, with specific reference to reducing carbon emissions, re-use of brownfield land (where possible) and deliver between 20Ha and 37Ha of land for general economic development, amongst other targets. Policy 48 relates to major developments providing 10 units or more and lists a number of design requirements, including the incorporation of electric vehicle points.

4.4.2. In terms of how these policies can impact on viability, of particular relevance is the changes to Part L of the Building Regulations (which the government announced in Jan 2021). This is based on "Option 2 – Fabric Plus Technology", intended to deliver a 31% improvement on current Part L standards by minor fabric increases alongside low-carbon heating and renewables. The Interim Part L regulations are due to come into effect from June 2022. However, there is also a 12 month transitional period. Larger sites registered before June 2022 will therefore be able to take advantage of the transitional arrangements (and build to the current standards) until June 2023. The way the transitional arrangements work is that this applies to individual dwellings, not schemes. If a scheme is therefore midway through being constructed at June 2023, the dwellings constructed before June 2023 will not need to meet the new Part L requirement, but those built after June 2023 will have to.

4.4.3. Paragraph 2.3 of MHCLG's "The Future Home Standard" 2019 consultation (see Appendix 8) estimates an average cost of £4,850 per dwelling to meet the Option 2 standard. However, an article from Savills dated 17th February 2021 (see Appendix 9) refers to a range of £3,000 to £5,000 per unit. This article also states, "Higher build costs to adhere to Future Homes Standard are already being factored into land bids with vendors being asked to include these extra costs in their land appraisals".

4.4.4. In order to 'futureproof' the Local Plan viability testing it is considered reasonable to allow for costs associated with the forthcoming Part L changes within the modelling (and to the 31% requirement set out by the government). However, we would make the following comments:

- It is important to stress that the viability modelling to date is based on 'pre-Part L update' dwellings therefore the sales values are based on dwellings that have not been subject to these changes. The reality is that, at least to some degree, housebuilders will try to mitigate these costs by inflating sales price. This is not to say that there will be a corresponding uplift in the sales value to offset the precise cost of the Part L changes, but housebuilders will try as much as they can to pass over some of these costs to house purchasers, which will serve to water down the impact on the scheme viability. This is the natural process involved in setting new build house prices (the starting point for a housebuilder is to adjust prices to appropriately reflect the costs incurred in building that dwelling whilst achieving a target level of profit).

- It is also likely to be the case that costs to meet the Part L regulations will fall over time as these become a standard requirement (through economies of scale). By way of an example, "Option 2" of the Part L changes include a provision for Photovoltaic (solar) panels. According to the International Renewable Energy Agency's "Renewable Power generation Costs in 2020" report published in June 2021 (see Appendix 10), as stated on Pg 26, the cost of solar panels fell by 85% between 2010 and 2020. This is explained by "…declines in module prices – which have fallen by 93% since 2010, as module efficiency has improved and manufacturing has increasingly scaled-up and been optimised". With the market for Solar Panels still growing it is anticipated that costs will continue to fall, which would leave MHCLG's estimate from 2019 as being outdated.

4.4.5. Taking into account efficiency savings through economies of scale, housebuilders looking to 'pass over' costs to purchasers in the future and also these costs being net from land values, it is important that the costs associated with the Part L changes are not overstated in the viability modelling (as this would potentially undermine Council policy requirements). Having considered this, and in looking to adopt a reasonable and balanced approach, we have assumed a fixed average cost of £2,500 per dwelling to reflect the Part L changes.

4.4.6. In addition, with the government's target of 2030 to end the sale of conventional petrol and diesel powered cars, it is also considered appropriate to allow for electric car charging points within new build schemes (which are becoming increasingly common place through new development). Based on our experience of testing sites across the country, we consider an average allowance of £500 per dwelling to be appropriate to cover these costs.

4.5. Policy 43: Development Affecting Designated Heritage Assets

Policy 44: Archaeology

Policy 45: Development Affecting Non-Designated Heritage Assets

4.5.1. This group of policies relates to the development of designated and non-designated heritage assets and where archaeological study is required.

4.5.2. In our experience, designated and non-designated schemes will vary significantly from site-to-site, owing to the individualistic nature of this type of development. It is not therefore possible to test viability at the Local Plan stage in any meaningful way for this type of development category. Instead, viability will need to be tested on a site-by-site basis at the decision-making stage.

4.5.3. As for archaeological requirements, this will not impact on every site therefore it is not necessary / appropriate to allow for costs associated with this policy within every typology. Furthermore, the impact on viability will also fluctuate from site-to-site dependent on the specific nature of the archaeological works required.

4.5.4. For the purposes of the plan viability testing, though, we do consider it appropriate to include a sensitivity test which reflects this particular policy. Our Sensitivity Test 1 subsequently applies the base appraisal assumptions, but also includes an additional £50,000 sum to cover archaeological works, plus a 6 month delay in the pre-construction phase.

4.6. Policy 33: Biodiversity, Geodiversity and Ecological Networks

Policy 34: internationally, Nationally and Locally Important Sites

Policy 35: Delivering Biodiversity Net Gain

Policy SP23: Green Infrastructure

4.6.1. Policy 33 includes a requirement to avoid / minimize adverse impacts upon biodiversity and geodiversity (in accordance with the mitigation hierarchy) and provide measurable net gains for biodiversity. Policy 34 refers to how important sites will be protected and details the circumstances in which development that affects these sites may be deemed suitable. Policy 35 sets out a requirement for Biodiversity Net Gain of at least 10%, with a focus on delivering biodiversity net gain onsite (if possible). If onsite provision cannot be provided an offsite compensation is to be agreed with the Council. Policy SP23 relates to the Council's delivery of green spaces throughout the borough.

4.6.2. To calculate the biodiversity value of a site the Department for Environment, Food & Rural Affairs ("DEFRA") recommends the use of its biodiversity metric (an online tool freely available to use). The metric calculates the values as "Biodiversity Units", which are calculated using the size of the habitat, its quality and location. This assessment is required on a site-by-site basis.

4.6.3. In terms of an onsite provision, the cost estimate as set out in the Regulatory Policy Committee summary dated 6th June 2019 (see Appendix 11) is a cost equivalent to £900 per Ha for site surveys and £19,698 per Ha for creation and 30 years maintenance. This is therefore a combined cost estimate of £20,598 per Ha.

4.6.4. In terms of the offsite provision, DEFRA's consultation refers to "compensation habitats". There is also reference to "Habitat Banks" (which are existing schemes elsewhere that a developer could pay towards to acquire "Biodiversity Credit" to offset the requirement identified on their specific site.

4.6.5. In terms of how this works in practical terms, based on our research of other Local Authorities that have an existing Biodiversity Net Gain policy (including Greater Manchester Combined Authority, Leeds City Council, Wakefield Council and Kirklees Council), we note 2 main options to meet the policy requirement:

(i) Use of off-site land under the control of the applicant.

(ii) The use of land currently controlled by the Local Authority or a third-party (i.e. a Habitat Bank). A net gain for biodiversity Sum (Biodiversity Credit) is then calculated based on the Biodiversity Units.

4.6.6. In terms of how the Biodiversity Units are calculated, from our review, we consider the approach set in Leeds City Council's policy to reflect a reasonable position[4]. This indicates that 1 Biodiversity Unit will be £20,000 and index linked. It will also be pro-rate (for example if 0.4 Biodiversity Units are calculated this will equate to £8,000).

[4] https://www.leeds.gov.uk/planning/conservation-protection-and-heritage/achieving-net-gain-in-biodiversity-guidance-for-developers

4.6.7. The Council commissioned The Ecology Consultancy to undertake a review of potential site allocations across the Borough with regards to likely ecological constraints and the deliverability of 10% Biodiversity Net Gain (completed in September 2021 see attached Appendix 12). This considered 7 different potential sites. The report concludes that the majority of the sites were unable to meet the full 10% Biodiversity net Gain requirement through an onsite provision. Instead, a combination of on and off-site provision was deemed necessary.

4.6.8. As set out above, the level of Biodiversity Value will fluctuate from site-to-site dependent on the Biodiversity Metric. However, for the purposes of the Local Plan viability testing it is considered reasonable to adopt an overall average assumption to be included in the modelling. Based on the findings of The Ecology Consultancy report, we consider it appropriate to assume in our typology testing that this policy would likely be met through a part onsite / offsite provision.

4.6.9. Adopting a cautious approach, for the onsite provision we have assumed that 10% of the gross site area would be provided as land that meets the requirement of the Biodiversity Net Gain policy. This is charged at £20,598 per Ha. For the offsite provision, we have assumed an equivalent portion of 100% land would need to be offset for example through the use of a Habitat Bank, as described above). For illustrative purposes, if a 10Ha site had a 10% onsite provision of 1Ha, our approach assumes that a further 10Ha would be required offsite. This is calculated at £20,000 per Ha as discussed above.

4.7. Policy 37: Protecting and enhancing Open Spaces and Green Infrastructure

4.7.1. This draft policy requires that for all developments providing 10 or more dwellings there will be a requirement for onsite open space provision. Where onsite provision cannot be provided (and is proven) an offsite commuted sum would be payable.

4.7.2. We have assumed that there would be some level of onsite provision within the typologies, to reflect the Council's desire for onsite provision (where possible). However, and adopting a cautious approach, it is assumed that some level of offsite contribution would also be required to meet this policy requirement.

4.7.3. The offsite contribution would be calculated on a site-by-site basis. However, for the purposes of the Local Plan viability testing we have assumed an average rate to apply to the modelling. To identify a reasonable average figure we have reviewed the open space offsite contributions collected by the Council for past schemes that have come forward and note the following:

Table 4.1 – Past South Tyneside Open Space Offsite Contributions

Development	Policy	Amount	Dwellings	Rate / unit	Planning Granted
ST/2316/09/FUL	Open space and leisure	£ 4,197	7	£ 600	23/09/2010
ST/0885/10/FUL	Open space and leisure	£ 29,565	71	£ 416	14/01/2011
ST/1787/09/FUL	Open space and leisure	£ 20,834	21	£ 992	08/04/2011
ST/2042/10/FUL	Open space and leisure	£ 3,600	6	£ 600	27/04/2011
ST/1451/11/FUL	Open space and leisure	£ 33,362	53	£ 629	21/12/2011
ST/1826/11/FUL	Open space and leisure	£ 16,360	26	£ 629	12/03/2012
ST/1827/11/FUL	Open space and leisure	£ 21,432	35	£ 612	12/03/2012
ST/1323/10/FUL	Open space and leisure	£ 8,820	291	£ 30	21/06/2012
ST/0624/12/FUL	Open space and leisure	£ 61,200	122	£ 502	22/10/2012
ST/0013/13/FUL	Open space and leisure	£ 15,969	81	£ 197	22/03/2013
ST/1739/12/FUL	Open space and leisure	£ 114,113	148	£ 771	26/03/2013
ST/0081/13/FUL	Open space and leisure	£ 38,508	222	£ 173	29/04/2013
ST/0046/13/FUL	Open space and leisure	£ 3,728	16	£ 233	23/08/2013
ST/1631/12/FUL	Open space and leisure	£ 1,577	8	£ 197	27/08/2013
ST/0715/13/LAA	Open space and leisure	£ 11,493	33	£ 348	23/10/2013
ST/0721/13/LAA	Open space and leisure	£ 19,138	55	£ 348	23/12/2013
ST/1066/13/FUL	Open space and leisure	£ 11,072	32	£ 346	17/01/2014
ST/0969/13/FUL	Open space and leisure	£ 11,764	33	£ 356	07/03/2014
ST/0503/14/FUL	Open space and leisure	£ 41,926	118	£ 355	10/12/2014
ST/0938/14/FUL	Open space and leisure	£ 15,136	42	£ 360	23/01/2015
ST/0108/15/FUL	Open space and leisure	£ 836	5	£ 167	30/07/2015
ST/0814/15/VC	Open space and leisure	£ 11,588	47	£ 247	14/03/2016
ST/1107/18/FUL	Open space and leisure	£ 62,000	62	£ 1,000	07/07/2020
			Average	**£ 440**	

4.7.4. As demonstrated above the level of offsite contribution can vary significantly from site to site, ranging from as little as £30 per dwelling up to £1,000 per dwelling. The average across the same sample is £440 per dwelling.

4.7.5. In light of this, we consider an average offsite contribution of £500 per dwelling to be reasonable for the purposes of the Local Plan testing and have adopted the same in our appraisal.

4.8. Policy 7: Flood Risk and Water Management

Policy 8: Flood Risk Assessment (FRA)

Policy 9: Sustainable Drainage Systems

4.8.1. Policy 7 refers to the sequential approach for reducing floor risk as part of development proposals and also refers to development prioritising sustainable drainage systems. Policy 8 states that developments must demonstrate that they are not at risk from flooding, by submitting a site-specific Flood Risk Assessment. It also states that development in Flood Zone 3b would only be permitted in exceptional circumstances. Policy 9 states that appropriately sourced sustainable drainage systems ("SUDS") will be required for 10 or more residential units (or for a site of 1Ha or more).

4.8.2. We have subsequently included a cost for SUDS within our base appraisal modelling. Based on other Local Plan studies we have assessed over the region; we consider an allowance equivalent to £30,000 per gross Ha to be appropriate to reflect these costs.

4.9. Policy 6: Renewables and Low Carbon Energy Generation

4.9.1. Policy 6 encourages renewable and low carbon energy development.

4.9.2. The cost allowance adopted in relation to the changes to Part L of the Building Regulations (as discussed above in para 4.4) is considered to already account for this. No additional cost is therefore deemed necessary in the modelling to reflect this policy.

4.10. Policy 52: Telecommunications

4.10.1. Policy 52 encourages the development and extension of telecommunication services including the promotion of fibre broadband to properties. This will include the need to provide "gigabit-capable broadband".

4.10.2. The costs necessary to meet this draft policy are inherently included within our external cost allowance. No additional, explicit sum is therefore deemed necessary.

4.11. Policy SP27: New Development

4.11.1. Policy SP27 indicates that accessibility will be improved and transport choices widened, by ensuring all new development will be well serviced.

4.11.2. The level of contribution would be calculated on a site-by-site basis. However, for the purposes of the Local Plan viability testing we have assumed an average rate to apply to the modelling. To identify a reasonable average figure we have reviewed the transport and travel contributions collected by the Council for past schemes that have come forward and note the following:

Table 4.2 – Past South Tyneside Transport and Travel Contributions

Development	Policy	Amount	Dwellings	Rate / unit	Planning Granted
ST/0013/13/FUL	Transport and travel	£ 30,100	81	£ 372	22/03/2013
ST/0081/13/FUL	Transport and travel	£ 138,800	222	£ 625	29/04/2013
ST/0292/10/FUL	Transport and travel	£ 11,192	40	£ 280	25/05/2010
ST/0461/15/RES	Transport and travel	£ 109,250	291	£ 375	01/10/2013
ST/0503/14/FUL	Transport and travel	£ 35,018	118	£ 297	10/12/2014
ST/0542/10/FUL	Transport and travel	£ 4,496	62	£ 73	16/04/2009
ST/0624/12/FUL	Transport and travel	£ 24,400	122	£ 200	22/10/2012
ST/0721/13/LAA	Transport and travel	£ 5,500	55	£ 100	23/12/2013
ST/0773/16/FUL	Transport and travel	£ 1,250,001	334	£ 3,743	07/09/2017
ST/0812/19/FUL	Transport and travel	£ 9,100	91	£ 100	20/02/2020
ST/0885/10/FUL	Transport and travel	£ 7,100	71	£ 100	14/01/2011
ST/1451/11/FUL	Transport and travel	£ 13,250	53	£ 250	21/12/2011
ST/1739/12/FUL	Transport and travel	£ 39,000	148	£ 264	26/03/2013
ST/2238/09/FUL	Transport and travel	£ 19,250	77	£ 250	12/05/2010
ST/2238/09/FUL	Transport and travel	£ 16,200	77	£ 210	12/05/2010
				£ 483	

4.11.3. As demonstrated above the level of offsite contribution can vary significantly from site to site, ranging from as little as £73 per dwelling up to £3,743 per dwelling. The average across the same sample is £483 per dwelling.

4.11.4. Based on the past contributions, this points to an average transport contribution of £500 per dwelling as being reasonable for the purposes of the Local Plan testing.

4.11.5. However, it is acknowledged that, on a site by site basis, there is the potential for transport contributions to be significantly higher based on specific need (for example if a development drives a requirement for a new offsite roundabout in the existing highway network). This is demonstrated by the ST/0773/16/FUL permission shown above in Table 2 where the contribution equated to £3,743 per dwelling. In light of this, for our base modelling we have adopted a cautious approach and assumed a sum of £1,000 per dwelling, as well a Sensitivity Test 2 which increases the transport contribution to £5,000 per dwelling, to see the impact this has on the viability outcome.

4.12. Education

4.12.1. Based on the information provided by the Council, in recent years there has only been 1 scheme identified where the Council has collected a contribution for education (planning ref ST/0773/16/FUL). This was in 2017 and the contribution equated to £4,192 per dwelling (relating to the refurbishment, redevelopment and extension of a primary school).

4.12.2. It is likely that the Council will require education contributions where a specific need is identified. On this basis, and for the purposes of the base appraisal testing, we have factored in an average £5,000 per dwelling contribution. In reality, it will not be the case that an education provision will be required on all sites, however for the purposes of the modelling (and in an attempt to 'stress test' scheme viability in the borough) we have included this in the base appraisal.

4.13. Nationally Described Space Standards

4.13.1. We understand the Council is currently considering whether to introduce the Nationally Described Space Standards ("NDSS"). This acts as an optional planning requirement, to be potentially factored into a Council's Local Plan following a viability assessment (it is not therefore currently a statutory requirement), subject to viability testing. This deals with internal spaces of new dwellings and involves setting minimum dwelling sizes for all development.

4.13.2. As part of the testing, we have therefore looked to factor in the aspirations set out in the NDSS, which are summarised as follows:

Table 4.3 – Minimum gross internal floors areas and storage (sq m)

Number of bedrooms(b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built-in storage
1b	1p	39 (37) *			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	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	4.0
	8p	125	132	138	

4.13.3. The NDSS rates provide minimum figures dependent on bedrooms numbers. However, for each dwelling there is some flexibility as different minimum requirements are adopted dependent on how many persons will reside in the dwelling. This recognises the fact that dwellings will not only vary dependent on the number of bedrooms but will also differ depending on whether they are flats, bungalows, terraced, semi-detached, detached etc and also how many storeys are provided. For example, in the 3 bed dwelling category the minimum standards provide two further sub-categories, relating to the number of persons and also the number of storeys. For each of these sub-categories a different minimum dwelling size is indicated, as follows:

Table 4.4 – NDSS 3 bed dwelling category example

Number of beds	Number of persons	1 storey (sqm)	2 storey (sqm)	3 storey (sq m)
3	4	74	84	90
3	5	86	93	99
3	6	95	102	108

4.13.4. In summary, to meet the NDSS standard a 3 bed dwelling could therefore range from 74 to 108 sq m dependent on the style of dwelling and number of storeys. A similar fluctuation in size also applies to all other dwellings (with bedrooms ranging from 1 to 6).

4.13.5. The Council is subsequently looking to assess how the introduction of the NDSS would impact on the viability testing of the Local Plan, and in particular whether this would have a negative effect on viability.

4.13.6. From a plan viability testing perspective, it is not possible or necessary to test all of the variations of the NDSS standard. This is because there would be several thousand size iterations which would need testing, which is not practical. Furthermore, it is unnecessary to attempt to guess the precise mix that a developer would look to apply, instead the guidance states that an average viability assumption complimentary to the local market should be adopted.

4.13.7. In this regard, specifically for the purpose of a plan viability test, it is reasonable to make assumptions as to the average or typical dwellings that would form a scheme typology. We have made the following initial assumptions as to the dwelling types which form our typologies (based on our experience of undertaking viability testing across the country:

- 2 bed 3 person flat 60 sq m
- 2 bed 3 person terrace 70 sq m
- 3 bed 4 person semi 80 sq m
- 4 bed 5 person detached 110 sq m

4.13.8. We have subsequently compared these assumptions to the requirements of the NDSS, to determine whether there is any significant difference:

Table 4.5 – NDSS sizes against initial assumptions

Type	NDSS Average (sq m)	Initial Average (sq m)	Difference %
2 bed 3 person flat	61	60	1.67%
2 bed 3 person terrace	70	70	0.00%
3 bed 4 person semi	84	80	5.00%
4 bed 5 person detached	97	110	-11.82%

4.13.9. The allowances for the 2 bed 3 person terrace and 4 bed 5 person detached therefore already either meet or are in excess of the NDSS minimum requirements. The 2 bed 3 person flat requires a slight increase to 61 sq m. The most significant adjustments relates to the 3 bed 4 person semi which requires adjustment from 80 to 84 sq m.

4.13.10. For the purposes of our modelling, we have adopted our initial dwelling size assumptions as the 'base' appraisals. We have then adopted a sensitivity test (please see Sensitivity Test 3) which adjusts the dwelling sizes to the minimum NDSS requirements, to determine whether this adjustment has a significant affect on the viability outcomes.

5. STAKEHOLDER ENGAGEMENT

5.1. The Planning Practice Guidance: Viability (para 002) indicates that "Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers". Para 010 reinforces this reiterating that, "Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers".

5.2. To meet this requirement, we undertook the following:

- A Stakeholder Workshop. This was undertaken on Microsoft Teams on 28th Sept 2021. We presented our initial appraisal assumptions in the form of Powerpoint slides (see Appendix 13), however this was an open forum debate, which allowed participants to raise questions / queries as we progressed through the presentation. Please see Appendix 14 for a list of the stakeholders who were invited to attend.

- A 'follow-up' questionnaire circulated to all identified stakeholders (including those who were unable to attend the workshop). This gave the opportunity for stakeholders to provide written representations and also submit supporting evidence to any views given. Please see attached Appendix 15 for a blank version of the questionnaire that was circulated to the various stakeholders.

5.3. The following stakeholders responded to the questionnaire:

- Home Builders Federation ("HBF")
- Savills
- Savills (on behalf of Church Commissioners for England

- Barratt David Wilson Homes
- Banks Group
- Lichfields
- Persimmon
- Pegasus (on behalf of Bellway Homes)

5.4. Please see attached Appendix 16, which is a merged pdf file of the stakeholder responses. The order of the responses is as follows:

- HBF: response	Pdf Pages 1 – 2
- HBF: appendix	Pdf Pages 3 – 13
- Savills	Pdf Pages 14 – 25
- Savills (on behalf of CCE)	Pdf Pages 26 – 37
- BDW: response	Pdf Pages 38 – 49
- BDW: appendix	Pdf Pages 50 – 78
- Banks Group	Pdf Pages 79 – 86
- Lichfields	Pdf Pages 87 – 95
- Persimmon	Pdf Pages 96 – 97
- Pegasus (behalf of Bellway)	Pdf Pages 98 – 103

5.5. For ease, we have summarised the responses put forward by the stakeholders for the various questions, together with our responses (which are noted in blue):

Question 1: Residential Scheme Design

Gross to net ratio	Savills, Savills (CCE), Barratts David Wilson and Lichfields suggest the current allowances do not appropriately reflect biodiversity net gain requirements and Sustainable Drainage Systems ("SUDS"), particularly for the larger sites. See above para 4.6. Following the feedback received we have adjusted the gross to net ratios, as set out in Section 6.
Average dwelling sizes	Savills and Savills (CCE) suggest that the allowances do not appropriately reflect Nationally Described Space Standards ("NDSS"). This is discussed above in more detail in para 4.13. As indicated, Sensitivity Test 3 tests incorporates a NDSS compliant dwelling size.
Typologies	Savills (CCE), Banks, Lichfields and Pegasus all suggest that an additional typology should be included, 3 out of the 4 suggesting 250 units, 1 suggesting 200 units. Following the feedback received an additional typology for 250 dwellings has been included in the modelling. Savills ask if there is an intention to undertake site specific testing for large strategic sites (rather than reliance on the typologies). Yes, the intention is to undertake site specific viability testing of large strategic sites once these have bene identified and sufficient information is available to undertake the testing.

Capacity & Density	Savills (CCE) suggest the allowance look reasonable. Noted. However, Barratt David Wilson state that the density should be reconsidered in the context of NDSS and accessibility and adaptability standards. As another party deemed the allowance to be reasonable (and the other stakeholder responses did not raise a concern with our allowances) we consider the density rates used to be appropriate. Lichfields suggest a lower density may be appropriate in higher value areas, but do not suggest an alternative. It is accepted that in some higher value areas there may be a preference from developers to provide a higher proportion of detached dwellings, which may impact on density rates. Whilst the Council will have a preferred dwelling mix requirement, for the purposes of the modelling we have run a Sensitivity Test 4 which assumes a lower density of 30 dwellings per net Ha in Cleadon and East Boldon / Whitburn (see Section 6 which shows these to be the higher value areas in the borough).
Dwelling mix	Pegasus (Bellway) and Barratt David Wilson each suggest than an allowance of 30% terraced dwellings is too high and Pegasus (Bellway) indicate that this should instead be closer to 15%. Following the feedback received we have adjusted the proportion of terraced dwellings to 20%, down from 30%.

	Savills (CCE) note that the SHMA identifies a need for bungalows, therefore suggest that this should be incorporated into the modelling. The Council does not have a specific policy relating to bungalows, therefore it is not deemed necessary to include this within the modelling.
Other	Barratt David Wilson ask what has precisely been included in the Council's definition of net Developable area. This includes all dwelling plots including garden areas and private drives and all site roadways. It excludes public open space, SUDS and any areas of land used to offset biodiversity net gain requirements.

Question 2: Residential Values

General sales values	Savills (CCE) broadly agree with the assumptions. However, for the largest typology or site strategic sites, they would expect marginally reduced values to sustain a constant sales rate. Noted, although we have not identified any evidence to suggest larger scale schemes attract lower rates per sq m. Lichfields state that the approach adopted (in applying an average rate per sq m) is reasonable and also the values adopted are reflective of the South Tyneside market. However, request for further detail of how the figures have been arrived at. Noted. Further details of how the figures were established is set out in Section 6.

