



# Bridgend Replacement Local Development Plan 2018-2033



## Plan-Wide Viability Assessment 2021

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# **BRIDGEND REPLACEMENT LOCAL DEVELOPMENT PLAN (LDP) 2018-2033**

## **Plan-Wide Viability Assessment 2021**

### **1. Introduction**

- 1.1 The Council is statutorily required, under Section 69 of the Planning and Compulsory Purchase Act 2004, to undertake a full review of the adopted Local Development Plan (LDP) at intervals not longer than every 4 years from the date of adoption. The Replacement LDP will express, in land-use terms, the wellbeing objectives and priorities of the Bridgend Public Services Board's Well-being Plan. High-level viability testing is required to give certainty that the Replacement LDP and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements.
- 1.2 This report documents the high-level, plan-wide viability assessment undertaken by the Council, which assesses broad levels of development viability across eight Housing Market Areas (HMAs) within the County Borough. These HMAs were identified and defined within the Local Housing Market Assessment (LHMA) and have been maintained within this appraisal to ensure the evidence base is consistent and comparable.
- 1.3 Viability has been tested for a range of different site typologies across each HMA, reflecting an appropriate affordable housing contribution and locally derived housing mix. All appraisals have been undertaken to reflect costs and values at a fixed point in time, having been informed based on a series detailed discussions with a local representative steering group from January to September 2020. The scenarios run in this high-level appraisal will therefore not necessarily match any future actual development due to changing variables and/or specific development costs that may arise on certain sites. However, the scenarios do provide a robust basis to inform policy development based on a series of assumptions discussed at length with the steering group.
- 1.4 The ultimate purpose of this report is to identify broad development viability across different HMAs and the extent to which sites in different areas can contribute to the delivery of infrastructure, affordable housing and other LDP policy requirements. There is a clear distinction between viability testing at this stage and viability appraisals at the planning application stage. The latter should not typically be necessary unless exceptional circumstances dictate otherwise. Hence, this report makes recommendations on:
  - Targets for the percentage of affordable housing that should be viable for non-strategic sites to deliver across different HMAs

- Different levels of planning contributions that each HMA can support, reflecting the potential of higher value areas to make more substantial contributions
- The viability of smaller sites and their capacity to provide affordable housing contributions

1.5 This high-level viability appraisal is further bolstered by site-specific appraisals for those sites key to delivering the Replacement LDP (i.e. strategic sites). The Council has maintained continuous dialogue with respective site promoters to demonstrate that these sites can be delivered through analysis of more specific costs, constraints and site requirements. Unlike this broad assessment, therefore, the site-specific appraisals are distinct in nature and have informed development of site-specific strategic policies (PLA1-5). This dual-faceted approach is paramount to ensure Council's aspirations for delivering high-quality new communities are both realistic and deliverable.

## **2. Policy Context**

### Planning Policy Wales (PPW)

- 2.1 PPW sets out the land use planning policies and overarching sustainable development goals for Wales, revised to contribute towards the statutory well-being goals of the Well-being of Future Generations Act. PPW secures a presumption in favour of sustainable development and considers a plan-led approach to be the most effective means of securing sustainable development through the planning system. PPW has a strong focus on promoting placemaking, which is considered instrumental to achieving sustainable places, delivering socially inclusive development and promoting more cohesive communities.
- 2.2 PPW states that financial viability must be assessed prior to the inclusion of housing sites within a development plan as part of demonstrating their deliverability. In addition to site-specific appraisals for those sites key to the delivery of the LDP, PPW emphasises that there must be a high level plan-wide viability appraisal undertaken at the 'Deposit' stage. This is to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements.



## Technical Advice Note (TAN) 2: Planning and Affordable Housing

- 2.3 TAN 2 provides additional guidance on the role of the planning system in providing affordable housing. It requires Local Planning Authorities to include either site thresholds or combinations of site thresholds and site-specific targets in their plans, whilst also noting that LDPs may identify sites for up to 100% Affordable Housing.
- 2.4 It should be noted that whilst the LDP is one significant means of delivering affordable housing, its policies and allocations are not the only delivery mechanism<sup>1</sup>. The appraisals documented within this report serve to evidence the level of affordable housing contributions that are broadly viable on sites in different HMAs, supplemented by site-specific appraisals.

### Future Wales: The National Plan 2040

- 2.5 Future Wales considers the issues significant to Wales's prosperity and well-being, such as the economy, housing, transport, energy, and the environment. It identifies where national developments should take place, where the key growth areas are and what infrastructure and services are needed. Future Wales is set in the context of a vision that will help deliver sustainable places across Wales by 2040, by supporting placemaking and ensuring our choices direct development to the right places, making the best use of resources, creating and sustaining accessible healthy communities, protecting our environment and supporting prosperity for all.
- 2.6 Future Wales represents the highest tier of development plans in Wales, focusing on issues and challenges at a national scale; built upon by Strategic Development Plans (SDPs) at a sub-regional level, and LDPs at the local level. LDPs must conform to the direction provided by Future Wales, which details policies to enable sustainable urban growth in a manner that supports town and cities through transit orientated development. In addition, Policy 7 specifically states,

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

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<sup>1</sup> Other sources include (but are not limited to) Social Housing Grant, other capital grants, Registered Social Landlord self-funded schemes, subdivision of existing properties, re-utilisation of voids across the existing social stock, social lettings agencies, re-utilisation of vacant space, stock acquisition and conversion of private sector empty homes.

- 2.7 Indeed, this assessment aims to enable delivery of affordable housing across the County Borough. The viability appraisals conducted as part of this study will support formulation of robust and realistic delivery targets to maximise delivery of affordable housing through the planning system.

#### Strategic Development Plan for South East Wales

- 2.8 The Planning (Wales) Act 2015 sets out the process for establishing and preparing a Strategic Development Plan (SDP). Welsh Government invited all Local Planning Authorities to submit proposals for SDPs, stating that the ability to plan strategically to support the Cardiff Capital Region (CCR) is essential to ensure that key economic, social and environmental outcomes are achieved in a cohesive and evidence based approach, across the wider region.
- 2.9 On 29<sup>th</sup> January 2018, the Cardiff Capital Region Cabinet agreed that work should commence on a Strategic Development Plan for the area and advised the then Welsh Government Cabinet Secretary, Lesley Griffiths, that there was consensus amongst all 10 Leaders in the Cardiff Capital Region to support the principle of a Strategic Development Plan for the region, whilst recognising that this required approval from all 10 Councils to proceed. Regional Corporate Joint Committees (CJCs) will undertake strategic development and regional transport planning in the future, including preparing SDPs. Although Bridgend County Borough Council is proceeding with a Replacement LDP, simultaneous collaborative working will be undertaken with neighbouring authorities and the broader region to prepare an SDP. A joint evidence base will also be shared wherever possible to this end, including development viability.

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

- 2.10 The Development Plans Manual contains practical guidance on how to prepare, monitor and revise development plans based on sound evidence “to ensure that plans are effective and deliverable and contribute to placemaking, as defined in national policy set out in PPW” (WG, 2020, para. 1.1).
- 2.11 The Manual states that viability and deliverability should start at the Candidate Site stage to frontload the viability assessment, later accompanied with site-specific appraisals for those sites key to delivery of the plan. Furthermore, and in order to justify a range of geographically based affordable housing policies,

“The LPA must undertake a high level viability appraisal to assess the broad levels of development viability at housing market areas. Broad housing market areas should identify the contribution sites can make to the delivery of infrastructure, affordable housing and any other policy requirements” (WG, 2020, para. 5.88).

2.12 The Manual clarifies that the outcome of viability testing will demonstrate where developments have a competitive return after accounting for all associated costs, receipts and land owner expectations. Any remaining positive ‘headroom’ is said to determine the scale of affordable housing that the plan can deliver; either across the whole of the plan area or on individual sites. This is to be “translated into a proportion (%) of affordable housing to be sought, reflecting the viability evidence” (WG, 2020, para. 5.106). Ultimately, “the overarching aim of a high level viability study is to ensure the key inputs within it are clear, realistic, and relevant and the affordable housing targets and thresholds selected are viable for the majority of cases (WG, 2020, p.148).

2.13 Although a set viability model is not specified by Welsh Government, several key components are outlined within the Manual. These components (Figure 1) have been duly considered throughout all stages of viability testing to inform policies and allocations, ultimately to demonstrate that they can be delivered. Indeed, demonstrating a plan is both deliverable and viable is referenced as one of the key tests of ‘soundness’ and this report has been prepared in strict adherence to the requirements of the Manual.

**Figure 1: Key Viability Components**

Development mix (density and house types)	Land owner expectations / Land Value Bench Mark
House Prices	Abnormal costs (where relevant)
Contingency	Notional / Actual Sites
Fees	Cumulative impacts of plan policies (s106/CIL)
Build Costs	Affordable Housing % & Tenure Split (intermediate, social rented)
Development profit	ACG Bands



Source: WG, 2020, p.140

### 3. Methodology

3.1 This section details the characteristics of the sites used for testing, together with the assumptions made about proposed development on those sites. All plan-wide variables have been discussed at length with a local steering group, as documented within each section below and also within the Meeting Minutes (Appendix 1) and Statement of Common Ground (Appendix 2).

#### Steering Group

3.2 Before any viability appraisals were undertaken, a steering group was formed to help achieve broad consensus on the key viability inputs. Invitations were sent to a cross section of stakeholders, including representatives from private developers (national and regional), the Home Builders Federation, the Federation of Master Builders, planning consultants, Registered Social Landlords (RSLs), site promoters, commercial valuers and the Council's Corporate Landlord Team. A diverse range of stakeholders responded and volunteered to take part in the steering group. Table 1 details the comprehensive list of organisational representatives who took part in this process and documents where at least one representative attended steering group meetings.

**Table 1: Viability Stakeholder Group Members**

Organisation	Meeting Attendance	
	10/01/2020	05/06/2020
Barratt David Wilson Homes	✓	✓
Bridgend County Borough Council Planning Policy	✓	✓
Bridgend County Borough Council Corporate Landlord	✓	✓
Cooke & Arkwright	✓	✓
Elev8land	✓	
Geraint John Planning	✓	
Hafod Housing Association	✓	✓
Home Builders Federation	✓	✓
Herbert R Thomas	✓	✓
Linc Cymru	✓	✓
Llanmoor Homes	✓	✓
Persimmon Homes	✓	✓
Savills	✓	✓
Sero Homes		✓
Taylor Wimpey	✓	✓
Valleys 2 Coast	✓	✓
Wales and West Housing Association		✓

\* Apologies were received from Lovell, Redrow and Watts and Morgan representatives



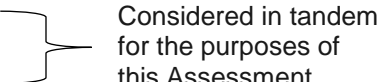
- 3.3 The steering group formally met twice (10<sup>th</sup> January 2020 and 5<sup>th</sup> June 2020). The first session was held at the Civic Offices, Bridgend, facilitated by Council Planning Officers in a workshop format (minutes included in Appendix 1a), this enabled high-level parameters to be discussed. The subsequent session was held remotely via internet conferencing to ensure the appraisal could progress in the wake of the COVID 19 pandemic. Before the second session took place, a briefing note was circulated to steering group members (Appendix 1b) as a precursor more detailed discussions (minutes of the second meeting are included in Appendix 1c). Both meetings enabled open discussion on the process, methodology and components necessary to underpin the appraisal. Key parameters were discussed progressively, including which data sources, values and percentages should be used and in what manner. The diverse range of views and comments cited helped to build a better understanding of the costs and values of development across the County Borough.
- 3.4 The second meeting was followed up with later rounds of consultation, including calls for supporting evidence. A deadline was set (22<sup>nd</sup> June 2020) for steering group members to provide evidence to the Council to substantiate any alternative viewpoints on viability inputs and assumptions. A range of representations were submitted to and duly considered by Council Officers.
- 3.5 A draft Statement of Common Ground was then issued by the Council on 7<sup>th</sup> August 2020, with a request for any final comments by 21<sup>st</sup> August 2020. Representatives from Herbert R Thomas, the Home Builders Federation, Llanmoor Homes, Persimmon Homes, Savills, Taylor Wimpey and Valleys 2 Coast specifically responded to confirm that the Statement was considered an accurate and fair reflection of the progress made hitherto. The same assumption was made for members of the steering group who had chosen not to provide any further comments at that point. There was general acknowledgement that obtaining unanimous consensus would be a very difficult task indeed. However, the steering group members who did respond generally considered the statement, and the justified assumptions contained therein, to be 'close enough' to enable high-level testing to commence, when all the inputs were considered comprehensively. Indeed, the Statement of Common Ground was geared towards arriving at a sensible 'middle ground' following consideration of a diverse range of viewpoints. Some minor additions were requested by steering group members, including the manner of affordable housing transfers and the need for a 'point in time' caveat, although no further adverse comments were made from other representatives. Therefore, a final revised version of the Statement of Common Ground was circulated to steering group members on 18<sup>th</sup> September 2020, a copy of which is included in Appendix 2. This process has constructively contributed to development of this plan-wide appraisal in accordance with the

approach outlined in Development Plans Manual. A number of steering group members overtly welcomed the approach.

Viability Model

- 3.6 In April 2020, an agreement was reached to use the Burrows-Hutchinson Viability Model across the South East Wales Region. This is essentially an enhanced version of the well-received model developed by the same consultant team in a similar commission for the Mid and South West Wales Region. There are two distinct versions of the model: a high-level version to test general viability across the plan area and a detailed version to test site-specific variables to support plan allocations. They both use similar inputs, although the former applies them using a more streamlined approach better suited to general, high-level testing. The steering group broadly supported use of the Burrows-Hutchinson High-Level Viability Model (HLVM) to undertake plan-wide viability testing for the Replacement LDP. Utilisation of a consistent model across the region was also specifically commended by the steering group.
  
- 3.7 Each viability component (derived from the Statement of Common Ground) was inputted into the HLVM to test broad development viability across the County Borough. Plan-wide viability testing commenced in September 2020, post conclusion of steering group discussions. This was undertaken prior to publication of the Deposit Plan to comply with the requirements set out in PPW and the refreshed guidance within the Welsh Government Development Plans Manual (Edition 3, 2020). Each of the assumptions used in the viability appraisals will now be outlined in turn to provide a robust basis to inform the Replacement LDP.

Housing Market Areas (HMAs)

- 3.8 The LHMA identified eight HMAs across the County Borough as follows:
  - Bridgend and Surrounding
  - Llynfi Valley
  - Pencoed and Heol Y Cyw
  - Porthcawl
  - Pyle, Kenfig and Cornelly
  - Valleys Gateway
  - Garw Valley
  - Ogmore Valley

- 3.9 These markets were defined geographically based on the functional areas where people currently live and may be willing to move home, recognising that housing markets are not constrained by administrative boundaries. A number of key factors were taken into account when defining these areas, including the broad

price of housing (to consider 'transferability' within the market) and major transport links by road or rail (to take account of commuting patterns). The LHMA acknowledged that individual preferences of households might well centre on more curtailed geographical radii. However, the LHMA also stressed that planning for additional housing provision needs to be conducted at a scale suitable to consider the costs and benefits of increasing supply (i.e. land availability, viability, dwelling vacancy rates and potential impact on housing need deficits).

- 3.10 A primary steering group discussion focussed on identifying which broad HMAs should be used for the purposes of assessing development viability. The steering group unanimously agreed that the areas identified in the LHMA should be utilised for the high-level assessment. This approach was considered to have significant merit, both in terms of policy development and subsequent policy application. However, due to the similarities between the Garw and Ogmore Valleys (in terms of house prices, rental values, topography, dwelling stock, affordable housing need and other economic factors), it was agreed that both HMAs should be tested as one broader HMA within this Assessment specifically.

#### Site Typologies

- 3.11 In order to facilitate testing of sites that are likely to come forward over the plan period, due consideration was given to the types of sites delivered in recent years and those expected to come forward in the future. The steering group discussed the pros and cons of a notional site approach compared to a specific site approach, both of which are deemed to have equal merit by Welsh Government for this purpose. However, it was agreed that a range of notional sites based on different dwelling compositions and sizes should be tested in all HMAs, accompanied separately by site-specific testing for those sites key to delivery of the plan.
- 3.12 The Council aspires to a high standard of urban design, which will be pursued through the Replacement LDP and its policies. For the purposes of high-level testing, it has therefore been assumed that sites will be developed to a standard at least similar to that delivered in recent years, which has been accepted by the market. On this basis, analysis was undertaken into numerous developments that have recently been completed and/or are still under construction, including sites developed by a range of volume, regional and local/independent developers. This exercise provided useful information on typical unit mixes, property types and densities achieved.
- 3.13 This analysis enabled formulation of four notional site typologies for viability testing (10, 50, 100 and 150 units) as detailed in Table 2. The steering group agreed with this approach from the outset and considered the typologies

generated to be broadly representative of the sites that will come forward in the County Borough over the plan period. It is fully recognised that the eventual developers of each site will propose their own unit types, mix and size of units, subject to planning policy requirements at the time. However, for the purposes of consistency, these unit types have been tested across all eight HMAs, subject to adjustments to incorporate affordable housing where viable. The different unit mixes in Table 2 have been used as broad parameters to enable notional site testing.

3.14 One common set of assumptions has been utilised for notional sites below 50 units and a different common set of assumptions has been utilised for notional site of 50+ units. This general principle has been maintained and applied throughout this plan-wide assessment, based steering group feedback that there are not many variables (concerning development costs, risk and profit margins) between sites of 50 units and sites of 150 units.

**Table 2: Notional Sites for Viability Testing**

Dwelling Type	GIA (Sq M)	10 Dwellings	50 Dwellings	100 Dwellings	150 Dwellings
		Site Size: Gross 0.32 ha NDA 0.29ha	Site Size: Gross 1.91 ha NDA 1.43ha	Site Size: Gross 4.09 ha NDA 2.86ha	Site Size: Gross 6.60 ha NDA 4.29 ha
1b2p flat	46	2	-	-	-
2b3p flat	59	2	-	-	-
2b4p house	83	-	9	18	27
3b4p house	88	-	5	10	15
3b5p house	94	2	18	37	55
4b6p house	110	2	8	15	23
4b7p house	114	2	10	20	30

\* GIA - Gross Internal Area

\*\* NDA - Net Developable Area

- 3.15 Broad, high-level testing was not considered appropriate for sites larger than those detailed in Table 2 due to the rationale clearly articulated at Preferred Strategy Stage and maintained through plan preparation. Ultimately, the Replacement LDP seeks to enable delivery of sites that either do not have a detrimental impact on local infrastructure or are capable of delivering their own supporting infrastructure. Smaller sites (150 dwellings and less) generally tend to fall into the former category. However, as dwelling numbers increase beyond 150, the likelihood of a site having an adverse local impact also increases and it becomes difficult for sites to provide their own supporting infrastructure until they reach sufficient critical mass. Sites of several hundred units can pose their own viability issues for this very reason and would therefore warrant independent site-specific appraisals to enable due consideration of their deliverability in planning terms. The steering group unanimously agreed with the approach of basing the plan-wide assessment on the locally derived notional sites of up to 150 units and testing larger sites separately based on their own circumstances. Moreover, all potential allocations have been required to demonstrate site-specific deliverability and viability, proportionate to their scale and significance in delivering the Plan.
- 3.16 In terms of dwelling standards, the HLVM purposely confines the number of house types for testing and therefore assumes the same standard for market and affordable units. The logic is threefold. Firstly, a limited range of house types allows the user to seamlessly test how different tenures and percentages of affordable housing will have an impact on viability. Secondly, it future proofs the model irrespective of the outcome of the affordable housing review and potential multi-tenure application of Development Quality Requirements (DQR). Thirdly, the model is geared towards 'per square metre' values and percentages, ultimately arriving at the same common denominator. On this basis, notional DQR floor areas have been applied to the dwelling types within Table 2. The steering group acknowledged that the main size differentials between DQR and market units are evident within 2 bed and smaller 3 bed house types. Certain steering group members did initially cite some reservations with using notional DQR floor areas for plan-wide testing, although it was acknowledged the model is geared towards 'per square metre' values, which essentially overcomes this issue.
- 3.17 Discussions also took place regarding site density. Steering group members were in general agreement that 35 dwellings per hectare is a reasonable benchmark for sites of this scale, again notwithstanding future policy changes. However, the group were opposed to applying this density level directly to the gross area of the sites to be tested. Local research was therefore undertaken to understand how the gross to net ratio has varied across different sized sites within the County Borough in recent years. Generally speaking, the gross to net ratio tended to be far less significant for smaller sites and widen as sites

increased in size. The net developable areas detailed in Table 2 have therefore been devised in accordance with the following gross to net ratios (deemed acceptable by the steering group):

- 100% ratio for sites up to 1 hectare
- 85% ratio for sites of 1 hectare to less than 2 hectares
- 80% ratio for sites of 2 hectares to less than 4 hectares
- 75% ratio for sites of 4 hectares and above

3.18 Moreover, the potential impact of SuDS was also considered in this context and discussions were held with both the steering group and the Council's Land Drainage Team. It was concluded that the costs for adopting SuDS and the space to incorporate SuDS both vary widely depending on the type of system utilised. Firstly, the steering group requested an allowance of up to 10% in site area to accommodate various SuDS, which has been factored into testing as detailed by the NDAs within Table 2. Secondly, several steering group members felt that potential commuted sum payments (that may be due to the adopting SAB authority) should also be incorporated into high-level testing and an allowance of £3,000 per plot was suggested for this purpose. These costings were analysed by Council Land Drainage Engineers, who again cited difficulties with arriving at 'average costs' due to the fact that sites and solutions will inevitably vary depending on the context. Tests were nevertheless run based on different notional solutions and maintenance regimes. Predominantly 'green based' solutions could generate a commuted sum of less than £3,000 per plot, whereas large quantities of (for example) permeable paving could result in higher sums depending on the maintenance requirements. In summary, therefore, £3,000 per plot was deemed a suitable mid-level average to use for high-level testing and unanimous consensus was thus reached with the steering group on this basis.

3.19 With these factors in mind, each typology has been tested across the HMAs identified, enabling general conclusions to be drawn about the viability implications of different scenarios in different geographical contexts. The sites are essentially hypothetical in nature and therefore individual characteristics and potential abnormal costs have not been added into the appraisals. It is fully acknowledged that abnormal costs can arise on certain sites, including, for example, land remediation, ecological constraints, additional foundation works and/or significant retaining wall construction. However, as discussed with the steering group, abnormal costs vary considerably by their very nature and any attempt to determine a representative 'abnormal cost value' would be highly speculative. As such, it has been assumed that any such abnormal costs will be reflected in the land value for the purposes of this study. Indeed, the steering group acknowledged that specific site abnormal costs cannot be properly estimated at the stage, yet may need to be factored into



scheme cost appraisals for specific sites in the future to determine the implications on policy requirements and land values.