Hebburn	Barratt David Wilson suggest this is not in the same bracket as West Boldon / Boldon Colliery. Pegasus (Bellway) make the same point. Following the responses received and a review of the evidence we agree that it is necessary to have Hebburn as a separate category area compared to West Boldon / Boldon Colliery (see Section 6).
Value map	Barratt David Wilson and Lichfields suggest a map is required to demarcate the different value locations. Noted. This is to be provided.
Whitburn	Banks refer to historical average values used for previous area wide studies in the borough and suggest an allowance of £2,800 per sq m to be too high. Contrary to this, having revisited the evidence we consider that this original allowance is too low. See Section 6 for further details. Banks also suggest that there is a clear different between values in Cleadon and those in Whitburn / East Boldon. As detailed in Section 6, the differential now shown between these settlements is £500 per sq m, which we consider to represent a clear difference in value.

East Boldon	Pegasus (Bellway) suggest a Gentoo Homes scheme (which was used when assessing values in East Boldon) is not reflective of the East Boldon market as it is niche. They also suggest a larger disparity between second-hand sales in East Boldon and the new build values. The consideration as to whether the Gentoo Homes scheme is comparable is a subjective opinion. We consider this to be suitable evidence to rely on for the purposes of the testing and stand by its inclusion. Our consideration of 'second-hand' sales is detailed further in Section 6.
Affordable Housing	Savills (CCE) do not agree with the approach adopted in determining transfer prices for the affordable dwellings (which is based on a percentage of market value). Alternatively, they suggest the values should be based on past transfer prices paid or using the Discounted Cash Flow method. In our experience the "percentage of market value" approach is routinely used in the industry when undertaking viability (both at plan-making and decision-making stages). Furthermore, having recently undertaken a study for Sheffield City Council regarding how off-site commuted sums should be calculated, our engagement with Registered Providers demonstrated that Registered Provider's themselves use this approach as a reasonable 'rule of thumb' when sense-checking transfer prices. The method is therefore simple to apply and has the benefit of increasing with inflation. The alternative Discounted Cash Flow method is complex and

	subject to a variety of its own assumptions, which would (given the risk of small changes in these assumptions impacting on the outcome) would not necessarily produce a more robust outcome. We also note that the majority of the responses did not raise this as a concern. We therefore stand by the percentage of market value approach as being reasonable and proportionate for the purposes of the plan testing.

Question 3: Construction Costs

Future Homes Standard / Part L	Savills suggest an additional allowance of £3,000 to £5,000 per dwelling should be applied for the Part L changes (which come into effect from June 2022. Barratt David Wilson, Lichfields also suggest an additional allowance should be included. Persimmon suggest a cost increase of £4,000 to £5,000 per dwelling. Pegasus suggest £4,500 per dwelling for Part L and £10,500 per dwelling for other Future Homes Standard costs. Following the responses received it is agreed that some level of allowance is included in the base modelling. See above para 4.4 which sets out our approach on this. Our view is that an additional allowance of £2,500 per unit is reasonable, taking into account cost efficiency savings as the required technologies / design techniques become more commonplace and also to reflect the reality that there will be uplifts in sales prices in the future to (partly) mitigate cost rises.

Electric Charging Vehicles	Lichfields suggest an additional allowance should be included to reflect electric car charging points. This is accepted, which has been included in the base modelling at a rate of £500 per dwelling (see above para 4.4.6).
Plot costs – BCIS rate	Savills suggest the general build cost allowances are reasonable. Savills (CCE) suggest the plot costs are on the low side but broadly reasonable. Noted. Barratt David Wilson suggest that BCIS figures are subject to constant change therefore need to be updated as the plan progresses. In reality, all costs and values are changing constantly. Plan-making viability has to be undertaken at a point in time, therefore costs and value reflective of that point in time are acceptable. It would not be proportionate to constantly update the appraisals (as this would be time consuming and costly, and unnecessary given the purpose of Local Plan viability testing). It is for this reason that para 11 of the National Planning Policy Framework refers to a need to update plans at least once every 5 years. We therefore stand by the use of the BCIS costs at a point of time as being appropriate within the context of the sales values applied and all other costs. Pegasus (Bellway) suggest the BCIS is a useful starting point. They note that build costs have increased sharply in recent months (owing to macro-economic / social / political factors such as Brexit and the impact of the Covid-19 pandemic. However, they do accept that short term trends are not necessarily appropriate for plan making assessments. Noted.

Externals	Savills (CCE) agree with externals at 15% of the BCIS rate. Noted. Lichfields suggest that 10% – 20% is typical for area wide studies. Suggest a sensitivity test as 20% for larger housing typologies in higher value areas. No evidence has been provided to justify why external costs would increase for a higher value area (external costs should be broadly the same from site to site). As one respondent has supported 15% and the others have raised no concerns we stand by the 15% allowance as being appropriate for the modelling.
Contingency	Savills (CCE) expect a 5% contingency for greenfield sites due to shortage of labour currently in the market, because of Brexit and the impact of Covid-19. Plan-making viability should not reflect short term factors in the marketplace. It is envisaged that the matters referred to will ease in the future, reducing the impact of the concerns raised. Furthermore, contingency has to be balanced against risk (which is also accounted for in developer profit) and the needs of planning policy. Contingency is ultimately a cost which may never be realised; therefore this has to be balanced against policy need. Furthermore, para 012 of the Planning Practice Guidance: Viability states "…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". This implies that contingency is only required on site specific viability testing, not plan-making typologies. Allowing an

	contingency is therefore deemed cautious. We therefore stand by our allowances in the base modelling as being appropriately balanced. However, we also consider it appropriate to run a Sensitivity Test 6 where the contingency is excluded to assess the impact this has on the viability outcome. Barratt David Wilson request evidence to support the differential between greenfield and brownfield sites. However, Lichfields support different rates from greenfield and brownfield sites, suggesting there is a greater risk for brownfield land. Noted that 2 different viewpoints have been expressed. Our evidence is set out in Section 6. We stand by our approach as being reasonable.
Abnormals	Savills (CCE) suggest the abnormals allowance is reasonable. Noted. Barratt David Wilson indicate that no evidence has been provided to justify the abnormals allowances. Our approach is detailed below in Section 6. Lichfields support the tiered approach to abnormals, reflecting the greater risk for brownfield sites, however request supporting evidence. Our approach is detailed below in Section 6. Persimmon indicate that it is unclear how the abnormal costs have been arrived at. Our approach is detailed below in Section 6.

	Pegasus (Bellway) agree that brownfield sites are more likely to have higher abnormals, however they consider the gap between the greenfield and brownfield sites to be too large. Noted. Our approach is detailed below in Section 6.
Biodiversity Net Gain	Persimmon raise this as being the most significant concern about our approach (in terms of this not being appropriately allowed for). See above para 4.6. Following the feedback received we have adjusted the gross to net ratios, as set out in Section 6.

Question 4: Additional Key Appraisal Assumptions

Future Homes Standard / Part L	Savills (CCE) raise this as an additional requirement, as do the HBF (with the latter as indicating that Electric Car Charging should be factored in). As discussed above in the responses to the other questions, allowances are now factored into the modelling.
Biodiversity Net Gain	Pegasus (Bellway) indicate that this needs to be allowed for. See above para 4.6. Following the feedback received we have adjusted the gross to net ratios, as set out in Section 6.
Professional fees	Savills (CCE) suggest the allowances appears low. Should be 10% for a small scheme and 8% for a larger scheme. Our approach and supporting evidence is set out in Section 6.

	Barratt David Wilson say there is no rationale for larger schemes carrying a lower percentage. Our approach and supporting evidence is set out in Section 6. Banks prefer professional fees at 8%. Our approach and supporting evidence is set out in Section 6. Lichfields suggest that the professional fees allowance for schemes of sub 30 dwellings is too low (but accept that lower may be appropriate for larger scale developments). Our approach and supporting evidence is set out in Section 6. Pegasus (Bellway) suggest 9% for smaller schemes and 8% for larger. Our approach and supporting evidence is set out in Section 6. However, in light of the number of comments raised in relation to professional fees, we have adopted a Sensitivity Test 7, where professional fees are increased to 9% for small sites (30 dwellings or less) and 8% for larger sites (sites of 31 dwellings or more).
Marketing / disposal	Barratt David Wilson agree with the allowances. Noted. Lichfields broadly agree with the allowances, but suggest 2% is below expectations for smaller sites. For smaller sites it is assumed that a local agent would be engaged, rather than having an onsite marketing team (which would be more appropriate for larger scale developments). We therefore stand by the 2% figure as being reflective of the costs that a local agent would charge.

Acquisition costs	Savills and Savills (CCE) indicate that acquisition costs should be allowed. Our modelling includes legals at 0.8%, agent fee at 1% and Stamp Duty land Tax.
Developer profit	Lichfields are generally supportive of the approach applied. Barratt David Wilson also agree to a 20% profit for market value dwellings at larger schemes, reduced to 6% for affordable. Noted. HBF, David Wilson Homes and Pegasus (Bellway) suggest a profit at the same level of market value dwellings is applied to First Homes (as these are sold speculatively in the market place). This is accepted. Our modelling has been adjusted so that the same profit applied to market value units is also applied to First Homes. HBF suggest that affordable dwellings should not have a reduced profit margin. Para 018 of the Planning Practice Guidance: Viability states "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". Furthermore, our own experience in the market place is that reduced figures are routinely applied to affordable housing. Also, we note that other stakeholders accept our approach as being reasonable. We therefore stand by the approach adopted.

	Savills (CCE) are happy with the profit assumptions for the 80 and 125 typologies, however they suggest the reduction in profit margin for smaller sites is not reflective of the market. Our rationale is explained in Section 6.
Section 106 / Section 278	Savills indicate that the emerging policies need to be reflected in the base modelling. Our base modelling incorporates the emerging policies. Please note, in reality the level of policy requirements will fluctuate from site to site based on specific need. However, our base modelling looks to 'stress test' this by applying all of the policy requirements.

Question 5: Benchmark land value

Landowners	HBF and Barratt David Wilson Homes indicate that engagement needs to be undertaken with landowners. That has been undertaken through the stakeholder engagement process.
Guidance	Savills indicate that the approach adopted reflects the requirements of the guidance, however Savills fundamentally disagree with the approach advocated in the guidance. It is important that the viability testing reflects the requirements of the guidance, which our approach adheres to.
Existing use value	Pegasus (Bellway) suggest £10,000 per acre for greenfield sites is acceptable. Noted.

Premium uplift	Banks suggest a multiple of 20 times the existing use value for greenfield sites. Our rationale is explained in Section 6. Savills (CCE) suggest a multiple of 18 times the existing use value for greenfield sites. Our rationale is explained in Section 6. Pegasus (Bellway) suggest 15 times the existing use value is insufficient to incentivise a landowner. Our rationale is explained in Section 6.
Abnormals	Barratt David Wilson do not agree with the adopted benchmark land values as the level of abnormal costs has been underestimated. Our rationale is explained in Section 6.

Question 6: Commercial Scheme Design – no responses were received for this question.

5.6. As detailed above, we have made various adjustments to our assumptions to reflect a number of the comments received. However, we do not agree with all of the comments received and where appropriate our approach is further explained below in Section 6.

6. RESIDENTIAL VIABILITY ASSUMPTIONS

6.1. Typologies

6.1.1. As set out above in Section 3, for the purposes of the viability modelling it is appropriate to test different site typologies deemed to represent the likely development projects that would come forward over the plan period.

6.1.2. For the purposes of this study, and following feedback through the stakeholder engagement, we consider the following typologies to be appropriate:

Site Type 1	5 dwellings
Site Type 2	10 dwellings
Site Type 3	30 dwellings
Site Type 4	80 dwellings
Site Type 5	125 dwellings
Site Type 6	250 dwellings
Site Type 7	40 retirement apartments
Site Type 8	100 apartments

6.1.3. By way of explanation:

- We note that Annex 2 of the National Planning Policy Framework describes 'major development' as being sites providing 10 or more homes (or over 0.5 Ha). The National Planning Policy Framework also separately states that affordable housing should only be applied to major development sites. We therefore consider it appropriate to assume at least 1 site type which qualifies as non-major development. For this reason, we have included Site Type 1 (5 dwellings) as not attracting an affordable housing requirement.

- Site Type 2 (10 dwellings) has been included as being the first dwelling type which would qualify as major development and therefore attract an affordable housing provision. Furthermore, this is a relatively small scale development which we have assumed would be delivered by small, local housebuilders rather larger regional builders. The viability inputs have to be adjusted to reflect this type of builder (for example, in our experience local builders are more likely to be willing / able to accept lower profit levels, however equally they are less likely to be able to secure cost savings in material, labour and finance which tend to be more available to volume housebuilders).

- Site Type 3 (30 dwellings) has been included as being a development more likely to be delivered by a regional house builder. Again, the development costs have been adjusted to reflect the nature of the developer implementing the project.

- Site Type 4 (80 dwellings) has been included as being a development more likely to be delivered by a volume house builder (regional or potentially national). Again, the development costs have been adjusted to reflect the nature of the developer implementing the project.

- Site Type 5 (125 dwellings) has been included as being a development scale which is likely to attract a volume housebuilder. Again, the development costs have been adjusted to reflect the nature of the developer implementing the project.

- Site Type 6 (250 dwellings): following feedback through the stakeholder engagement this has been included as being a development scale which is again likely to attract a volume housebuilder. Again, the development costs have been adjusted to reflect the nature of the developer implementing the project.

- Site Type 7 (40 retirement apartments) this is a specialist product subject to its own costs.

- Site Type 8 (100 apartments) this is a different type of development subject to its own costs. Within the last 10 years there have been examples of apartment developments (in Hebburn and South Shields) therefore we consider it appropriate to include this in the modelling.

6.1.4. Please note, for larger strategic sites it is considered appropriate to assess these on a 'site by site' basis. These will be appraised once the sites have been identified, which we understand the Council is currently progressing separately.

6.2. Greenfield and Previously Developed Land

6.2.1. Development sites will generally fall into 2 categories: sites that have been developed previously and are being redeveloped for a new purpose (sometimes referred to as 'brownfield' land or 'previously developed land') and sites that have never been developed before (often referred to as 'greenfield' land).

6.2.2. There can be significant differences between greenfield and previously developed land. For example:

- Greenfield sites are likely to require new service connections onto the site (i.e. electrics, water, gas, broadband, drainage), as well as the creation of a new entrance point onto the site. In comparison, a previously developed site is likely to have an existing entrance and service connections (albeit these may need upgrading).

- Furthermore, dependent on the previous uses, a previously developed site may suffer from issues such as contamination which requires remediation / decontamination, whereas this is less likely to affect greenfield sites. This is likely to affect the level of abnormal costs which typically impact on greenfield and previously developed land (although this will depend on site circumstances).

- There will also be differences in terms of the underlying value of each site. When assessing viability, the benchmark land value has to be determined (as discussed above in Section 3). This involves first establishing the existing use value and then applying a premium uplift. For a greenfield site the existing use value may be relatively modest (for illustrative purposes only say £10,000 per acre for agricultural land). In comparison, a previously developed site may have an existing building in situ which has a significantly higher existing use value compared to the agricultural land (again for illustrative purposes say £150,000 per acre). This is important, because the same premium uplift cannot therefore be applied to both sites (e.g. a 10 times multiple may be reasonable for a greenfield site to give a benchmark land value of £100,000 per acre, but this 10 times multiplier on the previously developed land would equate to £1.5million per acre, which would be excessive for the purposes of establishing benchmark land value. For this reason, different levels of premium uplift need to be applied to greenfield sites compared to previously developed land.

6.2.3. To ensure these differences are appropriately captured in the modelling, for each of the typologies set out above in 6.1 we have subsequently adopted a 'greenfield' model as well as a separate 'previously developed land' model (e.g. for Type 1 which is 5 dwellings, we have run an appraisal based on this being greenfield land, as well as separate model which assumes this would be delivered on previously developed land).

6.3. Density

6.3.1. Density rates will fluctuate from scheme to scheme and are usually expressed as a rate per net or gross Ha. We have considered this on the basis of dwellings per net developable Ha.

6.3.2. The 'net developable area' of a site is the area where construction can take place. On small schemes it may be that effectively the whole of the site can be developed (to include the required highways access, external areas etc). However, on a larger scale scheme there could be a variety of reasons why certain sections of the site cannot be developed. Reasons could include (but not exhaustive): on site public open space requirements, Biodiversity net gain offsetting, drainage requirements (such as balancing ponds), existing rights of way over the land, site configuration, highways requirements, type of land, location etc.

6.3.3. Housing density can depend on a variety of factors, for example higher value locations tend to attract larger homes, therefore lower density rates per net Ha (and vice versa). Furthermore, if a scheme has a high proportion of bungalows (which tend to have larger plots) this can also reduce the density of a scheme.

6.3.4. In terms of the guidance, we note that paragraph 125 of the National Planning Policy Framework refers to optimising land and maximising density levels (albeit within the context of existing or anticipated shortage of land for meeting identified housing needs). Furthermore, the Planning Practice Guidance: Effective use of land also refers to optimisation of land ensuring density rates are at appropriate levels. It is therefore important for the viability modelling not to 'underplay' density rates as this would be contrary to the intention of the guidance.

6.3.5. We have recently completed a number of plan making viability reviews across the North East region, including in Newcastle, Gateshead, County Durham and Northumberland. In each case our approach has been accepted by an Inspector through an Examination in Public process. In terms of densities, the following were applied:

Newcastle / Gateshead: brownfield and greenfield housing circa 40 dwellings per net Ha. This increases significantly for apartments to 400 dwellings per net Ha.

County Durham: brownfield and greenfield housing circa 32.5 to 35 dwellings per net Ha.

Northumberland: brownfield and greenfield housing circa 30 to 35 dwellings per net Ha.

6.3.6. We have also analysed a number of planning permissions brought forward in South Tyneside in recent years. Please note, only the gross site areas are available on the planning applications. To arrive at a net developable area, we have applied a fixed gross to net ratio of 85%.

Table 6.1 South Tyneside planning permission density rates

Reference	Applicant / Developer	Dwellings	Gross Ha	Density / gross	Assumed Net Ha	Density / net	Planning Permission Decision Date
ST/0108/15/FUL	Stella Property Investments	5	0.21	23.81	0.19	26.46	30/07/2015
ST/0046/13/FUL	Gentoo Homes	16	0.70	22.86	0.63	25.40	23/08/2013
ST/0322/17/FUL	Gentoo Homes	18	0.53	33.96	0.48	37.74	24/11/2017
ST/0274/17/FUL	Isos Housing	18	0.31	58.06	0.28	64.52	08/12/2017
ST/1258/16/LAA	South Tyneside Housing Ventures	20	0.47	42.92	0.42	47.69	07/08/2017
ST/1066/13/FUL	Keepmoat	32	0.71	45.07	0.64	50.08	20/01/2014
ST/0969/13/FUL	Gladedale / Bett Homes	33	1.15	28.70	1.04	31.88	07/03/2014
ST/0715/13/LAA	South Tyneside Homes (Housing Ventures)	33	0.90	36.67	0.81	40.74	23/10/2013
ST/0938/14/FUL	Bett / Avant Homes	42	1.99	21.11	1.79	23.45	23/01/2015
ST/1107/18/FUL	Gentoo Homes	62	1.51	41.06	1.36	45.62	07/07/2020
ST/0160/19/FUL	Centaurea Homes	62	2.00	31.00	1.80	34.44	17/01/2020
ST/0013/13/FUL	Gleeson Development	81	2.42	33.47	2.18	37.19	25/03/2013
ST/0812/19/FUL	Keepmoat Homes	91	2.69	33.83	2.42	37.59	21/02/2020
ST/0503/14/FUL	Bellway	118	3.54	33.33	3.19	37.04	10/12/2014
ST/0773/16/FUL	Miller Homes / Siemens PLC	334	10.25	32.59	9.23	36.21	08/09/2017
ST/0539/15/FUL	Barratt Homes	335	9.10	36.81	8.19	40.90	17/05/2016
		Average		34.70		38.56	

6.3.7. As demonstrated above, density rates will naturally fluctuate from site to site. However, based on our analysis, the general tone points to a density of 35 – 40 dwellings per net Ha as being a reasonable reflection of sites which have come forward.

6.3.8. For the purposes of our 'base' appraisal testing, for site Types 1 and 2 we have assumed a density rate equivalent to 30 dwellings per net Ha. For Types 3, 4, 5 and 6 we have increased this to 35. For site Type 7 (40 retirement apartments) we have assumed 100 dwellings per net Ha and for Type 8 (100 apartments) we have assumed 400 dwellings per net Ha. These allowances are considered to be consistent with our expectations for schemes of this nature.

6.3.9. However, following feedback from the stakeholder engagement, we have run an additional scenario (see Sensitivity Test 4) whereby the typologies in the higher value areas (being Cleadon and East Boldon / Whitburn, see below Section 6.6) are reduced to 30 dwellings per net Ha. This reflects the fact that larger plots may be deemed more appropriate in these market locations.

6.3.10. Furthermore, given the government's requirement to optimise sites, we have also run an additional Sensitivity Test 8 which increases the density to 40 dwellings per net Ha.

6.4. Gross to Net Ratio

6.4.1. Gross to net ratios will also fluctuate from scheme to scheme, dependent on the surrounding circumstances.

6.4.2. However, for the purposes of an area wide study it is appropriate to adopt broad average ratios. The following assumptions have been applied to the other recent North East region whole plan viability studies:

Newcastle / Gateshead: 15 dwelling typology gross to net 100%. 50 dwelling 90% gross to net. 100 dwelling 75% gross to net. 100 apartment 100% gross to net. 40 retirement apartments 70% gross to net.

County Durham: 5 dwellings typology gross to net 90%. 20 dwelling 90% gross to net. 50 dwelling 85% gross to net. 80 dwelling gross to net 85%. 125 dwelling gross to net 80%.

Northumberland: 6 dwellings typology gross to net 100%. 15 dwelling 83% gross to net. 50 dwelling 70% gross to net. 100 dwelling gross to net 70%. 40 retirement apartments 70% gross to net.

6.4.3. In the sample of planning applications referred to above in Table 6.1 the net developable areas are not shown in each of the planning applications. We are therefore unable to analyse the gross to net ratio for these schemes.

6.4.4. By way of additional evidence, we have also referred to an in-house database which records individual viability appraisals as prepared by applicants and submitted to CP Viability. The database includes over 200 appraisals from the wider northern and east midlands region of England, showing key viability assumptions made by applicants. Given the sensitive nature of the data we are unable to disclose the full information, however we are able to consider average rates as calculated (which has been accepted as evidence within an appeal setting). It is recognised this offers only an insight into the market and clearly there will be fluctuations from site to site. Nevertheless, this is considered to be useful data and can complement other available evidence. This shows the following:

- Types 1 and 2 (combined being a sample of 11 schemes) show 100% gross to net ratios.

- For Type 3 not all of the net developable areas are provided across the sample of 24 schemes (being schemes providing between 25 and 35 dwellings). However, for those where a net developable area is provided the gross to net ratio shows broadly 85% to 90%.

- For Type 4 not all of the net developable areas are provided across the sample of 27 schemes (being schemes providing between 70 and 90 dwellings). However, for those where a net developable area is provided (14 in total) the average is 80.55%.

- For Type 5 again not all of the net developable areas are provided across the sample of 18 schemes (being schemes providing between 100 and 150 dwellings). However, for those where a net developable area is provided (6 in total) the average is 80.24%.

- For Type 6 again not all of the net developable areas are provided across the sample of 11 schemes (being schemes providing between 200 and 300 dwellings). However, for those where a net developable area is provided (6 in total) the average is 72.66%.

- For Type 7 the sample is relatively small at 5 schemes. The gross to net shown is circa 70% to 75%.

- For Type 8 the sample is 12 schemes. The gross to net shown for each is 100%.

6.4.5. However, in terms of the stakeholder comments, a number of responses queried whether the allowances used in our initial modelling sufficiently accounted for the minimum 10% Biodiversity Net Gain requirement (as well as Sustainable Drainage Systems "SUDS"). As set out in section 4.6 above, we have assumed that it is unlikely most sites will be able to meet this policy requirement through onsite provision. Whilst some onsite land may be available, in reality the majority of the policy requirement would be met through an offsite contribution.

6.4.6. Adopting a cautious approach, for the onsite provision we have assumed that 10% of the gross site area would be provided as land that meets the requirement of the Biodiversity Net Gain policy. This is charged at £20,598 per Ha. For the offsite provision, we have assumed an equivalent portion of 100% of the site gross area would need to be offset for example through the use of a Habitat Bank, as described above). For illustrative purposes, if a 10Ha site had a 10% onsite provision of 1Ha, our approach assumes that a further 10Ha would be required offsite. This is calculated at £20,000 per Ha as discussed above in Section 4.6 (i.e. £200,000). There would also be an onsite cost of £20,598 x 1Ha (i.e. £20,598). The overall cost to the developer for meeting the Biodiversity Net Gain policy would therefore total £220,598 in monetary terms in this example, plus 1Ha of the site being set aside and not available for development.

6.4.7. In light of the assumption that 10% of a site would be offered as land for Biodiversity Net Gain purposes (which was not required in the other North East studies we have undertaken or the examples developments we have referred to) we have adjusted our gross to net areas to the following:

Site Type 1	-	90% gross to net
Site Type 2	-	90% gross to net
Site Type 3	-	75% gross to net
Site Type 4	-	70% gross to net
Site Type 5	-	65% gross to net
Site Type 6	-	65% gross to net
Site Type 7	-	70% gross to net
Site Type 8	-	85% gross to net

6.5. Dwelling Mix and Sizes

6.5.1. As with density / gross-to-net ratios, dwelling mix and sizes will vary from site to site. In higher value locations it may be that the market expects a higher proportion of larger detached housing, increasing the overall average size. Conversely, in lower market areas it may be more appropriate to have a higher proportion of smaller semi-detached / terraced dwellings, which reduces the overall average. Furthermore, an increased use of apartments, 3 storey townhouses, bungalows etc would each impact on the overall average dwelling size.

6.5.2. We are also mindful of the Nationally Described Space Standards, which is an optional standard of minimum dwelling sizes which Councils can choose to adopt as a policy through a Local Plan.

6.5.3. To establish appropriate dwelling sizes and mixes for the purposes of the typology testing we have reviewed a number of recent developments brought forward across the South Tyneside District, since 2019 (with 12 schemes identified in total). We have analysed the sales shown on the Land registry for each scheme and cross-referenced this against the EPC register which gives an indication of size for individual dwellings. By way of the summary, the range of dwelling sizes across the various schemes are as follows:

- Detached: 80 sq m to 170 sq m. The most common banding was 110 – 120 sq m (with dwellings of this size shown in 6 of the 7 schemes identified that had detached dwellings).