- 3.20 For the avoidance of doubt, specific allowances have also not been made for brownfield sites as part of plan-wide testing for similar reasons, but also as there are few remaining within the housing land supply (due to the success of the existing adopted LDP in delivering brownfield sites). New additional sites will therefore generally be greenfield and the remaining major brownfield sites (rolled over from the existing LDP) will be subject to specific viability testing in any case. The unique characteristics of such sites would otherwise be very difficult to reflect in a generic study of this type.

### Affordable Housing

- 3.21 The Replacement LDP must provide a strong evidence-based policy framework to deliver affordable housing, based on evidence of housing need. The 2021 LHMA identified a total need for 5,134 affordable housing units over the plan period (from 2018-2033), comprising 2,839 social rented dwellings and 2,295 intermediate dwellings. While additional affordable housing is needed throughout the County Borough, this varies by HMA in terms of quantity and type, with Bridgend having been identified as the highest housing need area (1,914 affordable dwellings over the plan period). This evidence, combined with the Settlement Assessment and Spatial Strategy Options Background Paper, justified classification of Bridgend as the Primary Key Settlement within the Settlement Hierarchy and the primary focus for sustainable growth. Equally, the LHMA identified high need within and informed classification of the other Main Settlements in the Strategy (including Pencoed, Porthcawl and the grouped settlement of Pyle, Kenfig Hill and North Cornelly). Hence, the Spatial Strategy has been developed to maximise affordable housing delivery in high housing need areas. However, the housing need identified within the LHMA does not directly translate into an outright affordable housing delivery target for the LDP or even represent the solution to the affordability issues within the locality. It instead indicates the scale of housing need within Bridgend County Borough, which the Council will seek to address as far as practically possible.
- 3.22 This report assesses the extent to which the LDP can viably contribute to the need identified for affordable housing across the County Borough over the plan period, acknowledging that the LDP is not the only mechanism to deliver affordable housing. However, direct application of the need identified is inappropriate unless there is certainty that the tenures identified can be delivered across the County Borough and the mix is conducive to the delivery of sustainable communities. The Development Plans Manual emphasises the importance of proposing a realistic dwelling type/tenure mix, stating,

“Testing and policy formation will ultimately need to strike a balance between (a) achieving as much affordable housing as one can achieve (given it will rarely match demand) with (b) matching as far as possible and reasonable the latest LHMA findings regarding tenure split” (WG, 2020, p. 143).

3.23 Equally, the LHMA specifically stressed the importance of considering housing need, constraints, and the local housing market in order to deliver a sustainable housing mix. Approximately half of the need identified is for intermediate products, yet the key consideration is whether a gap exists in the market to introduce such tenures and whether they can produce usefully affordable housing products. The LHMA didn't identify significant scope to introduce intermediate rent (i.e. sub market rent) across the County Borough and it is therefore envisaged that the majority of intermediate need identified will be delivered through provision of Low Cost Home Ownership (LCHO). The LHMA found that 70% of market value produces a usefully affordable product in many parts of the County Borough, although, based on wider house price to income ratios, a 60% of market value product is typically required within Porthcawl in order to meet the needs of newly forming households.

3.24 A separate sub-meeting was held with RSLs operating in the County Borough (on 24<sup>th</sup> January 2020) to discuss tenure splits and housing need. This was in accordance with the Development Plans Manual, which specifically states that discussions with RSLs “will be essential to ensure the tenure mix proposed is indicative of what can be delivered in practice” (WG, 2020, p.143). The findings of the LHMA were echoed by the locally operating RSLs, who collectively cited a preference for delivering social rented units through s106 given ongoing uncertainties with Social Housing Grant funding. The RSLs generally cited a lower propensity to deliver intermediate units for two main reasons. Firstly, intermediate rent was deemed a largely unviable tenure due to an insignificant gap in the rental market to introduce this product, unworkable rent levels and, therefore, undue competition with the private rented sector. This mirrored the findings of the LHMA. Secondly, whilst LCHO was not perceived as negatively, there were concerns given the upfront capital investment required, the lack of an ongoing revenue stream and adverse gearing implications. However, the RSLs did note that LCHO would be viably deliverable in balanced quantities as part of a sustainable mix with social rented units.

3.25 In order to further assist with delivering LCHO, conversations with RSLs revealed that use of a ‘second charge’ model would also help overcome barriers to delivering larger proportions of LCHO in certain areas as identified in the LHMA. In essence:

- A. The RSL wouldn't purchase the property upfront
- B. Purchasers would be nominated to buy the property directly from the developer at a discounted rate (i.e. 70%)
- C. Upon legal completion, a second charge would then be placed on the property in favour of the RSL (i.e. 30%), with the mortgagee holding the first charge subject to a mortgagee in possession exemption clause.

3.26 The private developers who submitted concerns to the Council were contacted to gauge whether a second charge LCHO model would be acceptable in principle. There was general acceptance that this alternative delivery model would have merits, with some developers in the group already utilising the model in other areas and having no reservations to using the model in Bridgend County Borough. However, later feedback from private developers also sought clarification on whether this model would place an additional sales and marketing burden on the developer in respect of the LCHO units. For avoidance of doubt and purposes of clarification, this LCHO model is not proposed for outright application across every site in the County Borough following adoption of the Replacement LDP. Rather, it is a model that can be used on certain sites to enable delivery of larger proportions of LCHO where identified by the LHMA. Moreover, where this model is used, the sales burden would not fall on the private developer in the same way as it would for open market dwellings. The RSL would maintain responsibility for marketing the units, assessing applicants and nominating purchasers well in advance of dwelling completion, the legal process for which would be specified within the respective s106 agreement. Certain steering group members offered to facilitate conversations with mortgage providers on this basis.

3.27 Whilst a large proportion of affordable housing needed is social rented accommodation (just over half of the total identified by the LHMA), this almost entirely comprises one bedroom accommodation in some HMAs. This is unsurprising as household sizes were found to be increasingly smaller across all areas and tenures, which is a dual reflection of societal changes in household formation and an ageing local population. Undoubtedly, an influx of smaller, affordable dwellings is needed to counter-balance the mismatch with the existing dwelling stock (predominantly larger properties), which can be achieved most sustainably through providing walk up flats with no communal spaces. However, as discussed in the Affordable Housing Background Paper, this evidence should be viewed in the context of creating balanced communities. Therefore, whilst social rented unit mixes should indeed be weighted towards smaller properties, a proportion of larger unit types should also be provided within clusters to

facilitate tenant progression as families grow over time. In addition, tenures need to be appropriately balance to engender delivery of sustainable communities.

3.28 This Assessment has therefore adopted a pragmatic approach to test affordable housing delivery across each HMA. A range of affordable housing percentages has been appraised in line with the proportionate unit mix detailed in Table 3, which is based on the headline findings of the LHMA. This is coupled with more detailed unit mixes as outlined in the LHMA, balanced to deliver sustainable communities.

3.29 This approach has been utilised to identify the percentage affordable housing contributions that are viable geographically. This provides certainty that the affordable tenures used in this Assessment will not only address a locally identified need within the respective HMA, but can also be delivered in the market by locally operating RSLs. Conversations with the steering group have served to certify these points.

**Table 3: Proportionate Affordable Tenure Split for Viability Testing**

Housing Market Area	Social Rent Need	Intermediate Need	Tenure Split for Testing (Social : Intermediate)
Bridgend and Surrounding	947.9	965.85	50 : 50
Garw Valley	97.85	10.55	90 : 10
Llynfi Valley	199.9	74.5	70 : 30
Ogmore Valley	112.35	12.65	90 : 10
Pencoed and Heol y Cyw	226.15	215.15	50 : 50
Porthcawl	746.15	506.35	60 : 40
Pyle, Kenfig and Cornelly	356.9	349.2	50 : 50
Valleys Gateway	151.4	161.15	50 : 50

3.30 The majority of HMAs broadly fall within Acceptable Cost Guidance (ACG) Band 4, whilst the Llynfi Valley is within Band 3, the Valleys Gateway is predominantly in Band 2 and the Ogmore and Garw Valleys are in Band 1. The high-level assessment for this study has therefore based all social housing transfer values

on these broad bands using the latest (2018 based) ACG rates. However, any future site-specific assessments will apply the precise ACG Band applicable to each respective site in any cases where sites transcend HMA/ACG boundaries. Transfer values have been calculated at 42% of the full ACG cost/value for the social rented units (i.e. the RSL will pay the developer a transfer value of 42% of ACG). It is acknowledged that the current methodology for evaluating transfer values for affordable housing, based on ACG rates, is under review. However, this study has not made any adjustments to take account of such potential changes, as they are unknown proposals still in development. In addition, the 42% of ACG transfer has been considered acceptable by the steering group for the purposes of high-level testing. Future viability testing will however consider any changes that arise from the review.

- 3.31 Transfer values for intermediate units have predominantly been based on 70% of the open market value for the area where a need is identified. However, as the LHMA found house price to income ratios to be more significant in Porthcawl, a transfer value of 60% of open market value has been utilised for the Porthcawl HMA specifically.
- 3.32 In both cases, each of the tested scenarios assume that no Social Housing Grant has been made available to support the development of affordable housing. The LDP's contribution to meeting affordable housing need should not be grant dependent and developers are expected to make the equivalent contribution to affordable housing provision. Moreover, availability of grant funding is uncertain and it is therefore inappropriate to test viability on the assumption that it will be utilised. The key point to note (for the purposes of high-level testing) is that detailed discussions have been undertaken with both RSLs and private developers to ensure the affordable housing contribution proposed for viability testing is indicative of what can be delivered in practice.

#### S106 Contributions

- 3.33 In order to understand the cumulative impact of direct mitigation and policy requirements, this Assessment has sought to attribute a s106 value per dwelling for the purposes of testing. Welsh Government suggest that past levels of financial contributions should provide an indication or starting point in this analysis subject to discussions with developers and key infrastructure providers (WG, 2020).
- 3.34 A detailed analysis of all residential s106 agreements signed since 2013 was therefore undertaken to establish recent contribution levels. After discounting affordable housing contributions, which are considered separately in this study, an average of £2,737 per dwelling had been secured in s106 payments over this period. This was presented to and noted by the steering group, although the group stressed that this figure should be considered a starting point and not the sole basis for viability testing.

- 3.35 Past contributions were therefore considered alongside emerging policy requirements in dialogue with Education, Highways and Parks departments. Assumptions were made about the types of obligations that may be necessary on different (notional) sites, acknowledging that specific local needs will differ in reality. For example, school capacities will vary significantly by area and time, transport mitigation measures are site specific and recreation provision will be determined on a site-by-site basis. However, considering all of these variables in tandem, a revised average total s106 payment of £7,000 per dwelling was calculated, which is more than 2.5 times higher than contributions secured since 2013. This was presented to the steering group, although considered too low for the purposes of high-level testing. A revised suggested figure of £10,000 was suggested by a number of steering group members as a basis to conduct the viability appraisals. In the interests of allowing additional headroom for s106 contributions, the Council accepted this point and £10,000 per dwelling has been used as the basis for plan-wide testing.
- 3.36 For avoidance of doubt, the Council does not currently have a Community Infrastructure Levy (CIL) in place and has no plans to seek adoption of CIL in the foreseeable future. Whilst this position could change over the lifetime of the Replacement LDP, it is impossible to gauge what potential impact introduction of an unknown CIL may have upon viability. Therefore, no further adjustment has been made in this respect for the purposes of this appraisal.

### House Prices

- 3.37 Discussions were held with the steering group to determine which house price datasets would be the most appropriate to inform this Assessment. One recommendation was to use Help to Buy sales data as an indicator of new build residential prices. However, at the time of writing, the Help to Buy data available (via Stats Wales) only consisted of average prices achieved at local authority level. Therefore, Land Registry Price Paid data was considered more appropriate and has been used as the primary basis to understand how house prices vary across the County Borough.
- 3.38 The Land Registry has been recording price paid information for residential properties on the register since 1<sup>st</sup> April 2000 and this has been publically available since March 2012. There are many benefits to using this data. Principally, it records the physical number of sales at address level and the actual prices paid for residential properties by age (new build or existing) and type (detached, semi-detached, terraced, flat or maisonette). However, careful and thorough scrutiny of this data is essential to generate reliable and robust evidence for this study. Detailed analysis of residential property sales was therefore undertaken to generate average sale prices achieved across the County Borough from 2015 to 2019 (i.e. five calendar years). This was the most recent data available at the time of analysis.



- 3.39 Where sufficient sales took place, emphasis was placed on new build transactions to ensure the data represented average prices generated from new build properties. However, there were gaps in geographical coverage, since the pattern of new development has not been uniform across the County Borough and the majority of recent completions have been within Bridgend and the Valleys Gateway. The steering group therefore agreed that appropriate new build premiums and Price Paid data from some neighbouring areas and should be used and applied, respectively. Firstly, a new build uplift (21% - akin to the general uplift on new build sales in the County Borough) was applied to areas that have not witnessed significant new build development over this period (i.e. the Valleys). Secondly, Pencoed data was supplemented with sales from cross boundary sites in Llanharan, Llanharry and Brynna as the housing market areas overlap and the prices achieved are very similar. Thirdly, an inflation rate was applied to areas that have not witnessed new build for several years (i.e. Porthcawl and Pyle).
- 3.40 In order to arrive at average per square metre values (£ psm), a comprehensive exercise was undertaken to join Price Paid transactional records with Energy Performance Certificate (EPC) data, the latter of which contains dwelling floor areas. This enabled production of an average sales rate psm across each HMA as detailed in Table 4 below.

**Table 4: New Build Sales Rate for Plan-Wide Testing**

Housing Market Area	Average Sales Rate per Square Metre
Bridgend and Surrounding	£2,235
Garw and Ogmore Valleys	£1,281
Llynfi Valley	£1,407
Pencoed and Heol y Cyw	£2,281
Porthcawl	£2,645
Pyle, Kenfig and Cornelly	£2,078
Valleys Gateway	£2,137

- 3.41 It is important to stress that a series of factors will influence actual sale prices, and, whilst there are common traits to all development schemes, every site is unique to a certain extent. There are also nuances between different housing areas, despite their geographical proximity, which can have a bearing on the potential market values that may be achieved on particular development sites. However, the range of notional sites used within this plan-wide appraisal seeks

to counterbalance such differences across all HMAs through utilisation of average values. Site-specific appraisals will be better placed to capture more intricate nuances that can impact upon the individual selling prices of different dwellings on particular sites.

- 3.42 For the purposes of high-level testing, a single £ psm rate has therefore been applied across all dwellings in each HMA. This is a purposely broad-brush approach, notwithstanding the fact that the sales rate will vary in practice by site, location and unit type. The steering group unanimously agreed with this approach for plan-wide testing and felt the values detailed in Table 4 were fair and reasonable, accurately reflecting broad sale prices achieved in each HMA in the current climate.

#### Construction Costs

- 3.43 Data from the Building Cost Information Service (BCIS) is habitually used as a guide into likely residential development costs, to help establish the basic cost of building dwellings in a given area (commonly known as the 'plot costs'). Put succinctly, the BCIS compiles a construction cost database from numerous development schemes across the UK, providing adjusted cost estimates for particular localities. The BCIS costs (average prices for residential facilities) are based on accepted tenders and include contractor's overheads, profit and preliminaries. However, BCIS data cannot and should not be applied verbatim in this study for several important reasons. The data for Wales is derived from a small sample size. The national/volume housebuilders do not typically contribute to the database and therefore the resultant data fails to capture the economies of scale that these companies are best placed to achieve. This effectively means that the median, upper and lower quartile cost rates are not based on holistic industry information and cannot be considered representative of a fully balanced industry dataset. As sites start getting larger, BCIS becomes less relevant and the quartiles would look fundamentally different if comprehensive build cost information was inputted into the database. Plot costs submitted to the Council to support candidate site submissions have also been typically below BCIS rates.
- 3.44 These issues were discussed at length with the steering group. The Council initially proposed a range of build costs from £910 - £970 per sqm (depending on site size; 10 units to 150 units, respectively) and all members were asked to provide evidence of their own build costs to help inform the study. Whilst no steering group member shared evidence of their own build costs with the wider group, several house builders provided comments to the Council on a confidential basis. Put succinctly:
- a) One member suggested applying lower quartile BCIS rates verbatim, although this is not considered appropriate by the Council based on the prior justification.

- b) Another member referenced that build costs have recently risen, but did not suggest or evidence an alternative set of build costs to use for viability testing.
- c) Another member suggested that build costs of circa £900 per square metre would be appropriate to use for testing, subject to an increase for affordable units and apartments.
- d) Another member suggested build costs should be pitched in the region of £900-£975 per square metre, weighted towards £975 depending upon the quantum of apartments in the overall unit mix.

3.45 It was not possible to achieve complete consensus with the steering group, evidently because several members shared differences of opinion on the matter. This is perhaps unsurprising as base unit build costs do vary between different developers, depending, for example, on the allocation of plot externals such as drives, patios, and boundary fences. However, in the absence of an outright consensus, the fact that no supporting evidence was submitted by steering group members on this matter and that several members have supported the Council's originally proposed range, it is considered appropriate to test viability on the basis of:

- £970 per square metre (for sites less than 50 units) – the rate originally suggested for a 10 unit scheme
- £918 per square metre (for site of 50 units and more) – the mid-point of the original range suggested for schemes of 50-150 units

3.46 These rates have therefore been adopted for use within this study for each respective notional site across each HMA and include the contractor's overhead and profit and preliminaries. More recent site-specific appraisals (submitted to the Council during LDP preparation) have also utilised comparable plot costs and therefore, this is considered a robust level for plan-wide testing. For the avoidance of doubt, the HLVM utilises a single build rate for plan-wide testing purposes and is geared towards per sqm values. Therefore, as all dwelling will be tested based on DQR house types, the additional floor areas will be factored into the plan-wide testing for all tenures. Moreover, the model takes into account higher build costs for apartments by considering whether the gross internal area of the building(s), for build cost purposes, is the same as the gross internal sales area. Houses and walk up flats essentially share the same gross internal area and gross internal sales area, yet communally accessed flats typically differ by 85-90%.

3.47 In addition to the plot costs already outlined, a further allowance needs to be made for the range of external costs typically associated with developments. These encompass a range of infrastructure costs over and above plot costs,

including roads, footpaths, landscaping, drainage and services within the site. Many of these costs will be site-specific, dependent on particular site circumstances and can only be estimated from detailed site assessment work. However, this detailed site work cannot be replicated in a study of this type, and therefore, a general allowance has to be made. A range of external cost percentages were discussed with the steering group as detailed further in Section 9 of the Statement of Common Ground. However, several steering group members suggested utilising a figure of £15,000 per dwelling as a 'cross check comparison' for external costs, which is in broad alignment with both values used in other high-level viability studies and confidential information submitted to the Council by several candidate site promoters. As such, £15,000 per dwelling will be used to account for external costs within this plan-wide appraisal, which is considered a valid 'middle ground' basis for testing following feedback from steering group members.

- 3.48 Furthermore, this study does not seek to test sites to the margin of viability and therefore allows for a contingency of 5% on total construction costs in order for the Replacement LDP to be able to respond to changing markets and other variables. This was considered an acceptable level of contingency by the steering group in order to de-risk the plan and safeguard against the need for frequent updating in the event of a change in economic circumstances and/or site specific issues.

#### Additional Construction Costs

- 3.49 It is also acknowledged that past build cost information does not include more recent, additional building regulation requirements. The steering group discussed the need for this study to make an allowance for additional build costs, specifically in relation to the costs of providing sprinkler systems in new homes plus Ultra-Low Emission Vehicle (ULEV) charging points. District Valuer Services (DVS) previously reported that costs of between £2,500 and £3,500 are common for installation of sprinkler systems (based on information from RSLs). Equally, the Energy Saving Trust report that the cost of installing ULEV charging points can be £800- £1,000 within an existing dwelling, although grants are currently available towards this cost (i.e. at the time of writing, OLEV offers applicants £350 towards this cost and Energy Saving Trust will provide up to £300 further funding on top of this). In any case, this cost is reduced if the points are installed as part of the construction process rather than retrofitted. Therefore, a combined allowance of £3,500 per dwelling has been utilised for these additional requirements. This allowance is generous when compared to the values justified in several site-specific studies submitted to the Council during LDP preparation and is deemed appropriate when considering economies of scale. The majority of the steering group were in agreement with this approach and despite two steering group members suggesting a small increase to the allowance, no

evidence was provided to justify this. As detailed in the Statement of Common Ground, £3,500 is therefore considered a robust and rational total for high-level testing and has been applied within this Assessment.

- 3.50 Several members of the steering group also stressed the importance of taking the proposed changes to Part L of Building Regulations into account, based on an expectation that they will be introduced in Wales in early 2021. A number of members stated that new sites coming forward will soon need to comply with the new Part L Regulations, and, therefore, additional costs will be incurred per dwelling. Whilst these are currently draft proposals, the Council recognises the importance of considering potential future changes to building regulations to ensure the plan-wide testing remains relevant, up-to-date and robust. As such, viability testing has been conducted in two parts. Part one has tested viability scenarios without any additional costs factored in for the proposed Part L changes. Part two has tested viability scenarios considering these additional per dwelling costs. This is considered to be a rational approach to incorporate the concerns highlighted by the steering group, whilst future-proofing the assessment.
- 3.51 As part of the consultation on the changes to Part L, Welsh Government presented two options to improve energy efficiency standards in new dwellings. Option 1 is expected to be delivered through natural ventilation, whilst Option 2 is expected to be delivered through mechanical ventilation with heat recovery (MVHR) with a higher standard of airtightness. Welsh Government originally estimated the potential cost impacts, ranging from £5,900 per dwelling (option 1) to £8,300 per dwelling (option 2). Option 1 is Welsh Government's preferred option for the reasons set out in the consultation document.
- 3.52 Chapter 8 of the consultation document acknowledges the impact on development viability and makes several references to the fact that these additional costs should be met "through reductions in planning contributions, developers profit and/or the land value paid to the land owner". Based on discussions with the steering group, the justified profit levels within this study are considered a minimum, and equally, the land values are considered minimum benchmarks. Further reductions to these variables may act as a barrier to development coming forward and, therefore, these additional costs may need to be met through reductions to planning contributions, primarily in the form of affordable housing.
- 3.53 In reality, it is acknowledged that certain house builders already incorporate some of these requirements within their current build specification and therefore compliance may be achieved at costs lower than those estimated by Welsh Government. Equally, additional costs will vary depending on the unit type and some developers may choose less costly ways of meeting the standards. Such

factors can and have been analysed in more detail through site-specific viability testing conducted during Plan preparation. Indeed, detailed discussions have been undertaken with various site promoters on this issue and similar discussions have informed numerous independent financial viability appraisals undertaken by Burrows-Hutchinson Ltd as part of the Replacement LDP process. Burrows-Hutchinson Ltd considered it,

“appropriate to include an additional cost of £3,000 per dwelling on this account. There is some perception that certain aspects of the Part L changes may be covered (partially at least) by the specification to which national housebuilders are already working. It is also reasonable to assume that the collective cost of extra works and/or materials, required by new Regulations, may not be as great as the sum of the individual costings for each item. Economies of scale may also be achievable on larger sites”.