- Semi-detached: 50 sq m to 160 sq m. The most common banding was 70 – 80 sq m (with dwellings of this size shown in 6 of the 8 schemes identified that had semi-detached dwellings).

- Terraced: 50 sq m to 160 sq m. The most common banding was 70 – 80 sq m (with dwellings of this size shown in 3 of the 4 schemes identified, although that had terraced dwellings).

- Apartments: 45 sq m to 80 sq m. The most common banding was 60 – 65 sq m (with dwellings of this size shown in 2 of the 4 schemes identified, although that had apartments). Please note, 2 of the 4 schemes identified provided apartments only (i.e. no additional housing was provided within the scheme).

6.5.4. As shown above dwelling sizes will fluctuate from site to site. It is not therefore possible when adopting a typology approach to account for all potential dwelling size permutations. Instead, it is appropriate to identify average dwelling sizes across the typology testing.

6.5.5. It is also important to apply an appropriate mix of dwellings and to ensure that the density / capacity of the scheme is realistic.

6.5.6. In terms of appropriate mix, again this will fluctuate from site to site and also will depend on the typology being considered. For the purposes of the modelling, we initially considered the following dwelling mixes to be appropriate:

Site Types 1 & 2 (5 & 10 dwellings) – 60% detached 40% semi

Site Type 3 – 40% detached 30% semi 30% terraced

Site Types 4, 5 & 6 (80, 125 & 250) – 40% detached 30% semi 30% terraced

Site Type 6 (40 retirement apartments) – 100% apartment

Site Type 7 (100 apartments) – 100% apartment

6.5.7. However, following the stakeholder engagement process, responses were received which indicated that the proportion of terraced units was too high. In light of this, we have adjusted our mix to the following:

Site Types 1 & 2 (5 & 10 dwellings) – 60% detached 40% semi

Site Type 3 – 40% detached 40% semi 20% terraced

Site Types 4, 5 & 6 (80, 125 & 250) – 40% detached 40% semi 20% terraced

Site Type 6 (40 retirement apartments) – 100% apartment

Site Type 7 (100 apartments) – 100% apartment

6.5.8. Based on the above dwelling mixes, for our base appraisals we have adopted the following dwelling sizes for each site type:

Table 6.2 Assumed average dwelling sizes for each typology

Typology	Units	Detached Sq m	Semi Sq m	Terrace Sq m	Flat Sq m
Type 1	5	110	80	-	-
Type 2	10	110	80	-	-
Types 3, 4, 5, 6	30, 80, 125, 250	110	80	70	-
Type 7	40	-	-	-	65
Type 8	100	-	-	-	60

6.5.9. We have subsequently compared these assumptions to the requirements of the NDSS, to determine whether there is any significant difference. See above para 4.13 (and in particular Table 4.5) which sets out how these differentiate to the NDSS requirements. For the purposes of our Sensitivity Test 3 (which looks to meet the minimum requirements of the NDSS) we have adjusted the dwelling sizes as follows:

- 2 bed flat increased from 60 sq m to 61 sq m.
- 2 bed terrace stays at 70 sq m.
- 3 bed semi increased from 80 sq m to 84 sq m.
- 4 bed detached retained at 110 sq m (despite the NDSS minimum requirement being 97 sq m).

6.5.10. For the purposes of our base modelling (setting our NDSS scenario aside) based on the above dwelling mixes, we have adopted the following dwelling sizes for each site type:

Table 6.3 Scheme density / capacity and average dwelling size for scheme

Typology	Net area (Ha)	Total sq m	Density / capacity sq m per net Ha	Average unit size (sq m)
Type 1	0.17	490	2,940	98
Type 2	0.33	980	2,940	98
Type 3	0.86	2,700	3,150	90
Type 4	2.29	7,200	3,150	90
Type 5	3.57	11,250	3,150	90
Type 6	7.14	22,500	3,150	90
Type 7	0.40	2,600	6,500	65
Type 8	0.25	6,000	24,000	60

6.5.11. In addition, as referred to above in 6.3.10, there is a greater emphasis from the Government of looking to optimise sites by increasing densities. Our Sensitivity Test 7 therefore increases the density to 40 dwellings per net Ha. In order to provide a higher number of dwellings per net Ha, a developer could utilise apartments, provide a higher proportion of terraced dwellings, use more 'townhouse' style dwellings over 3 storeys. In each case, this would impact on the overall average dwelling size. In Sensitivity Test 8 we have assumed a higher proportion of semi-detached and terraced dwellings to uplift the number of dwellings per net Ha to 40 (but ensuring the capacity is still realistic).

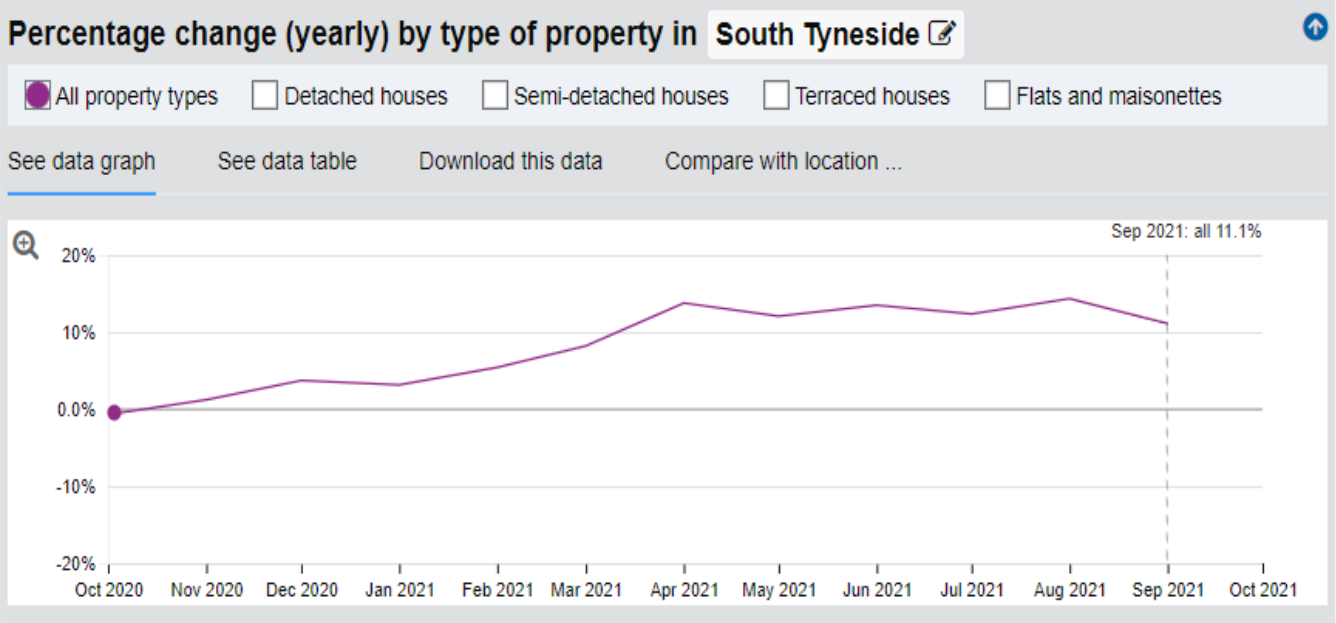
6.6. Revenue – Market Value

6.6.1. In terms of current market conditions, the narrative around the residential market continues to be linked strongly to the Covid-19 pandemic. Following the introduction of government restrictions in March 2020 there was initially a high level of uncertainty around house prices, with widespread concerns that values would be subject to a sharp decline. The initial fears were not ultimately realised, with the market outperforming most commentator predictions by showing growth (sharply in some cases) above pre-pandemic levels during the Summer / Autumn of 2020 as the market re-opened. This stronger than anticipated performance was due to a number of factors including; a continuing imbalance between supply a demand, government stimulus (most notably the stamp duty holiday) and also social factors such as families wishing to move to larger detached premises with garden space (following their experiences in lockdown and more people working from home).

6.6.2. This general growth in the market has continued into 2021. The main headlines of the RICS' latest UK Residential Market Survey (October 2021) are as follows (see Appendix 17 for the full report):

- Sales soften over the month, but buyer enquiries return to positive growth.
- Lack of stock remains an issue, with new instructions falling once again.
- House prices continue to rise across the UK.

6.6.3. The general trend of house prices continuing to rise is reflected in the South Tyneside borough. According to the UK House Price Index, the average house price in South Tyneside has risen sharply during the last 12 months by circa 11.1%, as shown below:



6.6.4. In terms of the viability modelling, the first step is to establish whether a single average value is appropriate across the borough or whether it is necessary / appropriate to consider different value areas. As an initial view of the local market conditions we have referred to the Zoopla Zed index, which gives an indication of current value for a particular locality (based on all property types, including new build and second-hand sales). Based on the main settlements in the borough we note the following:

Table 6.4 Zoopla Current Average Values July 2021

Area	Zoopla Current Average Value July 2021
Jarrow	£ 148,754
South Shields	£ 155,455
Hebburn	£ 162,822
Boldon Colliery	£ 171,698
West Boldon	£ 221,271
Whitburn	£ 259,425
East Boldon	£ 264,369
Cleadon	£ 417,195

6.6.5. This points to Cleadon as being the highest value area, followed by East Boldon and Whitburn. West Boldon then falls between East Boldon / Whitburn and Boldon Colliery. Jarrow is the lowest value area, followed by South Shields and Hebburn with a slightly uplifted average. It is stressed that the Zoopla Zed Index is considered to provide a useful indication of average value areas from settlement to settlement, however there are limitations to the data as this will ultimately depend on the number of sales that have taken place in a locality as well as the existing housing stock in an area (for example if the existing housing stock is predominantly semi-detached dwellings, this would attract a lower average than if the area was predominantly detached houses). However, the evidence is still considered to be useful, particularly when supplemented with other evidence (as discussed below).

6.6.6. To provide a further insight into valuation variation across the borough we have also considered a 'beacon' approach. This is where a particular house type is identified, which is considered to be common to the various different areas of the borough. The value achieved for this house type is then compared (the idea being to distil, as far as possible, the only reason for a difference in value to be down to locational factors). The reality is that there will also be slight differences from house to house to reflect condition, garden size, layout etc however (and again considered alongside the Zoopla Zed Index) is considered to provide a useful indication of how values fluctuate across the borough.

6.6.7. For South Tyneside, the most typical dwelling type identified was an ex-Local Authority semi-detached dwelling ranging from 70 to 80 sq m. The average values achieved within the last 12 months as shown on the Land Registry, across the different settlement areas, can be summarised as follows:

Table 6.5 'Beacon' average values for ex-Local Authority housing (20-21)

Location	Ex Local Auth Average £psm
South Shields (NE33)	£ 1,196
South Shields (NE34)	£ 1,245
Hebburn	£ 1,292
Boldon Colliery	£ 1,379
Jarrow	£ 1,474
West Boldon	£ 1,538
Whitburn	£ 1,723
East Boldon	£ 1,737
Cleadon	£ 3,205

6.6.8. As with the Zoopla Zed Index, this points to Cleadon being the highest value area, followed by Whitburn / East Boldon. West Boldon is the next highest, with South Shields, Hebburn, Boldon Colliery and Jarrow making up the rest (albeit in a different order to that shown in the Zoopla Zed Index).

6.6.9. We have also considered 'modern' house sales (built since the 1990s) across the different settlements, again applying a beacon approach whereby a common dwelling type is compared across the different locations. In this case, a detached dwelling between 110 to 120 sq m is found in all the different locations. The average values identified are as follows:

Table 6.6 'Beacon' average values for modern detached(20-21)

Location	Det 110 - 120 sq m
Jarrow	£ 1,973
South Shields	£ 2,021
Boldon Colliery	£ 2,037
Hebburn	£ 2,279
Whitburn	£ 2,597
East Boldon	£ 2,801
Cleadon	£ 3,597

6.6.10. Again, this points to Cleadon as being the highest value area, followed by East Boldon and Whitburn (although there is a 'gap' between these 2 locations). Hebburn then shows a good level of value, above Jarrow and South Shields, as well as Boldon Colliery. However, please note, the Boldon Coliery sample size is based only on 1 dwelling, so this is less reliable than the other settlements, where there are multiple properties which form the samples.

6.6.11. Finally, we have also considered new build sales values as shown on the Land Registry for the South Tyneside borough achieved since 2018 (compared with the EPC Register to establish a price per sq m), as well as current asking prices for schemes being marketed for sale. We have identified 10 schemes in total, 6 being Hebburn, 2 in South Shields, 1 in Jarrow and 1 in East Boldon. Please see attached our Appendix 18 for a summary of the average prices achieved for the different dwelling types identified.

6.6.12. For Hebburn, in 5 out of the 6 developments identified the average value achieved is strong, in the region of £2,300 to £2,400 per sq m. In comparison, South Shields shows around £1,700 per sq m (the other South Shields scheme is not comparable as this is a McCarthy & Stone scheme, so reflects retirement flats rather than housing). Furthermore, Jarrow shows asking prices in the region of £2,050 per sq m. This suggest a cleat uplift in Hebburn for new build housing compared to Jarrow and South Shields (which was not necessarily reflected in the other data identified).

6.6.13. Having considered all of the above, we conclude that there is a good evidential justification here to adopt different value areas in South Tyneside when testing the plan policies (as there is a significant fluctuation in value across the different areas of the borough). Based on the above, we consider the following different value areas to be reasonable for the purposes of the viability testing:

- Cleadon
- East Boldon / Whitburn
- West Boldon / Boldon Colliery
- Hebburn
- South Shields / Jarrow

6.6.14. Please note, when we presented our initial value areas to the stakeholders through the workshop and follow up questionnaire (see Section 5) we had included Hebburn alongside West Boldon / Boldon Colliery. However, 2 parties indicated that Hebburn should not be in the same category as West Boldon / Boldon Colliery. Having revisited the evidence, we agree that Hebburn should have its own distinct category.

6.6.15. For each of these value areas we have looked to identify an average new build value for detached, semi-detached, terraced, retirement apartments (in Site Type 7) and apartments (in Site Type 8).

6.6.16. In the stakeholder engagement we presented the following initial value assumptions (with Hebburn alongside West Boldon / Boldon Colliery as discussed above in para 6.6.14):

Table 6.7 Initial average values (superseded – see below)

Value areas	Det £psm	Semi £psm	Terr £psm
Cleadon	£3,500	£3,250	£3,200
East Boldon / Whitburn	£2,800	£2,600	£2,550
West Boldon / Boldon Colliery / Hebburn	£2,400	£2,350	£2,300
South Shields / Jarrow	£2,100	£2,050	£2,000

6.6.17. However, having amended the value categories to include a separate location for Hebburn and having revisited the evidence we have adopted the following assumptions for each area:

Cleadon – in all of the general value measures Cleadon returned the highest figures. This can therefore be considered as a separate and distinct market area. There is no recent new build evidence on which to rely on, however we have identified relatively modern housing (built by Persimmon in the 1990s) on Cleadon Lea which show strong 'second-hand' sales values of circa £3,500 to £4,400 per sq m for detached dwellings. Adopting a cautious approach, we therefore consider an average rate of £3,500 per sq m to be reasonable for new build detached dwellings in our modelling (although it is stressed that a higher rate could conceivably be justifiable).

This is adjusted to £3,250 per sq m for semi-detached and £3,200 per sq m for terraced. Retirement flats are apportioned a value of £4,500 per sq m, whilst normal market flats have a value of £3,500 per sq m.

East Boldon / Whitburn – the only new build evidence identified in this locality (being East Boldon) was Gentoo's Sandpiper View scheme. Large detached dwellings (150 – 170 sq m) attracted an average value of £2,914 per m in 2020. Furthermore, large semi detached dwellings (over 130 sq m) show an average of £2,760 per sq m. For large terraces of 110 sq m a value of £2,387 per sq m is shown and £3,280 per sq m for flats of 60-65 sq m. Typically, when assessing a particular dwelling type (such as a detached) the smaller the dwelling size the higher the rate per sq m, for reasons of quantum. If a detached dwelling of 150 sq m achieved £2,914 per sq m, we would expect a detached of 130 sq m to achieve a higher rate per sq m, likewise if a semi of 130 sq m achieved £2,760 per sq m we would expect a semi of 110 sq m to achieve a higher rate per sq m and so on. For the dwelling sizes shown at the subject property (which are much smaller than those shown at Sandpiper View) we would therefore expect an uplift in the price paid per sq m. Furthermore, we would also expect some house price growth since 2020 (as shown above in para 6.6.3 on the UK House Price Index values have grown sharply in South Tyneside in the last 12 months).

We note that in one of the stakeholder responses a question was raised as to whether the Gentoo Homes scheme was representative of the area. However, this is subjective. The fact that this scheme came forward in this particular locality (and achieved sales) points to this being reflective of the local market demand. We therefore consider this to be suitable evidence to rely on for the purposes of the testing and stand by its inclusion.

Notwithstanding this, we have also reviewed the 'modern' second-hand sales in the area. In Whitburn we note 3 large detached dwellings averaging 176 sq m on Range View (developed by Avant Homes in 2016/2017). These achieved an average sales price of £3,133 per sq m between 2019 and 2021 (although the most recent sale achieved £3,555 per sq m). As discussed above, we would expect smaller dwellings to attract a higher rate per sq m. In East Boldon, we note sales of detached dwellings (averaging 97 sq m) on Langdale Way, a 1990s Persimmon development, showing an average of £2,839 per sq m. Whilst there would be a slight reduction for a larger detached dwelling of 110 sq m (as proposed in our modelling) we would expect a new build property to carry a premium uplift over a second-hand property. We also note small semi-detached dwellings on Borrowdale Close (averaging 60 sq m) which is a Bellway Homes scheme from the 2000s. These show a sales average of £3,481 per sq m.

Having considered the above, for a new build detached dwelling of 110 sq m (and recognising that this would be below the values achievable in Cleadon), adopting a cautious approach we consider an average rate of £3,000 per sq m to be appropriate for the modelling. This is adjusted to £2,800 per sq m for semi-detached and £2,750 per sq m for terraced. Retirement flats are apportioned a value of £4,000 per sq m, whilst normal market flats have a value of £3,000 per sq m.

West Boldon / Boldon Colliery – like Cleadon, there is no recent new build evidence on which to rely on. However, our analysis of the Zoopla and 'beacon' evidence suggests that the values here would be below that achievable in East Boldon / Whitburn. We have subsequently also reviewed the 'modern' second-hand sales in the area. In Boldon Colliery we note a 1990s detached dwelling of 95 sq m on Kingswood Close, which achieved £2,789 per sq m.

Furthermore, a Taylor Wimpey detached dwelling of 108 sq m (from 2010) achieved £2,037 per sq m in September 2020. Allowing for a premium for new build dwellings and inflation this would push the value closer to £2,500 per sq m. We also note smaller semi-detached dwellings averaging 58 sq m which in 2020 achieved £2,399 per sq m. Allowing for adjustments to reflect differences in the size but also sales inflation, a value in the region of £2,400 per sq m for a semi of 80 sq m is considered to be reasonable. Having considered the above, for a new build detached dwelling of 110 sq m, we consider an average rate of £2,500 per sq m to be appropriate for the modelling. This is adjusted to £2,400 per sq m for semi-detached and £2,350 per sq m for terraced. Retirement flats are apportioned a value of £3,500 per sq m, whilst normal market flats have a value of £2,500 per sq m.

Hebburn – there are a number of new build schemes in Hebburn which have either recently attracted sales or are currently being marketed. This includes Bedewell Court (Barratt David Wilson Homes), The Maples (Barrat David Wilson Homes), Westburn Village (Miller Homes), Riverside Village (Persimmon), Ellison Grove (Persona) and The Hawthorns (Keepmoat). 5 of the 6 schemes have detached dwellings ranging from 110-120 sq m, which show average values at £2,456, £2,422, £2,435, £2,522 and £2,356 per sq m. For semi-detached of 70-80 sq m, 4 of the 6 schemes show average values at £2,435, £2,372, £2,371 and £2,534 per sq m. Only 2 show terraces of 70-80 sq m, at £2,299 and £2,380 per sq m.

Having considered the above, for a new build detached dwelling of 110 sq m, we consider an average rate of £2,400 per sq m to be appropriate for the modelling. This is adjusted to £2,300 per sq m for semi-detached and £2,250 per sq m for terraced. Retirement flats are apportioned a value of £3,400 per sq m, whilst normal market flats have a value of £2,400 per sq m.

South Shields / Jarrow – in terms of new build evidence, we note Langdale Grange (Centaurea) in Jarrow, Trinity South (Keepmoat, which can be regarded as a 'low cost' developer) in South Shields and a McCarthy and Stone retirement apartment scheme (Seymour Court) also in South Shields. At Langdale detached dwellings of 110-120 sq m show an average of £2,107 per sq m. For semi-detached of 70-80 sq m the average if £2,078 per sq m. This reduces in Trinity South to £1,740 per sq m. At Seymour Court, the retirement apartments shown an average of £2,437 per sq m.

As for 'modern' second-hand sales, in Jarrow we note detached dwellings averaging 94 sq m on Lanvender Grove and Cedar Drive (built in 2003) showing an average of £2,077 per sq m. For a semi of 82 sq m on Lavender Grove we note a sale in June 2021 at £2,012 per sq m. In South Shields we note various sales from Keepmoat / Gleesons developments, however these are considered to be 'low cost' developers who have a different business model (see below for further consideration). These are not therefore comparable to an average or typical developer assumed in the majority of the typologies identified. However, we do note 5 sales of detached dwellings on Bellway and Persimmon schemes all built since 2014 (Lynwood Way, Woolf Drive, Bronte Way and Christie Close) averaging 94 sq m and achieving an average of £2,160 per sq m. Furthermore, on Starthmore Gardens there is a detached dwelling of 113 sq m, which was built by Persimmon in 2006, which achieved £2,257 per sq m in October 2020.

As for semi-detached, again within the same Bellway / Persimmon schemes, we note 5 sales for houses averaging 82 sq m, which show an average of £1,948 per sq m. However, 3 out of the 5 sales were achieved in 2020. In 2021, the values achieved are £2,000 and £2,054 per sq m.

Having considered the above, for a new build detached dwelling of 110 sq m, we consider an average rate of £2,450 per sq m to be appropriate for the modelling. This is adjusted to £2,350 per sq m for semi-detached and £2,300 per sq m for terraced. Retirement flats are apportioned a value of £3,500 per sq m, whilst normal market flats have a value of £2,500 per sq m.

6.6.18. By way of summary, we have subsequently applied the following average values to the base modelling:

Table 6.8 Final average values

Value areas	Det £psm	Semi £psm	Terr £psm
Cleadon	£3,500	£3,250	£3,200
East Boldon / Whitburn	£3,000	£2,800	£2,750
West Boldon / Boldon Colliery	£2,500	£2,400	£2,350
Hebburn	£2,400	£2,300	£2,250
South Shields / Jarrow	£2,250	£2,150	£2,100

6.6.19. In addition, for the retirement apartments we have assumed an uplift of £750 per sq m compared to the detached dwelling rates. In other words, in Cleadon the allowance is £4,250 per sq m, in East Boldon / Whitburn £3,750 per sq m, West Boldon / Boldon Colliery £3,250 per sq m, Hebburn £3,200 per sq m and South Shields / Jarrow £2,850 per sq m.

6.6.20. For the apartments (which are not age restricted) we have assumed the same rates as used for the terraced dwellings. In other words, in Cleadon the allowance is £3,200 per sq m, in East Boldon / Whitburn £2,750 per sq m, West Boldon / Boldon Colliery £2,350 per sq m, Hebburn £2,300 per sq m and South Shields / Jarrow £2,100 per sq m.

6.6.21. Finally, we note in the identified evidence that some of the schemes in the borough have been brought forward by 'low cost' housebuilder specialists (for example Gleeson and Keepmoat). Housebuilders which fall into this category have a different business model to the majority of volume housebuilders, offering a more basic product specification and generally a higher proportion of smaller dwellings. This changes the dynamic of the viability model, as the sales values are typically lower, as are the build costs. However, the higher density helps improve the scheme viability. In light of this, we have run a Sensitivity Test 9 which is based on a low-cost housebuilder model. In terms of the average values which feed into this modelling we have assumed an average of £2,000 per sq m for the detached dwellings, £1,900 per sq m for the semi-detached and £1,850 per sq m for the terraced. We have also assumed a higher density of 40 dwellings per net Ha (with an adjusted mix of 20% detached, 60% semi-detached and 20% terraced).

6.7. Revenue – Affordable Housing

6.7.1. The National Planning Policy Framework ("NPPF") July 2021 Appendix 2 defines affordable housing as including:

- Affordable housing for rent (Social Rent or Affordable Rent). These are dwellings which are transferred to and managed by a Registered Social Landlord, who pays a transfer price for each dwelling from the developer, based on the gross rental income, rental deductions and period of time which the asset will be held.

- Starter Homes. This has recently been replaced by 'First Homes'. This is whereby first-time buyers (that have to meet a particular criteria) receive a discount of at least 30% on market value at a price no higher than £250,000. First Homes are sold by the housebuilder to qualifying purchasers therefore a Registered Social Landlord is not involved in this type of affordable housing.

- Discounted market sales housing. To qualify as affordable housing these have be sold at a discount of at least 20% below market value. Eligibility is determined based on local incomes and local house prices.

- Other routes to home ownership: this can include shared ownership. This is where a dwelling is transferred to a Registered Social Landlord, who then sells a share in the property to a purchaser (for example 30%). The Registered Social Landlord therefore retains a 70% share in the property and rents this portion of the property to the occupier. The intention is that overtime the occupier is able to purchase a greater share in the property and eventually own the full dwelling outright.

6.7.2. The Council has indicated that, based on the South Tyneside Strategic Housing Market Assessment 2021 ("SHMA") there was a need for 209 affordable units per annum, with a suggested split of 75% for affordable housing for rent and 25% affordable home ownership.

6.7.3. However, the NPPF (para 65) states that:

> *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the total number of homes to be available for affordable home ownership.*

6.7.4. In other words, in a scheme of 100 dwellings, 10 would have to be provided as some form of discounted market sale.

6.7.5. Furthermore, the Government's First Homes policy (published May 2021) states in para 001:

> *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.*

6.7.6. In other words, if there is a requirement for 20 affordable dwellings on a site, at least 5 have to be provided as First Homes.

6.7.7. In terms of how values are attributed to affordable dwellings, for the rented products there are 2 main ways: (i) a percentage of market value is applied (ii) a detailed cash flow is undertaken to reflect likely rental income, gross to net rental deductions, before modelling this net income over a set period (often 30 years), with a view to achieving a Net Present Value of 0 (from which the effective values of the units can then be derived). For the discounted market sale this is simply a percentage of market value.