3.54 £3,000 per dwelling is equally considered appropriate for the purposes of assessing the impact of the changes to Part L through this plan-wide viability assessment, consistent with the numerous site-specific appraisals undertaken by Burrows-Hutchinson Ltd. Moreover, incorporation of Part L will likely lead to an enhancement in market values for new homes arising from improved energy efficiency and the potential cost savings to householders. This latter point has not been factored into the market values utilised within this broad appraisal, which are, instead, wholly informed by past sales data. This provides a further element of headroom in this respect and the results of this exercise are summarised in the next section.

### Land Values

3.55 When determining land values to use for viability testing, the Development Plans Manual states that, “the evidence should be clear as to what financial return (or benchmark land value) would realistically entice a land owner to sell for the proposed use in an area or sub-market area” (WG, 2020, p. 143). Welsh Government guidance further clarifies,

“High level testing is generally based on a methodology that produces a residual land value (after allowing for a percentage profit margin for the developer) which is then compared with the benchmark land value (or values) for a geographical area” (ibid, para 5.90).

3.56 Based on this guidance, and as discussed with the steering group, any attempt to produce an ‘average’ land value by HMA based on extant comparable sales data would be highly crude. In essence, two sites less than a mile apart could have sold for wildly different sums for specific reasons. Some transactions may or may not have been predicated on historic agreements, based on non-policy



compliant values and/or fettered by abnormal, site-specific costs. Moreover, whilst the Land Registry records the price paid for certain parcels of land, the data is not comprehensive and fails to overcome these complexities. Therefore, calculating an average value per hectare based on such crude baseline data would not be appropriate for the purposes of this study.

- 3.57 Equally, great caution needs to be exercised when analysing recently advertised land values. Some development land agents can understandably overstate the value of development land and certain sites can sell for very large sums. However, this information is often anecdotal or based on unfounded aspirations. Therefore, the derived asking price may not reflect unknown abnormal costs, have properly considered the net developable area and/or reflect infrastructure requirements for example. Pursuing with a viability appraisal on this basis would fail to allow for the levels and types of infrastructure, affordable housing and other policy requirements necessary to render sites policy-compliant and acceptable in planning terms (in principle).
- 3.58 The key, dual-faceted issue for this study is to determine what a developer can afford to pay for a parcel of land assuming a policy-compliant scheme, and, equally, what amount is sufficient to incentivise a landowner to release land from its current use for development. These two points are integrally related and each HMA will have a different result based on values/costs in that area. Therefore, this study has sought to carry out various appraisals to determine what level of affordable housing and s106 contributions can be viable in different HMAs.
- 3.59 Establishing a minimum benchmark therefore proved fundamental to this exercise, although is undoubtedly a subjective process. The starting point is to determine a value at which a vendor will be willing to sell when comparing the land's existing use value (plus an uplift necessary to encourage vendor to sell) to alternative uses. Such alternatives can be as low as £13,000 per hectare for agricultural land (depending on quality, as recorded by the Savills Farmland Values Survey, 2019) or potentially more for industrial uses. It is then necessary to consider what the land is likely to be worth at its highest alternative use value (usually residential) in relation to its existing use value.
- 3.60 The difference between the alternative use value and the existing use value is effectively the land owner's full incentive to sell. A relatively small incentive is unlikely to encourage the landowner to release the land for development (and that landowner may demand the full alternative use value). However, a large incentive may mean the landowner is far keener to sell and the developer may be in a position to negotiate the price down, with consideration of both the alternative and existing use values. Such discussions are seldom formulaic in nature and therefore cannot be replicated in a study of this type. Therefore, this

study has sought to establish a land value that will offer a significant enough incentive to land owners across the County Borough.

3.61 These points have been considered carefully in collaboration with the steering group. These discussions led to Savills providing a statement (Appendix 3) to propose minimum benchmark land values based on current market conditions as follows:

- Porthcawl - £750,000 per net developable hectare
- Bridgend/Pencoed - £620,000 per net developable hectare
- Pyle/Valleys Gateway – £500,000 per net developable hectare
- Valleys - £250,000 per net developable hectare

This was based on information from minimum price clauses within option agreements, where appropriate, and transactional evidence by a number of housing associations in lower value locations. This approach was shared with the HBF, all of the PLC housebuilders who form part of the steering group as well as with the agent representation. No adverse comments were received and the approach was specifically endorsed as a reasonable approach for high level planning viability purposes by Llanmoor, Taylor Wimpey, Persimmon and Herbert R Thomas. On this basis, the Council has adopted the benchmark land values above for the purposes of plan-wide viability testing, which is considered to accord with the approach set out in the Development Plans Manual. The level of incentive is considered sufficient (within each HMA) to encourage a landowner to release land from its current use, taking account of the current market conditions in comparison to an existing use value (i.e. £13,000 per gross hectare for agricultural land).

#### Developers' Profit

3.62 Welsh Government stress the importance of allowing for an adequate profit margin for a developer when assessing development viability. The test is deemed to be whether “residual profit will provide an appropriate return for a developer in the context of prevailing market conditions” (WG, 2020, para.5.90). The HLVM has been developed to produce a residual profit value that represents what is left after all development costs (including the land costs) have been deducted from the Gross Development Value (GDV).

3.63 There are two inter-related factors relevant to the percentage return that a developer can expect; the degree of risk inherent in any of the viability inputs plus the complexities involved in developing different site typologies. In practice, profit can and will vary between sites and areas based on market conditions. However, for a study of this type, it is necessary to consider broad

benchmark levels of profit that reflect a realistic return for a developer, which can then be compared to the residual profit generated by the HLVM.

- 3.64 For the avoidance of doubt, profit can be expressed as a percentage of development costs, although is more commonly expressed as a percentage of GDV for the purposes of assessing residential development viability. The Development Plans Manual states that,

“The normal range of profit expected by developers and necessary to meet most lenders’ requirements is between 15% and 20% of GDV for developments that will be let or sold on the open market. A lower profit margin, based on 6% of cost is normally applied to the provision of affordable housing” (WG, 2020, p.145).

Equally, the Manual also emphasises that a developer’s profit margin is linked to interest rates charged for finance and the importance of understanding how different types of developers operate. Both points are significant as “larger sites can carry more risk where they take a long time to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not” (ibid).

- 3.65 These issues were discussed at length with the steering group and a range of profit margins were originally proposed for different site typologies. This approach sought to recognise how levels of risk and development timeframes varied by site size. However, an agreement was reached to maintain the broader established principle of using one set of assumptions to test sites below 50 units and another to test sites of 50+ units. The outcome of these discussions (refer to Section 13 of the Statement of Common Ground) helped determine the profit levels to use for plan-wide testing.
- 3.66 Firstly, 17.5% of GDV is considered an acceptable profit margin for sites below 50 units, falls within the mid-point of the range referenced by Welsh Government and has therefore been utilised for testing. Ultimately, the only way some small sites can come forward is if the profit margin is somewhat lower. Many small builders will finance projects from retained funds and will use an opportunity cost rate to determine the level of profit. In addition, the exit position is more certain for smaller schemes as they are constructed over a shorter timeframe. No evidence or justification to the contrary was been provided by steering group members on this basis. Secondly, 20% of GDV is considered a reasonable margin to test sites of 50+ units, reflects the steering group’s suggestion and is pitched at the top end of the range referenced by Welsh Government. This margin has been used for testing, acknowledging that the outcome of larger schemes is generally considered to be more uncertain as they are built over a longer timeframe. Thirdly, 6% of build costs has been used

for the affordable units based on feedback from the steering group and Welsh Government Guidance. In practice, the developer habitually constructs the affordable housing for the nominated RSL and then charges a 6% project management fee. The risk on such units is therefore generally considered to be lower.

#### Professional Fees, Marketing Costs and Legal Fees

- 3.67 Professional fees and marketing costs can vary significantly from scheme to scheme and also from developer to developer. This is acknowledged in the Development Plans Manual, which stresses that the allowance will “be influenced by the size of developers operating in the area and site size and nature” (WG, 2020, p.145). The Manual also states that “different size developers will have access to varying degrees of economies of scale, and /or may build from a stock of standard designs and house types, rather than designing individual houses for each site” (ibid). Therefore, it is imperative that the economies of scale developers can achieve on larger schemes are taken into account, a key point discussed with the steering group.
- 3.68 A range of professional fees were originally proposed to the steering group on this basis, based on broad industry standards (refer to Section 17 of the Statement of Common Ground). However, based on the steering group’s requested principle of using one set of assumptions to test sites below 50 units and another to test sites of 50+ units, 8% professional fees has been used to test schemes below 50 units and 6% professional fees has been used to schemes of 50+ units. For avoidance of doubt, the fees have been applied to construction costs and include architects, engineers, quantity surveyors and planning consultants’ fees. This approach was accepted by the steering group.
- 3.69 Similarly, an allowance of 2.5% of the estimated gross revenue from open market sales has been utilised in this study to cover sale and marketing costs, although this has only been applied to the open market units. From local experience, private developers do not tend to cover the cost of marketing affordable units (see also para. 3.26). Therefore, 2.5% has been maintained for all appraisals in this study. This was predominantly agreed with the steering group (refer to Section 19 of the Statement of Common Ground).
- 3.70 An allowance for legal costs has also been factored into this study, at £600 per dwelling for both the market and affordable homes. The steering group unanimously agreed that this was an accurate figure to use for the purposes of high-level testing.

### Interest Rate, Acquisition Costs and Land Transaction Tax

- 3.71 A single rate of interest has been used to appraise all site typologies in this paper (6% per annum) and an additional allowance of 0.5% credit has been included within the cash flow following common practice and as agreed with the steering group. In practice, interest is normally calculated as separate monthly charges, plus numerous other fees, although use of a single rate helps achieve a similar result for the purposes of high-level testing.
- 3.72 For context, it is fair to state that volume housebuilders will typically be able to access finance at a rate less than 6%, therefore use of this rate arguably provides an additional margin for larger sites appraised within this study. Conversely, smaller businesses may have to pay higher rates for funding, especially if they have insufficient equity and/or lack a track record to obtain more competitive rates. However, this overlooks the fact that some smaller business may be in a relatively strong position, capable of financing projects from retained funds and only needing to borrow small levels of capital in relation to overall scheme costs. For this multitude of reasons, a balanced singular interest rate appears reasonable in the context of the broad exercise being undertaken.
- 3.73 In addition, this study assumes each development site is able to proceed immediately and therefore (interest rates aside), no further allowance has been made for either holding costs or income from site ownership. An allowance of 1.5% of the acquisition price has been factored in for all costs associated with the land acquisition (including agent and legal fees) plus current Land Transaction Tax rates. The steering group agreed with this approach from the outset. Whilst a small number of steering group members later suggested increasing the allowance to 2%, these suggestions were not accompanied with any justification or evidence to substantiate increasing the fee originally agreed with the steering group. As such, 1.5% has been maintained for the purposes of high-level testing.

### Phasing

- 3.74 The HLVM incorporates phasing information to ensure the timeframes of different site typologies are duly considered within appraisals. There are several factors that can affect the timeframes of any development programme, including the location of the site, the scale of the development, market conditions at key development stages, resolution of any phased planning-related requirements, and complexities due to ownership. Such site-specific factors can be duly assessed in site-specific appraisals based on the relevant context, although obviously cannot be replicated perfectly in a study of this type.

Therefore a generalised assumption has to be adopted for the purposes of high-level testing.

- 3.75 Sales rates have perhaps the most significant impact on the speed at which the development progresses, particularly for larger sites. Developers will often seek to match the build rate to the sales rate in order to avoid completed properties remaining empty on site for prolonged periods. This study has therefore anticipated a sales rate of 3 units per month, which is considered to be a conservative, generalised rate of take-up. Similarly, this study has allowed for a pre-construction period of 3 months plus a further 6 months before the sales period commences. Again, this is considered equally conservative and suitable for the purposes of this study.
- 3.76 It is acknowledged that it may not always be possible for developers to perfectly match the build rate with the sales rate for a variety of reasons, especially on larger sites. Therefore, the HLVM contains an 'overhang' functionality to capture the potential time lag between completion of the final construction works and the sale of the last market unit. In order to reflect the greater complexities of larger sites, a 2 month overhang has been included for sites of 50 units and a 3 month overhang has been included for sites of 100 and 150 units. In practice, developers will habitually adjust the build phase to help combat this problem, although inclusion of an overhang period on the larger notional sites tested provides an additional means of factoring in any unanticipated time-lag.
- 3.77 The delivery of affordable homes will not often match the rate at which the open market dwellings are sold, due to trigger-based clauses in s106 agreements, which often require delivery of the affordable dwellings prior to occupation of all market homes. As such, the HLVM assumes the delivery of affordable dwellings will be akin to open market dwelling delivery on site, yet without the aforementioned 'overhang'. This is considered to be a fair reflection of how s106 agreements are implemented for the purposes of high-level testing.

#### **4. Results and Overview of Viability Appraisals**

- 4.1 This section of the study provides an overview of the viability appraisals conducted for each notional site typology across the identified HMAs (example notional appraisals are provided in Appendix 4). Having specified clear, realistic and relevant inputs, the fundamental consideration is whether “the affordable housing targets and thresholds selected are viable for the majority of cases” (WG, 2020, p.148).
- 4.2 Different percentages of affordable housing have therefore been tested to gauge the level that can be supported by each notional site in each HMA, with the appropriate percentage highlighted. Each output indicates whether the target profit can be achieved after factoring in this level of affordable housing together with all other costs, fees, profit margins, benchmark land values, contingencies and s106 contributions detailed in Section 3. The illustrated surplus (or shortfall) on target profit then indicates the headroom remaining.
- 4.3 The affordable housing mix tested varies by HMA according to the need identified in the 2021 LHMA and discussed in Section 3. The specific tenure split is detailed below each table. For sites of 50-150 units, any one bedroom social rented provision has been tested based on walk-up flats being provided. This mirrors the approach that would typically be adopted in practice as walk-up flats are more sustainable in terms of creating balanced communities and facilitating optimal housing management. In addition, where application of an affordable housing percentage would produce single dwelling numbers on the 10 unit notional schemes, it has been assumed that these dwellings will be intermediate tenure. Again, this mirrors the approach that would typically be adopted in practice, where LCHO is often better assimilated into smaller schemes and also where it would be complex, unsustainable and/or impractical for an RSL to manage a single socially rented dwelling in such scenarios.
- 4.4 Additional sensitivity testing has also been conducted based on changes in construction costs (housing and physical infrastructure), open market house prices and land prices (plus associated costs). The outcomes of these sensitivity tests are also summarised below. This helps illustrate how potential variations in certain components can impact upon the surplus or shortfall on target profit. However, it must be stressed that a 5% contingency on total construction costs has already been factored into all appraisals prior to these additional sensitivity tests being undertaken. Moreover, such variables will not alter in isolation in practice.
- 4.5 As agreed with the steering group, the first set of tests exclude the additional costs arising from the proposed changes to Part L of the Building Regulations and the second set of tests include these additional costs as explained in Section 3. This approach is designed to help future-proof the Assessment.

**Viability Appraisals Set One – Excluding Proposed Changes to Part L, Building Regulations**

**Bridgend and Surrounding Housing Market Area**

<b>Table 5a: Bridgend and Surrounding HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	<b>0% Affordable Housing</b>	<b>10% Affordable Housing</b>	<b>20% Affordable Housing</b>	<b>30% Affordable Housing</b>
<b>10 Units</b>	✓	✓	<b>£19,882</b>	<span style="color: red;">✗</span>
<b>50 Units</b>	✓	✓	<b>£63,613</b>	<span style="color: red;">✗</span>
<b>100 Units</b>	✓	✓	<b>£87,392</b>	<span style="color: red;">✗</span>
<b>150 Units</b>	✓	✓	<b>£93,480</b>	<span style="color: red;">✗</span>

Tenure split: 50% social rent, 50% intermediate

(NB. Intermediate housing assumed for the 2 affordable units on the 10 unit scheme, which resembles what would typically happen in practice)



**Table 5b: Bridgend and Surrounding HMA Sensitivity Tests**

Notional Site	Construction Cost Factor (housing & physical infrastructure)										
	-5%	-4%	-3%	-2%	-1%	0	+1%	+2%	+3%	+4%	+5%
<b>10 Units</b>	£70,535	£60,405	£50,274	£40,144	£30,013	£19,882	£9,752	-£379	-£10,509	-£20,640	-£30,770
<b>50 Units</b>	£303,384	£255,430	£207,476	£159,522	£111,567	£63,613	£15,659	-£32,296	-£80,250	-£128,204	-£176,159
<b>100 Units</b>	£566,405	£470,603	£374,800	£278,997	£183,195	£87,392	-£8,410	-£104,213	-£200,016	-£295,818	-£391,621
<b>150 Units</b>	£811,542	£667,929	£524,317	£380,705	£237,092	£93,480	-£50,132	-£193,745	-£337,357	-£480,969	-£624,582
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

**Table 5c: Bridgend and Surrounding HMA Sensitivity Tests**

Notional Site	Open Market House Price Factor										
	-10%	-7%	-4%	-2%	-1%	0%	+1%	+2%	+4%	+7%	+10%
<b>10 Units</b>	-£158,024	-£104,652	-£51,280	-£15,699	£2,092	£19,882	£37,673	£55,464	£91,045	£144,417	£197,788
<b>50 Units</b>	-£824,353	-£557,963	-£291,573	-£113,980	-£25,184	£63,613	£152,409	£241,206	£418,799	£685,189	£951,578
<b>100 Units</b>	-£1,686,080	-£1,154,039	-£621,997	-£267,302	-£89,955	£87,392	£264,739	£442,087	£796,781	£1,328,823	£1,860,865
<b>150 Units</b>	-£2,560,806	-£1,764,520	-£968,234	-£437,377	-£171,949	£93,480	£358,909	£624,337	£1,155,194	£1,951,480	£2,747,766
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

**Table 5d: Bridgend and Surrounding HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£47,302	£38,162	£29,022	£23,538	£19,882	£16,227	£10,743	£1,603	-£7,537
<b>50 Units</b>	£203,522	£156,886	£110,249	£82,267	£63,613	£44,958	£16,976	-£29,660	-£76,296
<b>100 Units</b>	£370,096	£275,861	£181,627	£125,086	£87,392	£49,698	-£6,842	-£101,077	-£195,311
<b>150 Units</b>	£519,148	£377,259	£235,369	£150,236	£93,480	£36,724	-£48,409	-£190,298	-£332,188
Values indicate Surplus / <b>Shortfall</b> on Target Profit									

Pencoed and Heol y Cyw Housing Market Area

<b>Table 6a: Pencoed and Heol y Cyw HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	0% Affordable Housing	10% Affordable Housing	<b>20% Affordable Housing</b>	30% Affordable Housing
<b>10 Units</b>	✓	✓	<b>£12,684</b>	<span style="color: red;">✗</span>
<b>50 Units</b>	✓	✓	<b>£185,861</b>	<span style="color: red;">✗</span>
<b>100 Units</b>	✓	✓	<b>£325,439</b>	<span style="color: red;">✗</span>
<b>150 Units</b>	✓	✓	<b>£453,744</b>	<span style="color: red;">✗</span>

Tenure split: 50% social rent, 50% intermediate  
 (NB. LCHO assumed for the 2 affordable units on the 10 unit scheme,  
 which resembles what would typically happen in practice)

<b>Table 6b: Pencoed and Heol y Cyw HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Construction Cost Factor (housing &amp; physical infrastructure)</b>										
	<b>-5%</b>	<b>-4%</b>	<b>-3%</b>	<b>-2%</b>	<b>-1%</b>	<b>0</b>	<b>+1%</b>	<b>+2%</b>	<b>+3%</b>	<b>+4%</b>	<b>+5%</b>
<b>10 Units</b>	£62,085	£52,205	£42,324	£32,444	£22,564	£12,684	£2,804	£7,076	£16,957	£26,837	£36,717
<b>50 Units</b>	£427,416	£379,105	£330,794	£282,483	£234,172	£185,861	£137,550	£89,239	£40,928	£7,383	£55,694
<b>100 Units</b>	£811,633	£714,394	£617,155	£519,916	£422,678	£325,439	£228,200	£130,961	£33,722	£63,517	£160,755
<b>150 Units</b>	£1,182,602	£1,036,830	£891,059	£745,287	£599,516	£453,744	£307,973	£162,201	£16,430	£129,342	£275,113
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

<b>Table 6c: Pencoed and Heol y Cyw HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Open Market House Price Factor</b>										
	<b>-10%</b>	<b>-7%</b>	<b>-4%</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>	<b>+1%</b>	<b>+2%</b>	<b>+4%</b>	<b>+7%</b>	<b>+10%</b>
<b>10 Units</b>	£160,900	£108,825	£56,750	£22,033	£4,674	£12,684	£30,042	£47,401	£82,118	£134,193	£186,268
<b>50 Units</b>	£714,221	£444,197	£174,172	£5,845	£95,853	£185,861	£275,869	£365,878	£545,894	£815,919	£1,085,944
<b>100 Units</b>	£1,471,305	£932,282	£393,259	£33,910	£145,764	£325,439	£505,113	£684,787	£1,044,136	£1,583,159	£2,122,182
<b>150 Units</b>	£2,236,011	£1,429,084	£622,158	£84,207	£184,769	£453,744	£722,720	£991,695	£1,529,646	£2,336,573	£3,143,500
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

**Table 6d: Pencoed and Heol y Cyw HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£40,103	£30,963	£21,824	£16,340	£12,684	£9,028	£3,544	-£5,596	-£14,735
<b>50 Units</b>	£325,770	£279,134	£232,498	£204,516	£185,861	£167,207	£139,225	£92,588	£45,952
<b>100 Units</b>	£608,142	£513,908	£419,673	£363,133	£325,439	£287,745	£231,204	£136,970	£42,735
<b>150 Units</b>	£879,412	£737,523	£595,634	£510,500	£453,744	£396,989	£311,855	£169,966	£28,077
	Values indicate Surplus / <b>Shortfall</b> on Target Profit								

Porthcawl Housing Market Area

<b>Table 7a: Porthcawl HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	20% Affordable Housing	30% Affordable Housing	<b>35% Affordable Housing</b>	40% Affordable Housing
<b>10 Units</b>	✓	✓	<b>N/A</b>	<b>£22,921</b>
<b>50 Units</b>	✓	✓	<b>£130,683</b>	<b>x</b>
<b>100 Units</b>	✓	✓	<b>£294,957</b>	<b>x</b>
<b>150 Units</b>	✓	✓	<b>£376,381</b>	<b>x</b>

Tenure split: 60% social rent, 40% intermediate  
 (NB. 2 intermediate units and 2 social rented units assumed on the 10 unit scheme)