6.7.8. In our initial review we adopted the percentage of market value approach, which we presented to the stakeholders through the workshop and follow up questionnaire (see Section 5). For Social Rented units, which is the lowest value form of affordable housing, we assumed transfer prices equivalent to 40% of market value. For affordable rented we assumed 50% of market value. For discounted market sale we assumed these would be delivered as First Homes and therefore 70% of market value.

6.7.9. Through the stakeholder engagement the majority did not comment upon our approach. However, one response suggested that a more detailed assessment should be undertaken. In our experience, though, the "percentage of market value" approach is routinely used in the industry when undertaking viability (both at plan-making and decision-making stages). Furthermore, having recently undertaken a study for Sheffield City Council regarding how off-site commuted sums should be calculated, our engagement with Registered Providers demonstrated that Registered Provider's themselves use this approach as a reasonable 'rule of thumb' when sense-checking transfer prices. The method is therefore simple to apply and has the benefit of increasing with inflation. The alternative Discounted Cash Flow method is complex and subject to a variety of its own assumptions, which would (given the risk of small changes in these assumptions impacting on the outcome) would not necessarily produce a more robust outcome.

6.7.10. We have also recently undertaken Local Plan viability testing for Newcastle, Gateshead and Durham, in each case the plan having been adopted following an examination process. The percentage of market value approach was used in these Local Plan studies and deemed acceptable. The same approach has also been applied in the Northumberland Local Plan viability study, with the examination process ongoing. However, again, no concerns have been raised in terms of the percentage of market value approach.

6.7.11. We therefore consider a percentage of market value approach to be reasonable for determining the revenues that would be associated with affordable housing. We consider the following rates to be appropriate for the modelling:

- Social Rent 40% of market value
- Affordable Rent 50% of market value
- First Homes 70% of market value

6.8. Plot construction costs

6.8.1. For the purposes of this review, plot construction costs mean the cost of building each dwelling, including preliminaries and contractor's margin, but excluding externals, abnormals and a contingency allowance.

6.8.2. To establish the 'plot construction' costs (the cost of constructing a house from foundations up, but excluding any external works) we have reviewed the Build Cost Information Service ("BCIS") of the RICS, which is database regularly referred to by the industry when preparing viability assessments. This is also referred to in the Planning Practice Guidance: Viability (para 012) as being an appropriate source of evidence when testing viability at the Local Plan stage.

6.8.3. The BCIS is a favoured tool in the industry, particularly for the purposes of an area wide study. This is because the data, which is based on voluntary tender information submitted to the RICS, gives a rate per sq m to apply to an assessment. Furthermore, it also can be rebased to particular locations, and can also be adjusted dependent on the size of your dwellings (for example a rate is given for 2 storey housing and a separate rate for single storey dwellings), therefore giving greater accuracy.

6.8.4. It is stressed that, like any data source, it does have weaknesses which can often be overlooked. Firstly, as referred to above, the 'rate per sq m' shown in the BCIS includes the plot construction cost, site preliminary costs and the contractor's overhead allowance. However, it excludes external costs, contingency allowance and all abnormal works. If the BCIS is adopted the items excluded therefore need to be added back in. Likewise, it is important that items such as preliminaries are not 'double counted'.

6.8.5. Secondly, it is important to understand the context of the data. We note that between January 2015 and November 2021 there were 148 separate housing schemes across the UK which were used for 'elemental' analysis in determining the various BCIS rates. Of this sample, the size of schemes ranged from 1 house to 130 houses, with an average of 20.52 houses per scheme submitted into the data. In terms of mix, 92.57% of the sample comprised schemes consisting of 50 houses or less, with 66% being schemes of 20 units or less. Only 7.43% of the sample (6 schemes) comprised 50 or more dwellings.

6.8.6. In other words, the vast majority of the data used for analysis when determining the various BCIS rates was derived from small schemes implemented by either local or relatively small contractors. It is also our understanding that no volume house builder contributed to the aforementioned sample.

6.8.7. It is generally accepted that volume housebuilders are able to construct houses at a cheaper rate than smaller building firms (owing to their ability to bulk-buy materials and their ability to offer more regular work, therefore negotiate cheaper contracts with sub-contractors etc). The BCIS acknowledges this through a note on "Economies of Scale" it published on 25th Oct 2016 (see Appendix 19), which states the following:

Pricing levels on building contracts tend to fall as the size of the project increases.

The latest BCIS Tender Price Study, based on project tender price indices analysed by contract sum, shows that pricing levels fall by as much as 20% between small contracts and multimillion pound schemes.

Compared to the mean value of projects in the study of £1.7million projects, pricing on small projects is 10% higher, while pricing on projects over £40million can be 10% lower.

6.8.8. The sample used in the elemental analysis only includes a small number of larger scale projects, instead it is mostly derived from schemes comprising 20 or less houses. As the cheaper volume house-builder costs are not reflected within this sample, the data can be regarded as being inherently high, at least when trying to determine the construction costs for a large scheme (in excess of say 20 units). For this reason, the BCIS is considered to be less reliable for larger developments (particularly those which would require implementation by a large volume house builder). To account for this, the BCIS lower quartile figure is often deemed a more appropriate benchmark for larger scale projects.

6.8.9. Thirdly, the data is partly estimated and is vulnerable to short-term 'spikes' in the wider construction market (regardless of whether this has in fact filtered through to specific tender prices for specific products e.g. housing). This can cause sharp short-term 'jumps' in the BCIS rates shown, which then typically level off in the future. For undertaking a study at a particular point in time, this can provide an unbalanced view of the market.

6.8.10. The BCIS is a useful tool and routinely used when undertaking area wide studies. However, there are weaknesses in the sampling, particularly when assessing larger scale projects. As such, the context of the data needs to be understood and adjustments should be applied to certain scheme types.

6.8.11. Furthermore, the following appeal decisions (as previously referred to in Section 3) are relevant here:

Poplar Close, Ruskington (ref 3150756)

- Greenfield site, 67 dwellings.
- Average sales values £2,100 - £2,300 per sq m.
- Use of lower quartile BCIS agreed and accepted by the Inspector.

Flaxley Rd, Selby (ref 3149425)

- Greenfield site, 202 dwellings.
- Average sales values £2,000 per sq m.
- Inspector ruled that the lower quartile BCIS was not appropriate for determining build costs when a scheme was (i) likely to be delivered by a volume house builder and (ii) other information / data was available.
- A figure below the lower quartile was accepted by the Inspector.

Lowfield Road, Bolton upon Dearne, Barnsley (PINS ref 3170851)

- Greenfield site, Phase 3 97 dwellings.
- Low value location.
- Inspector accepted build costs significantly lower than the BCIS lower quartile, on the basis of the scheme was likely to be delivered by a 'low cost' developer.

6.8.12. Two of the three appeal decisions therefore advocate the use of a build cost below the BCIS lower quartile in relation to scheme being delivered by volume housebuilders (either regional or national). In the case of a low value location scheme (implemented by a 'low cost' developer), the build costs are some-way below the BCIS lower quartile rate. This is also reflected in our own experience of undertaking individual viability assessments in low value locations, where we typically see build costs below the BCIS lower quartile rate.

6.8.13. During the stakeholder engagement the general feedback was that the approach and use of the BCIS data was appropriate (in terms of applying the BCIS lower quartile rate to schemes over 20 dwellings and the median figure to schemes below this level). The majority of the comments related to the need to reflect forthcoming changes to the Building Regulations (and also electric car charging points) in addition to the BCIS rate, which we have now allowed for (see Section 5).

6.8.14. In terms identifying an appropriate rate the BCIS does allow the data to be 'rebased' specifically to certain locations (including the South Tyneside area). The sample size for the South Tyneside area is stated as being '30'. The "BCIS Tender Price Studies – Location Study" (Sept 2018), as prepared by the BCIS (see Appendix 20) states:

> *"The higher the number in the sample, the more reliable the results are likely to be. Treat small samples (less than 20) with caution."*

6.8.15. In this case, the South Tyneside data is therefore considered to be appropriate to use for the modelling.

6.8.16. Furthermore, we consider that the 5 year data is the most appropriate to use here. This is the most recent data available in the BCIS and limits the data analysis to schemes completed within the last 5 years. The alternative is the 10 year data, or 'default' (which is 15 year data). However, and particularly where the sample size for a location is reasonable, like South Tyneside, we consider the older data to be less reliable. This is because build costs which occurred up to 15 years ago are used in the analysis, albeit adjusted with average inflation rates.

6.8.17. Our concern with this data is that in reality it is not always the case that build costs increase in a consistent away in line with inflation. For example, the cost of installing a combi boiler would have been relatively more expensive 15 years ago (as the technology was newer) than it would be today (i.e. economies of scale reduce costs). This is the same for solar panels, which have become comparatively cheaper in recent years due to an increase in mass production and efficiency savings in the technology. In light of this, the 5 year rate is considered to be more appropriate here and has been applied to our modelling.

6.8.18. The relevant BCIS rates identified, rebased to South Tyneside, that have been applied to our base modelling are as follows:

Estate housing lower quartile	**-**	**£964 per sq m**
Estate housing 2 storey median	**-**	**£1,085 per sq m**
Supported housing (flats) lower quartile	**-**	**£1,244 per sq m**
3-5 storey apartments lower quartile	**-**	**£1,089 per sq m**

6.8.19. However, in addition, having considered the modelling in the higher value locations (being Cleadon and East Boldon / Whitburn) we consider that the build costs are likely to be inflated in these locations to reflect higher specification requirements (which in turn would help drive the uplifted values achieved). To reflect this, in the Cleadon and East Boldon / Whitburn areas we have included a 10% uplift in the build costs to reflect enhanced specification requirements in these locations.

6.9. Externals / infrastructure

6.9.1. As discussed above, the BCIS rates exclude any allowance for external / infrastructure costs. For this reason, it is necessary to make additional allowances to cover standard road costs, drainage, services, parking, footpaths, landscaping etc.

6.9.2. At the stakeholder engagement we proposed a further 15% of the BCIS rate to cover standard externals. Generally, no concerns were raised against this approach.

6.9.3. By way of additional evidence, we have also referred to an in-house database which records individual viability appraisals as prepared by applicants and submitted to CP Viability (discussed above in para 6.4.4). This shows the following:

- Type 1 (sample of 4 schemes) shows an average external allowance of 10.95% of the plot construction cost.

- Type 2 (sample of 7 schemes) shows an average external allowance of 13.42% of the plot construction cost.

- Type 3 (sample of 24 schemes) shows an average external allowance of 13.63% of the plot construction cost.

- Type 4 (sample of 27 schemes) shows an average external allowance of 15.84% of the plot construction cost.

- Type 5 (sample of 18 schemes) shows an average external allowance of 15.27% of the plot construction cost.

- Type 6 (sample of 11 schemes) shows an average external allowance of 15.07% of the plot construction cost.

- Type 7 (sample of 5 schemes) shows an average external allowance of 10.58% of the plot construction cost.

- Type 8 (sample of 12 schemes) shows an average external allowance of 4.84% of the plot construction cost.

6.9.4. For the housing, a 15% allowance is therefore considered to be reasonable for the purposes of the Local Plan viability testing. For the retirement apartments we have applied 10% and for the non-retirement apartments we have applied 5%.

6.10. Contingency

6.10.1. As discussed above, the BCIS rates exclude any allowance for contingency. In our experience it is standard practice to include some level of contingency when preparing viability assessments (to cover unknown factors such as delays in construction due to poor weather).

6.10.2. That said, the Planning Practice Guidance: Viability (para 012) states the following:

> *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.*

6.10.3. This appears to imply that a contingency allowance should only apply to individual cases at the decision-making stage, not at plan-making stage. In this regard, including a contingency allowance can be regarded as being cautious (as it goes against the national policy guidance).

6.10.4. Notwithstanding the guidance set out above, we have again referred to our in-house database which records individual viability appraisals as prepared by applicants and submitted to CP Viability (discussed above in para 6.4.4). This shows that for greenfield sites the average applied is 3.41% and for brownfield it is 4.50%.

6.10.5. It is stressed that the above sample is derived from appraisals put forward by applicants. It should be noted that it is the interests of the applicant to try to 'down play' the viability of a scheme therefore there is the potential for costs to be pushed towards the upper limit of expectations. For this reason, it is the case that not all of the figures put forward by the applicant in their initial appraisal will have been accepted and in fact often will be reduced through the viability review process. It is therefore the case that if anything the sample of evidence referred to is likely to be slightly above expectations.

6.10.6. However, and appreciating this context, the evidence identified suggests there can be a differential in the contingency allowances put forward between greenfield and brownfield sites.

6.10.7. In terms of the stakeholder comments, the majority did not comment on our suggested 3% allowance for greenfield and 5% allowance for brownfield. However, one response supported a differential between greenfield and brownfield, suggesting that brownfield sites carry a greater risk. Another suggested a 5% figure for greenfield, although this goes against the evidence of decision-making stage appraisal referred to above and further is not in keeping with the suggestion in the guidance that contingency should potentially only be included at the decision-making stage.

6.10.8. Finally, a further response questioned the 2% differential between greenfield and brownfield. Having considered the above, we stand by the view that there is differential and this can be reflected in the modelling. However, the decision-making stage evidence did suggest a closer' 'gap' between the 2 around 1%, rather 2%.

6.10.9. In light of this, for the purposes of our modelling (and adopting a cautious approach) we have adjusted the contingency allowance to 3.5% in our greenfield schemes and 4.5% for the brownfield typologies. As discussed in Section 5, we have also run a Sensitivity Test 6 which excludes the contingency.

6.11. Abnormal developments costs / Site specific infrastructure

6.11.1. 'Abnormals' / Site Specific Infrastructure (from hereon for ease referred to just as abnormals) are considered to be costs over and above the 'typical' costs incurred in developing a scheme. A typical development cost is regarded as elements such as estate roads, drainage, general services, standard foundations, street lighting etc. Examples of abnormal costs (although not exhaustive) can include elements such as: decontamination works, demolition, asbestos removal, flood risk mitigation, enhanced foundations, 'extra-over' drainage requirements to reflect the specific circumstances of a site, construction of an offsite roundabout to improve the local highway networks, removing overhead electrical cables currently on site etc.

6.11.2. Given that abnormal costs will vary from site to site dependent on each specific circumstance the range of abnormal costs incurred can be significant (from zero to multi million pounds). For the purposes of an area wide viability study, which considers hypothetical typologies, it is therefore extremely difficult to identify a robust average.

6.11.3. For this reason, in some area wide studies assessors have chosen to exclude abnormal costs from the assessments. Furthermore, assessors have taken the view that any abnormal costs incurred would be (to the most part) net from the benchmark land value and which would offset any impact on the viability outcome. This is supported by the Planning Practice Guidance: Viability, which states (para 012) that:

- *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.*

6.11.4. It is therefore clear in the guidance that any assessment of benchmark land value should take into account the associated abnormals / infrastructure costs for each site (with the implication being the higher the abnormals / infrastructure costs the lower the benchmark land value and vice versa).

6.11.5. However, in our view it is still beneficial to make some level of allowance for abnormals in the appraisal testing, because in our experience in most cases developments will attract some form of abnormal costs. This therefore helps the typology testing to be more reflective of reality.

6.11.6. At the time of our stakeholder engagement we proposed an allowance of £247,100 per net developable Ha (£100,000 per net acre) for greenfield sites and £617,750 per net Ha (£250,000 per net acre) for brownfield sites.

6.11.7. As indicated above, the spot allowance approach is not entirely satisfactory as it is a broad assumption which is likely to vary significantly when applications are brought forward on a site by site basis. However, it at least acknowledges the reality that a higher proportion of developments typically come forward with some level of abnormal costs. Furthermore, it can also still be balanced against the appropriate benchmark land value, as per the requirements of the Planning Practice Guidance.

6.11.8. In terms of the stakeholder comments:

- 1 response stated that our approach was reasonable.
- 2 responses questioned the evidence to justify the allowance.
- Another supported the tiered approach (between greenfield and brownfield sites) but questioned the evidence.
- Another supported the tiered approach (between greenfield and brownfield sites) but suggested that the 'gap' between greenfield and brownfield was too high.

6.11.9. It is important to again reiterate that whatever the level of abnormal costs that are applied in the modelling, it is necessary to adjust the corresponding benchmark land value to an appropriate level. If nil abnormals are applied, then the corresponding benchmark land value has to be suitably increased to reflect this position. Equally, if £500,000 per Ha is applied then the corresponding benchmark land value has to be suitably reduced. For the purposes of Local Plan viability testing, what is critical is that there is an appropriate balance between the abnormals and benchmark land value, not the level of abnormal costs included (because in reality abnormals will vary significantly from site to site).

6.11.10. However, 1 response specifically referred to a variety of site examples and the abnormal costs identified in relation to these schemes (see Appendix 21). As stated above, this does not address the main issue, which is that the corresponding benchmark land value is adjusted to a suitable level to reflect whatever abnormal costs have been applied. Notwithstanding this, though, we note that this evidence has previously been considered by us as part of the County Durham Council Local Plan examination process, which took place 2019. Please note, in the Durham viability modelling a significantly lower allowance was made with respect to abnormals (albeit balanced against the corresponding benchmark land value), being £75,000 per net Ha for greenfield sites and £150,000 per net Ha for brownfield.

6.11.11. In our response to the examples provided at the County Durham Council Local Plan examination hearing, we made the following key points:

- In setting our level of abnormal costs in the County Durham Council Local Plan viability testing, an important piece of evidence used by us and also put forward by the stakeholders in the examination was an area wide study undertaken by Capita in 2018 for North Tyneside Council. This was deemed important as this had been through an examination process with the (at the time) new Planning Practice Guidance: Viability guidance, which had been published in 2018. Capita's modelling assumed nil abnormals for greenfield sites and £100,000 per Ha for brownfield sites. Corresponding benchmark land values had been adjusted to reflect these assumptions. This approach was subsequently accepted through the examination.

- Notwithstanding this, of the examples provided we noted that there was a risk of 'double counting' if these figures were applied to our modelling. The abnormal costs put forward include some elements which have been allowed for elsewhere in the viability testing (comprising SUDs, open space and ecology mitigation). To avoid double counting, we consider that these should be removed from the sample.

- Also, some of the samples include enhanced design specification costs. We do not consider this to constitute an abnormal cost. Enhanced specification works would be reflected within the sales values (i.e. the higher the specification, the higher the sales values).

- There were also some discrepancies on some of the examples with respect to the net developable areas stated, which served to uplift the abnormal costs when considered on a per net Ha basis.

- Some of the examples were also higher density schemes (for example 1 reflects 51 dwellings per net Ha, another had 46 dwellings per net Ha). Both schemes had enhanced foundation requirements, therefore applied to a higher number of dwellings per net Ha increases the abnormals per net Ha. Furthermore, if abnormal at this level are to be applied then it would also be necessary to increase the density rates in the modelling to reflect the 'up side' in terms of revenue of providing a higher density scheme.

- Previous evidence supported by the stakeholders as part of the County Durham Council Local Plan viability testing process were considerably different. This supported our view that abnormal costs can fluctuate significantly from site to site dependent on site specific circumstances.

6.11.12. The level of abnormal costs we adopted in the County Durham Council Local Plan viability testing was accepted by the Inspector through the examination process (and the Local Plan was adopted in October 2020).

6.11.13. In terms of other examples of assumptions applied in Local Plan studies, we note:

- Sunderland's Local Plan viability update[5] dated October 2020 (undertaken by HDH Planning & Development). For greenfield sites, the modelling was based on nil abnormal costs, whilst for brownfield sites this was assumed at 10% of the BCIS plot construction cost. If applied to the our modelling at this level this would be equivalent to a range of £252,000 to £334,026 per net Ha.

- Newcastle & Gateshead Local Plan assessments, since approved through examination, a fixed rate of £150,000 per net Ha was applied between urban and non-urban sites. This was a study undertaken by CP Viability.

- Northumberland Local Plan assessments, examination ongoing, includes greenfield abnormals at £75,000 per net Ha and £150,000 per net Ha. This was a study undertaken by CP Viability.

6.11.14. In summary, for the Capita North Tyneside and HDH Sunderland Local Plan studies a nil figure was adopted for abnormals in greenfield sites. For brownfield, Capita's allowance was £100,000 per net Ha, whereas HDH's allowance was circa £250,000 to £335,000 per net Ha for brownfield. In other North East studies that we have been involved with (Durham, Newcastle, Gateshead and Northumberland) the allowances ranged from £75,000 to £150,000 per net Ha.

[5] https://www.sunderland.gov.uk/media/22879/AD-33-Viability-Update-2020-/pdf/AD.33_Viability_Update_2020.pdf?m=637453516738470000&ccp=true#cookie-consent-prompt

6.11.15. Our initial suggested rates of £247,100 per net Ha and £617,750 per net Ha therefore appear overly cautious within this context. However, we would stress that the greenfield allowance was based on our review of sites that we have appraised at decision-making stage (as referred to in para 6.4.4). This shows that for greenfield sites the average abnormal costs submitted in appraisals to us equated to £249,620 per net Ha. For the brownfield sites, a cautious 2.5 times this amount was adopted. However, as noted by one of the stakeholder responses, the 'gap' between the greenfield and brownfield allowances appears overstated.

6.11.16. Having considered all of the above, we conclude that our initial allowances (albeit what remains more important is the corresponding balance with the benchmark land values) are high compared to other studies undertaken. For the purposes of our vase modelling, we subsequently consider an adjustment to £200,000 per net Ha to be appropriate for the greenfield sites and £300,000 per net ha for the brownfield. The approach to benchmark land value is discussed in further detail below.

6.12. Professional fees

6.12.1. Our initial assumptions, which were presented to stakeholders at the stakeholder workshop, allowed 8% of the BCIS costs / externals for professional fees within Typologies 1 and 2 (i.e. 5 and 10 dwelling schemes), as well as the retirement apartment and non-retirement apartment models. The other typologies (30, 80, 125 and 250) all had professional fees at 6% of the BCIS rate and externals.

6.12.2. By way of evidence, we have again referred to an in-house database which records individual viability appraisals as prepared by applicants and submitted to CP Viability (discussed above in para 6.4.4). This shows the following:

- Type 1 (sample of 4 schemes) shows an average professional fees allowance of 7.65% of the plot construction cost and externals.

- Type 2 (sample of 7 schemes) shows an average professional fees allowance of 7.31% of the plot construction cost and externals.

- Type 3 (sample of 24 schemes) shows an average professional fees allowance of 6.38% of the plot construction cost and externals.

- Type 4 (sample of 27 schemes) shows an average professional fees allowance of 5.99% of the plot construction cost and externals.

- Type 5 (sample of 18 schemes) shows an average professional fees allowance of 6.57% of the plot construction cost and externals.

- Type 6 (sample of 11 schemes) shows an average professional fees allowance of 6.25% of the plot construction cost and externals.

- Type 7 (sample of 5 schemes) shows an average professional fees allowance of 9.05% of the plot construction cost and externals.

- Type 8 (sample of 12 schemes) shows an average professional fees allowance of 7.58% of the plot construction cost and externals.

6.12.3. It is stressed that the above sample is derived from appraisals put forward by applicants. It should be noted that it is the interests of the applicant to try to 'down play' the viability of a scheme therefore there is the potential for costs to be pushed towards the upper limit of expectations. For this reason, it is the case that not all of the figures put forward by the applicant in their initial appraisal will have been accepted and in fact often will be reduced through the viability review process. It is therefore the case that if anything the sample of evidence referred to is likely to be slightly above expectations.

6.12.4. In terms of the stakeholder comments:

- 1 response suggested the allowances should be adjusted to 10% for a smaller scheme and 8% for a larger scheme (another suggests 9% for smaller schemes and 8% for larger). However, no evidence was submitted to support these views. Our own experience in the market, as set out above, is that a figure of 8% is applicable to smaller schemes, reducing to 6% for larger scale developments.

- 1 response suggested there is no rationale for larger schemes carrying a lower percentage. Our experience in the market, as set out above, is that reduced rates are regularly deemed to be acceptable on larger scale developments. Our understanding is that a key reason for this is that for larger scale developments, involving regional and national housebuilders, there is less input in terms of plot design (as plot types used on other schemes are routinely re-used). This helps minimise professional fees. There is also an economies of scale factor, which reduces the percentages charged by professionals.

6.12.5. Having considered the above, we stand by our allowances as being reasonable for the purposes of the testing and in line with our experience of testing viability at the decision-making stage. However, in light of the number of comments raised in relation to professional fees, we have adopted a Sensitivity Test 7, where professional fees are increased to 9% for small sites (30 dwellings or less) and 8% for larger sites (sites of 31 dwellings or more).

6.12.6. Please note, we have also adjusted the professional fees for the retirement apartments to 9%, as this is more in keeping with the identified evidence.

6.13. Marketing / disposal costs

6.13.1. Our initial assumptions, which were presented to stakeholders at the stakeholder workshop, allowed 2% of revenue within Typologies 1 and 2 (i.e. 5 and 10 dwelling schemes), increased to 3% for the 30, 80, 125 and 250 typologies. For the retirement apartments we assumed 4% and for non-retirement apartments 3%.

6.13.2. By way of evidence, we have again referred to an in-house database which records individual viability appraisals as prepared by applicants and submitted to CP Viability (discussed above in para 6.4.4). This shows the following:

- Type 1 (sample of 4 schemes) shows an average marketing / disposal allowance of 2.31% on revenue.

- Type 2 (sample of 7 schemes) shows an average marketing / disposal allowance of 2.00% on revenue.

- Type 3 (sample of 24 schemes) shows an average marketing / disposal allowance of 2.51% on revenue.

- Type 4 (sample of 27 schemes) shows an average marketing / disposal allowance of 2.54% on revenue.

- Type 5 (sample of 18 schemes) shows an average marketing / disposal allowance of 2.75% on revenue.

- Type 6 (sample of 11 schemes) shows an average marketing / disposal allowance of 3.05% on revenue.

- Type 7 (sample of 5 schemes) shows an average marketing / disposal allowance of 4.81% on revenue.

- Type 8 (sample of 12 schemes) shows an average marketing / disposal allowance of 2.56% on revenue.