<b>Table 7b: Porthcawl HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Construction Cost Factor (housing &amp; physical infrastructure)</b>										
	<b>-5%</b>	<b>-4%</b>	<b>-3%</b>	<b>-2%</b>	<b>-1%</b>	<b>0</b>	<b>+1%</b>	<b>+2%</b>	<b>+3%</b>	<b>+4%</b>	<b>+5%</b>
<b>10 Units</b>	£71,304	£61,627	£51,951	£42,274	£32,598	£22,921	£13,245	£3,569	-£6,108	-£15,784	-£25,461
<b>50 Units</b>	£358,406	£312,861	£267,317	£221,772	£176,228	£130,683	£85,138	£39,594	-£5,951	-£51,495	-£97,040
<b>100 Units</b>	£747,849	£657,270	£566,692	£476,114	£385,536	£294,957	£204,379	£113,801	£23,222	-£67,356	-£157,934
<b>150 Units</b>	£1,052,898	£917,595	£782,291	£646,988	£511,684	£376,381	£241,077	£105,774	-£29,530	-£164,833	-£300,137
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

<b>Table 7c: Porthcawl HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Open Market House Price Factor</b>										
	<b>-10%</b>	<b>-7%</b>	<b>-4%</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>	<b>+1%</b>	<b>+2%</b>	<b>+4%</b>	<b>+7%</b>	<b>+10%</b>
<b>10 Units</b>	-£145,301	-£94,834	-£44,367	-£10,723	£6,099	£22,921	£39,744	£56,566	£90,210	£140,677	£191,143
<b>50 Units</b>	-£703,814	-£453,465	-£203,116	-£36,216	£47,233	£130,683	£214,133	£297,583	£464,482	£714,831	£965,181
<b>100 Units</b>	-£1,389,114	-£883,893	-£378,671	-£41,857	£126,550	£294,957	£463,364	£631,772	£968,586	£1,473,807	£1,979,029
<b>150 Units</b>	-£2,137,956	-£1,383,655	-£629,354	-£126,487	£124,947	£376,381	£627,814	£879,248	£1,382,116	£2,136,417	£2,890,718
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

**Table 7d: Porthcawl HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£56,137	£45,065	£33,993	£27,350	£22,921	£18,493	£11,850	£778	<b>-£10,294</b>
<b>50 Units</b>	£300,399	£243,827	£187,255	£153,312	£130,683	£108,054	£74,111	£17,539	<b>-£39,033</b>
<b>100 Units</b>	£637,614	£523,395	£409,176	£340,645	£294,957	£249,270	£180,739	£66,520	<b>-£47,699</b>
<b>150 Units</b>	£891,978	£720,112	£548,246	£445,127	£376,381	£307,635	£204,515	£32,650	<b>-£139,216</b>
	Values indicate Surplus / <b>Shortfall</b> on Target Profit								



Pyle, Kenfig and Cornelly Housing Market Area

<b>Table 8a: Pyle, Kenfig and Cornelly HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	0% Affordable Housing	<b>10% Affordable Housing</b>	20% Affordable Housing	30% Affordable Housing
<b>10 Units</b>	✓	<b>£1,539</b>	✗	✗
<b>50 Units</b>	✓	<b>£21,997</b>	✗	✗
<b>100 Units</b>	✓	<b>£17,425</b>	✗	✗
<b>150 Units</b>	✓	<b>£29,327</b>	✗	✗

Tenure split: 50% social rent, 50% intermediate

(NB. LCHO assumed for the 1 affordable unit on the 10 unit scheme,  
which resembles what would typically happen in practice)

<b>Table 8b: Pyle, Kenfig and Cornelly HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Construction Cost Factor (housing &amp; physical infrastructure)</b>										
	<b>-5%</b>	<b>-4%</b>	<b>-3%</b>	<b>-2%</b>	<b>-1%</b>	<b>0</b>	<b>+1%</b>	<b>+2%</b>	<b>+3%</b>	<b>+4%</b>	<b>+5%</b>
<b>10 Units</b>	£55,038	£44,338	£33,639	£22,939	£12,239	£1,539	£9,160	£19,860	£30,560	£41,260	£51,959
<b>50 Units</b>	£269,721	£220,176	£170,632	£121,087	£71,542	£21,997	£27,547	£77,092	£126,637	£176,182	£225,726
<b>100 Units</b>	£512,632	£413,590	£314,549	£215,508	£116,466	£17,425	£81,616	£180,658	£279,699	£378,740	£477,782
<b>150 Units</b>	£772,832	£624,140	£475,448	£326,756	£178,064	£29,372	£119,321	£268,013	£416,705	£565,397	£714,089
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

<b>Table 8c: Pyle, Kenfig and Cornelly HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Open Market House Price Factor</b>										
	<b>-10%</b>	<b>-7%</b>	<b>-4%</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>	<b>+1%</b>	<b>+2%</b>	<b>+4%</b>	<b>+7%</b>	<b>+10%</b>
<b>10 Units</b>	£189,429	£132,138	£74,848	£36,654	£17,557	£1,539	£20,636	£39,733	£77,927	£135,217	£192,508
<b>50 Units</b>	£898,557	£622,390	£346,224	£162,113	£70,058	£21,997	£114,053	£206,108	£390,219	£666,385	£942,551
<b>100 Units</b>	£1,821,605	£1,269,896	£718,187	£350,381	£166,478	£17,425	£201,328	£385,231	£753,037	£1,304,746	£1,856,455
<b>150 Units</b>	£2,732,498	£1,903,937	£1,075,376	£523,002	£246,815	£29,372	£305,559	£581,746	£1,134,120	£1,962,680	£2,791,241
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

**Table 8d: Pyle, Kenfig and Cornelly HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£23,616	£16,257	£8,898	£4,483	£1,539	£1,404	£5,819	£13,178	£20,537
<b>50 Units</b>	£134,494	£96,995	£59,496	£36,997	£21,997	£6,998	£15,501	£53,000	£90,499
<b>100 Units</b>	£244,788	£169,000	£93,213	£47,740	£17,425	£12,890	£58,362	£134,150	£209,937
<b>150 Units</b>	£372,028	£257,809	£143,590	£75,059	£29,372	£16,316	£84,847	£199,066	£313,285
	Values indicate Surplus / <b>Shortfall</b> on Target Profit								

Valleys Gateway Housing Market Area

<b>Table 9a: Valleys Gateway HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	10% Affordable Housing	<b>15% Affordable Housing</b>	20% Affordable Housing	30% Affordable Housing
<b>10 Units</b>	✓	<b>N/A</b>	<b>£42,106</b>	<span style="color: red;">✗</span>
<b>50 Units</b>	✓	<b>£52,975</b>	<span style="color: red;">✗</span>	<span style="color: red;">✗</span>
<b>100 Units</b>	✓	<b>£116,417</b>	<span style="color: red;">✗</span>	<span style="color: red;">✗</span>
<b>150 Units</b>	✓	<b>£171,046</b>	<span style="color: red;">✗</span>	<span style="color: red;">✗</span>

Tenure split: 50% social rent, 50% intermediate

(NB. LCHO assumed for the 2 affordable units on the 10 unit scheme,  
which resembles what would typically happen in practice)

<b>Table 9b: Valleys Gateway HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Construction Cost Factor (housing &amp; physical infrastructure)</b>										
	<b>-5%</b>	<b>-4%</b>	<b>-3%</b>	<b>-2%</b>	<b>-1%</b>	<b>0</b>	<b>+1%</b>	<b>+2%</b>	<b>+3%</b>	<b>+4%</b>	<b>+5%</b>
<b>10 Units</b>	£95,605	£84,905	£74,206	£63,506	£52,806	£42,106	£31,407	£20,707	£10,007	<b>-£693</b>	<b>-£11,392</b>
<b>50 Units</b>	£295,831	£247,260	£198,689	£150,118	£101,547	£52,975	£4,404	<b>-£44,167</b>	<b>-£92,738</b>	<b>-£141,310</b>	<b>-£189,881</b>
<b>100 Units</b>	£600,153	£503,405	£406,658	£309,911	£213,164	£116,417	£19,669	<b>-£77,078</b>	<b>-£173,825</b>	<b>-£270,572</b>	<b>-£367,320</b>
<b>150 Units</b>	£903,518	£757,023	£610,529	£464,035	£317,540	£171,046	£24,551	<b>-£121,943</b>	<b>-£268,437</b>	<b>-£414,932</b>	<b>-£561,426</b>
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

<b>Table 9c: Valleys Gateway HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Open Market House Price Factor</b>										
	<b>-10%</b>	<b>-7%</b>	<b>-4%</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>	<b>+1%</b>	<b>+2%</b>	<b>+4%</b>	<b>+7%</b>	<b>+10%</b>
<b>10 Units</b>	<b>-£141,676</b>	<b>-£86,541</b>	<b>-£31,406</b>	£5,350	£23,728	£42,106	£60,485	£78,863	£115,619	£170,754	£225,888
<b>50 Units</b>	<b>-£831,529</b>	<b>-£566,178</b>	<b>-£300,826</b>	<b>-£123,926</b>	<b>-£35,475</b>	£52,975	£141,426	£229,876	£406,777	£672,128	£937,480
<b>100 Units</b>	<b>-£1,662,636</b>	<b>-£1,128,920</b>	<b>-£595,204</b>	<b>-£239,394</b>	<b>-£61,489</b>	£116,417	£294,322	£472,227	£828,038	£1,361,753	£1,895,469
<b>150 Units</b>	<b>-£2,499,136</b>	<b>-£1,698,081</b>	<b>-£897,027</b>	<b>-£362,990</b>	<b>-£95,972</b>	£171,046	£438,064	£705,082	£1,239,118	£2,040,173	£2,841,227
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

**Table 9d: Valleys Gateway HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£64,183	£56,824	£49,465	£45,050	£42,106	£39,163	£34,748	£27,389	£20,030
<b>50 Units</b>	£165,472	£127,973	£90,474	£67,975	£52,975	£37,976	£15,477	-£22,022	-£59,521
<b>100 Units</b>	£343,779	£267,992	£192,204	£146,732	£116,417	£86,102	£40,629	-£35,158	-£110,946
<b>150 Units</b>	£513,702	£399,483	£285,265	£216,733	£171,046	£125,358	£56,827	-£57,392	-£171,610
	Values indicate Surplus / <b>Shortfall</b> on Target Profit								

Llynfi Valley Housing Market Area

Table 10a: Llynfi Valley HMA Headline Results				
Notional Site	Surplus / <b>Shortfall</b> on Target Profit			
	0% Affordable Housing	5% Affordable Housing	10% Affordable Housing	20% Affordable Housing
10 Units	£656,328	x	x	x
50 Units	£2,280,013	x	x	x
100 Units	£4,619,224	x	x	x
150 Units	£ 6,911,726	x	x	x

This high-level exercise shows that development is generally unviable in the Llynfi Valley (even without an affordable housing contribution) based on broad inputs that have been generalised across the whole HMA. However, this exercise, by its very nature, masks ‘hot spots’ where localised factors may buck the general trend and enable development to come forward. This is exemplified by the sensitivity test on the 50 unit notional scheme illustrated in Table 9b overleaf.

Evidently, a development would start producing a profit with a 20% uplift on the value of open market homes that was used for the purposes of this plan-wide appraisal. The level of profit would also increase if the landowner agreed a reduction in the land price. This sensitivity test does not demonstrate that a nil-grant affordable housing contribution would be viable in the Llynfi Valley. However, it does show scope for development to come forward in parts of the HMA that would command a more significant new build premium. Other factors would obviously also contribute to this phenomenon, including reduced land prices, locally adjusted build costs, enabling funding and/or lower profit margins. However, the key factor for the purposes of this study is that there is no evidence to support introducing an affordable housing contribution within the Llynfi Valley within the Replacement LDP. It is fully recognised that site-specific testing may

produce alternative results based on local factors. Moreover, different forms of development may also be required in Valleys Communities to facilitate sustainable growth (i.e. self and custom build or co-operative housing schemes) and a zero percent affordable housing policy may serve to facilitate this objective.

**Table 10b: Llynfi Valley HMA Sensitivity Test (Open Market Values, Site Value and Profit Levels – 50 Unit Notional Site)**

		Variation in Value of Open Market Homes										
		-50.00%	-40.00%	-30.00%	-20.00%	-10.00%	0.00%	+10.00%	+20.00%	+30.00%	+40.00%	+50.00%
Variation in Site Value (including Acquisition Costs)	-50.00%	-120.80%	-84.00%	-57.71%	-38.00%	-22.67%	-10.40%	-0.36%	8.00%	15.08%	21.14%	26.40%
	-30.00%	-122.94%	-85.78%	-59.24%	-39.34%	-23.86%	-11.47%	-1.34%	7.11%	14.25%	20.38%	25.69%
	-20.00%	-124.01%	-86.68%	-60.01%	-40.01%	-24.45%	-12.01%	-1.82%	6.66%	13.84%	20.00%	25.33%
	-10.00%	-125.08%	-87.57%	-60.77%	-40.68%	-25.05%	-12.54%	-2.31%	6.21%	13.43%	19.61%	24.97%
	0.00%	-126.16%	-88.46%	-61.54%	-41.35%	-25.64%	-13.08%	-2.80%	5.77%	13.02%	19.23%	24.61%
	+10.00%	-127.23%	-89.36%	-62.30%	-42.02%	-26.24%	-13.61%	-3.28%	5.32%	12.61%	18.85%	24.26%
	+20.00%	-128.30%	-90.25%	-63.07%	-42.69%	-26.83%	-14.15%	-3.77%	4.88%	12.19%	18.46%	23.90%
	+30.00%	-129.37%	-91.14%	-63.84%	-43.36%	-27.43%	-14.68%	-4.26%	4.43%	11.78%	18.08%	23.54%
	+50.00%	-131.51%	-92.93%	-65.37%	-44.70%	-28.62%	-15.76%	-5.23%	3.54%	10.96%	17.32%	22.83%
		<b>Profit / Loss on GDV</b>										



## Ogmore and Garw Valleys Housing Market Areas

<b>Table 11a: Ogmore and Garw Valleys HMA Headline Results</b>				
<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>				
<b>Notional Site</b>	<b>0% Affordable Housing</b>	<b>5% Affordable Housing</b>	<b>10% Affordable Housing</b>	<b>20% Affordable Housing</b>
<b>10 Units</b>	<span style="color: red;">£813,374</span>	<span style="color: red;">x</span>	<span style="color: red;">x</span>	<span style="color: red;">x</span>
<b>50 Units</b>	<span style="color: red;">£3,162,833</span>	<span style="color: red;">x</span>	<span style="color: red;">x</span>	<span style="color: red;">x</span>
<b>100 Units</b>	<span style="color: red;">£6,304,990</span>	<span style="color: red;">x</span>	<span style="color: red;">x</span>	<span style="color: red;">x</span>
<b>150 Units</b>	<span style="color: red;">£9,325,446</span>	<span style="color: red;">x</span>	<span style="color: red;">x</span>	<span style="color: red;">x</span>

This high-level exercise shows that development is unviable in the Ogmore and Garw Valleys (even without an affordable housing contribution) based on broad inputs that have been generalised across the whole HMA. However, this exercise, by its very nature, masks 'hot spots' where localised factors may buck the general trend and enable development to come forward. This is exemplified by the sensitivity test on the 50 unit notional scheme illustrated in Table 10b overleaf, although development economics are generally less sensitive to change in the Ogmore and Garw Valleys compared to the Llynfi Valley.

Evidently, a 40% uplift on the value of open market homes would be required before a development would start producing a profit. This situation would improve further if the landowner agreed a reduction in the land price. This sensitivity test does not demonstrate that a nil-grant affordable housing contribution would be viable in the Ogmore and Garw Valleys. However, it does show scope for development to come forward within 'hot spots' that would command a more significant new build premium. Other factors would obviously also contribute to this phenomenon, including reduced land prices, locally adjusted build costs, enabling funding and/or lower profit margins. However,

the key factor for the purposes of this study is that there is no evidence to support introducing an affordable housing contribution within the Ogmore and Garw Valleys within the Replacement LDP. It is fully recognised that site-specific testing may produce alternative results based on local factors. Moreover, different forms of development may also be required in Valleys Communities to facilitate sustainable growth (i.e. self and custom build or co-operative housing schemes) and a zero percent affordable housing policy may serve to facilitate this objective.

**Table 11b: Ogmore and Garw Valley HMAs Sensitivity Test  
(Open Market Values, Site Value and Profit Levels – 50 Unit Notional Site)**

		Variation in Value of Open Market Homes										
		-60.00%	-50.00%	-40.00%	-20.00%	-10.00%	0.00%	+10.00%	+20.00%	+40.00%	+50.00%	+60.00%
Variation in Site Value (including Acquisition Costs)	-50.00%	-218.64%	-154.91%	-112.43%	-59.32%	-41.62%	-27.46%	-15.87%	-6.21%	8.96%	15.03%	20.34%
	-30.00%	-221.58%	-157.27%	-114.39%	-60.79%	-42.93%	-28.63%	-16.94%	-7.19%	8.12%	14.24%	19.60%
	-20.00%	-223.06%	-158.44%	-115.37%	-61.53%	-43.58%	-29.22%	-17.47%	-7.69%	7.70%	13.85%	19.24%
	-10.00%	-224.53%	-159.62%	-116.35%	-62.26%	-44.23%	-29.81%	-18.01%	-8.18%	7.28%	13.46%	18.87%
	0.00%	-226.00%	-160.80%	-117.33%	-63.00%	-44.89%	-30.40%	-18.54%	-8.67%	6.86%	13.07%	18.50%
	+10.00%	-227.47%	-161.97%	-118.31%	-63.73%	-45.54%	-30.99%	-19.08%	-9.16%	6.44%	12.68%	18.13%
	+20.00%	-228.94%	-163.15%	-119.29%	-64.47%	-46.19%	-31.58%	-19.61%	-9.65%	6.02%	12.28%	17.77%
	+30.00%	-230.41%	-164.33%	-120.27%	-65.20%	-46.85%	-32.16%	-20.15%	-10.14%	5.60%	11.89%	17.40%
	+50.00%	-233.35%	-166.68%	-122.23%	-66.68%	-48.16%	-33.34%	-21.22%	-11.12%	4.76%	11.11%	16.66%
		<b>Profit / Loss on GDV</b>										

## Viability Appraisals Set Two – Including Proposed Changes to Part L, Building Regulations

This set of appraisals consider the additional costs that the proposed changes to Part L of the Building Regulations will have on the affordable housing contribution all HMAs will be able to support (NB. the Llynfi, Ogmre and Garw Valleys HMAs have been excluded from this set of appraisals as a 0% affordable housing contribution has already been demonstrated).

### Bridgend and Surrounding Housing Market Area (with proposed changes to Part L, Building Regulations)

<b>Table 12a: Bridgend and Surrounding HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	0% Affordable Housing	10% Affordable Housing	<b>15% Affordable Housing</b>	20% Affordable Housing
<b>10 Units</b>	✓	<b>£11,533</b>	<b>N/A</b>	<b>£3,780</b>
<b>50 Units</b>	✓	✓	<b>£12,568</b>	<span style="color: red;">✗</span>
<b>100 Units</b>	✓	✓	<b>£36,003</b>	<span style="color: red;">✗</span>
<b>150 Units</b>	✓	✓	<b>£43,205</b>	<span style="color: red;">✗</span>

Tenure split: 50% social rent, 50% intermediate

(NB. LCHO assumed for the 1-2 affordable units on the 10 unit scheme, which resembles what would typically happen in practice)

<b>Table 12b: Bridgend and Surrounding HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Construction Cost Factor (housing &amp; physical infrastructure)</b>										
	<b>-5%</b>	<b>-4%</b>	<b>-3%</b>	<b>-2%</b>	<b>-1%</b>	<b>0</b>	<b>+1%</b>	<b>+2%</b>	<b>+3%</b>	<b>+4%</b>	<b>+5%</b>
<b>10 Units</b>	£66,570	£55,563	£44,555	£33,548	£22,540	£11,533	£525	-£10,482	-£21,490	-£32,498	-£43,505
<b>50 Units</b>	£264,070	£213,769	£163,469	£113,168	£62,868	£12,568	-£37,733	-£88,033	-£138,334	-£188,634	-£238,935
<b>100 Units</b>	£537,754	£437,404	£337,054	£236,704	£136,353	£36,003	-£64,347	-£164,697	-£265,048	-£365,398	-£465,748
<b>150 Units</b>	£794,386	£644,150	£493,914	£343,677	£193,441	£43,205	-£107,031	-£257,268	-£407,504	-£557,740	-£707,976
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

<b>Table 12c: Bridgend and Surrounding HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Open Market House Price Factor</b>										
	<b>-10%</b>	<b>-7%</b>	<b>-4%</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>	<b>+1%</b>	<b>+2%</b>	<b>+4%</b>	<b>+7%</b>	<b>+10%</b>
<b>10 Units</b>	-£182,465	-£124,266	-£66,067	-£27,267	-£7,867	£11,533	£30,932	£50,332	£89,132	£147,331	£205,531
<b>50 Units</b>	-£916,075	-£637,482	-£358,889	-£173,161	-£80,297	£12,568	£105,432	£198,296	£384,025	£662,617	£941,210
<b>100 Units</b>	-£1,835,139	-£1,273,796	-£712,454	-£338,225	-£151,111	£36,003	£223,117	£410,232	£784,460	£1,345,803	£1,907,145
<b>150 Units</b>	-£2,766,637	-£1,923,685	-£1,080,732	-£518,764	-£237,779	£43,205	£324,189	£605,173	£1,167,142	£2,010,094	£2,853,047
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

**Table 12d: Bridgend and Surrounding HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£38,952	£29,812	£20,672	£15,189	£11,533	£7,877	£2,393	-£6,747	-£15,887
<b>50 Units</b>	£152,477	£105,841	£59,204	£31,222	£12,568	-£6,087	-£34,069	-£80,705	-£127,342
<b>100 Units</b>	£318,707	£224,472	£130,238	£73,697	£36,003	-£1,691	-£58,231	-£152,466	-£246,700
<b>150 Units</b>	£468,873	£326,983	£185,094	£99,961	£43,205	-£13,551	-£98,684	-£240,574	-£382,463
Values indicate Surplus / <b>Shortfall</b> on Target Profit									

Pencoed and Heol y Cyw Housing Market Area (with proposed changes to Part L, Building Regulations)

<b>Table 13a: Pencoed and Heol y Cyw HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	0% Affordable Housing	10% Affordable Housing	<b>15% Affordable Housing</b>	20% Affordable Housing
<b>10 Units</b>	✓	✓	<b>N/A</b>	<b>£21,355</b>
<b>50 Units</b>	✓	✓	<b>£164,068</b>	<b>£12,977</b>
<b>100 Units</b>	✓	✓	<b>£301,541</b>	<b>£24,516</b>
<b>150 Units</b>	✓	✓	<b>£402,276</b>	<b>£74,472</b>

Tenure split: 50% social rent, 50% intermediate

(NB. LCHO assumed for the 2 affordable units on the 10 unit scheme, which resembles what would typically happen in practice)

**Table 13b: Pencoed and Heol y Cyw HMA Sensitivity Tests**

Notional Site	Construction Cost Factor (housing & physical infrastructure)										
	-5%	-4%	-3%	-2%	-1%	0	+1%	+2%	+3%	+4%	+5%
<b>10 Units</b>	£74,361	£63,760	£53,159	£42,557	£31,956	£21,355	£10,753	£152	-£10,449	-£21,051	-£31,652
<b>50 Units</b>	£415,570	£365,270	£314,969	£264,669	£214,368	£164,068	£113,767	£63,467	£13,167	-£37,134	-£87,434
<b>100 Units</b>	£804,063	£703,559	£603,054	£502,550	£402,045	£301,541	£201,036	£100,532	£27	-£100,477	-£200,982
<b>150 Units</b>	£1,159,145	£1,007,771	£856,397	£705,024	£553,650	£402,276	£250,903	£99,529	-£51,844	-£203,218	-£354,592
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

**Table 13c: Pencoed and Heol y Cyw HMA Sensitivity Tests**

Notional Site	Open Market House Price Factor										
	-10%	-7%	-4%	-2%	-1%	0%	+1%	+2%	+4%	+7%	+10%
<b>10 Units</b>	-£163,178	-£107,818	-£52,458	-£15,552	£2,901	£21,355	£39,808	£58,261	£95,168	£150,528	£205,888
<b>50 Units</b>	-£783,688	-£499,361	-£215,034	-£25,483	£69,292	£164,068	£258,843	£353,619	£543,170	£827,497	£1,111,823
<b>100 Units</b>	-£1,596,023	-£1,026,754	-£457,485	-£77,972	£111,784	£301,541	£491,297	£681,053	£1,060,566	£1,629,835	£2,199,105
<b>150 Units</b>	-£2,434,603	-£1,583,539	-£732,475	-£165,100	£118,588	£402,276	£685,964	£969,652	£1,537,028	£2,388,092	£3,239,156
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

**Table 13d: Pencoed and Heol y Cyw HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£48,774	£39,634	£30,494	£25,011	£21,355	£17,699	£12,215	£3,075	<b>-£6,065</b>
<b>50 Units</b>	£303,977	£257,341	£210,704	£182,723	£164,068	£145,413	£117,431	£70,795	£24,159
<b>100 Units</b>	£584,244	£490,010	£395,775	£339,234	£301,541	£263,847	£207,306	£113,072	£18,837
<b>150 Units</b>	£827,944	£686,055	£544,166	£459,032	£402,276	£345,521	£260,387	£118,498	<b>-£23,391</b>
Values indicate Surplus / <b>Shortfall</b> on Target Profit									



Porthcawl Housing Market Area (with proposed changes to Part L, Building Regulations)

<b>Table 14a: Porthcawl HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	10% Affordable Housing	20% Affordable Housing	<b>30% Affordable Housing</b>	35% Affordable Housing
<b>10 Units</b>	✓	✓	<b>£37,358</b>	<b>N/A</b>
<b>50 Units</b>	✓	✓	<b>£271,995</b>	<b>£41,927</b>
<b>100 Units</b>	✓	✓	<b>£482,863</b>	<b>£54,528</b>
<b>150 Units</b>	✓	✓	<b>£697,667</b>	<b>£150,965</b>

Tenure split: 60% social rent, 40% intermediate  
 (NB. 2 social rented units and 1 intermediate unit assumed on the 10 unit scheme)

<b>Table 14b: Porthcawl HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Construction Cost Factor (housing &amp; physical infrastructure)</b>										
	<b>-5%</b>	<b>-4%</b>	<b>-3%</b>	<b>-2%</b>	<b>-1%</b>	<b>0</b>	<b>+1%</b>	<b>+2%</b>	<b>+3%</b>	<b>+4%</b>	<b>+5%</b>
<b>10 Units</b>	£87,315	£77,324	£67,332	£57,341	£47,349	£37,358	£27,367	£17,375	£7,384	<b>-£2,608</b>	<b>-£12,599</b>
<b>50 Units</b>	£512,508	£464,406	£416,303	£368,200	£320,097	£271,995	£223,892	£175,789	£127,686	£79,584	£31,481
<b>100 Units</b>	£961,240	£865,565	£769,889	£674,214	£578,539	£482,863	£387,188	£291,512	£195,837	£100,162	£4,486
<b>150 Units</b>	£1,411,931	£1,269,078	£1,126,226	£983,373	£840,520	£697,667	£554,815	£411,962	£269,109	£126,256	<b>-£16,596</b>
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

<b>Table 14c: Porthcawl HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Open Market House Price Factor</b>										
	<b>-10%</b>	<b>-7%</b>	<b>-4%</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>	<b>+1%</b>	<b>+2%</b>	<b>+4%</b>	<b>+7%</b>	<b>+10%</b>
<b>10 Units</b>	<b>-£146,469</b>	<b>-£91,321</b>	<b>-£36,173</b>	£593	£18,975	£37,358	£55,741	£74,124	£110,889	£166,037	£221,186
<b>50 Units</b>	<b>-£638,414</b>	<b>-£365,292</b>	<b>-£92,169</b>	£89,913	£180,954	£271,995	£363,036	£454,076	£636,158	£909,281	£1,182,404
<b>100 Units</b>	<b>-£1,330,549</b>	<b>-£786,525</b>	<b>-£242,502</b>	£120,181	£301,522	£482,863	£664,204	£845,546	£1,208,228	£1,752,252	£2,296,275
<b>150 Units</b>	<b>-£2,019,012</b>	<b>-£1,204,008</b>	<b>-£389,005</b>	£154,331	£425,999	£697,667	£969,335	£1,241,003	£1,784,339	£2,599,343	£3,414,347
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

**Table 14d: Porthcawl HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£70,574	£59,502	£48,430	£41,787	£37,358	£32,929	£26,286	£15,214	£4,142
<b>50 Units</b>	£441,710	£385,138	£328,566	£294,623	£271,995	£249,366	£215,423	£158,851	£102,279
<b>100 Units</b>	£825,519	£711,301	£597,082	£528,551	£482,863	£437,176	£368,644	£254,426	£140,207
<b>150 Units</b>	£1,213,264	£1,041,399	£869,533	£766,414	£697,667	£628,921	£525,802	£353,936	£182,070
Values indicate Surplus / <b>Shortfall</b> on Target Profit									

Pyle, Kenfig and Cornelly Housing Market Area (with proposed changes to Part L, Building Regulations)

<b>Table 15a: Pyle, Kenfig and Cornelly HMA Headline Results</b>				
<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>				
<b>Notional Site</b>	<b>0% Affordable Housing</b>	<b>5% Affordable Housing</b>	<b>10% Affordable Housing</b>	<b>20% Affordable Housing</b>
<b>10 Units</b>	<b>£121,408</b>	N/A	<b>£142,672</b>	<b>x</b>
<b>50 Units</b>	<b>£111,671</b>	<b>£25,007</b>	<b>£151,430</b>	<b>x</b>
<b>100 Units</b>	<b>£198,291</b>	<b>£57,820</b>	<b>£333,565</b>	<b>x</b>
<b>150 Units</b>	<b>£298,893</b>	<b>£88,679</b>	<b>£500,262</b>	<b>x</b>

Tenure split: 50% social rent, 50% intermediate

(NB. LCHO assumed for the 1 affordable unit on the 10 unit scheme, which resembles what would typically happen in practice)

**Table 15b: Pyle, Kenfig and Cornelly HMA Sensitivity Tests**

Notional Site	Construction Cost Factor (housing & physical infrastructure)										
	-5%	-4%	-3%	-2%	-1%	0	+1%	+2%	+3%	+4%	+5%
<b>10 Units</b>	-£71,450	-£81,442	-£91,433	-£101,425	-£111,416	-£121,408	-£131,399	-£141,391	-£151,382	-£161,374	-£171,365
<b>50 Units</b>	£372,716	£320,507	£268,298	£216,089	£163,880	£111,671	£59,462	£7,254	-£44,955	-£97,164	-£149,373
<b>100 Units</b>	£719,610	£615,346	£511,082	£406,818	£302,555	£198,291	£94,027	-£10,236	-£114,500	-£218,764	-£323,027
<b>150 Units</b>	£1,081,256	£924,783	£768,311	£611,838	£455,365	£298,893	£142,420	-£14,053	-£170,525	-£326,998	-£483,471
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

**Table 15c: Pyle, Kenfig and Cornelly HMA Sensitivity Tests**

Notional Site	Open Market House Price Factor										
	-10%	-7%	-4%	-2%	-1%	0%	+1%	+2%	+4%	+7%	+10%
<b>10 Units</b>	-£297,207	-£244,467	-£191,727	-£156,568	-£138,988	-£121,408	-£103,828	-£86,248	-£51,088	£1,651	£54,391
<b>50 Units</b>	-£906,341	-£600,937	-£295,533	-£91,931	£9,870	£111,671	£213,473	£315,274	£518,876	£824,280	£1,129,684
<b>100 Units</b>	-£1,834,409	-£1,224,599	-£614,789	-£208,249	-£4,979	£198,291	£401,561	£604,831	£1,011,371	£1,621,181	£2,230,991
<b>150 Units</b>	-£2,751,819	-£1,836,606	-£921,392	-£311,250	-£6,178	£298,893	£603,964	£909,035	£1,519,177	£2,434,391	£3,349,604
Values indicate Surplus / <b>Shortfall</b> on Target Profit											

**Table 15d: Pyle, Kenfig and Cornelly HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	-£99,332	-£106,690	-£114,049	-£118,464	-£121,408	-£124,351	-£128,767	-£136,125	-£143,484
<b>50 Units</b>	£224,168	£186,669	£149,170	£126,671	£111,671	£96,672	£74,173	£36,674	-£825
<b>100 Units</b>	£425,654	£349,866	£274,079	£228,606	£198,291	£167,976	£122,504	£46,716	-£29,071
<b>150 Units</b>	£641,549	£527,330	£413,111	£344,580	£298,893	£253,205	£184,674	£70,455	-£43,764
Values indicate Surplus / <b>Shortfall</b> on Target Profit									

Valleys Gateway Housing Market Area (with proposed changes to Part L, Building Regulations)

<b>Table 16a: Valleys Gateway HMA Headline Results</b>				
<b>Notional Site</b>	<b>Surplus / <span style="color: red;">Shortfall</span> on Target Profit</b>			
	5% Affordable Housing	<b>10% Affordable Housing</b>	15% Affordable Housing	20% Affordable Housing
<b>10 Units</b>	✓	<b>£10,480</b>	<b>N/A</b>	<b>£34,814</b>
<b>50 Units</b>	✓	<b>£39,772</b>	<b>£120,117</b>	<b>×</b>
<b>100 Units</b>	✓	<b>£67,959</b>	<b>£233,986</b>	<b>×</b>
<b>150 Units</b>	✓	<b>£101,055</b>	<b>£357,623</b>	<b>×</b>

Tenure split: 50% social rent, 50% intermediate

(NB. LCHO assumed for the 1-2 affordable units on the 10 unit scheme, which resembles what would typically happen in practice)

<b>Table 16b: Valleys Gateway HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Construction Cost Factor (housing &amp; physical infrastructure)</b>										
	<b>-5%</b>	<b>-4%</b>	<b>-3%</b>	<b>-2%</b>	<b>-1%</b>	<b>0</b>	<b>+1%</b>	<b>+2%</b>	<b>+3%</b>	<b>+4%</b>	<b>+5%</b>
<b>10 Units</b>	£65,554	£54,539	£43,525	£32,510	£21,495	£10,480	-£534	-£11,549	-£22,564	-£33,579	-£44,593
<b>50 Units</b>	£294,118	£243,249	£192,380	£141,511	£90,641	£39,772	-£11,097	-£61,966	-£112,835	-£163,704	-£214,573
<b>100 Units</b>	£573,855	£472,676	£371,497	£270,317	£169,138	£67,959	-£33,220	-£134,400	-£235,579	-£336,758	-£437,937
<b>150 Units</b>	£861,827	£709,673	£557,518	£405,364	£253,210	£101,055	-£51,099	-£203,254	-£355,408	-£507,562	-£659,717
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										

<b>Table 16c: Valleys Gateway HMA Sensitivity Tests</b>											
<b>Notional Site</b>	<b>Open Market House Price Factor</b>										
	<b>-10%</b>	<b>-7%</b>	<b>-4%</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>	<b>+1%</b>	<b>+2%</b>	<b>+4%</b>	<b>+7%</b>	<b>+10%</b>
<b>10 Units</b>	-£185,910	-£126,993	-£68,076	-£28,798	-£9,159	£10,480	£30,119	£49,758	£89,036	£147,953	£206,871
<b>50 Units</b>	-£901,363	-£619,022	-£336,682	-£148,455	-£54,341	£39,772	£133,886	£227,999	£416,226	£698,567	£980,907
<b>100 Units</b>	-£1,815,593	-£1,250,527	-£685,462	-£308,752	-£120,396	£67,959	£256,314	£444,669	£821,380	£1,386,445	£1,951,511
<b>150 Units</b>	-£2,725,982	-£1,877,871	-£1,029,760	-£464,352	-£181,649	£101,055	£383,759	£666,463	£1,231,870	£2,079,981	£2,928,093
	Values indicate Surplus / <b>Shortfall</b> on Target Profit										



**Table 16d: Valleys Gateway HMA Sensitivity Tests**

Notional Site	Land Value / Price Factor (and associated costs)								
	-15%	-10%	-5%	-2%	0%	+2%	+5%	+10%	+15%
<b>10 Units</b>	£32,557	£25,198	£17,839	£13,424	£10,480	£7,537	£3,122	-£4,237	-£11,596
<b>50 Units</b>	£152,269	£114,770	£77,271	£54,772	£39,772	£24,773	£2,274	-£35,225	-£72,724
<b>100 Units</b>	£295,321	£219,534	£143,746	£98,274	£67,959	£37,644	-£7,829	-£83,616	-£159,404
<b>150 Units</b>	£443,711	£329,493	£215,274	£146,743	£101,055	£55,368	-£13,164	-£127,382	-£241,601
Values indicate Surplus / <b>Shortfall</b> on Target Profit									

## 5. Conclusion

5.1 This report has provided a detailed analysis of plan-wide viability across the County Borough's eight broad HMAs. The first conclusion is that, with the exception of the Llynfi, Ogmore and Garw Valleys, all of the notional sites are considered viable based on varying levels of affordable housing provision. The strongest market is undoubtedly Porthcawl, which can support the largest affordable housing contribution, followed by the mid-market areas of Pencoed and Bridgend. The Valleys Gateway has accommodated significant development in recent years and is viable based on somewhat more modest nil-grant affordable housing level. The proposed changes to Part L of the Building Regulations clearly have an impact on the percentage of affordable housing that these notional sites can support, resulting in a 5% reduction in each of the aforementioned HMAs. The impact is most significant in Pyle, Kenfig and Cornelly, with the scenarios demonstrating a need to reduce the affordable housing contribution from 10% to 0%. These findings are summarised in Table 17 below.

<b>Table 17: Recommended Affordable Housing Level</b>		
<b>Housing Market Area</b>	<b>Affordable Housing Considered Viable (without Part L changes)</b>	<b>Affordable Housing Considered Viable (with Part L changes)</b>
Bridgend and Surrounding	20%	15%
Pencoed and Heol y cyw	20%	15%
Porthcawl	35%	30%
Pyle, Kenfig and Cornelly	10%	0%
Valleys Gateway	15%	10%
Llynfi Valley	0%	0%
Ogmore and Garw Valleys	0%	0%

5.2 These results are undeniably sensitive to the assumptions made, and, as shown by the sensitivity tests, some notional sites and HMAs are more sensitive to these assumptions changing than others. However, there are two fundamental points to stress in this respect. Firstly, all of the assumptions incorporated a 5% contingency on total construction costs from the outset as it was not considered reasonable to plan on the basis of marginal viability. Therefore, any additional surplus represents a further element of contingency. Secondly, the steering group stressed that, in

practice, individual inputs will not change in isolation and that all assumptions would need to be re-considered holistically in the event that one fundamentally alters. This is an important point as the study was conducted at a point in time, with the final Statement of Common Ground dated 18<sup>th</sup> September 2020.

- 5.3 For the avoidance of doubt, the percentages detailed in Table 17 are based on a threshold of 10 residential dwellings. Potential for an affordable housing policy has been considered for sites smaller than 10 dwellings, although application of a broad percentage to sites of this scale does increasingly result in 'partial unit' contributions and presents bespoke viability issues, particularly where rounding up to one dwelling can impact upon a small scheme coming forward. This factor combined with more widely varying build costs, bespoke property types, atypical sale values and alternative land value aspirations all render application of a generic affordable housing policy less appropriate for sites below 10 units.
- 5.4 Within any broad HMA, there will inevitably be pockets of higher or lower viability, the nuances of which can never be fully captured in an area-wide study of this type. Site-specific testing for both sites key to delivery of the Plan and smaller housing allocations has captured such factors and indicated that higher levels of affordable housing can be supported. This can and has resulted in alternative site-specific policies to those indicated in Table 17 (refer to the Affordable Housing Background Paper).
- 5.5 This is also a key point in relation to Valleys settlements in particular, where sites closer to settlement centres, train stations, active travel networks and transports links will undoubtedly command a premium on the broad average values utilised within this study. Moreover, such community-based developments and developers may be more willing to depart from conventional development economics and may utilise value-engineering on key factors such as build costs and profit margins to enable development. A 0% affordable housing policy will only serve to encourage such forms of development to come forward, including initiatives such as co-operative housing, self-build plots and custom build opportunities alongside other forms of development. Grant and/or other forms of enabling fund will also improve this position, although this study has not assumed availability of any such funding as it is not guaranteed.

## **Appendix 1a: Minutes of Steering Group Meeting 1 (high-level parameters)**

### **Bridgend Viability Steering Group Meeting Notes 10/01/20**

BCBC Development Planning  
BCBC Corporate Landlord  
Home Builders Federation  
Llanmoor Homes  
Savills  
Taylor Wimpey  
Barratt David Wilson Homes  
Elev8land  
Herbert R Thomas  
Persimmon Homes  
Geraint John Planning  
V2C  
Linc Cymru  
Hafod Housing Association  
Cooke & Arkwright

#### **1. General**

- BCBC explained the need to undertake site-specific and plan-wide viability appraisals to inform the Replacement LDP. The aim of the meeting was to discuss the range of assumptions required to feed into the plan-wide assessment.
- BCBC is yet to decide whether to produce an in-house model or adopt the Burrows-Hutchinson model which is being considered by the South East Wales Strategic Planning Group (SEWSPG). BCBC have discussed the various inputs with Burrows-Hutchinson and this has informed the presentation.
- There was cross table agreement that the assumptions are key rather than the model they go into. The group had no objections to using the Burrows-Hutchinson model providing the assumptions were considered appropriate.
- The main benefit of the Burrows-Hutchinson model is that it is transparent unlike certain other models. The group agreed that it made sense for different Councils to use the same model for purposes of consistency.

#### **2. Notional or specific sites**

- WG does not specify whether notional or specific site testing is more appropriate, and there are various examples of LPA's using both.
- The key issue is the type of sites chosen to be tested and their corresponding size.

- The group felt a cross section of sites would be needed, relevant to what is likely to be allocated and the nature of the sites that will come forward via the LDP Strategy.
- The purpose of this high-level assessment is to mainly help identify potential policy requirements on unknown windfall sites in each of the market areas. The viability of strategic sites will be tested separately.
- HBF welcomed the broad alignment of the LHMA with the LDP growth areas and were unaware of this approach being used until now.
- **It was agreed to consider testing a mix of notional sites and a range of actual sites relative to what will be allocated (BCBC to research and confirm the approach at next meeting).**

### 3. Unit and tenure mix

- A starting point is to look at previous patterns of development, but there was a lengthy discussion about the potential impact of new policy interventions on densities, build costs and viability.
- Certain group members felt that a big emphasis should be placed on the impact the forthcoming space standards will have on densities, especially in combination with SuDS requirements. The group cited potential forthcoming policy steers from WG regarding DQR standards on social rent and intermediate units (irrespective of Social Housing Grant funding).
- Bridgend policy has always been to insist on DQR standards for social rented units. Llanmoor stated that they plan on this basis already.
- There was a discussion regarding tying 'Help to Buy' funding to higher spatial standards. However, Llanmoor would likely pull out of 'Help to Buy' if this is the case. A decision is due in April 2020.
- Taylor Wimpey stated that using 35dph is 'ok' for viability purposes but this shouldn't apply to the entirety of the red line boundary. Taylor Wimpey suggested applying a 70% net to gross ratio instead.
- Several group members stated that, in Merthyr, 20% extra area was added to sites to estimate the impact of SuDS, although this was not based on detailed evidence.
- The HBF quoted an example from Cardiff, where site numbers were reduced from 250 to 235 units with DQR standards applied to the affordable units (30% affordable requirement).
- Some group members felt DQR may be applied to market housing from 2021. There was a steer to consider the potential impact of this, particularly in terms of the delivery of affordable housing.

- Social rental DQR schemes will also require EPC A, even on s106.
- The difficulty at present is that all of these proposals are not yet policy so it is difficult to determine the weight to be attached for the purposes of a viability study but there are signs that they are already having an impact on Inspector's decisions.
- The consensus was that BCBC should use the current standards as they are but to keep an eye on any changing policy landscape with a view to amending the assessment as it progresses.
- Regarding tenure mix, the need from the LHMA is clear but BCBC also need to consider what is deliverable. Intermediate hasn't historically stacked up for RSLs. Hafod / Linc have examples of standing stock, issues between 'Help to Buy' Vs LCHO and whether the latter works. BCBC agreed to a more detailed discussion on whether the tenure 'works' with the RSLs.
- There was acceptance that a switch to 100% social rent will impact upon viability.
- A general discussion was held regarding the potential need to deliver 50% affordable housing on public sector land. This will have a significant impact on capital receipts.
- **It was agreed to use 35 dwellings per hectare on a net to gross basis, for BCBC to meet separately with RSLs and also investigate 'standards' issues.**

#### 4. House prices

- There was general support for using Land Registry Data and comparing size to EPC data but caution should be applied to the use of EPC data. There was a general feeling that its accuracy is sometimes dependent on the quality of the EPC assessor (less so for new build).
- A strong recommendation was made to use 'Help to Buy' data as a benchmark.
- Discussion around uplift in prices through phases – this was deemed an issue that cannot be considered in isolation. For example, if house prices go up, then build costs also need to be re-analysed. The steer was to stick with an average throughout unless all other inputs were also re-analysed.
- **It was agreed to monitor changes in all variable inputs. BCBC to research house price information available.**

#### 5. Residential Land Values

- The group agreed this was a very subjective topic. RICS has new guidance on valuing land but it all depends on what the landowner wants and what a house builder can pay based on variables.