6.13.3. It is stressed that the above sample is derived from appraisals put forward by applicants. It should be noted that it is the interests of the applicant to try to 'down play' the viability of a scheme therefore there is the potential for costs to be pushed towards the upper limit of expectations. For this reason, it is the case that not all of the figures put forward by the applicant in their initial appraisal will have been accepted and in fact often will be reduced through the viability review process. It is therefore the case that if anything the sample of evidence referred to is likely to be slightly above expectations.

6.13.4. In terms of the stakeholder comments:

- The majority of responses do not comment on our approach however 1 supports the assumptions made.

- Only 1 response suggests an amendment, indicating that 2% is too low for smaller sites. Our experience in the market is that for smaller sites the costs are reduced as a local agent is engaged (rather than using an in-house marketing team as is typically applied to larger scale developments). This reduces the overall cost when expressed as a percentage (as demonstrated through the above evidence).

6.13.5. We consider a 2% allowance to be appropriate for the 5 and 10 dwelling typologies, increasing to 3% for all other types, except for the retirement apartments which we have adjusted to 5% which is deemed to be more in keeping with the evidence.

6.13.6. With regards to legal costs a £800 per unit legal fee is considered to be reasonable for the market value dwellings.

6.14. Finance

6.14.1. Our initial assumptions, which were presented to stakeholders at the stakeholder workshop, allowed 7% of revenue within Typologies 1 and 2 (i.e. 5 and 10 dwelling schemes), reduced to 6% for all other typologies.

6.14.2. By way of evidence, we have again referred to an in-house database which records individual viability appraisals as prepared by applicants and submitted to CP Viability (discussed above in para 6.4.4). This shows the following:

- Type 1 (sample of 4 schemes) shows an average debit interest charge of 6%.

- Type 2 (sample of 7 schemes) shows an average debit interest charge of 6.36%.

- Type 3 (sample of 24 schemes) shows an average debit interest charge of 6.34%.

- Type 4 (sample of 27 schemes) shows an average debit interest charge of 6.14%.

- Type 5 (sample of 18 schemes) shows an average debit interest charge of 5.85%.

- Type 6 (sample of 11 schemes) shows an average debit interest charge of 6.40%.

- Type 7 (sample of 5 schemes) shows an average debit interest charge of 6.39%.

- Type 8 (sample of 12 schemes) shows an average debit interest charge of 6.26%.

6.14.3. In terms of the stakeholder responses, no comments were made with respect to our finances allowances.

6.14.4. We consider our allowances to be reasonable and have applied them to the base modelling.

6.15. Developer profit

6.15.1. The PPG refers to a range of developer's profit from 15% to 20% on revenue. It is stressed that profit is a function of risk and therefore it is appropriate to allow some fluctuation from site to site (as different sites carry different risks).

6.15.2. Our initial assumptions, which were presented to stakeholders at the stakeholder workshop, allowed 15% on market value revenue for the 5 and 10 dwelling typologies, 17.5% for a scheme of 30 dwellings, and 20% for all other typologies. For all typologies we applied a 6% on revenue allowance for the affordable housing.

6.15.3. For the majority of the typologies we have therefore applied the maximum suggested in the guidance (i.e. 20%). However, the exceptions are types 1, 2 and 3 where we have applied an adjusted figure. By way of evidence for this approach we have again referred to an in-house database which records individual viability appraisals as prepared by applicants and submitted to CP Viability (discussed above in para 6.4.4). This shows the following:

- Type 1 (sample of 4 schemes) shows an average market value profit of 15.26% on revenue.

- Type 2 (sample of 7 schemes) shows an average market value profit of 15.72% on revenue.

- Type 3 (sample of 24 schemes) shows an average market value profit of 18.00% on revenue.

6.15.4. In terms of the stakeholder comments:

- 2 responses support the approach adopted, including the lower rate for affordable units.

- 1 agrees with the approach for the larger schemes, but suggests the allowances for smaller developments are too low. However, no evidence is provided to support this view and this goes against the evidence we have identified from decision making viability testing that we have been involved with.

- 1 response suggests that the affordable housing reduced rate should not apply to First Homes, as these are still sold speculatively in the market place (unlike other affordable dwelling types which are transferred in bulk to Registered Providers). Having considered this we agree that it is appropriate to apply the same market value rate to the First Homes dwellings and we have adjusted our modelling accordingly.

- 1 response suggests that affordable housing should have the same profit rate as market value dwellings. This, though, goes against Para 018 of the Planning Practice Guidance: Viability states “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”. Furthermore, our own experience in the market place is that reduced figures are routinely applied to affordable housing. Also, we note that other stakeholders accept our approach as being reasonable. We therefore stand by the approach adopted.

6.15.5. Having considered the above we stand by a 15% allowance for the smaller 5 and 10 dwelling typologies. For the 30 dwelling typology, to reflect the evidence identified, we have adjusted this to 18% on revenue. For the other typologies 20% on revenue has been applied to the market value units. IN other cases we have applied 6% on revenue for the affordable dwellings, except for First Homes where we have applied the same profit as the market value units.

6.16. Benchmark land value ("BLV")

6.16.1. The principles behind this concept are discussed above in Section 3.2. In short, the BLV represents the minimum land value that a hypothetical landowner would accept to release their land for development, in the context of the prevalent planning policies. A BLV does not therefore attempt to identify the market value; it is a distinct concept.

6.16.2. To identify the BLV, the PPG recommends using a premium over existing use value ("EUV") and credible alternative values as a means of determining the BLV.

6.16.3. It is therefore necessary to adopt an 'existing use value' plus premium approach. However, the following key elements must also be reflected:

- The existing use value must disregard any hope value for future development.

- A BLV must reflect the implications of all abnormal costs, site specific infrastructure costs and professional fees. The inference being that the higher these costs are the lower the premium should be above the existing use value.

- Where market evidence is used to inform the benchmark land value this should only be based on schemes which are compliant with the full planning policies (including affordable housing). This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

- In plan making the landowner premium should be tested and balanced against emerging policies.

6.16.4. The first step is therefore to identify the existing use value of a site. It is stressed that different site types can have fundamentally different existing use values. For example, an agricultural field is likely to have only a modest existing use value based on agricultural land values. An occupied brownfield site (for example an existing industrial estate) would have a much higher existing use value based on the existing industrial accommodation.

6.16.5. The second step is to establish the suitable premium uplift. On this, the PPG guidance is silent. However, in the Former Territorial Army Centre, Parkhurst Rd, Islington High Court decision (2018 EWHC 991 case number CO/3528/2017) a general principle of a percentage uplift was agreed (in keeping with our own experience which considers broadly a 10% to 30% uplift to be a reasonable incentive for a landowner above the existing use value).

6.16.6. However, the Parkhurst Rd case specifically related to a brownfield site. If a similar uplift was provided on an agricultural field (say 30%), this is unlikely to be deemed a reasonable incentive if the existing use value is say £20,000 per Ha. For this reason, in our experience a more significant multiple of the existing use value is typically applied in the case of agricultural /undeveloped amenity land. In our experience this tends to range from 5 to in excess of 20 times the existing use value. The lower end of the range typically reflects larger scale schemes, with high abnormal / infrastructure costs and / or in weaker market areas. The upper end of the range tends to be small scale schemes, with low abnormals / infrastructure costs and / or in stronger market locations.

6.16.7. For the stakeholder engagement, we proposed the following:

- Greenfield existing use value £24,710 per Ha (£10,000 per acre).
- Greenfield premium uplift 15 times the existing use value.
- Greenfield BLV therefore £370,650 per Ha.
- Brownfield existing use value £370,650 per Ha (£150,000 per acre).
- Brownfield premium uplift 20% of the existing use value.
- Brownfield BLV therefore £444,780 per Ha.

6.16.8. In terms of the stakeholder comments:

- 1 suggested an uplift of 18 times the EUV for greenfield sites.

- 1 suggested the BLV's were wrong as the abnormals has been underestimated.

- 1 suggested an uplift of 20 times the EUV for greenfield sites.

- 1 suggested the greenfield EUV was acceptable, but a 15 times multiplier was too low.

- 1 response suggested the existing use value for the brownfield sites was at the lower end of expectations.

6.16.9. As discussed above, what is critical to the assessment of the benchmark land value is the balance that is achieved with the abnormal costs. As the existing use value is a fixed cost, the 'flex' can only be reflected in adjustments in the multiplier. In the stakeholder responses no comments were received which sought to assess the premium uplifts against the abnormal cost assumptions.

6.16.10. Our proposed existing use values are considered to be reasonable assumptions for the purposes of the viability modelling and have been retained in the testing.

6.16.11. In terms of the premium uplifts, for the greenfield sites, these have to be balanced against abnormal costs (as discussed above in para 6.11) assumed at £200,000 per net Ha. As evidence of the suitable uplifts, we have referred to other Local Plan studies in the area as follows:

- North Tyneside (Capita study): existing use value £20,000 per Ha. 20 to 30 times the existing use value was accepted through examination, based on nil abnormal costs (therefore £200,000 to £300,000 per Ha). Adding together our proposed benchmark land value of £370,650 per net Ha, plus £200,000 per net Ha abnormals to get a 'clean' site value (i.e. a 'like for like' comparable with Capita's assumption) our allowances total £570,650 per net Ha. This is therefore considerably higher than what was accepted through the North Tyneside CIL examination.

- Sunderland (HDH study): existing use value (agricultural) £20,000 per Ha and (paddock) £50,000 per Ha. For North and Coalfield areas of Sunderland and overall benchmark land value of £500,000 per net Ha was applied to both agricultural and paddock land (there an uplift of 10 and 25 times the existing use values), assuming nil abnormals. For South and Washington areas of Sunderland this was increased to £900,000 per net Ha (therefore an uplift of 18 and 45 times the existing use values), again assuming nil abnormals. As stated above, our initial assumption assumes £570,650 per net Ha (once the benchmark land value and abnormals are added together).

- Durham (CP Viability study), since approved through examination: existing use value £20,000 per Ha. In low value areas a multiplier of 10 times the existing use value was applied, 16.25 for medium value areas, 25 times for high value areas and 45 times for highest value areas. An average allowance of £75,000 per gross Ha was included for abnormals. Adding the abnormals and benchmark land values (to get a sense of the 'clean' site value discussed above in relation to the North Tyneside and Sunderland studies) for low value areas this equates to £275,000 per Ha, medium £400,000 per Ha, high £575,000 per Ha and £975,000 for highest value. This is not quite directly comparable to North Tyneside and Sunderland as the Durham assumptions were based on gross site areas, rather than net site areas used in the Sunderland and North Tyneside studies. Nevertheless, these still provide a useful indicator.

- Newcastle & Gateshead Local Plan assessment (CP Viability study), since approved through examination: existing use value £20,000 per Ha. In low value areas a multiplier of 18 times the existing use value was applied, 19 for low-medium value areas, 21 times for medium, 24 times for high-mid and 26.5 times for highest value areas. An average allowance of £150,000 per net Ha was included for abnormals. Adding the abnormals and benchmark land values (to get a sense of the 'clean' site value discussed above in relation to the North Tyneside and Sunderland studies) for low value areas this equates to £510,000 per Ha, low-medium £530,000 per Ha, medium £570,000 per Ha, high-medium £630,000 per Ha and £680,000 per Ha for highest value. As stated above, our initial assumption assumes £570,650 per net Ha (once the benchmark land value and abnormals are added together).

- Northumberland Local Plan assessment (CP Viability study), examination ongoing: existing use value £17,500 per Ha. In low value areas a multiplier of 8.57 times the existing use value was applied, 17.14 for medium value areas, 25.71 times for high and 34.29 times for highest value areas. An average allowance of £75,000 per net Ha was included for abnormals. Adding the abnormals and benchmark land values (to get a sense of the 'clean' site value discussed above in relation to the North Tyneside and Sunderland studies) for low value areas this equates to £225,000 per Ha, medium £375,000 per Ha, high £525,000 per Ha and £675,000 per Ha for highest value. As stated above, our initial assumption assumes £570,650 per net Ha (once the benchmark land value and abnormals are added together).

6.16.12. By way of summary, it is critical when comparing assumptions made in different studies for premium uplifts above existing use values to understand the context of the assumptions, specifically in relation to the corresponding abnormal cost assumptions.

6.16.13. Notwithstanding this, it is clear from the other studies that adjustments are made to reflect the associated value area, with higher value areas attracting higher benchmark land values compared lower value areas.

6.16.14. The studies identified show (broadly) the following when benchmark land values and abnormal costs are added together to give a 'clean' site value:

- Low value areas: £200,000 per Ha, £225,000 per Ha, £275,000 per Ha, £500,000 per Ha and £510,000 per Ha (the highest being in Sunderland and Newcastle).

- Medium value areas: £250,000 per Ha, £375,000 per Ha, £400,000 per net Ha, £570,000 per Ha.

- High value areas: £300,000 per Ha, £525,000 per Ha, £575,000 per Ha, £630,000 per Ha.

- Highest value areas: £675,000 per Ha £680,000 per Ha, £900,000 per Ha, £975,000 per Ha

6.16.15. Based on the above, we consider it appropriate to adjust the level of benchmark land value (albeit balanced with the abnormal costs assumption) to reflect the different values areas set out above in para 6.6, rather than a single rate initially assumed. Making adjustments (where appropriate) to account for values on a per net Ha basis, rather than per gross Ha, adopting a cautious approach, we have adopted the following:

- South Shields / Jarrow (low value area). Benchmark land value £300,000 per net Ha (12 times existing use value). Added to the abnormal cost assumption (£200,000 per net Ha), this is equivalent to £500,000 per net Ha as a 'clean' site value, which is considered to be reasonable within the context of the above.

- Hebburn (low-medium value area). Benchmark land value £400,000 per net Ha (16 times existing use value). Added to the abnormal cost assumption (£200,000 per net Ha), this is equivalent to £600,000 per net Ha as a 'clean' site value, which is considered to be reasonable within the context of the above.

- West Boldon / Boldon Colliery (medium value area). Benchmark land value £450,000 per net Ha (18 times existing use value). Added to the abnormal cost assumption (£200,000 per net Ha), this is equivalent to £650,000 per net Ha as a 'clean' site value, which is considered to be reasonable within the context of the above.

- East Boldon / Whitburn (high value area). Benchmark land value £600,000 per net Ha (24 times existing use value). Added to the abnormal cost assumption (£200,000 per net Ha), this is equivalent to £800,000 per net Ha as a 'clean' site value, which is considered to be reasonable within the context of the above.

- Cleadon (highest value area). Benchmark land value £800,000 per net Ha (32 times existing use value). Added to the abnormal cost assumption (£200,000 per net Ha), this is equivalent to £1,000,000 per net Ha as a 'clean' site value, which is considered to be reasonable within the context of the above.

6.16.16. For brownfield sites, our initial assumption was based on an average existing use value of £370,650 per Ha (£150,000 per acre). In the stakeholder comments, 1 response suggested that this was at the lower end of expectations for brownfield sites.

6.16.17. However, in reality, we would expect there to be some variance in the existing use value dependent on location. For example, a brownfield commercial site in South Shields / Jarrow is likely to achieve less than a brownfield commercial site in Cleadon. That said, the existing use value is likely to be similar between locations such as South Shields, Jarrow and Hebburn. This therefore needs to be reflected in the existing use value.

6.16.18. Furthermore, in terms of the premium uplift, as discussed above, this needs to be at an appropriate level to reflect the associated abnormal costs (which we have assumed is £300,000 per net Ha for the brownfield land). We have subsequently adopted the following:

- South Shields / Jarrow (low value area). Existing use value £300,000 per net Ha. Benchmark land value £360,000 per net Ha (20% uplift on existing use value). Added to the abnormal cost assumption (£300,000 per net Ha), this is equivalent to £660,000 per net Ha as a 'clean' site value.

- Hebburn (low-medium value area). Existing use value £300,000 per net Ha. Benchmark land value £360,000 per net Ha (20% uplift on existing use value). Added to the abnormal cost assumption (£300,000 per net Ha), this is equivalent to £660,000 per net Ha as a 'clean' site value.

- West Boldon / Boldon Colliery (medium value area). Existing use value £375,000 per net Ha. Benchmark land value £450,000 per net Ha (20% uplift on existing use value). Added to the abnormal cost assumption (£300,000 per net Ha), this is equivalent to £750,000 per net Ha as a 'clean' site value.

- East Boldon / Whitburn (high value area). Existing use value £425,000 per net Ha. Benchmark land value £510,000 per net Ha (20% uplift on existing use value). Added to the abnormal cost assumption (£300,000 per net Ha), this is equivalent to £810,000 per net Ha as a 'clean' site value.

- Cleadon (highest value area). Existing use value £500,000 per net Ha. Benchmark land value £600,000 per net Ha (20% uplift on existing use value). Added to the abnormal cost assumption (£300,000 per net Ha), this is equivalent to £900,000 per net Ha as a 'clean' site value.

6.17. Acquisition costs

6.17.1. Stamp Duty Land Tax has been applied to the modelling (taken from the residual land value, not the benchmark land value). Furthermore, legal costs at 0.8% of the residual land value and agent fees at 1% of the residual land value have also been included.

7. RESIDENTIAL VIABILITY TESTING AND RESULTS

7.1. Base modelling

7.1.1. As discussed in earlier sections, the base modelling assumes a 'worst case' where all the relevant planning policy contributions and provisions are factored into the testing (even though, in reality, this is unlikely to be the case for all sites, for example there may not be an education requirement in a particular location).

7.1.2. We have summarised the results for each typology as follows:

Site Type 1 - 5 dwellings

Value Area	Land	Residual Land Value	BLV (£ net net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 459,309	£ 800,000	£ 133,333	£ 325,976	244.48%	VIABLE
East Boldon / Whitburn	Green	£ 286,772	£ 600,000	£ 100,000	£ 186,772	186.77%	VIABLE
West Boldon / Boldon Colliery	Green	£ 180,163	£ 450,000	£ 75,000	£ 105,163	140.22%	VIABLE
Hebburn	Green	£ 143,332	£ 400,000	£ 66,667	£ 76,665	115.00%	VIABLE
South Shields / Jarrow	Green	£ 87,195	£ 300,000	£ 50,000	£ 37,195	74.39%	VIABLE
Cleadon	Brown	£ 437,412	£ 600,000	£ 100,000	£ 337,412	337.41%	VIABLE
East Boldon / Whitburn	Brown	£ 264,874	£ 510,000	£ 85,000	£ 179,874	211.62%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 158,206	£ 450,000	£ 75,000	£ 83,206	110.94%	VIABLE
Hebburn	Brown	£ 120,942	£ 360,000	£ 60,000	£ 60,942	101.57%	VIABLE
South Shields / Jarrow	Brown	£ 64,806	£ 360,000	£ 60,000	£ 4,806	8.01%	VIABLE

7.1.3. With the full planning policy provisions applied Type 1 therefore returns a viable outcome for all typologies.

Site Type 2 - 10 dwellings								
Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	30.00%	£ 592,195	£ 800,000	£266,667	£ 325,528	122.07%	VIABLE
East Boldon / Whitburn	Green	30.00%	£ 291,449	£ 600,000	£200,000	£ 91,449	45.72%	VIABLE
West Boldon / Boldon Colliery	Green	20.00%	£ 202,819	£ 450,000	£150,000	£ 52,819	35.21%	VIABLE
Hebburn	Green	20.00%	£ 135,559	£ 400,000	£133,333	£ 2,226	1.67%	VIABLE
South Shields / Jarrow	Green	10.00%	£ 102,921	£ 300,000	£100,000	£ 2,921	2.92%	VIABLE
Cleadon	Brown	30.00%	£ 561,592	£ 600,000	£200,000	£ 361,592	180.80%	VIABLE
East Boldon / Whitburn	Brown	30.00%	£ 259,105	£ 510,000	£170,000	£ 89,105	52.41%	VIABLE
West Boldon / Boldon Colliery	Brown	20.00%	£ 159,870	£ 450,000	£150,000	£ 9,870	6.58%	VIABLE
Hebburn	Brown	20.00%	£ 110,556	£ 360,000	£120,000	-£ 9,444	-7.87%	UNVIABLE
South Shields / Jarrow	Brown	10.00%	£ 77,538	£ 360,000	£120,000	-£ 42,462	-35.39%	UNVIABLE

7.1.4. For site Type 2, we have adjusted the affordable housing provision to suit the typology. This shows that:

- In Cleadon and East Boldon / Whitburn a 30% affordable housing provision can be comfortably provided in both greenfield and brownfield.

- In West Boldon / Boldon Colliery a 20% affordable housing provision is viable in both greenfield and brownfield locations.

- In Hebburn, 20% is viable in the greenfield, but shows an unviable outcome in the brownfield. However, again it is stressed that this model assumes the 'worst case' so even with a modest adjustment in the planning policies this would return a viable outcome. We would also stress that this only assumes social rented affordable housing, which attracts the lowest value of all the affordable dwelling types. If this were adjusted to affordable rented units, for example, then this additional income would be sufficient to generate a viable outcome at 20%.

- In South Shields / Jarrow the affordable housing is set at 10% (all First Homes) which is the minimum required by the government. This is viable in the greenfield, but shows an unviable outcome in the brownfield.

Site Type 3 - 30 dwellings

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	30.00%	£ 1,758,287	£ 800,000	£685,714	£1,072,573	156.42%	VIABLE
East Boldon / Whitburn	Green	30.00%	£ 978,967	£ 600,000	£514,286	£ 464,681	90.35%	VIABLE
West Boldon / Boldon Colliery	Green	20.00%	£ 732,127	£ 450,000	£385,714	£ 346,413	89.81%	VIABLE
Hebburn	Green	20.00%	£ 559,909	£ 400,000	£342,857	£ 217,052	63.31%	VIABLE
South Shields / Jarrow	Green	10.00%	£ 486,309	£ 300,000	£257,143	£ 229,166	89.12%	VIABLE
Cleadon	Brown	30.00%	£ 1,648,387	£ 600,000	£514,286	£1,134,101	220.52%	VIABLE
East Boldon / Whitburn	Brown	30.00%	£ 869,067	£ 510,000	£437,143	£ 431,924	98.81%	VIABLE
West Boldon / Boldon Colliery	Brown	20.00%	£ 624,879	£ 450,000	£385,714	£ 239,165	62.01%	VIABLE
Hebburn	Brown	20.00%	£ 452,661	£ 360,000	£308,571	£ 144,090	46.70%	VIABLE
South Shields / Jarrow	Brown	10.00%	£ 379,061	£ 360,000	£308,571	£ 70,490	22.84%	VIABLE

7.1.5. For site Type 3, we have applied the same affordable housing rates as Type 2. This shows that:

- In Cleadon and East Boldon / Whitburn a 30% affordable housing provision can be comfortably provided in both greenfield and brownfield.

- In West Boldon / Boldon Colliery a 20% affordable housing provision is viable in both greenfield and brownfield locations.

- In Hebburn, 20% is viable in the greenfield and brownfield locations.

- In South Shields / Jarrow the affordable housing is set at 10% (all First Homes) which is the minimum required by the government. This is viable in the greenfield and brownfield.

Site Type 4 - 80 dwellings

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	30.00%	£ 4,338,612	£ 800,000	£ 1,828,571	£ 2,510,041	137.27%	VIABLE
East Boldon / Whitburn	Green	30.00%	£ 2,246,382	£ 600,000	£ 1,371,429	£ 874,953	63.80%	VIABLE
West Boldon / Boldon Colliery	Green	20.00%	£ 1,617,888	£ 450,000	£ 1,028,571	£ 589,317	57.29%	VIABLE
Hebburn	Green	20.00%	£ 1,186,116	£ 400,000	£ 914,286	£ 271,830	29.73%	VIABLE
South Shields / Jarrow	Green	10.00%	£ 990,734	£ 300,000	£ 685,714	£ 305,020	44.48%	VIABLE
Cleadon	Brown	30.00%	£ 4,055,528	£ 600,000	£ 1,371,429	£ 2,684,099	195.72%	VIABLE
East Boldon / Whitburn	Brown	30.00%	£ 1,963,393	£ 510,000	£ 1,165,714	£ 797,679	68.43%	VIABLE
West Boldon / Boldon Colliery	Brown	20.00%	£ 1,341,607	£ 450,000	£ 1,028,571	£ 313,036	30.43%	VIABLE
Hebburn	Brown	20.00%	£ 909,828	£ 360,000	£ 822,857	£ 86,971	10.57%	VIABLE
South Shields / Jarrow	Brown	10.00%	£ 714,425	£ 360,000	£ 822,857	-£ 108,432	-13.18%	UNVIABLE

7.1.6. For site Type 4, we have applied the same affordable housing rates as Type 2. This shows that:

- In Cleadon and East Boldon / Whitburn a 30% affordable housing provision can be comfortably provided in both greenfield and brownfield.

- In West Boldon / Boldon Colliery a 20% affordable housing provision is viable in both greenfield and brownfield locations.

- In Hebburn a 20% affordable housing provision is viable in both greenfield and brownfield locations.

- In South Shields / Jarrow the affordable housing is set at 10% (all First Homes) which is the minimum required by the government. This is viable in the greenfield, but shows an unviable outcome in the brownfield.

Site Type 5 - 125 dwellings

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	30.40%	£ 6,600,744	£ 800,000	£ 2,857,143	£ 3,743,601	131.03%	VIABLE
East Boldon / Whitburn	Green	30.40%	£ 3,565,224	£ 600,000	£ 2,142,857	£ 1,422,367	66.38%	VIABLE
West Boldon / Boldon Colliery	Green	20.00%	£ 2,612,577	£ 450,000	£ 1,607,143	£ 1,005,434	62.56%	VIABLE
Hebburn	Green	20.00%	£ 1,941,930	£ 400,000	£ 1,428,571	£ 513,359	35.94%	VIABLE
South Shields / Jarrow	Green	10.40%	£ 1,636,686	£ 300,000	£ 1,071,429	£ 565,257	52.76%	VIABLE
Cleadon	Brown	30.40%	£ 6,161,588	£ 600,000	£ 2,142,857	£ 4,018,731	187.54%	VIABLE
East Boldon / Whitburn	Brown	30.40%	£ 3,125,926	£ 510,000	£ 1,821,429	£ 1,304,497	71.62%	VIABLE
West Boldon / Boldon Colliery	Brown	20.00%	£ 2,183,382	£ 450,000	£ 1,607,143	£ 576,239	35.85%	VIABLE
Hebburn	Brown	20.00%	£ 1,512,726	£ 360,000	£ 1,285,714	£ 227,012	17.66%	VIABLE
South Shields / Jarrow	Brown	10.40%	£ 1,207,223	£ 360,000	£ 1,285,714	-£ 78,491	-6.10%	UNVIABLE

7.1.7. For site Type 5, we have applied the same affordable housing rates as Type 2. This shows that:

- In Cleadon and East Boldon / Whitburn a 30% affordable housing provision can be comfortably provided in both greenfield and brownfield.