- Abnormals are difficult to factor in. Some land sales will already be fettered by abnormals, other land sales will not be.
- It is difficult to achieve 'averages' for this reason. Sites directly adjacent can be valued very differently. Members of the group felt all you can really do is 'get a tone' for an area, but this changes.
- Minimum price option agreements are useful but this data isn't readily available.
- **It was agreed to begin by considering Land Registry data on sales, accepting this will be very raw data. The group also felt a blanket application of abnormal costs doesn't really work. BCBC to research and report back to the group.**

## 6. Build costs

- 25% of median BCIS costs has been used within the Burrows-Hutchinson Model in the recent past. This was deemed low by some members of the group and Taylor Wimpey suggested using the Lower Quartile i.e. £980. This was based on what a third party appraiser would use. It was questioned whether this includes prelims and overheads as a lot of examinations have discussed the latter in great depth. There is a need to be clear on what this build rate includes.
- WG research uses a figure of £3,500 per dwelling to account for fire sprinklers.
- The Steering Group requested BCBC speak to land drainage to see how much it will cost to adopt SuDS.
- WG Costing document has a £0 allowance for SuDS, so provides little guidance.
- **It was agreed that BCBC would research builds costs and SuDS for further discussion.**

## 7. Developer Profit

- A number of steering group members felt 20% of GDV is an appropriate minimum figure. BCBC queried whether different rates should be used for different sized sites.
- Some members felt it would not be appropriate to reduce this figure for smaller sites as these are often riskier.
- Some members felt a viability model based on different rates should be avoided.
- **It was agreed that 6% for affordable housing is an appropriate minimum figure and that BCBC would research profit margins further.**

## 8. Contingency

- **It was agreed that 5% of total build costs tends to be an industry standard.**

## 9. Fees

- Different commentators felt 6% to 8% was appropriate for professional fees. Others felt 8% to 10% was more appropriate.
- HBF cited that planning fees are going up and there is more emphasis on front-loading the process, incurring more cost.
- Llanmoor stated that LTT is a range, which can be calculated online and is dependent on other costs.
- Some commentators felt 2.5% marketing costs were acceptable, others felt they would be more like 3%.
- **BCBC to further research these points and report back.**
- **It was agreed that:**
  - > **Land cost fees of 1.5% seem right.**
  - > **Legal fees of £600 per dwelling seem ok.**

## 10. S106 and Policy Requirements

- Historical data suggests that £5,000 per dwelling has been the recent average s106 contribution (including affordable housing). **It was agreed that BCBCs suggestion of £5,000 per dwelling for S106 is a sound starting point, although BCBC to separate out the affordable housing element.** Acceptance that inflation and new policy requirements will need to be factored in.

## 11. Conclusions

- General discussion about the Burrows-Hutchinson Model in terms of whether it is different or any more complex to what has gone before. The group felt it may be inconsistent if BCBC don't adopt the model, although the main issue is to agree on the assumptions that are fed into it.
- Timing is the issue for BCBC (in terms of progressing the Plan in accordance with the Delivery Agreement).
- Group members made a commitment to attend further meetings, those present stressed the importance of 'getting this right' and expressed a willingness to participate in the coming weeks and months.
- BCBC to research the issues raised, members of the group invited to provide evidence to support statements made.



## Appendix 1b: Briefing Note Circulated Prior to Steering Group Meeting 2

### Briefing Note for Bridgend Viability Steering Group, 10 AM, 5<sup>th</sup> June 2020

An initial Steering Group meeting was held on 10<sup>th</sup> January 2020 to discuss broad parameters, issues to consider and data sources to research in order to conduct robust viability testing of the Replacement LDP. The upcoming meeting will provide an opportunity for a more focused and informed discussion, ultimately seeking consensus on core viability inputs before plan-wide testing commences. We will also discuss the approach to site-specific viability testing.

In advance of the meeting, it would be helpful if you could consider the following inputs to contribute to the discussion:

#### 1.1 Development Mix / Tenure Mix

*“House type and tenure mix of a site can impact significantly on viability; tenure neutral being the ‘worst case scenario’. For example, a higher proportion of intermediate housing can substantially improve viability. The LHMA will be a core piece of evidence setting out the house types/tenure mix required in the plan. It is important the minimum tested is indicative of what is required (as set out in LHMA)” (WG DP Manual, p. 143).*

We will discuss the approach to test viability on notional and actual sites. At the initial meeting, the steer was to look back at recently delivered sites to compile suitable dwelling mixes for testing, combined with affordable housing mixes from the LHMA. It would be helpful if you could reflect on dwelling mixes recently delivered on sites you have been involved with or may currently be progressing. It would also be helpful if you could consider densities, gross to net site ratios and specifically how the latter may vary depending on the size of the site in question. We will also discuss affordable housing, transfer values and how a percentage tenure split has been compiled for use in testing.

#### 1.2 House Prices

*One core input is the “estimated sale price of homes at the time of the viability assessment” (WG DP Manual, p. 147).*

Significant research has been conducted into prices paid for homes, which will be presented at the meeting. However, it would also be useful if you could collect plot sales data on any sites you have been involved with in recent years and also share expected sales values you may be working with in current appraisals (presented as a

£ per square metre figure in different areas). This will enable an informed and comparative discussion.

### **1.3 Build Costs**

*“Information through the site viability assessment process will provide useful information regarding development costs within an area. The best evidence, where available, would be an open book account of costs recently incurred on a comparable development(s) in an area or sub market area. Where this is not available, build costs derived from the Building Cost Information Service (BCIS) can be used. The BCIS is updated annually and the costs are informed by small/medium size development sites and the general costs associated with them. While there may be economies of scale for larger sites, as far as basic construction costs are concerned, larger sites may have greater infrastructure requirements and ‘abnormal’ costs” (WG DP Manual, p. 144).*

We will discuss appropriate plot costs and external costs for use in testing for a range of different sites (ensuring economies of scale are properly considered). It would be helpful if you came prepared with evidence of plot costs (£ per sqm) and external costs (as a percentage of total housing construction costs) for different sized sites you have been involved with. We will also need to discuss additional costs (per dwelling) for sprinklers and ULEV charging points.

### **1.4 Profit Levels**

*“The model will need to include an average profit margin to ensure a realistic developer profit is embedded within the model. The normal range of profit expected by developers and necessary to meet most lenders’ requirements is between 15% and 20% of Gross Development Value (GDV) for developments that will be let or sold on the open market. A lower profit margin, based on 6% of cost is normally applied to the provision of affordable housing. It is important to understand the types of developers operating in an area and how land is brought forward. In rural areas smaller developers work on a different model to large, volume house builders. Larger sites can carry more risk where they take a long time to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not” (WG DP Manual, p. 145).*

At the first meeting we discussed how a range of profit margins have been used in other studies depending on site size, whereas some participants felt a ‘flat rate’ profit margin should be used to test all sites. Please consider the level of profit you would require to bring a site forward and how this may vary depending on the scale of the residential development opportunity. How does this compare to what you have achieved on sites recently?

## 1.5 Fees

*“A percentage allowance for professional fees and marketing costs is normally applied. This will be influenced by the size of developers operating in the area and site size and nature. Different size developers will have access to varying degrees of economies of scale, and /or may build from a stock of standard designs and house types, rather than designing individual houses for each site” (WG DP Manual, p. 145).*

Please consider the typical combined level of fees you would expect to pay (as a percentage of total construction costs) for professional services, including architects, quantity surveyors, planning consultants, engineers, etc., and how this would vary depending on site size.

It would also aid discussions if you could consider and evidence:

- the typical sales/marketing fees you would expect to pay (as a percentage of GDV)
- legal costs per dwelling
- land cost fees (for all fees connected with the land purchase as a percentage of land cost) in addition to Land Transaction Tax

## 1.6 Land Costs

*“High level testing is generally based on a methodology that produces a residual land value (after allowing for a percentage profit margin for the developer) which is then compared with the benchmark land value (or values) for a geographical area. Site specific appraisals commonly include an assumed benchmark value; the test then being whether the residual profit will provide an appropriate return for a developer in the context of prevailing market conditions” (WG DP Manual, p.139).*

At the initial meeting, we discussed the difficulties of using ‘comparables’ to generate land values in different areas and we will discuss this again at the next meeting. However, the proposal, in line with the DP Manual and other recent viability assessments, is to use a residual approach. The residual land value outputs would then be compared to an agreed benchmark or benchmarks for consistency. Please consider this approach in the context of an appropriate benchmark value to use for the County Borough and whether this benchmark should vary in different market areas.

## 1.7 Other Key Inputs and Confidentiality

We will also discuss s106 requirements (as a ‘per dwelling’ figure for testing), the impact of SuDS, contingency and interest rates.

Broadly speaking, any evidence you can share with the group or in confidence (to Council Officers) will help inform testing and robustness thereof. Where any disagreements on inputs arise, we will expect steering group members to provide evidence to the Council for consideration. As noted in the Development Plans Manual,

*“It is recognised that some information necessary to demonstrate viability may be commercially sensitive. However, this is not a sufficient reason to avoid providing the appropriate evidence. The LPA can discuss with the development industry how the evidence can be presented in a format that informs the process but retains commercial sensitivity. For example, aggregated figures, rather than a more detailed cost breakdown, could be used (p. 141-2)”.*

We value your input and hope this briefing note will help you prepare for our next Viability Steering Group Meeting on 5<sup>th</sup> June.

## **Appendix 1c: Minutes of Steering Group Meeting 2 (detailed discussions)**

### **Bridgend Viability Steering Group Meeting Notes 05/06/2020**

#### **Attendance List:**

Barratt David Wilson Homes  
BCBC Development Planning  
BCBC Corporate Landlord  
Cooke & Arkwright  
Hafod Housing Association  
Herbert R Thomas  
Home Builders Federation  
Linc-Cymru  
Llanmoor Homes  
Persimmon Homes  
Savills  
Sero Homes  
Taylor Wimpey  
Valleys 2 Coast  
Wales and West Housing Association

#### **Apologies:**

Elev8 Land & Property  
Geraint John Planning  
Hafod Housing Association  
Lovell  
Redrow  
Watts and Morgan

### **1. General**

- **(BCBC):** For the benefit of those who didn't attend the first meeting in January, we basically set out WG's requirements for viability testing of our replacement LDP. There are two strands; one is high level testing across the whole plan area and the other is detailed testing for those sites key to delivery of the plan. We will mainly be discussing the former but also touch on the latter as well as the two themes are inter-related. The purpose of this group is to shape the inputs that go into high-level viability testing and to try and achieve broad consensus. At the first meeting we went through a range of inputs and had some high level discussions about typical values and data sources to use.
- **(BCBC):** We have been progressing with our Deposit Plan as far as possible and maintaining contact with WG regarding the Delivery Agreement. But we had set a deadline for site promoters of Stage 2 candidate sites to submit supporting information by the end of April. We're working our way through what has been submitted and will be providing specific feedback and we'll also set a refreshed deadline to conclude any outstanding elements of work when possible.

- **(BCBC):** Moreover, we've been progressing significantly with viability work in the interim. We've conducted substantial research into different inputs, data gathering and cleansing and also looked a lot into different viability model options. Several detailed discussions have been held with the DVS and Burrows-Hutchinson, which has helped shape our approach and evidence.

## 2. The Model

- **(BCBC):** In early April, an agreement was reached to use the Burrows-Hutchinson model across the SE Region. The model was used successfully in the SW region and has WG support. We intend to use this now to conduct viability testing in-house using all of the knowledge and information we've acquired in this period.
- **(BCBC):** Whereas we discussed broad parameters and issues to consider at the first meeting, this session will be more focused and informed, helped by the fact that we now have a model and know exactly what fields we need to populate. **If you do fundamentally disagree with anything, we will ask you to share your supporting evidence with us in the next fortnight (19th June) in the interests of commencing high-level plan wide testing thereafter.**
- **(BCBC):** There are two distinct versions of the Burrows-Hutchinson model – a high-level version to test general viability across the plan and inform plan-wide policies and a detailed version to test site-specific variables to support actual allocations. They both use similar inputs but the high-level model applies them using a more streamlined approach more suited to general high-level testing.
- **(Taylor Wimpey)** shared some reservations about using the model without any training, particularly providing input values without knowing what the outputs are likely to be. **(HBF)** stated that he is seeking to address this, is in dialogue with Burrows-Hutchinson regarding training and knows of one house builder in Bridgend who is seeking to use the model.

## 3. Housing Market Areas and Site Typologies

- **(BCBC)** stated one area of agreement reached at the last meeting was to use seven market areas for plan wide testing, which tie up with the LHMA. The only caveat there is that the Garw and Ogmere Valleys will be tested together because the local values and development issues are very similar.  
**The group did not raise any issues with this approach.**
- **(BCBC):** At the last meeting, the steer provided was for us to consider using actual and notional sites in our approach to testing, noting that WG consider both approaches to be of equal merit. In order to do this, we started looking back at what's been delivered on different sized sites and by different types of developers to evidence the types of units that the market has brought forward in recent years. For the purpose of high level testing we used this evidence to inform the

composition of four notional sites; 10, 50, 100 and 150 units. We feel that anything larger needs to be tested individually with its own viability assessment. Our mantra from the outset of the process has been to seek sites that either do not have a detrimental impact on local infrastructure or are capable of delivering their own supporting infrastructure. Generally speaking smaller sites (150 and less) tend to fall into the former category. But when you move further upwards from that number, the likelihood of an adverse impact increases and it becomes difficult for sites to provide their own supporting infrastructure until they reach sufficient critical mass. Sites of several hundred units pose their own viability issues for this very reason and therefore we feel they need to be tested specifically. This also aligns with feedback we had on our Preferred Strategy. The proposal is therefore to base the high level assessment on notional sites of up to 150 units and then test larger sites separately based on their own circumstances.

**The group did not raise any issues with this approach.**

- **(BCBC)** explained the Burrows-Hutchinson high-level model only allows a limited number of house types to be inputted and therefore assumes the same standard for market and affordable units. The logic is threefold as discussed with Burrows-Hutchinson. Firstly, a limited range of house types allows the user to flip between market, intermediate and social rent seamlessly and quickly to test how different tenures and percentages of affordable housing have an impact on viability. Secondly, it future proofs the model irrespective of the outcome of the affordable housing review and application of DQR to whatever tenure. Thirdly, the high level model is geared towards per sqm values and percentages and therefore works back towards the same common denominator. Therefore, the proposal is to use a mix of dwelling types, delivered on a range of schemes across the county borough in recent years, but arrive at the notional unit mixes using DQR types for testing. The high level model is purposely streamlined in this respect, although the main difference between DQR notional floor areas and market units that have been delivered in recent years is the 2 bed house type. Larger house types tend to have similar GIAs yet be configured differently (i.e. with en-suites).
- **(Llanmoor)** shared concerns about using notional DQR sizes and highlighted that the 2 bed and small 3 bed house is considerably different in size to Llanmoor's equivalent products. However, it was acknowledged that this is a theoretical exercise and it's difficult to understand the implications until the model is run and the group can analyse the outputs. **(Llanmoor)** added the high-level model was still being developed when Llanmoor were consulted on Swansea's LDP, so SG only dealt with the site specific model at that time.
- **(Savills)** stated the main concern is the impact that notional plot sizes and dwelling types have on site coverage i.e. what size site does a notional 10 dwelling scheme require given the proposed dwelling sizes? **(Llanmoor)** also queried the impact of SuDS. **(BCBC)** said that SuDS and densities will be discussed later on in the presentation.



- **(HBF)** stated that WG have published a set of house sizes that they would like the new DQR to meet but not sure if these are them. **(BCBC)** confirmed that he believed they were (*update: the draft standards propose the same notional sizes for houses, yet the proposed 1 and 2 bed flats are slightly different in size*).
- **(HBF)** added that he previously ran an exercise with a house builder for a 250 dwelling scheme with new DQR values and it lost 25-30 dwellings. Open space and SuDS could also affect that coverage.
- **(BCBC)** highlighted that he thought of exactly the same issues when first using the high-level model and had discussed these concerns at length with Burrows-Hutchinson. The key point to note is that the model uses per square metre values and percentages.

**On this basis, the group did not raise any further issues with this approach, notwithstanding the points around densities and SuDS which are to be discussed under a separate item.**

#### **4. House Prices**

- **(BCBC)**: At the last meeting, the steer was to consider Help to Buy data to inform house prices. However, Stats Wales only provides average prices by local authority and doesn't provide a breakdown of house types and bedroom sizes at sub local authority level. **(BCBC)** confirmed that direct enquires were made with the relevant department at WG, although this was not something WG were able to provide. In any case, Help to Buy data wouldn't have been totally holistic and therefore Land Registry Price Paid Data was sourced (from the last five years). Put succinctly, address level data was converted into the seven housing market areas and joined with EPC data (which contains dwelling sizes). This exercise provided a comprehensive database of all sales over the last five years, split into new build and existing sales to provide prices per sqm for testing. **(BCBC)** stated that this data had been verified by comparing the data to recently built property sizes and the results were almost identical.
- **(BCBC)** added that prices per sqm do ultimately vary between dwelling types in different market areas, yet this is another area where the high-level model is streamlined (i.e. to use a single per sqm value for all property types).
- **(BCBC)** outlined three further points. Firstly, a new build uplift (21% - akin to the general uplift on new build sales in the county borough) has been applied to areas that haven't seen significant new build for many years (i.e. the Valleys). Secondly, Pencoed has been supplemented with sales from cross boundary sites in Llanharan, Llanharry and Brynna as the housing market areas and prices achieved are very similar. Thirdly, an inflation rate has been applied to areas that haven't witnessed new build for a few years (i.e. Porthcawl and Pyle).



- **(Savills)** confirmed that the data looks broadly similar to the evidence submitted on sites Savills have dealt with recently.
- **(Llanmoor)** generally agreed that the prices Llanmoor have achieved / expect in Tondu, Bridgend and areas near Pencoed are comparable. SG added that values in the Garw and Llynfi Valley look low, although it was acknowledged that there is no new built data to use as a comparison.
- **(HBF)** offered to email Help to Buy and try to gain the relevant data if that would be helpful. **(BCBC)** confirmed that the Help to Buy data will be included in the Land Registry database, although further checks and balances would further evidence this dataset is accurate.

**The group broadly supported the ‘per sqm’ values proposed.**

## **5. Affordable Unit Mixes**

- **(BCBC)** referenced the LHMA in arriving at unit mixes, although drew attention to the Manual’s requirement to ensure the proposed dwelling type/tenure mix used for testing is realistic and can be delivered in the market. **(BCBC)** added that a separate sub-group meeting was held with RSLs in this respect to comply with the Manual, which states, “discussions with RSLs will be essential to ensure the tenure mix proposed is indicative of what can be delivered in practice. It would be inappropriate to include in the model a large element of intermediate homes if there is no track record of delivering them”. **(BCBC)** stated that there were three main points from the sub-group; a strong preference for DQR social rent, no gap in the market for intermediate rent (as per the findings of the LHMA) and, whilst LCHO does stack up for RSLs, it offers little benefit to the RSL unless accompanied with sufficient social rented units.
- **(BCBC)** therefore shared an area-based tenure split table to use for testing, which was largely based on the LHMA, yet weighted slightly to ensure a balanced mix of units based on discussions with RSLs and to facilitate sustainable tenant progression.
- **(Llanmoor)** queried why LCHO is of little benefit to RSLs - is it because they don’t make enough money on them or because there is little demand for them? **(BCBC)** stated whilst the need is documented in the LHMA, delivery of significant quantities of LCHO can have gearing implications for RSLs.
- **(Hafod):** we don’t make any money on the LCHO units, we act as an agent to sell them and therefore they actually cost RSLs money. We do recognise the need for them (because it helps get people on the ladder), so it’s not that we don’t support them, it’s just that they don’t make much difference to us as a business. We do have aspirations for social mobility.
- **(Llanmoor):** There’s no reason why they shouldn’t be in the mix, if the only reason they’re not being included in the mix is because the RSL makes no money on them,

can't we apply that to social housing? Because that doesn't make us money either. That's not a good argument for them not being included within an affordable mix.

- **(BCBC):** That is a valid point, although LCHO is included within the mix, yet this has been weighted where significant quantities were identified in some areas.
- **(Llanmoor):** From a private developer perspective the mix should not be related to profit but to what the demand is and requirement is shown by the LHMA, which I guess is a hybrid of?
- **(BCBC):** Yes, the mix displayed isn't far away from the LHMA, just weighted slightly to facilitate sustainable delivery as per the requirements of the Manual.
- **(V2C):** It's not so much that LCHO's aren't a profit maker but they're actually a loss to the RSL.
- **(Taylor Wimpey):** Exactly the same with us, with our viability assessments we get 42% of ACG normally for social rented plots. The rest of our site, private units, support the delivery of the affordable units. So not only do we not make profit on them, we also make a loss. There's positives and negatives associated with affordable housing for everyone but this needs to be based on what needs to be delivered on the ground.
- **(Hafod):** With need, it's actually affordability. So we all know there's a need for intermediate properties so that first time buyers can get on the market, one of the problems is that even with 70% of market valuation quite often the properties are too expensive for a first time buyer. There's still a limited amount of mortgage providers that will lend against them. So whilst it would be great providing these units, the reality is that the mortgage environment hasn't picked up, so often they're not affordable for people.
- **(Taylor Wimpey):** Understand, but need to be mindful that this is just one aspect of a S106 agreement pot requirement for each department in the council and it impacts on the land value.
- **(Hafod):** On a larger scheme I would rather see a few LCHO units come through, as from a planning perspective it creates a more sustainable community. We would rather more social rent with lower numbers of intermediate, but we're happy to have them all in reality.
- **(Llanmoor):** Need to understand / accept is that if it is going to be heavily weighted in social rent then there's a consequence to that on the viability of the scheme, delivering the other department's needs.
- **(Linc-Cymru):** Sometimes LCHOs compete with Help to Buy offers, so they are competitive products. However, I agree these units are required for a sustainable community. LCHOs in RCT were developed and sold by the house builders and

the charge (30%) was then placed with the RSL. So there was not much risk to the RSL and a more favourable unit for the homebuilder – more of a compromise.

- **(BCBC):** yes this model was used in RCT (*update: second charge model discussed separately with steering group members and agreed as a means of delivering higher proportions of LCHO*).
- **(HBF):** At best we have another 2 years of Help to Buy, and in the current climate it's unlikely that there will be any replacements. LCHO will likely come back in focus. The plan period will go beyond the next two years. The LHMA has to be the starting point unless there's appropriate justification.
- **(BCBC):** Lots of good points. Just to clarify, you have the LHMA which identifies the overall need, the manual expresses the importance of making sure that need can be delivered on the ground. The Manual provides an example - if there is an area where a lot of LCHO need is identified by the LHMA, but there's little history of that being delivered, you need to take that into account when testing viability. There may need to be tweaks so unit mixes are sustainable. Pencoed is a good example for us – the LHMA showed high LCHO need but there is no track record of delivering that product locally so to ensure the viability testing is robust, the need has been weighted to balance it with social rent.
- **(HBF):** Shouldn't that be factored into the LHMA already?
- **(BCBC):** It's almost two different things. The LHMA is essentially a technical theoretical document that generally looks at affordable housing across the board and analyses different values and incomes to calculate what the need is i.e. the gap in the market. However, to deliver that on the ground you need to look a bit more at the mechanics of transfer values, tenure clusters, prices for that particular site and also how it stacks up for an RSL. The LHMA gives you a starting point but the site delivery takes it a step further. I must stress, the table is mostly in line with the LHMA, however it has been tweaked slightly to ensure that there is a sustainable blend of tenures to allow for different sectors and different house sizes to be accommodated. This is what the Manual requires us to do for viability testing.
- **(V2C):** The one bed percentages for the Garw, Ogmore and Llynfi and also Bridgend surrounding are a bit high notwithstanding what the LHMA says, I don't think any RSL would want to 90% one bed flats.
- **(BCBC):** This is a valid point. However, the overall need in the Valleys is not as significant as it is in other areas and looking at the percentages masks this. However we would be looking at much smaller schemes in the Valleys, with (for example) a sustainable cluster of 4-6 one bed walk up flats to address the dwelling stock mismatch. However when you're looking at Bridgend that's where you would see a much bigger scheme as that is the highest need area.
- **(V2C):** With that said, the one bed need in Bridgend still looks high.

- **(BCBC):** That's what the household formation is showing. We're seeing much higher instances of single person households, couples with no children and that is now increasingly common. However, you wouldn't only want to deliver one beds as you need to allow for sustainable tenant progression. Its ensuring what is delivered on the ground is sustainable and blended with an appropriate mix of other tenures and dwelling types. That's what the table effectively does.

**No further oppositional points were raised in relation to the housing need table shared with the group. This table will therefore form the basis for testing affordable housing, which is largely based on the need identified in the LHMA, yet weighted slightly to allow for a sustainable mix of units to be delivered in accordance with the requirements of the Development Plans Manual.**

- **(BCBC):** Notwithstanding the outcome of the Affordable Housing Review, we propose to use transfer values of 42% of ACG for social rent and 70% of market value for LCHO (or 60% of market value in Porthcawl specifically).
- **(Taylor Wimpey):** Why is the LCHO need pitched at 60% of market value in Porthcawl?
- **(BCBC):** the LHMA showed the gap between first time buyer incomes and property prices is much wider in Porthcawl than other areas across the County Borough, so 70% of market value wouldn't produce a usefully affordable product. It relates to the point SB (Hafod) was making earlier; sometimes a 70% reduction on market value is still unaffordable in certain areas. Porthcawl is a prime example of that and house price to income ratios are so significant that 60% of market value is needed to allow first time buyers to access home ownership.

**The group did not raise any issues with this approach.**

## **6. Density – Net to Gross**

- **(BCBC)** referenced previous discussions about density, stating that although higher densities have commonly been developed on local sites, 35 dph is considered justifiable based on the unit mixes proposed for testing. **(BCBC)** also referenced the steer from the first meeting; to ensure due consideration was given to net developable area and not simply apply this density ratio to the red line boundary of a site.
- **(BCBC)** confirmed that local research had been conducted into a range of different sized sites across the County Borough to determine the difference between gross site size and net developable area. This research was also cross referenced with secondary research from Telford and ATLAS.
- Notwithstanding strategic sites (which would be tested separately), **(BCBC)** proposed testing 35 dph across based on the follow gross to net ratios:

- 100% ratio for sites up to 1 hectare
- 85% ratio for sites of 1 hectare to less than 2 hectares
- 80% ratio for sites of 2 hectares to less than 4 hectares
- 75% ratio for sites of 4 hectares +

**The group did not raise any issues with this approach, notwithstanding SuDS (discussed separately).**

## **7. Build Costs (plot costs)**

- **(BCBC)** provided an overview of the difficulties with relying too heavily on BCIS as a benchmark for build costs, informed by discussions with the DVS and Burrows-Hutchinson. Ultimately, national/volume house builders do not generally contribute to the database and it doesn't capture the economies of scale they are best placed to achieve. Hence, the different quartiles are not representative of a fully-balanced industry dataset. As sites start getting larger, BCIS becomes less relevant and the quartiles would look very different if the full plethora of build cost information was inputted into the database.
- **(BCBC)** proposed build costs (plot costs) ranging from £970 per sqm for the notional 10 unit sites, decreasing to £910 per sqm for the notional 150 unit site. **(BCBC)** stated there was evidence to suggest a rate of £850 and below as unit numbers surpass 100, yet what is proposed is considered conservative and in line with values used in many recent viability studies that have been through examination.
- **(BCBC)** also stated other models use a different rate for flats, although clarified the high-level model deals with this by considering whether the gross internal area of the building(s), for build cost purposes, is the same as the gross internal sales area. With houses and walk up flats it will be, whereas with communal access flats it won't be and the different is around 85-90%.
- **(Taylor Wimpey)** stated the range shown to demonstrate the reduction in build costs is probably not justified and, moreover, economies of scale can only be realised within larger schemes.
- **(Savills)** felt that a different rate would be justifiable for the 10 unit scheme, yet struggled with the methodology of gradually reducing rates for the 50, 100 and 150 unit schemes. **(Savills)** acknowledged that small schemes are different, yet felt costs would be similar on the other three notional site types. Moreover, £970 is not lower quartile BCIS, it's much more than that.
- **(Taylor Wimpey)** stated that he couldn't agree with what's shown as it is not a true reflection to what Taylor Wimpey would build and there wouldn't be any difference in build costs between 50 and 150 units.

- **(Llanmoor)** also agreed that schemes of 50 units upwards would have the same build costs. It was stated that economies of scale do not apply at this level and the difference comes from abnormals.
- **(Barratt)** also agreed with these points, felt there isn't economies of scale and therefore wasn't in support of this approach.
- **(BCBC)** asked all steering group members to come back separately with detailed information and evidence on build costs to inform viability testing.

**The steering group did not agree with the build costs proposed for the notional sites and are therefore due to submit evidence to justify using alternative rates by 19<sup>th</sup> June 2020.**

- **(Sero)** queried whether the appraisal would go to be to beyond basic building rates compliance and pointed out that the viability appraisals would otherwise be based on what's gone before.
- **(BCBC)** clarified that this is a baseline build rate and if higher standards were used then above average house prices would need to be used in reflection (NB. the high-level model works on a per sqm basis).
- **(Savills)** queried whether changes to Part L would be taken into account.
- **(Sero)** stated that changes to Part L (and whether part 1 or 2 is adopted) will a make significant step forward for the energy production of the fabric and technologies installed in the home, which comes with an associated construction cost. Whilst this cost is difficult to quantify, there will be a difference.
- **(HBF)** stated that WG provided costing as part of the consultation of Part L, and suggested these figures could be used. In addition, larger sites may be built out against a backdrop of other changing variables. **(HBF) noted that** Swansea's LDP tried to build in a monitoring condition which stated 'if house prices go up by 5% then you have to relook at viability', although that was only deemed acceptable if other inputs were re-considered i.e. compare build costs against sales prices.
- **(Sero)** stressed that the new transitional arrangements for Part L, as proposed, are stringent so you'll be potentially building across the same scheme with different phases at different regulation levels, so that will need to be considered.
- **(BCBC)** stated that these were all valid points, although all we can really do at the moment is test viability based on current definitive values. However, the model does have sensitivity tests built in which can be used to assess the impacts of changes to build rates, house prices etc.

**The group agreed that sensitivity tests are important in light of these issues.**

## 8. Build Costs (external costs)

- **(BCBC)** stated that a range of information has been analysed (including Council held data, data used in other studies and data that site promoters recently submitted) to arrive at proposed percentages for external costs:
  - 10 Units 14%
  - 50 Units 15%
  - 100 Units 15%
  - 150 Units 17%
- **(BCBC)** added that the higher percentages proposed for the larger schemes reflect the potential need for additional external works on these sites.
- **(Taylor Wimpey)** stated that, in terms of externals, 15% has been a general assumption in most appraisals, although the key point is to identify what we are classing as externals.
- **(BCBC)** stated that externals would be anything not included in plot costs and could include connections to highways, traffic light junctions, internal roundabouts and pumping stations depending on the size of the site.
- **(Llanmoor)** stated that pumping stations wouldn't normally be factored in as external costs on sites Llanmoor are developing.

**The group generally agreed to using the percentages quoted for externals providing the definition is clarified.**

- **(BCBC)** stated that, based on conversations with the DVS and Burrows-Hutchinson, a total of £3,500 per plot for additional building requirements is proposed comprising £3,100 for sprinklers and £400 for ULEV charge points.
- **(Taylor Wimpey)** questioned whether £400 would be enough for charging points in terms of impact on network etc.
- **(BCBC)** shared some research. The Energy saving trust shows the cost of installing ULEV charging points can be £800-£1,000 within an existing dwelling and around half of that is installation / labour. This is reduced if the points are installed as part of the construction process and £400 is therefore considered a realistic figure.
- **(Sero)** felt that £400 is about right for installation and stated this will drop further with scale. However, the impact on the connection for the electricity supply into the site is more expensive than the physical bit of kit, especially if it is unmanaged. This is because the load on the property is increasing by almost 100% compared to a traditional build and it has a big impact on the grid connection.



- **(HBF)** emphasised that the Part L consultation suggests that option 1 is £6,000 a property and option 2 is £8,000 a property, which is considerably higher than the £3,500 per unit total cited for additional Building Regs.
- **(BCBC)** emphasised the importance of steering group members sharing data to evidence these points, although stated testing must be based on current values, albeit subject to sensitivity tests.
- **(Sero)** will try and send through information relating to recent schemes, although felt the right place to deal with these costs is within the abnormal. **(Llanmoor)** agreed.
- **(BCBC)** stated that he would expect all abnormal to be reflected in the land value as it is very difficult to predict abnormal within a notional study of this type.

**The group generally agreed to consider whether £3,500 is acceptable for testing based on current values (notwithstanding sensitivity testing) and otherwise provide appropriate evidence by 19<sup>th</sup> June 2020 to justify an alternative sum.**

## 9. SuDS

- **(BCBC)** reminded the group that at the previous meeting, the steer was to speak with Council Land Drainage colleagues to see what the Council will charge to adopt SuDS. **(BCBC)** explained that meetings had been held with Land Drainage colleagues and the answer is that it's not quite that simple and there's no such thing as an average charge. Costs vary tremendously depending on the solution and can also be neutral.
- **(BCBC)** shared the approach taken by the DVS in other studies and proposed using the same approach for this assessment,
 

“The cost of SuDS is difficult to quantify, data from Welsh Government indicates that this should be cost neutral. We have therefore made no extra allowance for these within our overall costs. However, there may be a need for some additional land to accommodate various systems and to reflect this we have added 5% to all the expected site areas within our appraisals”.
- **(Taylor Wimpey)** queried whether the DV are referring to SABs and not just SuDS, because when they say data from elsewhere, there is no elsewhere. No-one has done any SABs schemes to my knowledge.
- **(BCBC)** replied by saying the reality is that we'll know more in five years, although this is a big unknown at the moment.
- **(HBF)** stated that Merthyr got away with adding 5%, but was uncertain how 5% can be added to a site as it is defined to its boundaries. MH (HBF) queried whether this really equated to taking 5% off the net developable area.



- **(BCBC)** confirmed that the approach effectively means the latter.
- **(HBF)** added that we're also seeing a lot of authorities stating in their plans that they will not adopt open space so that becomes an additional charge on the developer.
- **(Llanmoor):** mentioned that Llanmoor have objected to the draft BCBC SPG, which suggests that SuDS will not contribute to open space which is contrary to WG advice. In effect, that 5% will need to treble if this proposal is maintained.
- **(BCBC):** All valid points which will be taken into account. It's difficult to put a figure to this as there's limited evidence out there.
- **(HBF):** At worst, if we could agree the impact on coverage that would go towards covering it in terms where we are now.
- **(BCBC)** asked whether reducing the net developable area by 5% is sufficient
- **(Barratt):** I would suggesting more towards 10-15%.Have you approached your Land Drainage colleagues?
- **(BCBC)** has held a meeting with Land Drainage colleagues, who confirmed there is no 'one size fit all approach' as it is site specific and the type of solution varies so you can't apply a general figure to it.

**The group generally agreed to consider whether a 5% reduction to the net developable area of a site is sufficient to accommodate SuDS and otherwise provide evidence to justify an alternative percentage.**

## **10. Profit Levels**

- **(BCBC)** reiterated that at the last meeting, the general steer was to use 20% across the board as a bare minimum level of profit and not vary this by site size. However, (BCBC) cited research that suggests economies of scale again need to be considered. The Development Plans Manual now states, "larger sites can carry more risk where they take a long time to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not".
- **(BCBC)** added that past DVS plan-wide viability studies have adopted a 17.5% profit margin across all sites, whereas past plan-wide viability studies completed by Burrows-Hutchinson use a different level of profit according to site size. In particular, often the only way some small sites can come forward is if the profit margin is less and many small builders will finance projects from retained funds and will use an opportunity cost rate to determine the level of profit.
- **(BCBC)** therefore stated, as with other variables, economies of scale should be taken into account, and proposed:

- -17.5% on 10 units
  - -19% on 50 units
  - -20% on 100 and 150 units
  - 6% on Gross Development Value (Affordable Housing)
- **(Savills)** cited plenty of viability exercises with DV where they have used 20% on regular occasions.
  - **(BCBC)** agreed in terms of site specific assessments, yet clarified this approach was taken in high-level viability studies carried out (for example in Powys and Flintshire).
  - **(Taylor Wimpey)** felt that DV viability assessments have been roundly criticised as they don't deliver any affordable housing and therefore stressed the importance of using a broader approach that reflects the most recent evidence. **(Taylor Wimpey)** cited opposition to using previous LDP viability assessments as part of the evidence base.
  - **(BCBC)** stated that recent research would suggest these figures are in the right ballpark.
  - **(Taylor Wimpey)** felt that 19-17.5% is insufficient in terms of profit and didn't feel there was a difference between 50-150 units.
  - **(Savills)** stated that he could understand why profits are less on a 10 unit scheme as it's a different type of developer, yet struggled to understand the methodology of using a different profit margin from 50 units upwards. A suggestion was made to increase the 50 unit scheme profit margin to 20%.
  - **(BCBC)** stated that these points will be taken into account and sought clarification on the steer from the group; a smaller profit margin is acceptable for ten units but you can't see a difference in margins on larger sites?

**The group confirmed this was the steer.**

- **(Taylor Wimpey)** stressed that 50-150 units need to be geared towards larger developer profit margins.
- **(BCBC)** stated that this will be considered and again welcomed submission of appropriate evidence from the group to that effect.

## **11. Interest and Contingency**

- **(BCBC)** presented the proposed values, reiterating that there appeared to be general agreement on these values at the last meeting. Clarification was sought on whether these values are still considered acceptable by the group:

- 6% interest per annum (debit) and 0.5% per annum (credit)
- 5% contingency on the total build cost
- **(Savills)** stated that these values do not look unreasonable, notwithstanding what may happen to funding in current circumstances.

**The group did not raise any issues with this approach and agreed these values were acceptable.**

## **12. S106 Contributions**

- **(BCBC)** clarified that historical s106 payment (excluding affordable housing) were calculated at £2,700 per dwelling. Application of an inflationary uplift has produced a revised requirement of £7,000 per dwelling. **(BCBC)** explained that it is not easy to calculate this figure as school capacities vary by area and time, transport mitigation varies by area and site specifics and some areas have more existing recreation space than others etc. The proposed figure is more than 2.5 times higher than recent historical average.
- **(Savills)** questioned whether that figure aligns with supporting information submitted for stage 2 candidate sites and **(BCBC)** said it was generally in the same ballpark.
- **(Barratt)** shared concerns if the site is located in an area where there is no education capacity at all, because that is the biggest contribution outside of affordable housing, and could take the contribution well beyond £7,000 per dwelling.
- **(BCBC)** stated that this was a valid point, but because we are looking at notional schemes across the board, you can't assume every site will require full education contributions. Larger schemes will be assessed specifically and will generally be expected to provide a primary school as a minimum.
- **(HBF)** stated that if all strategic sites require a new school, then a higher baseline figure should be used as that is the reality of it. WG advises that detailed viability studies should no longer be the norm. **(HBF)** questioned the terminology; when references are made to specific studies, does this mean as part of the planning application stage or before sites go into the Plan?
- **(BCBC)** clarified that reference was being made to the latter. There are two strands to pre-adoption testing; high level, plan-wide testing and detailed viability testing for sites key to delivery of the Plan. The latter will be undertaken separately over the next several weeks. The £7,000 is specifically proposed for sites we're considering for high-level testing i.e. 10-150 units. With larger, site specific tests, actual costs for contributions such as a new school will be factored in.
- **(Barratt):** £7,000 still feels very light even for smaller sites and the current education requirement is more than that now.

- **(BCBC):** what we have done here is refer it to what has previously been achieved and we have looked at where those rate might go in the future, applying an inflationary increase. It's difficult to know what else we can do in terms of what evidence we can provide for this.
- **(Barratt):** The baseline figure just seems too low. We had a S73 on one application and within 6 months the contribution of education jumped significantly.
- **(BCBC):** The site specific testing will pick up on issues like that specifically when we're talking about sites in excess of 150 dwellings.
- **(Barratt):** Signing up to £7,000 now with the way the guidance is going, seems too light.
- **(Llanmoor):** If you are going to apply your new education SPG figures, it is almost eating all of the £7,000. It doesn't seem quite right.
- **(BCBC):** If you had smaller units, you wouldn't apply those figures (i.e. 1-2 bed flats). This exercise is looking at what has happened in the past and applying an uplift.
- **(Barratt):** In the past, there was more capacity, however, as development has increased, capacity has reduced and higher contribution figures mean £7,000 is too light.
- **(HBF):** The Manual states that it is up to the Local Authority to commit to the S106 figures going forward. It's about going forward rather than looking back. Ultimately, the starting point is the SPG and unless there is good justification for it to come down then it should be expected that the SPG figures is what you're going to be asking for.
- **(BCBC):** we will look at this again and provide more justification explaining the method and process in line with the Manual.

**The group welcomed this last point and the Council agreed to provide further explanation and justification as to the s106 figure to use for testing.**

### **13. Fees**

- **(BCBC)** presented the proposed fees, reiterating that there appeared to be general agreement on these fees at the last meeting. Clarification was sought on whether these values are still considered acceptable by the group:
  - Sales and Marketing Costs 2.5% of Open Market Sales (0% Affordable)

- Legals on all units: £600 per dwelling
  - Land Cost fees: 1.5% + Land Transaction Tax (calculator incorporated)
  - Professional fees (economies of scale):
    - 8% 10 unit scheme
    - 7% 50 unit scheme
    - 6% 100 and 150 unit scheme
- **(HBF)** stated that these fees have been used in countless viability studies over the years and therefore questioned whether higher recent planning fees have been taken into account.
  - **(BCBC)** stated that professional fees are applied as a percentage of construction costs and the model is geared towards per sqm values. This point was accepted by **(HBF)**.

**The group did not raise any issues with this approach and agreed these values were acceptable.**

#### **14. Land Values**

- **(BCBC)** provided an overview of the proposed approach. As per the steer at the last meeting, the Council requested land value data from the DVS. However, the feedback provided was that it's not practicable to provide individual land values for each of the market areas based on comparable data, as there is insufficient data available. Even if it was, it can be difficult to analyse. Moreover, the DVS advised this is not really the right way to go about assessing land values for a viability study. Essentially, comparables shouldn't be used to generate averages because some will have been for non-policy compliant schemes, some will be historic and some will be based on unknowns. Equally, there are instances of developers 'overpaying' for sites and then seeking to modify policy afterwards. What we are trying to identify in this study is what a developer can afford to pay for the land assuming a planning compliant scheme and whether that amount is sufficient to incentivise the landowner to dispose of the site. The DVS approaches this exercise by agreeing land value benchmarks and then using a residual land value approach in comparison to those benchmarks. For example, £300,000 was commonly used in Wrexham, Powys, Flintshire based on 17 x multiplier on agricultural land (£18,000). In addition, since we last met, the manual has also been updated in this respect and advocates exactly what the DVS referenced.
- **(BCBC):** With everything considered, we therefore propose benchmark values of £500k per net developable hectare in Bridgend as the mid-market area in our borough, which is 29 times agricultural land values (17,245 per hectare). We could use this benchmark across the County Borough, which is comparable with the DVS approach (an approach that has gone through several examinations successfully, is well-founded and now specifically referenced within the manual). However, because our market is so varied, we propose a benchmark uplift to £600,000 in Porthcawl, a reduction to £400,000 in Pyle and the Valleys Gateway and a further

reduction to £200,000 in the Valleys. The ultimate residual values will show what land is worth in different areas compared to these benchmarks, which are considered the starting point. If the residual value is nowhere near these benchmarks then we have to determine whether the site can stack up; whether it will provide enough profit to make it worthwhile from a developer's perspective and whether it can fund the supporting infrastructure and planning contributions necessary to render it acceptable in planning terms.

- **(HBF)** welcomed the overall approach in terms of the market areas and commented that the approach is broadly in line with WG guidance.
- **(HRT)** questioned whether these are headline figures or payable figures.
- **(BCBC)** stated these are the proposed benchmark figures. The residual value will be effectively what is left to pay for the land, which would be compared to what this benchmark is across the County Borough. We won't know what the payable figures are until the viability testing is complete.
- **(Savills)** raised some concerns about the impact of removing land from the net developable area because of SuDS etc. Essentially, if the net developable area is being eroded, the land value is being eroded. It should reflect what the gross development land value looks like as well.
- **(BCBC):** The Burrows model does use net developable land values, it's one of the inputs.
- **(Savills):** I don't disagree with that but we're taking more and more land out of it and putting into gross, ultimately you have to put it in way that is acceptable to landowner. Land values may be a bit on low side. Experience shows land value to more akin to a minimum £100,000 per acre (£247,100 per hectare). It's very difficult to see landowners taking less than that even in the Valleys.
- **(HRT)** commented that the proposed values appear to be in the right ballpark, yet a bit on the low side.
- **(Savills)** felt that the study needs a definition in relation to net developable area. The Vale of Glamorgan have a definition which does include some of the infrastructure, which we need to be clear about.
- **(BCBC)** felt this was a good point that needs to be made clear when testing.
- **(Savills)** felt that if he was considering a minimum, £250,000/acre (£617,750/hectare) would be the mid value and £300,000/acre (£741,300/hectare) would be the mid to higher value. JM (HRT) was in broad agreement with this.
- **(HRT)** cited a concern about relying on residual values to drive market values as they are not always the same.

- **(BCBC)** stated that it comes back to landowner aspiration versus policy requirements; whether the landowner is willing to sell and whether we as a planning authority would be willing to allocate sites on the basis of non-policy compliance.
- **(HRT)** acknowledged this point.