- In West Boldon / Boldon Colliery a 20% affordable housing provision is viable in both greenfield and brownfield locations.

- In Hebburn a 20% affordable housing provision is viable in both greenfield and brownfield locations.

- In South Shields / Jarrow the affordable housing is set at 10% (all First Homes) which is the minimum required by the government. This is viable in the greenfield, but shows an unviable outcome in the brownfield.

Site Type 6 - 250 dwellings

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	30.00%	£ 13,151,578	£ 800,000	£ 5,714,286	£ 7,437,292	130.15%	VIABLE
East Boldon / Whitburn	Green	30.00%	£ 7,197,065	£ 600,000	£ 4,285,714	£ 2,911,351	67.93%	VIABLE
West Boldon / Boldon Colliery	Green	20.00%	£ 5,237,391	£ 450,000	£ 3,214,286	£ 2,023,105	62.94%	VIABLE
Hebburn	Green	20.00%	£ 3,917,863	£ 400,000	£ 2,857,143	£ 1,060,720	37.13%	VIABLE
South Shields / Jarrow	Green	10.00%	£ 3,315,116	£ 300,000	£ 2,142,857	£ 1,172,259	54.71%	VIABLE
Cleadon	Brown	30.00%	£ 12,280,739	£ 600,000	£ 4,285,714	£ 7,995,025	186.55%	VIABLE
East Boldon / Whitburn	Brown	30.00%	£ 6,324,967	£ 510,000	£ 3,642,857	£ 2,682,110	73.63%	VIABLE
West Boldon / Boldon Colliery	Brown	20.00%	£ 4,384,330	£ 450,000	£ 3,214,286	£ 1,170,044	36.40%	VIABLE
Hebburn	Brown	20.00%	£ 3,063,762	£ 360,000	£ 2,571,429	£ 492,333	19.15%	VIABLE
South Shields / Jarrow	Brown	10.00%	£ 2,459,772	£ 360,000	£ 2,571,429	-£ 111,657	-4.34%	UNVIABLE

7.1.8. For site Type 6, we have applied the same affordable housing rates as Type 2. This shows that:

- In Cleadon and East Boldon / Whitburn a 30% affordable housing provision can be comfortably provided in both greenfield and brownfield.

- In West Boldon / Boldon Colliery a 20% affordable housing provision is viable in both greenfield and brownfield locations.

- In Hebburn a 20% affordable housing provision is viable in both greenfield and brownfield locations.

- In South Shields / Jarrow the affordable housing is set at 10% (all First Homes) which is the minimum required by the government. This is viable in the greenfield, but shows an unviable outcome in the brownfield.

Site Type 7 - 40 retirement apartments								
Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	30.00%	£ 1,302,201	£ 800,000	£ 320,000	£ 982,201	306.94%	VIABLE
East Boldon / Whitburn	Green	30.00%	£ 579,571	£ 600,000	£ 240,000	£ 339,571	141.49%	VIABLE
West Boldon / Boldon Colliery	Green	20.00%	£ 124,284	£ 450,000	£ 180,000	-£ 55,716	-30.95%	UNVIABLE
Hebburn	Green	10.00%	£ 237,553	£ 400,000	£ 160,000	£ 77,553	48.47%	VIABLE
South Shields / Jarrow	Green	10.00%	-£ 277,033	£ 300,000	£ 120,000	-£ 397,033	-330.86%	UNVIABLE
Cleadon	Brown	30.00%	£ 1,225,435	£ 600,000	£ 240,000	£ 985,435	410.60%	VIABLE
East Boldon / Whitburn	Brown	30.00%	£ 502,805	£ 510,000	£ 204,000	£ 298,805	146.47%	VIABLE
West Boldon / Boldon Colliery	Brown	20.00%	£ 37,802	£ 450,000	£ 180,000	-£ 142,198	-79.00%	UNVIABLE
Hebburn	Brown	10.00%	£ 158,569	£ 360,000	£ 144,000	£ 14,569	10.12%	VIABLE
South Shields / Jarrow	Brown	10.00%	-£ 360,403	£ 360,000	£ 144,000	-£ 504,403	-350.28%	UNVIABLE

7.1.9. For site Type 7, we have applied the same affordable housing rates as Type 2 (apart from in Hebburn, see below). This shows that:

- In Cleadon and East Boldon / Whitburn a 30% affordable housing provision can be comfortably provided in both greenfield and brownfield.

- In West Boldon / Boldon Colliery a 20% affordable housing provision is unviable in both greenfield and brownfield.

- In Hebburn a reduced 10% provision is viable in both greenfield and brownfield.

- In South Shields / Jarrow the affordable housing is set at 10% (all First Homes) which is the minimum required by the government. This is unviable in both greenfield and brownfield locations, showing a high viability pressure.

Site Type 8 - 100 flats

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	30.00%	£ 1,620,868	£ 800,000	£ 200,000	£ 1,420,868	710.43%	VIABLE
East Boldon / Whitburn	Green	30.00%	£ 160,722	£ 600,000	£ 150,000	£ 10,722	7.15%	VIABLE
West Boldon / Boldon Colliery	Green	10.00%	-£ 559,467	£ 450,000	£ 112,500	-£ 671,967	-597.30%	UNVIABLE
Hebburn	Green	10.00%	-£ 961,408	£ 400,000	£ 100,000	-£ 1,061,408	-1061.41%	UNVIABLE
South Shields / Jarrow	Green	10.00%	-£ 2,179,240	£ 300,000	£ 75,000	-£ 2,254,240	-3005.65%	UNVIABLE
Cleadon	Brown	30.00%	£ 1,522,109	£ 600,000	£ 150,000	£ 1,372,109	914.74%	VIABLE
East Boldon / Whitburn	Brown	30.00%	£ 57,328	£ 510,000	£ 127,500	-£ 70,172	-55.04%	UNVIABLE
West Boldon / Boldon Colliery	Brown	10.00%	-£ 666,693	£ 450,000	£ 112,500	-£ 779,193	-692.62%	UNVIABLE
Hebburn	Brown	10.00%	-£ 1,069,260	£ 360,000	£ 90,000	-£ 1,159,260	-1288.07%	UNVIABLE
South Shields / Jarrow	Brown	10.00%	-£ 2,287,833	£ 360,000	£ 90,000	-£ 2,377,833	-2642.04%	UNVIABLE

7.1.10. For site Type 8, we have applied a 30% affordable housing provision for Cleadon and East Boldon / Whitburn. However, for all other locations (due to a poor viability outcome) we have run the modelling based on a 10% provision (i.e. the government's minimum requirement).

- In Cleadon a 30% affordable housing provision can be comfortably provided in both greenfield and brownfield.

- In East Boldon / Whitburn a 30% affordable housing provision can be comfortably provided in the greenfield locations. However, it is showing an unviable outcome in the brownfield.

- For all other areas, with the affordable housing set at 10% (all First Homes) which is the minimum required by the government, an unviable outcome is shown. The outcomes also demonstrate a high viability pressure.

7.1.11. It is stressed that the basis of the model is an assumption that the flats are sold individually. However, in recent years there has been a growing trend towards Build to Rent schemes (due to viability challenges with more traditional approaches to apartment blocks), particularly for this scale of development. Whilst Build to Rent has tended to focus in city locations, it is conceivable that there would be demand from developers for a Build to Rent in South Tyneside. In light of this, we have undertaken an additional Sensitivity Test 10 which is based on Site Type 8, albeit this assumes a Build to Rent approach rather than individual aggregate sales (see below).

7.2. Sensitivity Test 1 – Archaeological Works

7.2.1. This sensitivity test assumes archaeological works would be required on site prior to the commencement of development (which is factored into the appraisal through a £50,000 capital sum and a delay in the commencement of the scheme, which serves to increase the overall debit interest costs.

7.2.2. For Site Type 1 (5 dwellings) the base modelling all showed a viable outcome. However, with archaeological works introduced this does impact on the viability outcome for Hebburn in the brownfield locations and South Shields / Jarrow in both greenfield and brownfield, as shown below:

Site Type 1 - 5 dwellings

Value Area	Land	Amended residual land value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 399,077	£ 265,743	199.31%	VIABLE
East Boldon / Whitburn	Green	£ 223,100	£ 123,100	123.10%	VIABLE
West Boldon / Boldon Colliery	Green	£ 116,365	£ 41,365	55.15%	VIABLE
Hebburn	Green	£ 79,982	£ 13,315	19.97%	VIABLE
South Shields / Jarrow	Green	£ 25,406	-£ 24,594	-49.19%	UNVIABLE
Cleadon	Brown	£ 377,061	£ 277,061	277.06%	VIABLE
East Boldon / Whitburn	Brown	£ 201,083	£ 116,083	136.57%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 94,918	£ 19,918	26.56%	VIABLE
Hebburn	Brown	£ 58,534	-£ 1,466	-2.44%	UNVIABLE
South Shields / Jarrow	Brown	£ 3,959	-£ 56,041	-93.40%	UNVIABLE

7.2.3. For Site Type 2 (10 dwellings) in the base modelling all showed a viable outcome, except for Hebburn brownfield (marginally unviable) and South Shields / Jarrow brownfield (unviable). With archaeological works introduced this does impact on the viability outcome for a number of the locations. This shows that for this scale scheme, a £50,000 increase in costs (plus interest) for archaeological works is likely to affect the level of planning policies that can be provided.

Site Type 2 - 10 dwellings

Value Area	Land	Amended residual land value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 530,300	£ 263,634	98.86%	VIABLE
East Boldon / Whitburn	Green	£ 225,216	£ 25,216	12.61%	VIABLE
West Boldon / Boldon Colliery	Green	£ 136,470	-£ 13,530	-9.02%	UNVIABLE
Hebburn	Green	£ 70,414	-£ 62,919	-47.19%	UNVIABLE
South Shields / Jarrow	Green	£ 38,902	-£ 61,098	-61.10%	UNVIABLE
Cleadon	Brown	£ 498,935	£ 298,935	149.47%	VIABLE
East Boldon / Whitburn	Brown	£ 192,083	£ 22,083	12.99%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 93,801	-£ 56,199	-37.47%	UNVIABLE
Hebburn	Brown	£ 45,916	-£ 74,084	-61.74%	UNVIABLE
South Shields / Jarrow	Brown	£ 14,036	-£ 105,964	-88.30%	UNVIABLE

7.2.4. For Site Type 3 (30 dwellings) in the base modelling all showed a viable outcome. With archaeological works introduced the only change is for South Shields / Jarrow brownfield, which shows a residual land value of £302,378, which is £6,193 (or 2.01%) below the benchmark land value. Whilst an unviable outcome, this is deemed to be close enough to be regarded as viable.

7.2.5. For Site Type 4 (80 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. With archaeological works introduced the viability outcomes do not change from the base appraisal outcomes, in other words all are viable except for South Shields / Jarrow brownfield type, which remains unviable.

7.2.6. For Site Type 5 (125 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. With archaeological works introduced the viability outcomes do not change from the base appraisal outcomes, in other words all are viable except for South Shields / Jarrow brownfield type, which remains unviable.

7.2.7. For Site Type 6 (250 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. With archaeological works introduced the viability outcomes do not change from the base appraisal outcomes, in other words all are viable except for South Shields / Jarrow brownfield type, which remains unviable.

7.2.8. For Site Type 7 (40 retirement apartments) in the base modelling Cleadon and East Boldon / Whitburn were viable with 30% affordable housing, however West Boldon / Boldon Colliery was unviable with 20%. Hebburn was viable at 10%, but South Shields / Jarrow were unviable at 10%. With archaeological works introduced only Cleadon and East Boldon / Whitburn show a viable outcome, as shown below:

Site Type 7 - 40 retirement apartments					
Value Area	Land	Amended residual land value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 1,231,898	£ 911,898	284.97%	VIABLE
East Boldon / Whitburn	Green	£ 503,513	£ 263,513	109.80%	VIABLE
West Boldon / Boldon Colliery	Green	£ 48,710	-£ 131,290	-72.94%	UNVIABLE
Hebburn	Green	£ 159,327	-£ 673	-0.42%	UNVIABLE
South Shields / Jarrow	Green	-£ 347,033	-£ 467,033	-389.19%	UNVIABLE
Cleadon	Brown	£ 1,154,519	£ 914,519	381.05%	VIABLE
East Boldon / Whitburn	Brown	£ 426,133	£ 222,133	108.89%	VIABLE
West Boldon / Boldon Colliery	Brown	-£ 27,219	-£ 207,219	-115.12%	UNVIABLE
Hebburn	Brown	£ 82,081	-£ 61,919	-43.00%	UNVIABLE
South Shields / Jarrow	Brown	-£ 430,404	-£ 574,404	-398.89%	UNVIABLE

7.2.9. For Site Type 8 (100 flats) the base modelling showed high viability pressure in most locations. With archaeological works introduced only Cleadon shows a viable outcome, all the rest are unviable.

7.3. Sensitivity Test 2 – Transport costs increased to £5,000 per unit

7.3.1. This sensitivity test assumes transport costs would increase from £500 per dwelling as assumed in the base modelling to £5,000 per dwelling.

7.3.2. For Site Type 1 (5 dwellings) the base modelling all showed a viable outcome. However, with the increase in transport costs South Shields / Jarrow brownfield becomes unviable (with a deficit of 25.24%). All the rest remain viable.

7.3.3. For Site Type 2 (10 dwellings) in the base modelling all showed a viable outcome, except for Hebburn brownfield (marginally unviable) and South Shields / Jarrow brownfield (unviable). With transport costs increases the following outcomes are shown:

Site Type 2 - 10 dwellings

Value Area	Land	Amended residual land value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 552,300	£ 285,634	107.11%	VIABLE
East Boldon / Whitburn	Green	£ 247,216	£ 47,216	23.61%	VIABLE
West Boldon / Boldon Colliery	Green	£ 158,470	£ 8,470	5.65%	VIABLE
Hebburn	Green	£ 92,414	-£ 40,919	-30.69%	UNVIABLE
South Shields / Jarrow	Green	£ 60,902	-£ 39,098	-39.10%	UNVIABLE
Cleadon	Brown	£ 520,935	£ 320,935	160.47%	VIABLE
East Boldon / Whitburn	Brown	£ 214,083	£ 44,083	25.93%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 115,801	-£ 34,199	-22.80%	UNVIABLE
Hebburn	Brown	£ 67,916	-£ 52,084	-43.40%	UNVIABLE
South Shields / Jarrow	Brown	£ 36,036	-£ 83,964	-69.97%	UNVIABLE

7.3.4. For Site Type 3 (30 dwellings) in the base modelling all showed a viable outcome. With transport costs increase the only change is for South Shields / Jarrow brownfield, which now shows an unviable outcome (with a deficit of 18.21% between the residual land value to the benchmark land value, which is equivalent to £56,193).

7.3.5. For Site Type 4 (80 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. With transport costs increased a number of the viability outcomes change, as follows:

Site Type 4 - 80 dwellings

Value Area	Land	Amended residual land value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 4,017,006	£ 2,188,435	119.68%	VIABLE
East Boldon / Whitburn	Green	£ 1,920,112	£ 548,684	40.01%	VIABLE
West Boldon / Boldon Colliery	Green	£ 1,292,487	£ 263,916	25.66%	VIABLE
Hebburn	Green	£ 859,554	-£ 54,732	-5.99%	UNVIABLE
South Shields / Jarrow	Green	£ 663,568	-£ 22,147	-3.23%	UNVIABLE
Cleadon	Brown	£ 3,733,609	£ 2,362,181	172.24%	VIABLE
East Boldon / Whitburn	Brown	£ 1,636,811	£ 471,097	40.41%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 1,015,936	-£ 12,635	-1.23%	UNVIABLE
Hebburn	Brown	£ 583,005	-£ 239,852	-29.15%	UNVIABLE
South Shields / Jarrow	Brown	£ 386,997	-£ 435,860	-52.97%	UNVIABLE

7.3.6. For Site Type 5 (125 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. With transport costs increased only 2 typologies show an unviable outcome (albeit some become more marginal), as follows:

Site Type 5 - 125 dwellings

Value Area	Land	Amended residual land value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 6,094,898	£ 3,237,755	113.32%	VIABLE
East Boldon / Whitburn	Green	£ 3,055,831	£ 912,974	42.61%	VIABLE
West Boldon / Boldon Colliery	Green	£ 2,106,483	£ 499,340	31.07%	VIABLE
Hebburn	Green	£ 1,434,701	£ 6,129	0.43%	VIABLE
South Shields / Jarrow	Green	£ 1,128,355	£ 56,927	5.31%	VIABLE
Cleadon	Brown	£ 5,654,885	£ 3,512,028	163.89%	VIABLE
East Boldon / Whitburn	Brown	£ 2,615,678	£ 794,249	43.61%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 1,676,500	£ 69,357	4.32%	VIABLE
Hebburn	Brown	£ 1,004,699	-£ 281,015	-21.86%	UNVIABLE
South Shields / Jarrow	Brown	£ 698,105	-£ 587,609	-45.70%	UNVIABLE

7.3.7. For Site Type 6 (250 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. With transport costs increased, the outcome is similar to Site Type 5:

Site Type 6 - 250 dwellings

Value Area	Land	Amended residual land value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 12,149,630	£ 6,435,345	112.62%	VIABLE
East Boldon / Whitburn	Green	£ 6,193,936	£ 1,908,222	44.53%	VIABLE
West Boldon / Boldon Colliery	Green	£ 4,229,537	£ 1,015,251	31.59%	VIABLE
Hebburn	Green	£ 2,909,114	£ 51,971	1.82%	VIABLE
South Shields / Jarrow	Green	£ 2,305,700	£ 162,843	7.60%	VIABLE
Cleadon	Brown	£ 11,278,071	£ 6,992,357	163.15%	VIABLE
East Boldon / Whitburn	Brown	£ 5,321,109	£ 1,678,251	46.07%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 3,375,759	£ 161,473	5.02%	VIABLE
Hebburn	Brown	£ 2,054,299	-£ 517,130	-20.11%	UNVIABLE
South Shields / Jarrow	Brown	£ 1,449,642	-£ 1,121,786	-43.63%	UNVIABLE

7.3.8. For Site Type 7 (40 retirement apartments) in the base modelling Cleadon and East Boldon / Whitburn were viable with 30% affordable housing, however West Boldon / Boldon Colliery was unviable with 20%. Hebburn was viable at 10%, but South Shields / Jarrow were unviable at 10%. With transport costs increased, only Cleadon and East Boldon / Whitburn show a viable outcome.

7.3.9. For Site Type 8 (100 flats) the base modelling showed high viability pressure in most locations. With transport costs increased only Cleadon shows a viable outcome, all the rest are unviable.

7.4. Sensitivity Test 3 – Nationally Described Space Standards ("NDSS")

7.4.1. This sensitivity test assumes all dwelling sizes meet the minimum requirements of the Nationally Described Space Standards.

7.4.2. For Site Type 1 (5 dwellings) the base modelling all showed a viable outcome. This remains the same based on NDSS being met.

7.4.3. For Site Type 2 (10 dwellings) in the base modelling all showed a viable outcome, except for Hebburn brownfield (marginally unviable) and South Shields / Jarrow brownfield (unviable). With NDSS met the Hebburn brownfield and South Shields / Jarrow brownfield also show an unviable outcome as shown below

Site Type 2 - 10 dwellings					
Value Area	Land	Amended residual land value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 595,382	£ 328,715	123.27%	VIABLE
East Boldon / Whitburn	Green	£ 285,384	£ 85,384	42.69%	VIABLE
West Boldon / Boldon Colliery	Green	£ 199,533	£ 49,533	33.02%	VIABLE
Hebburn	Green	£ 132,316	-£ 1,017	-0.76%	UNVIABLE
South Shields / Jarrow	Green	£ 103,112	£ 3,112	3.11%	VIABLE
Cleadon	Brown	£ 563,676	£ 363,676	181.84%	VIABLE
East Boldon / Whitburn	Brown	£ 251,905	£ 81,905	48.18%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 156,566	£ 6,566	4.38%	VIABLE
Hebburn	Brown	£ 107,580	-£ 12,420	-10.35%	UNVIABLE
South Shields / Jarrow	Brown	£ 78,007	-£ 41,993	-34.99%	UNVIABLE

7.4.4. For Site Type 3 (30 dwellings) in the base modelling all showed a viable outcome. This remains the same based on NDSS being met.

7.4.5. For Site Type 4 (80 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This remains the same based on NDSS being met.

7.4.6. For Site Type 5 (125 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This remains the same based on NDSS being met.

7.4.7. For Site Type 6 (250 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This remains the same based on NDSS being met.

7.4.8. For Site Type 7 (40 retirement apartments) the base modelling already was NDSS compliant so there is no change.

7.4.9. For Site Type 8 (100 flats) the base modelling showed high viability pressure in most locations. This remains the same based on NDSS being met.

7.5. Sensitivity Test 4 – 30 dwellings per net Ha in higher value area

7.5.1. This sensitivity test reduces the dwelling ratio from 35 down to 30 dwellings per net Ha in Cleadon and East Boldon / Whitburn. This is based on the assertion that there will potentially be higher demand for larger house types in these locations. To reflect this, we have subsequently increased the average detached dwelling size to 140 sq m. As larger dwelling types typically attract lower rates per sq m we have also reduced the average rate per sq m by 10%. In Cleadon, this means a reduction in the average detached house value down from £3,500 to £3,150 per sq m. In East Boldon / Whitburn this reduces the average price down from £3,000 to £2,700 per sq m.

7.5.2. Please note, Site Types 1 and 2 already adopt 30 dwellings per net Ha, therefore this sensitivity test is not required. Furthermore, this does not apply to Site Types 7 and 8 (i.e. apartment schemes).

7.5.3. We have therefore tested Site Types 3, 4, 5 and 6. In each case a viable outcome is shown (which is the same as the base appraisal testing). However, the level of surplus is affected. In Cleadon, the outcomes are still comfortably viable, however in East Boldon / Whitburn the surpluses are lessened to around 25% to 50% above the benchmark land value (in the base appraisals these surpluses were typically 75% to 100% of the benchmark land value). In other words, the modelling shows that both locations are still viable with 30% affordable housing if the density is reduced to 30 dwellings per net Ha, however the margin is tighter compared to when 35 dwellings per net Ha is applied.

7.6. Sensitivity Test 5 – Contingency removed

7.6.1. This sensitivity test introduces removes contingency allowances from the modelling to test whether this helps deliver viable outcomes for all site types.

7.6.2. For Site Type 1 (5 dwellings) the base modelling all showed a viable outcome. This is again the case with the contingency removed.

7.6.3. For Site Type 2 (10 dwellings) in the base modelling all showed a viable outcome, except for Hebburn brownfield (marginally unviable) and South Shields / Jarrow brownfield (unviable). If the contingency is removed all show a viable outcome, as shown below:

Site Type 2 - 10 dwellings

Value Area	Land	Amended Residual Land Value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 644,903	£ 378,236	141.84%	VIABLE
East Boldon / Whitburn	Green	£ 334,905	£ 134,905	67.45%	VIABLE
West Boldon / Boldon Colliery	Green	£ 244,685	£ 94,685	63.12%	VIABLE
Hebburn	Green	£ 177,468	£ 44,134	33.10%	VIABLE
South Shields / Jarrow	Green	£ 148,263	£ 48,263	48.26%	VIABLE
Cleadon	Brown	£ 627,346	£ 427,346	213.67%	VIABLE
East Boldon / Whitburn	Brown	£ 315,575	£ 145,575	85.63%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 214,618	£ 64,618	43.08%	VIABLE
Hebburn	Brown	£ 165,632	£ 45,632	38.03%	VIABLE
South Shields / Jarrow	Brown	£ 136,059	£ 16,059	13.38%	VIABLE

7.6.4. For Site Type 3 (30 dwellings) in the base modelling all showed a viable outcome. This is again the case with the contingency removed.

7.6.5. For Site Type 4 (80 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. If the contingency is removed, South Shields / Jarrow brownfield also shows a viable outcome, with a surplus at 37.41% above the benchmark land value.

7.6.6. For Site Type 5 (125 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. If the contingency is removed, South Shields / Jarrow brownfield also shows a viable outcome, with a surplus at 44.66% above the benchmark land value.

7.6.7. For Site Type 6 (250 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. If the contingency is removed, South Shields / Jarrow brownfield also shows a viable outcome, with a surplus at 46.80% above the benchmark land value.

7.6.8. For Site Type 7 (40 retirement apartments) in the base modelling Cleadon and East Boldon / Whitburn were viable with 30% affordable housing, however West Boldon / Boldon Colliery was unviable with 20%. Hebburn was viable at 10%, but South Shields / Jarrow were unviable at 10%. With the contingency removed, all are viable, except for South Shields / Jarrow:

Site Type 7 - 40 retirement apartments					
Value Area	Land	Amended Residual Land Value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 1,457,553	£ 1,137,553	355.49%	VIABLE
East Boldon / Whitburn	Green	£ 729,168	£ 489,168	203.82%	VIABLE
West Boldon / Boldon Colliery	Green	£ 274,366	£ 94,366	52.43%	VIABLE
Hebburn	Green	£ 384,982	£ 224,982	140.61%	VIABLE
South Shields / Jarrow	Green	-£ 121,377	-£ 241,377	-201.15%	UNVIABLE
Cleadon	Brown	£ 1,424,647	£ 1,184,647	493.60%	VIABLE
East Boldon / Whitburn	Brown	£ 696,261	£ 492,261	241.30%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 242,909	£ 62,909	34.95%	VIABLE
Hebburn	Brown	£ 352,209	£ 208,209	144.59%	VIABLE
South Shields / Jarrow	Brown	-£ 160,275	-£ 304,275	-211.30%	UNVIABLE

7.6.9. For Site Type 8 (100 flats) the base modelling showed high viability pressure in most locations. Even with the contingency removed this viability pressure remains high for the majority, with only Cleadon and East Boldon / Whitburn showing a viable outcome.

7.6.10. In summary, if the contingency is removed all of the housing site typologies (i.e. Site Types 1, 2, 3, 4, 5 and 6) at the planning levels used in the base modelling return a viable outcome. The majority of the retirement apartment site types become viable, however it makes little difference to the 100 apartment scheme.

7.7. Sensitivity Test 6 – Professional fees increased

7.7.1. This sensitivity test increases the professional fees in Site Types 1 and 2 from 8% to 9%, whilst for Site Types 3, 4, 5 and 6 it increases from 6% to 8%.

7.7.2. For Site Type 1 (5 dwellings) the base modelling all showed a viable outcome. This is again the case if professional fees are inflated as set out above.

7.7.3. For Site Type 2 (10 dwellings) in the base modelling all showed a viable outcome, except for Hebburn brownfield (marginally unviable) and South Shields / Jarrow brownfield (unviable). If professional fees are inflated as set out above the outcomes change as follows:

Site Type 2 - 10 dwellings

Value Area	Land	Amended Residual Land Value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 581,233	£ 314,567	117.96%	VIABLE
East Boldon / Whitburn	Green	£ 271,235	£ 71,235	35.62%	VIABLE
West Boldon / Boldon Colliery	Green	£ 186,633	£ 36,633	24.42%	VIABLE
Hebburn	Green	£ 119,416	-£ 13,917	-10.44%	UNVIABLE
South Shields / Jarrow	Green	£ 90,211	-£ 9,789	-9.79%	UNVIABLE
Cleadon	Brown	£ 549,527	£ 349,527	174.76%	VIABLE
East Boldon / Whitburn	Brown	£ 237,756	£ 67,756	39.86%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 143,666	-£ 6,334	-4.22%	UNVIABLE
Hebburn	Brown	£ 94,680	-£ 25,320	-21.10%	UNVIABLE
South Shields / Jarrow	Brown	£ 65,107	-£ 54,893	-45.74%	UNVIABLE

7.7.4. For Site Type 3 (30 dwellings) in the base modelling all showed a viable outcome. This is again the case if professional fees are inflated as set out above.

7.7.5. For Site Type 4 (80 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This is again the case if professional fees are inflated as set out above, except for Hebburn brownfield which changes from viable in the base modelling to unviable, albeit only marginally unviable with a residual land value only 7.86% below the benchmark land value.

7.7.6. For Site Type 5 (125 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This is again the case if professional fees are inflated as set out above, except for Hebburn brownfield which changes from viable in the base modelling to unviable, albeit only marginally unviable with a residual land value only 0.65% below the benchmark land value.

7.7.7. For Site Type 6 (250 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This is again the case if professional fees are inflated as set out above.

7.8. Sensitivity Test 7 – Density increased to 40 dwellings per net Ha

7.8.1. This sensitivity test increases the dwelling ratio from 35 to 40 dwellings per net Ha. To reflect this, we have subsequently adjusted the mix of housing to allow more dwelling to be constructed, as follows:

- Types 1 & 2 – 20% detached, 80% semi (base 60% detached 40% semi)

- Type 3, 4, 5 & 6 – 20% detached, 60% semi, 20% terrace (base 40% detached 40% semi 20% terrace)

7.8.2. For Site Type 1 (5 dwellings) the base modelling all showed a viable outcome. This is again the case with 40 dwellings per net Ha for the majority, except for South Shields / Jarrow which now show a marginally unviable outcome (residual land value only 5.42% below benchmark land value).

7.8.3. For Site Type 2 (10 dwellings) in the base modelling all showed a viable outcome, except for Hebburn brownfield (marginally unviable) and South Shields / Jarrow brownfield (unviable). Applying a 40 dwelling per net Ha level to this scheme actually has a detrimental impact on viability, as shown:

Site Type 2 - 10 dwellings

Value Area	Land	Amended Residual Land Value	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Green	£ 405,038	£ 205,038	102.52%	VIABLE
East Boldon / Whitburn	Green	£ 152,144	£ 2,144	1.43%	VIABLE
West Boldon / Boldon Colliery	Green	£ 122,805	£ 10,305	9.16%	VIABLE
Hebburn	Green	£ 64,221	-£ 35,779	-35.78%	UNVIABLE
South Shields / Jarrow	Green	£ 47,964	-£ 27,036	-36.05%	UNVIABLE
Cleadon	Brown	£ 383,125	£ 233,125	155.42%	VIABLE
East Boldon / Whitburn	Brown	£ 128,458	£ 958	0.75%	VIABLE
West Boldon / Boldon Colliery	Brown	£ 89,501	-£ 22,999	-20.44%	UNVIABLE
Hebburn	Brown	£ 49,147	-£ 40,853	-45.39%	UNVIABLE
South Shields / Jarrow	Brown	£ 32,522	-£ 57,478	-63.86%	UNVIABLE

7.8.4. For Site Type 3 (30 dwellings) in the base modelling all showed a viable outcome. This is again the case with 40 dwellings per net Ha.

7.8.5. For Site Type 4 (80 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This is again the case with 40 dwellings per net Ha, except for Hebburn brownfield which changes from viable in the base modelling to unviable, albeit only marginally unviable with a residual land value only 6.10% below the benchmark land value.

7.8.6. For Site Type 5 (125 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This is again the case with 40 dwellings per net Ha.

7.8.7. For Site Type 6 (250 dwellings) in the base modelling all showed a viable outcome, except for South Shields / Jarrow brownfield. This is again the case with 40 dwellings per net Ha.

7.9. Sensitivity Test 8 – Low cost developer

7.9.1. In our review we noted that some of the schemes in the borough have been brought forward by 'low cost' housebuilder specialists (for example Gleeson and Keepmoat). Housebuilders which fall into this category have a different business model to the majority of volume housebuilders, offering a more basic product specification and generally a higher proportion of smaller dwellings. This changes the dynamic of the viability model, as the sales values are typically lower, as are the build costs, combined with an increased density. In light of this our Sensitivity Test 8 is based on a low-cost housebuilder model.

7.9.2. In terms of the average values which feed into this modelling we have assumed an average of £2,000 per sq m for the detached dwellings, £1,900 per sq m for the semi-detached and £1,850 per sq m for the terraced. We have also assumed a higher density of 40 dwellings per net Ha (with an adjusted mix of 20% detached, 60% semi-detached and 20% terraced).

7.9.3. Typically, low cost developers will only develop larger housing sites. This sensitivity test therefore only applies to Site Types 3, 4, 5 and 6.

7.9.4. For Site Type 3 the low cost developer model shows the following:

Site Type 3 - 30 dwellings

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Low cost developer	Green	10.00%	£ 354,902	£ 300,000	£225,000	£ 129,902	57.73%	VIABLE
Low cost developer	Brown	10.00%	£ 160,211	£ 250,000	£187,500	-£ 27,289	-14.55%	UNVIABLE

7.9.5. This points to greenfield sites as being viable with 10% affordable housing (the government's minimum requirement), however brownfield sites are marginally viable.

7.9.6. For Site Type 4 the low cost developer model shows the same outcome (albeit the greenfield site is more marginal):

Site Type 4 - 80 dwellings

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Low cost developer	Green	10.00%	£ 608,965	£ 300,000	£ 600,000	£ 8,965	1.49%	VIABLE
Low cost developer	Brown	10.00%	£ 366,800	£ 250,000	£ 500,000	-£ 133,200	-26.64%	UNVIABLE

7.9.7. For Site Type 5 the low cost developer model both greenfield and brownfield and shown to be viable at 10% affordable housing:

Site Type 5 - 125 dwellings

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Low cost developer	Green	10.40%	£ 1,522,606	£ 300,000	£ 937,500	£ 585,106	62.41%	VIABLE
Low cost developer	Brown	10.40%	£ 1,149,977	£ 250,000	£ 781,250	£ 368,727	47.20%	VIABLE

7.9.8. Likewise, for Site Type 6 the low cost developer model both greenfield and brownfield and shown to be viable:

Site Type 6 - 250 dwellings

Value Area	Land	AH %	Residual Land Value	BLV (£ per net Ha)	BLV	Base appraisal surplus	Surplus % of BLV	Viable?
Low cost developer	Green	10.00%	£ 2,564,519	£ 300,000	£1,875,000	£ 689,519	36.77%	VIABLE
Low cost developer	Brown	10.00%	£ 1,826,970	£ 250,000	£1,562,500	£ 264,470	16.93%	VIABLE

7.9.9. The above modelling demonstrates that 10% affordable housing can be viably supported in South Shields / Jarrow.

7.10. Sensitivity Test 9 – Build to Rent apartment scheme

7.10.1. As demonstrated in the base appraisals, for Site Type 8, which is based on a scheme of 100 apartments, the viability pressure is high. However, this is the case across the country. Still, though, multi storey apartment schemes are still being delivered. A key reason for this is the through the growth of the 'Build to Rent' sector where schemes are constructed, often on a 'forward funded' basis (i.e. where a deal is already in place with an end investor) which allows the entire building to be transferred across to an investor (often institutional investors like pension funds). This significantly reduces the risk associated with this type of development, where traditional flats were sold individually on a speculative basis as opposed to effectively a 'pre-sale'.

7.10.2. Whilst Build to Rent schemes have tended to be within city locations it is conceivable that certain areas of South Shields could attract this type of opportunity. We envisage the most likely would be in the urban areas, particular those located for example with river views and good links to Newcastle.

7.10.3. On this basis, we have run a model based on a Build to Rent scenario in an urban location. We have used the Site Type 8 size and number of flats (therefore 100 in total), together with the development costs. However, revenue is based on the investment value of the rental income and the developer profit is significantly reduced to 10% on revenue to reflect the lower risks associated with this type of development. We have also assumed 10% onsite affordable rented dwellings. Our findings are as follows:

SENSITIVITY TEST 9 - BUILD TO RENT APARTMENTS							01-Dec-21		
GROSS DEVELOPMENT VALUE (GDV)			**NSA**	**NSA**			**Gross**		
Description	**Units**		**sq m (each)**	**sq m (total)**	**Rent pcm**	**Rent p.a.**	**Rent p.a.**	**Operating costs**	**£ total**
Market Rent flat	90		61	5,490	875	10,500	945,000	25.00%	708,750
Affordable Rent flat	10		61	610	700	8,400	84,000	25.00%	63,000
Sub totals	100			6,100			1,029,000		771,750
					Yield	5.25%	19.0476		14,700,000
					Purchaser's costs	4.80%			-705,600
GDV TOTALS				**Units** 100	**AH** 10 10.00%	**Sq m** 6,100			**GDV** 13,994,400
GROSS DEVELOPMENT COSTS (GDC) - including land value and developer's profit									
Benchmark / Threshold Land Value									
Gross site area		0.29	Ha			2,769,220	per net Ha	692,305	BLV
Net site area		0.25	Ha						400,000 per net Ha
Purchase costs									100,000
Purchase legals				0.50%		3,462			
Purchase agents				1.00%		6,923			
Stamp Duty Land Tax						2,000		12,385	704,690
Standard Construction									
Flat construction		7,625	sq m GIA		at	1,089	per sq m	8,303,625	
Externals		5.00%	of build costs					415,181	8,718,806
Contingency		4.50%	of build costs					392,346	9,111,153
Abnormal Construction / Other costs									
Abnormals allowance					at	300,000	per net Ha	75,000	
Biodiversity net gain - onsite								606	
Biodiversity net gain - offsite								5,882	
Part L Building Regulations uplift								250,000	
Electric car charging points								50,000	
SUDS								8,824	
M4(2)								150,000	
M4(3)								208,000	748,312
Professional Fees									
Architect,QS,Engineer etc		8.00%	of build costs						697,505
Planning Policy Contributions									
Offsite open space								50,000	
Education								500,000	
Transport								100,000	650,000
Finance									
Interest	calculated by cash flow			6.50%	debit	0.00%	credit	590,627	
Developer's Target Profit									
Market Value units		10.00%	of	GDV				1,470,000	
TOTAL COSTS									13,972,286

7.10.4. The residual land value shown above is £692,305, therefore comfortably above the benchmark land value of £100,000. This shows that even in the urban areas of South Tyneside there is the potential for Build to Rent schemes to be viable with 10% affordable housing.

8. COMMERCIAL VIABILITY TETSING & RESULTS

8.1. Scheme typologies

8.1.1. During the stakeholder engagement the following typologies were put forward for the viability testing (which were based on other assumptions applied to other Local Plan viability studies undertaken in the north east as well as our professional experience):

Table 8.1 – Suggested commercial typologies for testing

Type	Gross site area Ha	Site coverage	GIA (sq m)
Town centre office	0.10	400%	4,000
Out of town office	0.25	80%	2,000
Small workshop	1.00	50%	5,000
Medium industrial	4.00	50%	20,000
Large industrial	15.00	50%	75,000
Town centre retail	0.015	200%	300
Retail warehouse	0.44	45%	2,000
Supermarket (small)	0.75	20%	1,500
Cinema	0.70	50%	3,500
Hotel	0.50	70%	3,500
Leisure	5.00	70%	35,000

8.1.2. No comments were received through the stakeholder engagement process.

8.1.3. Having reconsidered the proposed typologies, the majority are considered to be broadly appropriate in the current market for commercial viability testing. However, and whilst this is consistent with other Local Plan studies in the north east, in reality it remains to be seen whether a developer would be willing / able to bring forward an office development of 4,000 sq m in a town centre location in South Tyneside (this scale is more applicable to a city centre location). We have subsequently adjusted this to 2,000 sq m in our modelling.

8.2. Approach

8.2.1. The methodology is the same as the residential testing. A residual approach is applied whereby the gross development value (i.e. revenue) of the completed scheme is established, from which all the development costs (including developer profit) are deducted. This leaves a residual land value. This is compared to a separately established benchmark land value. If the residual land value is above the benchmark land value the scheme is deemed to be viable, if it falls below it is unviable.

8.2.2. In assessing non-residential gross development value, we have mostly adopted a 'rent and yield' approach, whereby the Market Rent is identified for the completed accommodation and then capitalised using an appropriate yield. This reflects standard practice within the industry. However, the hotel typology is an exception, where we have focused principally on a capital value per room.

8.2.3. Please note, in terms of our market review, in some cases there is a lack of evidence from within South Tyneside. Where necessary we have subsequently expanded our review to include neighbouring authority areas, for example North Tyneside, Sunderland and Gateshead.

8.3. Offices

8.3.1. In recent years there has been an increase in serviced / flexible office accommodation, where tenants typically agree short term arrangements on an all-inclusive basis (i.e. a rent which covers all costs of equipment, electricity, broadband etc). These arrangements can often be on a 'per desk' basis paid monthly. However, and whilst this sector has grown, the majority of office accommodation is still based on a more traditional approach, whereby accommodation is let on fixed tenancy agreements typically for 5 to 15 year terms. For the purposes of our modelling we have subsequently assumed that new build office accommodation would be let on longer, fixed terms arrangements.

8.3.2. As for rental evidence, we note asking rents in Sunderland's city centre at £21.50 per sq ft (£231 per sq m). However, for modern office accommodation in North Shields this reduces to £14 per sq ft (£151 per sq m) to as low as £7.50 per sq ft (£81 per sq m). This therefore highlights the difficulties currently being experienced in the office market, whereby accommodation in good, attractive locations are still able to command good levels of rent (which tend to be in city centre locations), whereas for more secondary locations rental levels drop sharply.

8.3.3. Whilst it is anticipated that a new office building is likely to attract some level of premium, in reality it is anticipated that South Shields would be regarded as more of a secondary office market location (with Newcastle still the dominant location in the region for office demand). We therefore consider that a rental rate of no more than £15 per sq ft (£161 per sq m) would be achievable for both in town or out of town office accommodation. We have subsequently applied this to our modelling.

8.3.4. For the purposes of the modelling, we have assumed 5 year tenancy agreements, with 6 month rent free incentives (as is common place in the market for lease terms of this length).

8.3.5. In terms of an appropriate investment yield, this is a reflection of risk and therefore ultimately depends on the nature of the tenant and the covenant strength. A multi-national company, for example, would be perceived as a low-risk of default from an investors perspective, which means that they would be willing to pay a higher investment price for this type of covenant (as there would be a stronger chance that the full term of the tenancy arrangement would be met). The effect is that this serves to reduce the yield. However, conversely, a small, new company would be perceived by an investor to have a higher risk of default, therefore they would be willing to pay less, which would inflate the yield.

8.3.6. Having reviewed the market, we note that there are numerous investment deals in recent years across the wider North East market for office investments which have tenants regarded as being weaker covenant strengths. Where this is the case, yields in excess of 10% are commonplace. However, for stronger covenants, sub 7% yields have been recorded.

8.3.7. For the purposes of the modelling we have assumed that an average covenant strength tenant would be secured. We have subsequently assumed a yield of 8.5%, which is considered to be realistic for office accommodation in the borough.

8.3.8. For build costs, we have again referred to the Build Cost Information Service ("BCIS") database, which we referred to in the residential testing. For 3-5 storey office accommodation in South Tyneside (which is considered to be appropriate for the in-town model) the current median rate of £1,720 per sq m. For 1-2 storey office accommodation (considered appropriate for out of town) this is currently £1,752 per sq m. Please note, we have assumed a gross to net ratio of 80% for the accommodation (with the rental income applied to the net internal area and the build costs applied to the gross internal area, as is common practice when assessing office accommodation).

8.3.9. The BCIS excludes externals, contingency, abnormals and professional fees, therefore it is necessary to allow for these separately. Based on our experience, in both models for externals we have assumed 5%, contingency 3%, professional fees 8%. For the in-town model abnormals are assumed to be £300,000 per net Ha (i.e. in line with our brownfield assumptions in the residential modelling). For the out of town modelling we have assumed £200,000 per net Ha (i.e. in line with our greenfield residential assumptions).

8.3.10. We have also allowed 10% of the Market Rent as a letting fee, plus 5% of the Market Rent for legals. For the investment sale purchaser's costs are assumed at 5.8% (to cover stamp duty, legal costs and investment agent fee).

8.3.11. For developer profit we have assumed 15% on cost, which is commonly used for this type of development.

8.3.12. For the benchmark land values, for the in-town office model we have assumed a brownfield land value. The site extends to 0.1 Ha, so is only relatively small. We have assumed a landowner would expect at least £100,000 for a parcel of this size. For the out of town office plot we have assumed a higher figure of £125,000 (equivalent to £500,000 per net Ha).

8.3.13. For the in-town office model the appraisal generates a significant deficit. The residual land value is – (minus) £2,389,257. This is significantly below the benchmark land value of £100,000 and therefore is unviable.

8.3.14. For the out of office model the appraisal also generates a significant deficit. The residual land value is – (minus) £2,363,303. This is significantly below the benchmark land value of £125,000 and therefore is unviable.

8.4. Industrial

8.4.1. As per the approach to the office typologies, we consider it appropriate to assume fixed tenancy agreements for industrial accommodation. For the small workshop typology we have assumed the 5,000 sq m would be provided through multiple smaller units (as small as 500 sq m but no larger than 1,000 sq m) and shorter 5 year tenancy agreement, with 6 month rent free periods. For the medium typology we have again assumed this would be based on multiple units, no larger than 5,000 sq m per unit. For this scale of accommodation, we have assumed a 15 year term with 6 months rent free. For the large typology we have assumed this would be provided through no more than 2 units, with 15 year terms and 12 month rent free periods.

8.4.2. For rental evidence, we note:

- Brooklands Way, Boldon Colliery: older unit of sub 1,000 sq m currently available in Boldon Colliery for £67.29 per sq m (£6.25 per sq ft).

- Boldon Court, Burford Way, Boldon Colliery: modern units 384 sq m at £83.85 per sq m (£7.79 per sq ft).

- Infinity Park, Blue Sky Way, Hebburn: modern unit 1,496 sq m at £66.44 per sq m (£6.17 per sq ft).

- Waldridge Way, South Shields: older, refurbished unit 957 sq m at £67.90 per sq m (£6.31 per sq ft).

- Western Approach Trade Park, South Shields: older, refurbished unit 357 sq m at £83.42 per sq m (£7.75 per sq ft).

- Simonside Industrial Estate, Jarrow: older, refurbished unit 389 sq m at £61.89 per sq m (£5.75 per sq ft).

- Waldridge Way, South Shields: older, refurbished unit 2,430 sq m at £76.54 per sq m (£7.11 per sq ft).

- Shed 20, Tyne Dock, South Shields: older, refurbished unit 11,576 sq m at £50.97 per sq m (£4.73 per sq ft).

- 6 International Drive, Washington: modern unit 11,610 sq m at £64.60 per sq m (£6.00 per sq ft).

8.4.3. For smaller workshop style industrial buildings, we consider £91 per sq m (£8.50 per sq ft) to be realistic for brand new accommodation. For the medium scale development, we have reduced this to an average of £80 per sq m (£7.50 per sq ft). Finally, for the distribution size warehousing we have adopted £65 per sq m (£6 per sq ft).

8.4.4. In terms of an appropriate investment yield, this is a reflection of risk and therefore ultimately depends on the nature of the tenant and the covenant strength. For example, in Sunderland Enterprise Park we note an investment sale of a Howden Joinery tenanted industrial unit achieved a yield of 5.72% in Dec 2020. However, there are numerous examples across the wider locality where yields in excess of 10% were achieved for industrial units that had smaller, more local business in occupation.

8.4.5. For smaller workshop units we have assumed that small, local business would most likely be the type of tenants attracted, which would require shorter lease arrangements (assumed to be 5 years). This increases the perceived yield associated with the investment. A yield of 8.5% is therefore deemed appropriate. For the medium scale development this is likely to attract larger, more established businesses and furthermore longer term leases (we have assumed 15 years) which would reduce the associated risks of this investment. To reflect this our yield has been reduced to 7.5%. For distribution facilities this is likely to attract larger regional / national operators deemed to be attractive occupiers to investors due to the security of rental income that this brings. For this typology we have assumed a 6.5% yield.

8.4.6. In terms of build costs, we have again referred to the BCIS database, which we referred to in the residential testing. For smaller industrial units the current relevant rate in South Tyneside is £904 per sq m. For medium scale it is £608 per sq m, whilst for large distribution facilities it is £511 per sq m. We have applied these rates to our modelling.

8.4.7. The BCIS excludes externals, contingency, abnormals and professional fees, therefore it is necessary to allow for these separately. Based on our experience, in all the models for externals we have assumed 10%, contingency 3%, professional fees 8%. For each scenario we have assumed abnormal costs at £200,000 per net Ha (i.e. in line with the greenfield residential allowance).

8.4.8. We have also allowed 10% of the Market Rent as a letting fee, plus 5% of the Market Rent for legals. For the investment sale purchaser's costs are assumed at 5.8% (to cover stamp duty, legal costs and investment agent fee).

8.4.9. For developer profit we have assumed 15% on cost, which is commonly used for this type of development.

8.4.10. For the benchmark land values, we have assumed £450,000 per net Ha, which is the mid-range figure used in the greenfield residential testing.

8.4.11. For the small workshop style industrial accommodation, the appraisal generates a significant deficit. The residual land value is – (minus) £1,692,819. This is significantly below the benchmark land value of £450,000 and therefore is unviable.

8.4.12. For the medium scale industrial development, the appraisal returns a residual land value of £335,581. This is significantly below the benchmark land value of £1,800,000 and therefore is unviable. In order to bring this scheme, forward a developer would need to significantly reduce their profit expectations and seek to negotiate a reduction in the land price (if possible).

8.4.13. For the large scale distribution industrial development the appraisal returns a residual land value of £394,915. This is significantly below the benchmark land value of £4,500,000 and therefore is unviable. In order to bring this scheme forward a developer would need to significantly reduce their profit expectations and seek to negotiate a reduction in the land price (if possible).

8.5. Retail

8.5.1. Again, we consider it appropriate to assume fixed tenancy agreements for retail accommodation. For each of the typologies we have assumed 15 year terms with 12 month rent free periods.

8.5.2. For rental evidence, we note:

- Frederick St, South Shields: older unit in secondary location, 204 sq m currently available for £73.39 per sq m (£6.82 per sq ft).

- King Street, South Shields: older unit in prime retail pitch for locality, 259 sq m at £153 per sq m (£14.17 per sq ft).

- King Street, South Shields: older unit in prime retail pitch for locality, 68 sq m at £251 per sq m (£23.41 per sq ft).

- Fowler St, South Shields: older unit in good retail pitch for locality, 83.5 sq m at £113.62 per sq m (£10.55 per sq ft).

- 104 Victoria Road, South Shields: older unit in secondary retail pitch for locality, 463 sq m at £75.67 per sq m (£7.03 per sq ft).

- Former Travis Perkins retail warehouse, North Hylton Enterprise Park, North Hylton: older unit, 915 sq m at £76.50 per sq m (£7.11 per sq ft).

- Unit 3 Tyne Tunnel trade Park, North Shields: older unit, 240 sq m at £88.81 per sq m (£8.25 per sq ft).

8.5.3. We are also aware of the Westoe Crown Village development in South Shields, which comprises a modern development ground floor retail units with upper floor apartments. The ground floor retail parade has recently sold as an investment. The retail parade included Tesco as an 'anchor tenant', in a unit of 395 sq m rented at £141 per sq m (£13.11 per sq ft). There were 8 other additional units, with all but 1 below 100 sq m in size. The average passing rent for these units ranged from £124 to £176 per sq m (£11.56 to £16.36 per sq ft). This recently sold at a yield of 7.74% (when applied to the passing rent), increasing to 9.28% when applied to the overall Market Rent.

8.5.4. In the wider north east region, we are also currently involved in testing a proposed new build retail parade in County Durham (in a secondary location). For units ranging from 57 to 255 sq m in size an average rental of £118.41 per sq m (£11 per sq ft) has been applied. For a larger unit of 295 sq m and 'anchor' tenant to a national covenant has been agreed at £132 per sq m (£12.28 per sq ft). An average yield of 8.5% was deemed appropriate in the viability modelling.

8.5.5. For the town centre retail typology, we have assumed a Market Rent of £175 per sq m. A yield of 8.5% has been assumed.

8.5.6. For retail warehousing, we have assumed this would comprise a number of units, no more than 500 sq m for an individual unit. We have assumed a rental equivalent to £100 per sq m. A yield of 6.5% is also considered to be realistic for this type of development (on the basis that large, good strength covenant tenants are likely to be attracted).

8.5.7. For the supermarket model, in reality the majority of the 'big 6' operators are not currently actively pursuing new developments, particularly for larger scale stores. Instead, the majority of new development activity in recent years has been from 'discount' brands, mainly Aldi and Lidl. Our supermarket typology therefore reflects this type of operator. Based on schemes we have appraised in the past we consider a rental equivalent to £175 per sq m to be reasonable for an Aldi / Lidl supermarket. As for the yield, this would be perceived as a high strength covenant which would serve to reduce the yield. An allowance of 5.5% is considered to be reasonable.

8.5.8. In terms of build costs, we have again referred to the BCIS database, which we referred to in the residential testing. For the town centre retail, the current relevant rate is £819 per sq m. For retail warehousing it is £668 per sq m, whilst for supermarkets it is £960 per sq m.

8.5.9. The BCIS excludes externals, contingency, abnormals and professional fees, therefore it is necessary to allow for these separately. For the town centre retail we have assumed 5% for externals, increasing to 10% for the retail warehousing and supermarket. Contingency has been assumed at 3% for all 3, as well as 8% for professional fees. Abnormals are £100,000 in the town centre retail, but £200,000 per net Ha for the retail warehousing and supermarket (i.e. in line with the greenfield residential allowance).

8.5.10. We have also allowed 10% of the Market Rent as a letting fee, plus 5% of the Market Rent for legals. For the investment sale purchaser's costs are assumed at 5.8% (to cover stamp duty, legal costs and investment agent fee).

8.5.11. For developer profit we have assumed 15% on cost, which is commonly used for this type of development.

8.5.12. For the benchmark land values, in the town centre retail we have assumed a sum of £150,000. For the retail warehousing and supermarket we have assumed £450,000 per net Ha, which is the mid-range figure used in the greenfield residential testing.

8.5.13. For the town centre retail, the appraisal returns a residual land value of £86,678. This is below the benchmark land value of £150,000 and therefore is unviable. In order to bring this scheme forward a developer would need to significantly reduce their profit expectations and seek to negotiate a reduction in the land price (if possible).

8.5.14. For the retail warehousing, the appraisal returns a residual land value of £511,461 This is above the benchmark land value of £198,000 and therefore is deemed to be viable.

8.5.15. For the small supermarket, the appraisal returns a residual land value of £1,723,997. This is comfortably above the benchmark land value of £337,500 and therefore is deemed to be viable.

8.6. Cinema

8.6.1. In terms of the rental income, given the niche nature of properties such as this there is limited evidence on which to base an assessment. However, we do note that other Local Plan studies have included cinema typology testing, with a rental assumption at £150 per sq m. This is considered to be reasonable and has been applied to the modelling. As for the yield it is assumed this would be a multi-national operator therefore a strong covenant strength. To reflect this, a yield of 6% is considered to be achievable.

8.6.2. In terms of build costs, we have again referred to the BCIS database, which we referred to in the residential testing. For new build cinema's the current rate is £1,617 per sq m.

8.6.3. The BCIS excludes externals, contingency, abnormals and professional fees, therefore it is necessary to allow for these separately. We have assumed 5% for externals, 3% for contingency and 8% for professional fees. Abnormals are £200,000 per net Ha (i.e. in line with the greenfield residential allowance).

8.6.4. We have also allowed 10% of the Market Rent as a letting fee, plus 5% of the Market Rent for legals. For the investment sale purchaser's costs are assumed at 5.8% (to cover stamp duty, legal costs and investment agent fee).

8.6.5. For developer profit we have assumed 15% on cost, which is commonly used for this type of development.

8.6.6. For the benchmark land values we have assumed £450,000 per net Ha, which is the mid-range figure used in the greenfield residential testing.

8.6.7. For the cinema typology, the appraisal returns a residual land value of £211,813. This is below the benchmark land value of £315,000 and therefore is unviable. In order to bring this scheme forward a developer would need to significantly reduce their profit expectations and seek to negotiate a reduction in the land price (if possible).

8.7. Hotel

8.7.1. In terms of the rental income, given the niche nature of properties such as this there is limited evidence on which to base an assessment. However, we do note that other Local Plan studies have included hotel typology testing. Having considered the assumptions made in these assessments, we have allowed a capital value equivalent to £75,000 per bedroom in an 80 bed hotel.

8.7.2. In terms of build costs, we have again referred to the BCIS database, which we referred to in the residential testing. For new build hotel the current rate is £1,658 per sq m.

8.7.3. The BCIS excludes externals, contingency, abnormals and professional fees, therefore it is necessary to allow for these separately. We have assumed 5% for externals, 3% for contingency and 8% for professional fees. Abnormals are £200,000 per net Ha (i.e. in line with the greenfield residential allowance).

8.7.4. We have also allowed 10% of the Market Rent as a letting fee, plus 5% of the Market Rent for legals. For the investment sale purchaser's costs are assumed at 5.8% (to cover stamp duty, legal costs and investment agent fee).

8.7.5. For developer profit we have assumed 15% on cost, which is commonly used for this type of development.

8.7.6. For the benchmark land values we have assumed £450,000 per net Ha, which is the mid-range figure used in the greenfield residential testing.

8.7.7. The hotel appraisal generates a significant deficit. The residual land value is – (minus) £1,268,109. This is significantly below the benchmark land value of £500,000 and therefore is unviable.

8.8. Leisure

8.8.1. For this typology we have assumed the cinema development as described above, plus restaurant / café units as well as general retail.

8.8.2. For the cinema, the rental income is equivalent to £150 per sq m, as stated above. For the restaurants, we have assumed multiple units totalling 15,000 sq m. The average rental rate assumed across this accommodation is £200 per sq m. For the remaining accommodation (16,500 sq m) we have assumed general retail, at £150 per sq m. We have assumed a 'blended' yield across the scheme at 7%.

8.8.3. In terms of build costs, we have again referred to the BCIS database, which we referred to in the residential testing. For new build cinema the figure is £1,617 per sq m, increasing to £1,852 per sq m for restaurants / cafés. For the retail the relevant rate is £1,190 per sq m.

8.8.4. The BCIS excludes externals, contingency, abnormals and professional fees, therefore it is necessary to allow for these separately. We have assumed 10% for externals (as additional works are likely to be required for this scale of development), 3% for contingency and 8% for professional fees. Abnormals are £200,000 per net Ha (i.e. in line with the greenfield residential allowance).

8.8.5. We have also allowed 10% of the Market Rent as a letting fee, plus 5% of the Market Rent for legals. For the investment sale purchaser's costs are assumed at 5.8% (to cover stamp duty, legal costs and investment agent fee).

8.8.6. For developer profit we have assumed 15% on cost, which is commonly used for this type of development.

8.8.7. For the benchmark land values we have assumed £450,000 per net Ha, which is the mid-range figure used in the greenfield residential testing.

8.8.8. For the leisure typology, the appraisal returns a residual land value of £1,034,815. This is below the benchmark land value of £2,250,000 and therefore is unviable. In order to bring this scheme forward a developer would need to significantly reduce their profit expectations and seek to negotiate a reduction in the land price (if possible).

8.9. Summary

8.9.1. The office and industrial typologies return unviable outcomes, as do the small town centre retail development, cinema, hotel and leisure developments.

8.9.2. However, the leisure development does generate a positive residual land value and therefore it is conceivable that this type of development could come forward if a developer was willing to adjust their profit expectations or yields were to contract. The medium scale and larger scale industrial schemes also return positive residual land values, although the margin between the residual land value and the benchmark land value is higher than the leisure typology. For these schemes to reach a viable outcome there would need to be a contracting of yields, reduction in developer profit expectation and also potentially savings found in the development costs.

8.9.3. For the retail warehousing, this returns a viable outcome, with a reasonable level of surplus. Furthermore, the small supermarket scheme is comfortably viable with a healthy surplus.

9. CONCLUSIONS AND RECOMMENDATIONS

9.1. For residential sites, the typology tests show that development across the Borough is viable and able to deliver some level of policy contribution.

9.2. Our modelling considers the impact of a variety of draft planning policies, as follows:

Policy 18: Affordable Housing

Policy 20: Technical Design Standards for New Homes

Policy 47: Design Principles

Policy SP2: Strategy for Sustainable Development to meet identified needs

Policy 48: Promoting Good Deign with New Residential Developments

Policy 43: Development Affecting Designated Heritage Assets

Policy 44: Archaeology

Policy 45: Development Affecting Non-Designated Heritage Assets

Policy 33: Biodiversity, Geodiversity and Ecological Networks

Policy 34: Internationally, Nationally and Locally important sites

Policy 35: Delivering Biodiversity Net Gain

Policy SP23: Green Infrastructure

Policy 37: Protecting and enhancing Open Spaces and Green Infrastructure

Policy 7: Flood Risk and Water Management

Policy 8: Flood Risk Assessment (FRA)

Policy 9: Sustainable Drainage Systems

Policy 6: Renewables and Low Carbon Energy Generation

Policy 52: Telecommunications

Policy SP27: New Development

Education

9.3. Based on our modelling we conclude the following:

- **Affordable Housing**: Based on our modelling we consider it appropriate to adopt different levels of affordable housing for different locations across the borough (reflecting the range of market values that are experienced in the locality). Having considered the base 'worst case' testing (in terms of applying the maximum policy requirement) as well as the sensitivity modelling we conclude that the following affordable housing provisions are reasonable:

Cleadon, East Boldon, Whitburn	-	30%
West Boldon, Boldon Colliery, Hebburn	-	20%
South Shields, Jarrow	-	10%

Please note, as per the government's requirement, the above allowances assume that a minimum of 10% of all dwellings within a site are provided as First Homes. For South Shields and Jarrow this means that all the affordable dwellings provided on site are to be based on First Homes.

- **Nationally Described Space Standards**: the testing demonstrates that imposing these standards as a minimum requirement does not undermine viability.

- **Biodiversity Net Gain**: this can be viably supported through a combination of onsite land allocation and offsite contributions.

- **Housing standards**: development in the borough can viably sustain the forthcoming changes to building regulations and also requirements for electric car charging points.

- **Accessibility and adaptability standards**: all dwellings can viably meet the M4(2) standard. Furthermore, a circa 12-13% proportion of dwellings meeting the M4(3) standard would not undermine viability.

- **Open space, transport and education**: contributions to these policy requirements can be viably supported through development schemes.

9.4. As a point of reference, the base modelling for housing schemes providing 30 or more dwellings (plus the affordable housing rates as set out above) includes contributions to meet biodiversity net gain, Part L changes, electric car charging points, M4(2), M4(3), transport, open space and education at circa £13,500 per dwelling. We have also run a model which increase the transport contribution (Sensitivity Test 2) which increase the overall contribution to circa £18,000 per dwelling. At this latter level this starts to impact on the viability outcomes in some areas. On this basis, we conclude that if further policies are introduced which push the overall contributions above this threshold, this is likely to have a detrimental impact on viability. However, policy requirements up to this level are considered to be viable.

9.5. For the commercial testing, only the retail warehousing and small supermarket typologies return a viable outcome, all the rest show a deficit below what is perceived to be the viable outcome. However, it is stressed that investments of this nature are particularly sensitive to small changes in yields. If yields were to contract, then it is likely the leisure typology would return a viable outcome. It is also conceivable that the medium and large-scale industrial schemes could also reach a viable position, albeit may not just require a contracting of yields but also an adjustment in developer profit expectations.

Local Plan Viability Testing – Addendum

First Homes

Completed on behalf of South Tyneside Council

May 2022

CP Viability Ltd

Independent Property Experts

1. INTRODUCTION

1.1. This document is an addendum to our Local Plan Viability Testing study ("LPV"), dated December 2021 and should be read in conjunction with that document.

1.2. This addendum relates solely to how First Homes are factored into the viability appraisal testing.

1.3. In terms of national planning policy context, our original modelling took into account the following:

- Paragraph 65 of the National Planning Policy Framework ("NPPF") states that "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…".

- Paragraph 001 of the First Homes Guidance (May 21) states 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".

- Paragraph 001 of the First Homes Guidance (May 21) states that a First Home "must be discounted by a minimum of 30% against the market value".

1.4. Our LPV concluded that the following affordable housing provisions were viable:

- Cleadon, East Boldon, Whitburn: 30% (10% being First Homes, at a 30% discount of market value).
- West Boldon, Boldon Colliery, Hebburn: 20% (10% being First Homes, at a 30% discount of market value).
- South Shields, Jarrow: 10% (all being provided as First Homes, at a 30% discount of market value).

1.5. These conclusions were based on the modelling assuming a fixed 30% discount of market value for all First Homes. However, the guidance states that the level of discount for First Homes must be a *minimum* of 30% against market value, therefore under the policy requirement there is scope to increase the level of discount, subject to viability.

1.6. The Council is subsequently seeking advice as to how an increase in the level of discount for First Homes would impact on the viability results.

1.7. In light of this, we have re-run our 'base' modelling (as summarised in para 7.1 of our LPV) as follows:

- Scenario 1: First Homes values have a discount equivalent to 40% of market value (rather than 30% as used in the LPV).

- Scenario 2: First Homes values have a discount equivalent to 50% of market value (rather than 30% as used in the LPV).

2. TESTING RESULTS

2.1. As stated above in Section 1, for Scenario 1 we have r-e-run our LPV 'base' appraisals with First Homes at a 40% discount of market value, rather than 30% as previously used. The results for the different typologies are set out below.

2.2. For our 10 dwelling typology the results are as follows:

First Homes Discount 40%

Site Type 2 - 10 dwellings

Value Area	Land	First Homes	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Greenfield	£ 156,000	£ 303,513	113.82%	VIABLE
East Boldon / Whitburn	Greenfield	£ 134,400	£ 67,062	33.53%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£ 115,200	£ 30,734	20.49%	VIABLE
Hebburn	Greenfield	£ 110,400	-£ 18,105	-13.58%	UNVIABLE
South Shields / Jarrow	Greenfield	£ 103,200	-£ 15,315	-15.32%	UNVIABLE
Cleadon	Brownfield	£ 156,000	£ 338,693	169.35%	VIABLE
East Boldon / Whitburn	Brownfield	£ 134,400	£ 63,803	37.53%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£ 115,200	-£ 12,034	-8.02%	UNVIABLE
Hebburn	Brownfield	£ 110,400	-£ 29,309	-24.42%	UNVIABLE
South Shields / Jarrow	Brownfield	£ 103,200	-£ 60,220	-50.18%	UNVIABLE

2.3. In the original LPV, only Hebburn and South Shields / Jarrow in the brownfield locations generated an unviable outcome, all the rest were viable. However, with the increase in the First Homes discount to 40%, now Hebburn and South Shields / Jarrow greenfield are also shown to be unviable.

2.4. For our 30 dwelling typology the results are as follows:

First Homes Discount 40%

Site Type 3 - 30 dwellings					
Value Area	Land	First Homes	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Greenfield	£ 468,000	£ 1,009,611	147.23%	VIABLE
East Boldon / Whitburn	Greenfield	£ 403,200	£ 406,161	78.98%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£ 345,600	£ 294,039	76.23%	VIABLE
Hebburn	Greenfield	£ 331,200	£ 166,186	48.47%	VIABLE
South Shields / Jarrow	Greenfield	£ 309,600	£ 180,524	70.20%	VIABLE
Cleadon	Brownfield	£ 468,000	£ 1,070,773	208.21%	VIABLE
East Boldon / Whitburn	Brownfield	£ 403,200	£ 373,037	85.34%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£ 345,600	£ 186,439	48.34%	VIABLE
Hebburn	Brownfield	£ 331,200	£ 92,872	30.10%	VIABLE
South Shields / Jarrow	Brownfield	£ 309,600	£ 21,495	6.97%	VIABLE

2.5. With the increase in the First Homes discount to 40% all show a viable outcome. This is the same as the outcome with a 30% discount.

2.6. For our 80 dwelling typology the results are as follows:

First Homes Discount 40%

Site Type 4 - 80 dwellings					
Value Area	Land	First Homes	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Greenfield	£ 1,248,000	£ 2,342,035	128.08%	VIABLE
East Boldon / Whitburn	Greenfield	£ 1,075,200	£ 725,324	52.89%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£ 921,600	£ 461,036	44.82%	VIABLE
Hebburn	Greenfield	£ 883,200	£ 147,508	16.13%	VIABLE
South Shields / Jarrow	Greenfield	£ 825,600	£ 187,773	27.38%	VIABLE
Cleadon	Brownfield	£ 1,248,000	£ 2,515,781	183.44%	VIABLE
East Boldon / Whitburn	Brownfield	£ 1,075,200	£ 647,737	55.57%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£ 921,600	£ 184,485	17.94%	VIABLE
Hebburn	Brownfield	£ 883,200	-£ 37,612	-4.57%	UNVIABLE
South Shields / Jarrow	Brownfield	£ 825,600	-£ 225,940	-27.46%	UNVIABLE

2.7. With the increase in the First Homes discount to 40% all show a viable outcome, except for Hebburn and South Shields / Jarrow in the brownfield locations. With a 30% discount Hebburn brownfield was viable, whilst South Shields / Jarrow brownfield was unviable. Hebburn brownfield has therefore changed from previously being viable to now being unviable.

2.8. For our 125 dwelling typology the results are as follows:

First Homes Discount 40%

Site Type 5 - 125 dwellings					
Value Area	**Land**	**First Homes**	**Base appraisal surplus**	**Surplus % of BLV**	**Viable?**
Cleadon	Greenfield	£1,872,000	£ 3,488,155	122.09%	VIABLE
East Boldon / Whitburn	Greenfield	£1,612,800	£ 1,197,934	55.90%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£1,382,400	£ 815,020	50.71%	VIABLE
Hebburn	Greenfield	£1,324,800	£ 329,489	23.06%	VIABLE
South Shields / Jarrow	Greenfield	£1,341,600	£ 378,047	35.28%	VIABLE
Cleadon	Brownfield	£1,872,000	£ 3,762,428	175.58%	VIABLE
East Boldon / Whitburn	Brownfield	£1,612,800	£ 1,079,209	59.25%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£1,382,400	£ 385,037	23.96%	VIABLE
Hebburn	Brownfield	£1,324,800	£ 42,345	3.29%	VIABLE
South Shields / Jarrow	Brownfield	£1,341,600	-£ 266,489	-20.73%	UNVIABLE

2.9. With the increase in the First Homes discount to 40% all show a viable outcome, except for South Shields / Jarrow brownfield. This is the same as the outcome with a 30% discount.

2.10. For our 250 dwelling typology the results are as follows:

First Homes Discount 40%

Site Type 6 - 250 dwellings					
Value Area	**Land**	**First Homes**	**Base appraisal surplus**	**Surplus % of BLV**	**Viable?**
Cleadon	Greenfield	£3,900,000	£ 6,915,345	121.02%	VIABLE
East Boldon / Whitburn	Greenfield	£3,360,000	£ 2,460,222	57.41%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£2,880,000	£ 1,631,251	50.75%	VIABLE
Hebburn	Greenfield	£2,760,000	£ 683,971	23.94%	VIABLE
South Shields / Jarrow	Greenfield	£2,580,000	£ 818,843	38.21%	VIABLE
Cleadon	Brownfield	£3,900,000	£ 7,472,357	174.35%	VIABLE
East Boldon / Whitburn	Brownfield	£3,360,000	£ 2,230,251	61.22%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£2,880,000	£ 777,473	24.19%	VIABLE
Hebburn	Brownfield	£2,760,000	£ 114,870	4.47%	VIABLE
South Shields / Jarrow	Brownfield	£2,580,000	-£ 465,786	-18.11%	UNVIABLE

2.11. With the increase in the First Homes discount to 40% all show a viable outcome, except for South Shields / Jarrow brownfield. This is the same as the outcome with a 30% discount.

2.12. As stated above in Section 1, for Scenario 1 we have r-e-run our LPV 'base' appraisals with First Homes at a 40% discount of market value, rather than 30% as previously used. The results for the different typologies are set out below.

2.13. For our 10 dwelling typology the results are as follows:

First Homes Discount 50%

Site Type 2 - 10 dwellings

Value Area	Land	First Homes	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Greenfield	£ 130,000	£ 281,933	105.72%	VIABLE
East Boldon / Whitburn	Greenfield	£ 112,000	£ 48,470	24.24%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£ 96,000	£ 14,798	9.87%	VIABLE
Hebburn	Greenfield	£ 92,000	-£ 33,377	-25.03%	UNVIABLE
South Shields / Jarrow	Greenfield	£ 86,000	-£ 29,591	-29.59%	UNVIABLE
Cleadon	Brownfield	£ 130,000	£ 317,113	158.56%	VIABLE
East Boldon / Whitburn	Brownfield	£ 112,000	£ 45,211	26.59%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£ 96,000	-£ 27,970	-18.65%	UNVIABLE
Hebburn	Brownfield	£ 92,000	-£ 44,581	-37.15%	UNVIABLE
South Shields / Jarrow	Brownfield	£ 86,000	-£ 74,496	-62.08%	UNVIABLE

2.14. In the original LPV, only Hebburn and South Shields / Jarrow in the brownfield locations generated an unviable outcome, all the rest were viable. However, with the increase in the First Homes discount to 50%, now Hebburn and South Shields / Jarrow greenfield are also shown to be unviable (which is the same as when a 40% discount is applied).

2.15. For our 30 dwelling typology the results are as follows:

First Homes Discount 50%

Site Type 3 - 30 dwellings					
Value Area	Land	First Homes	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Greenfield	£ 390,000	£ 945,651	137.91%	VIABLE
East Boldon / Whitburn	Greenfield	£ 336,000	£ 351,057	68.26%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£ 288,000	£ 246,807	63.99%	VIABLE
Hebburn	Greenfield	£ 276,000	£ 120,922	35.27%	VIABLE
South Shields / Jarrow	Greenfield	£ 258,000	£ 138,212	53.75%	VIABLE
Cleadon	Brownfield	£ 390,000	£ 1,006,813	195.77%	VIABLE
East Boldon / Whitburn	Brownfield	£ 336,000	£ 317,933	72.73%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£ 288,000	£ 139,207	36.09%	VIABLE
Hebburn	Brownfield	£ 276,000	£ 47,608	15.43%	VIABLE
South Shields / Jarrow	Brownfield	£ 258,000	-£ 20,817	-6.75%	UNVIABLE

2.16. With the increase in the First Homes discount to 50% all show a viable outcome, except for South Shields / Jarrow brownfield. This is a change from the 40% discount scenario, where all typologies show a viable outcome.

2.17. For our 80 dwelling typology the results are as follows:

First Homes Discount 50%

Site Type 4 - 80 dwellings					
Value Area	Land	First Homes	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Greenfield	£ 1,040,000	£ 2,175,635	118.98%	VIABLE
East Boldon / Whitburn	Greenfield	£ 896,000	£ 581,964	42.43%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£ 768,000	£ 338,156	32.88%	VIABLE
Hebburn	Greenfield	£ 736,000	£ 29,748	3.25%	VIABLE
South Shields / Jarrow	Greenfield	£ 688,000	£ 77,693	11.33%	VIABLE
Cleadon	Brownfield	£ 1,040,000	£ 2,349,381	171.31%	VIABLE
East Boldon / Whitburn	Brownfield	£ 896,000	£ 504,377	43.27%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£ 768,000	£ 61,605	5.99%	VIABLE
Hebburn	Brownfield	£ 736,000	-£ 155,372	-18.88%	UNVIABLE
South Shields / Jarrow	Brownfield	£ 688,000	-£ 336,020	-40.84%	UNVIABLE

2.18. With the increase in the First Homes discount to 50% all show a viable outcome, except for Hebburn and South Shields / Jarrow in the brownfield locations. This is the same as the 40% discount scenario.

2.19. For our 125 dwelling typology the results are as follows:

First Homes Discount 50%

Site Type 5 - 125 dwellings					
Value Area	Land	First Homes	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Greenfield	£1,560,000	£ 3,238,555	113.35%	VIABLE
East Boldon / Whitburn	Greenfield	£1,344,000	£ 982,894	45.87%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£1,152,000	£ 630,700	39.24%	VIABLE
Hebburn	Greenfield	£1,104,000	£ 152,849	10.70%	VIABLE
South Shields / Jarrow	Greenfield	£1,118,000	£ 199,167	18.59%	VIABLE
Cleadon	Brownfield	£1,560,000	£ 3,512,828	163.93%	VIABLE
East Boldon / Whitburn	Brownfield	£1,344,000	£ 864,169	47.44%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£1,152,000	£ 200,717	12.49%	VIABLE
Hebburn	Brownfield	£1,104,000	-£ 134,295	-10.45%	UNVIABLE
South Shields / Jarrow	Brownfield	£1,118,000	-£ 445,369	-34.64%	UNVIABLE

2.20. With the increase in the First Homes discount to 50% all show a viable outcome, except for Hebburn and South Shields / Jarrow brownfield. This is a change from the 40% discount scenario (with Hebburn brownfield changing from viable to unviable).

2.21. For our 250 dwelling typology the results are as follows:

First Homes Discount 50%

Site Type 6 - 250 dwellings					
Value Area	Land	First Homes	Base appraisal surplus	Surplus % of BLV	Viable?
Cleadon	Greenfield	£3,250,000	£ 6,395,345	111.92%	VIABLE
East Boldon / Whitburn	Greenfield	£2,800,000	£ 2,012,222	46.95%	VIABLE
West Boldon / Boldon Colliery	Greenfield	£2,400,000	£ 1,247,251	38.80%	VIABLE
Hebburn	Greenfield	£2,300,000	£ 315,971	11.06%	VIABLE
South Shields / Jarrow	Greenfield	£2,150,000	£ 474,843	22.16%	VIABLE
Cleadon	Brownfield	£3,250,000	£ 6,952,357	162.22%	VIABLE
East Boldon / Whitburn	Brownfield	£2,800,000	£ 1,782,251	48.92%	VIABLE
West Boldon / Boldon Colliery	Brownfield	£2,400,000	£ 393,473	12.24%	VIABLE
Hebburn	Brownfield	£2,300,000	-£ 253,130	-9.84%	UNVIABLE
South Shields / Jarrow	Brownfield	£2,150,000	-£ 809,786	-31.49%	UNVIABLE

2.22. With the increase in the First Homes discount to 50% all show a viable outcome, except for Hebburn and South Shields / Jarrow brownfield. This is a change from the 40% discount scenario (with Hebburn brownfield changing from viable to unviable).

3. CONCLUSIONS

3.1. As shown through the modelling, in Cleadon and East Boldon / Whitburn, all of the typologies show a viable outcome either with a 40% or a 50% discount on market value for the First Homes units.

3.2. For West Boldon / Boldon Colliery all of the greenfield typologies and the majority of the brownfield typologies show a viable outcome either with a 40% or 50% discount on market value for the First Homes. The only exception is the 10 dwelling brownfield scenario, which returns an unviable outcome.

3.3. For Hebburn and South Shields / Jarrow the results are more inconsistent, with the brownfield typologies showing an unviable outcome for the majority. The greenfield scenarios, however, show a more positive outcome with all providing a viable outcome.