**The group were in broad support of the general benchmarking approach. Whilst it was felt that minimum market values may not always align with residual values, the key initial steer was to clarify what is meant by net developable area.**

### **15. Site Specific Appraisals**

- **(BCBC)** commented that the Swansea approach involved circulating a locked version of the detailed Burrows-Hutchinson Model for site promoters to complete and then return to the Council. Any subsequent disputes were then verified by Burrows-Hutchinson, with costs met by site promoters. BCBC are looking to replicate this approach. The model is likely to be ready to circulate in the coming weeks.

**The group were in broad support of this approach and requested more details on the process and fees when available.**

### **Next Steps**

- **(BCBC)** thanked the steering group for their time and contribution. Steering group members were again invited to share supporting evidence to justify any disagreements by 19<sup>th</sup> June 2020.

## **Appendix 2: Statement of Common Ground, Bridgend County Borough Viability Steering Group**

### **Between**

Bridgend County Borough Council

### **And**

Cooke & Arkwright

Elev8 Land & Property Ltd

Geraint John Planning Ltd

Hafod Housing Association

Herbert R Thomas

The Home Builders Federation

Barratt & David Wilson Homes South Wales

Linc-Cymru Housing Association

Llanmoor Homes

Persimmon Homes

Savills

Sero Homes

Taylor Wimpey

Valleys 2 Coast

Wales and West Housing Association

Statement Date: 18<sup>th</sup> September 2020



## 1. Model to be used for Testing

1.1. In April 2020, an agreement was reached to use the Burrows-Hutchinson Viability Model across the SE Region. There are two distinct versions of the model: a high-level version to test general viability across the plan area and a detailed version to test site-specific variables to support plan allocations. They both use similar inputs, although the former applies them using a more streamlined approach suited to general high-level testing.

1.2. The steering group broadly supported use of the Burrows-Hutchinson High-Level Model to undertake plan-wide viability testing for the Replacement LDP providing the inputs were considered justifiable and robust. **Consensus achieved.**

## 2. Housing Market Areas

2.1. The steering group unanimously supported the approach of using seven housing market areas for plan-wide testing, which correlate with the areas used in the Local Housing Market Assessment (LHMA):

- Bridgend and surrounding
- Pencoed
- Porthcawl
- Pyle, Kenfig Hill and North Cornelly
- Valleys Gateway
- Maesteg and the Llynfi Valley
- Garw and Ogmore Valleys

2.2. However, whilst the Garw and Ogmore Valleys are identified as separate areas within the LHMA, they will be tested in unison because their local values and development issues are highly comparable. **Consensus achieved.**

## 3. Site Typologies

3.1. Welsh Government consider the use of notional and actual sites to be of equal merit for testing plan-wide viability. The steering group requested consideration of both approaches from the outset. After analysing a range of sites delivered in recent years, the Council formulated four notional site typologies for viability testing (10, 50, 100 and 150 units), proposing that any larger sites would require specific viability assessments. The rationale behind this approach links back to the Preferred Strategy, which seeks to identify sites that either do not have a detrimental impact on local infrastructure or are capable of delivering their own supporting infrastructure. Broadly speaking, smaller sites (150 dwellings and less) tend to fall into the former category. However, as dwelling

numbers increase beyond 150, the likelihood of a site having an adverse local impact increases and it becomes difficult for sites to provide their own supporting infrastructure until they reach sufficient critical mass. Sites of several hundred units can pose their own viability issues for this very reason.

3.2. The steering group unanimously agreed with the approach of basing the plan-wide assessment on the locally derived notional sites of up to 150 units and testing larger sites separately based on their own circumstances.

3.3. A number of steering group members later submitted representations that suggested using one common set of assumptions for notional sites below 50 units and a different common set of assumptions for notional site of 50+ units. The respective steering group members were of the opinion that there are not many variables (concerning development costs, risk and profit margins) between sites of 50 units and sites of 150 units. The Council has accepted these points and two sets of assumptions will be used as the basis for testing sites below 50 units and sites of 50+ units. **Consensus achieved.**

#### 4. Dwelling Mix and Types

4.1. The high-level model purposely confines the number of house types for testing and therefore assumes the same standard for market and affordable units. The logic is threefold. Firstly, a limited range of house types allows the user to seamlessly test how different tenures and percentages of affordable housing will have an impact on viability. Secondly, it future proofs the model irrespective of the outcome of the affordable housing review and potential multi-tenure application of DQR. Thirdly, the model is geared towards 'per square metre' values and percentages, ultimately arriving at the same common denominator.

4.2. On this basis, the Council proposed testing mixes of units recently delivered on a range of local schemes, whilst applying notional DQR floor areas to the dwelling types. The steering group acknowledged that the main size differentials between DQR and market units are evident within 2 bed and smaller 3 bed house types. Certain steering group members did initially cite some reservations with using notional DQR floor areas for plan-wide testing, although it was acknowledged the model is geared towards 'per square metre' values, which essentially overcomes this issue. The main outstanding concerns related to site coverage and densities, which are discussed in separate sections. **Consensus achieved.**

#### 5. House Prices

5.1. Historic Land Registry Price Paid Data was sourced and joined with EPC data (which contains floor areas) to produce a comprehensive database of all sales

in Bridgend County Borough over the last five years. This database was then split into new build and existing sales to provide average prices per square metre for testing across the seven market areas. Three further assumptions were shared with the group. Firstly, a new build uplift (21% - akin to the general uplift on new build sales in the County Borough) was applied to areas that have not witnessed significant new build development over this period (i.e. the Valleys). Secondly, Pencoed data was supplemented with sales from cross boundary sites in Llanharan, Llanharry and Brynna as the housing market areas overlap and the prices achieved are very similar. Thirdly, an inflation rate was applied to areas that have not witnessed new build for a several years (i.e. Porthcawl and Pyle). The results of this exercise were shared with group as detailed below:

Housing Market Area	Average Sales Rate per Square Metre
Bridgend and Surrounding	£2,235
Garw and Ogmore Valleys	£1,281
Llynfi Valley	£1,407
Pencoed and Heol y Cyw	£2,281
Porthcawl	£2,645
Pyle, Kenfig and Cornelly	£2,078
Valleys Gateway	£2,137

5.2. The steering group unanimously agreed with the values proposed and overall approach. **Consensus achieved.**

## 6. Affordable Housing

6.1. In an effort to ensure the proposed dwelling type/tenure mix for viability testing would be realistic, the Council held a separate sub-group meeting with locally operating RSLs. This complied with the Development Plans Manual, which states,

“discussions with RSLs will be essential to ensure the tenure mix proposed is indicative of what can be delivered in practice. It would be inappropriate to include in the model a large element of intermediate homes if there is no track record of delivering them”.

6.2. Three main discussion points emerged from the RSL sub-group:

- A. A high propensity to deliver DQR social rented units
  - B. There is no gap in the market to introduce intermediate rent (as per the findings of the LHMA)
  - C. Less inclination to deliver LCHO in large quantities unless accompanied with sufficient social rented units.
- 6.3. Gearing implications were cited as a concern, where, for example, an RSL has to invest significant capital upfront in LCHO products and there were insufficient social rented units to balance provision.
- 6.4. The Council therefore proposed an area-based tenure split for testing, which was largely based on the LHMA, yet weighted slightly to ensure a balanced mix of units to facilitate sustainable tenant progression and based on discussions with RSLs.
- 6.5. Nevertheless, a number of steering group members shared concerns with proportions of 1 bedroom social rented flats in certain areas and requested a more even tenure split between social rent and LCHO. The highest need in the social rented sector is undoubtedly for sustainable one bedroom accommodation, which reflects societal changes in household formation and the prevalence of increasingly smaller households. However, other options were explored in an effort to consider how to balance tenures to enable development of sustainable communities, whilst maintaining reference to the need identified in the LHMA.
- 6.6. In order to assist with delivering LCHO, conversations with RSLs revealed that use of a second charge model would help overcome barriers to delivering larger proportions of LCHO in certain areas as identified in the LHMA. In essence:
- A. The RSL wouldn't purchase the property upfront
  - B. Purchasers would be nominated to buy the property directly from the developer at a discounted rate (i.e. 70%)
  - C. Upon legal completion, a second charge would then be placed on the property in favour of the RSL (i.e. 30%), with the mortgagee holding the first charge subject to a mortgagee in possession exemption clause.
- 6.7. The private developers who submitted concerns to the Council were contacted to gauge whether a second charge LCHO model would be acceptable in principle. There was general acceptance that this alternative delivery model would have merits, with some developers in the group already utilising the model in other areas and having no reservations to using the model in Bridgend County Borough. However, later feedback from private developers also sought clarification on whether this model would place an additional sales and marketing burden on the developer in respect of the LCHO units.
- 6.8. For avoidance of doubt and purposes of clarification, this LCHO model is not proposed for outright application across every site in the County Borough

following adoption of the Replacement LDP. Rather, it is a model that can be used on certain sites to enable delivery of larger proportions of LCHO where identified by the LHMA. Moreover, where this model is used, the sales burden would not fall on the private developer in the same way as it would for open market dwellings. The RSL would maintain responsibility for marketing the units, assessing applicants and nominating purchasers well in advance of dwelling completion, the legal process for which would be specified within the respective s106 agreement. Certain steering group members offered to facilitate conversations with mortgage providers on this basis.

- 6.9. The key point to note (for the purposes of high-level testing) is that detailed discussions have been undertaken with both RSLs and private developers to ensure the affordable housing contribution proposed for viability testing is indicative of what can be delivered in practice. The dwelling type/tenure mix identified will broadly follow the need identified within the LHMA, whilst ensuring a deliverable and balanced mix of units to enable delivery of sustainable communities. Relatively even proportions of social rent and LCHO tenures will be tested in areas where a need is identified.
- 6.10. The transfer value (i.e. the price paid to the developer) was agreed at 42% Acceptable Cost Guidance for social rented dwellings and 70% of market value for LCHO dwellings. However, the price paid for LCHO dwellings within Porthcawl will be reduced to 60% of market value to enable delivery of a usefully affordable product. This was identified by the LHMA due to local house prices outstripping first time buyer incomes by a far greater margin in Porthcawl than other parts of the County Borough. **Consensus achieved.**

## 7. Density and Net Developable Area

- 7.1. The steering group requested application of a density level to the net site area (i.e. the land available for development) as opposed to the gross site area (i.e. the total land available) before commencing testing. The former does not only include land to accommodate dwellings. It also includes services and infrastructure directly associated with their use and enjoyment such as access roads, private garden space, car parking and incidental open space. Infrastructure and serving a wider area (such as schools, major distributor roads and landscaping buffers) are not included and considered as part of the gross site area.
- 7.2. Based on an analysis of recent local developments combined with secondary data, a density level of 35 dwellings per net developable hectare was proposed based on the following gross to net ratios:

- 100% ratio for sites up to 1 hectare

- 85% ratio for sites of 1 hectare to less than 2 hectares
- 80% ratio for sites of 2 hectares to less than 4 hectares
- 75% ratio for sites of 4 hectares +

7.3. Notwithstanding the fact that larger (strategic) sites will be considered separately based on specifics, steering group members were in broad support of this approach. A number of comments were also made relating to the impact of SuDS, although these are covered in a separate section. **Consensus achieved.**

## 8. Build Costs (Plot Costs)

8.1. The Council cautioned against relying too heavily on BCIS data as a benchmark for build costs. Ultimately, national/volume house builders do not generally contribute to the database and it doesn't capture the economies of scale they are best placed to achieve. Hence, the different quartiles are not representative of a fully balanced industry dataset. As sites start getting larger, BCIS becomes less relevant and the quartiles would look fundamentally different if comprehensive build cost information was inputted into the database.

8.2. As such, the Council initially proposed using a range of plot costs (gross internal floor area for the building cost, including contractor's overhead and profit and preliminaries) as follows:

- 10 units - £970 per square metre
- 50 units - £925 per square metre
- 100 units - £918 per square metre
- 150 units - £910 per square metre

8.3. These build costs are typically 5-11% below lower quartile BCIS build rates, are actually pitched higher than some plot costs submitted confidentially to the Council in support of candidate site submissions, and, moreover, align with build costs used on other recent high-level viability studies to support other LDP Examinations.

8.4. Several steering group members accepted that there would a reduction in build costs when moving from a smaller scheme to a scheme of 50 units plus. However, the same members did not accept that further economies of scale would be realised when increasing unit numbers from 50 to 150 dwellings. The Council accepts this point in terms of the broader principle of using one set of assumptions for testing sites below 50 units and another for testing sites of 50+ units.

8.5. However, steering group members were invited to submit evidence of build costs to justify departing from the rates proposed by the Council. Whilst no steering group member provided evidence of their own build costs, several house builders provided comments on a confidential basis. Put succinctly:

- e) One member suggested applying lower quartile BCIS rates verbatim, although this is not considered appropriate by the Council based on the prior justification.
- f) Another member referenced that build costs have recently risen, but did not suggest or evidence an alternative set of build costs to use for viability testing.
- g) Another member was broadly in agreement with the rates proposed by the Council, suggesting that build costs of circa £900 per square metre would be appropriate to use for testing, subject to an increase for affordable units and apartments.
- h) Another member suggested build costs should be pitched in the region of £900-£975 per square metre, weighted towards £975 depending upon the quantum of apartments in the overall unit mix.

8.6. Clearly, it has not been possible to achieve complete consensus with the steering group and several members share differences of opinion on the matter. This is perhaps unsurprising as base unit build costs do vary between different developers, depending, for example, on the allocation of plot externals such as drives, patios, and boundary fences.

8.7. However, in the absence of a broad consensus, the fact that no evidence has been submitted to the Council on this matter and that several members have supported the Council's originally proposed range, it is considered appropriate to test viability on the basis of:

- £970 per square metre (for sites less than 50 units) – the rate originally suggested for a 10 unit scheme
- £918 per square metre (for site of 50 units and more) – the mid-point of the original range suggested for schemes of 50-150 units

8.8. For avoidance of doubt, the high-level viability model utilises a single build rate for plan-wide testing purposes and is geared towards per square metre values. Therefore, as all units will be tested based on DQR house types, the additional floor areas will be factored into the plan-wide testing. Moreover, the model takes into account higher build costs for apartments by considering whether the gross internal area of the building(s), for build cost purposes, is the same as the gross internal sales area. Houses and walk up flats essentially share

the same gross internal area and gross internal sales area, yet communally accessed flats typically differ by 85-90%. **Partial consensus achieved.**

## 9. Build Costs (External Costs)

9..1. It is acknowledged that external build costs will vary by site size, which has been reflected in recent comparable plan-wide viability studies by utilising a range of percentages. The Council originally suggested utilising a range of percentage external costs as follows:

- 10 units – 14% of total build costs
- 50 units – 15% of total build costs
- 100 units – 15% of total build costs
- 150 units – 17% of total build costs

9..2. The steering group were initially in broad support of the percentage external costs suggested, with certain members stating 15% is used as a general assumption in most appraisals. However, a number of members requested clarification on the definition of external costs. In reality, external costs will be site-specific based on the circumstances of each site. However, for the purposes of this high-level appraisal, external costs encompass a range of infrastructure costs over and above plot costs, including roads, footpaths, landscaping, drainage and services within the site.

9..3. Later submissions by steering group members then diverged somewhat from this broad consensus reached at the meeting. Whilst no actual supporting evidence was provided, some members suggested testing based on 18-20% external costs, others suggested 17-20%, others suggested 20% (for all sized sites) and one member suggested adding £280 per square metre per plot. As with plot costs, it has not been possible to achieve complete consensus with the steering group and it is acknowledged that costs so vary between developers, resulting in differences of opinion.

9..4. However, simultaneously, several steering group members did suggest utilising a figure of £15,000 per dwelling as a 'cross check comparison' for external costs, which is in broad alignment with both values used in other high-level viability studies and confidential information submitted to the Council by some candidate site promoters. As such, in the interests of achieving something like a broad consensus, the Council accepts this suggestion as the basis for testing external costs in the appraisal and utilise a figure of £15,000 per dwelling. This is considered a valid 'middle ground' basis for testing following individual feedback submitted to the Council. **Predominant consensus achieved.**



## 10. Additional Building Costs

### Sprinklers and ULEV Charging Points

- 10..1. The Council proposed a figure of £3,500 per dwelling to take into account additional building costs associated with installing sprinklers and ULEV charging points; a total that has been used in many other high-level viability studies across Wales, also informed by confidential viability data submitted to the Council and estimates from the Energy Saving Trust.
- 10..2. Most steering group members did not cite an issue with this figure for the purposes of high-level testing. However, one member suggested increasing the figure by £500 to allow for additional supporting infrastructure on site and another stated that costs for ULEV charging points could be higher, although did not suggest an alternative figure to use for viability testing. However, no supporting evidence was provided to justify these latter two comments. It should also be noted that several candidate site promoters submitted cost allowances totalling less than £3,500 for both of these elements, which suggests sufficient headroom is already included in this total. Therefore £3,500 is considered a robust and rational figure for high-level testing. **Predominant consensus achieved.**

### Part L Proposals

- 10..3. Several members of the steering group stressed the importance of taking the proposed changes to Part L of Building Regulations into account, based on an expectation that they will come into force in Wales in early 2021. A number of members stated that new sites coming forward will soon need to comply with the new Part L regulations, and, therefore, additional costs will be incurred per dwelling. In order to consider these additional costs, several members suggested increasing the 'additional build costs' figure (mentioned previously) from £3,500 to £10,000 per dwelling, all-inclusive. Alternatively, other members of the steering group suggested incorporating sensitivity tests (based on the cost estimates within the consultation document) to consider the proposed changes.
- 10..4. Whilst these are currently draft proposals, the Council recognises the importance of considering potential future changes to building regulations to ensure the plan-wide testing remains relevant, up-to-date and robust. However, testing all sites based on a fixed £10,000 per dwelling cost uplift is not considered appropriate without these regulations being in place. As such, viability testing will be conducted in two parts. Part one will test viability scenarios without any additional costs factored in for the proposed Part L

changes. Part two will test viability scenarios considering appropriate costs set out within the Part L consultation document (combined with more recent evidence submitted as part of site-specific viability appraisals). This will serve to scope out the implications of any additional costs through revisions to Part L and is considered to be a rational approach to incorporate the concerns highlighted by the steering group, whilst future-proofing the assessment. **Consensus achieved.**

## 11. Abnormal Costs

- 11..1. There was a general discussion and consensus across the steering group that abnormal infrastructure and enabling costs are difficult to estimate and should be reflected in the land value. Certain steering group members later submitted comments acknowledging that specific site abnormal costs cannot be properly estimated at the stage, yet would need to be factored into scheme cost appraisals for specific sites to determine the implications on policy requirements and land values. These points are duly noted by the Council.
- 11..2. Whilst equally acknowledging the difficulties in accurately estimating such costs, one steering group member suggested inclusion of 20-25% additional costs on top of the standard build costs to allow for potential abnormal costs. However, it is felt that abnormal costs vary considerably by their very nature and any attempt to estimate a representative 'abnormal cost value' would always be highly speculative within a study of this type. As such, high-level testing will be conducted without attempting to factor in a general allowance for abnormal costs, assuming that such costs will be reflected in the land value or otherwise necessitate a site-specific appraisal if those costs are indeed prohibitive to development based on site-specific circumstances. **Predominant consensus achieved.**

## 12. SuDS

- 12..1. In response to an initial request from the steering group, Council Planning Officers held discussions with Land Drainage Officers to gauge the potential cost impact of SuDS. These discussions revealed that arriving at an 'average cost' is very difficult as costs vary tremendously depending on the solution and can also be neutral. The Council therefore proposed to adopt the same stance as used by District Valuer Services for the purposes of other, recent high-level appraisals:

"The cost of SuDS is difficult to quantify, data from Welsh Government indicates that this should be cost neutral. We have therefore made no extra allowance for these within our overall costs. However, there may be a need for some additional land to accommodate various systems

and to reflect this we have added 5% to all the expected site areas within our appraisals”.

- 12..2. However, this approach was not universally accepted by the steering group. Several members felt that potential commuted sum payments (that may be due to the adopting SAB authority) should also be incorporated into high-level testing and an allowance of £3,000 per plot was suggested for this purpose. One member also provided additional information confidentially. These costings were analysed by Council Drainage Engineers, who again cited difficulties with arriving at ‘average costs’ due to the fact that sites and solutions will inevitably vary depending on the context. Tests were nevertheless run based on different notional solutions and maintenance regimes. Put succinctly, predominantly ‘green based’ solutions could generate a commuted sum of less than £3,000 per plot, whereas large quantities of (for example) permeable paving could result in higher sums depending on the maintenance requirements. In summary therefore, £3,000 per plot was deemed a suitable mid-level average to use for high-level testing and the Council is therefore in agreement with the steering group on this basis.
- 12..3. Furthermore, a number of members requested an additional allowance of between 5% - 10% in site area to accommodate SuDS. The Council is amendable to this point and will use 10% in testing. **Consensus achieved.**
- 12..4. (NB. Additional comments were provided by some members in relation to the Council’s Recreation and Open Space SPG Consultation, which will be duly considered in SPG preparation).

### 13. Profit Levels

- 13..1. The Council shared concerns with applying 20% profit across all sites and highlighted the importance of considering different margins for different sized sites. This is referenced in the Development Plans Manual, which states the normal range of profit is between 15-20% and “larger sites can carry more risk where they take a long time to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not”. The original proposal was therefore to use the following profit margins in recognition of this point:
- 17.5% on 10 units
  - 19% on 50 units
  - 20% on 100 and 150 units
- 13..2. A number of steering group members did not support this approach, referencing the broader established principle of using one set of assumptions to test sites below 50 units and another to test sites of 50+ units. Therefore, several steering

group members instead suggested testing based on 18.5% profit for sites up to 50 units and 20% for sites of 50+ units, albeit with no supporting evidence to substantiate these suggestions.

13..3. Nevertheless, the Council accepts that 20% is a reasonable margin to test sites of 50+ units and is amendable to the steering group's suggestion. However, the Council maintains that 17.5% is an acceptable profit margin for sites below 50 units. Ultimately, the only way some small sites can come forward is if the profit margin is less and many small builders will finance projects from retained funds and will use an opportunity cost rate to determine the level of profit. As such, 17.5% is considered a reasonable assumption by the Council on this basis and no evidence or justification has been provided to increase this margin to 18.5% for sites of under 50 units. **Partial consensus achieved.**

13..4. Moreover, in terms of affordable units, a number of steering group members stated a 6% margin should be based on the total build costs of the affordable units and not on revenues. The high-level model calculates profit on affordable units on this basis and therefore the Council agrees with this point. **Consensus achieved.**

#### **14. Interest and Contingency**

14..1. The steering group unanimously agreed that the following values were acceptable for high-level testing:

- 6% interest per annum (debit) and 0.5% per annum (credit)
- 5% contingency on the total build cost

**Consensus achieved.**

#### **15. S106 Costs**

15..1. Historical s106 payments (excluding affordable housing) have been £2,700 per dwelling on average over the life of the existing LDP. Application of an inflationary uplift by the Council produced a revised requirement of £7,000 per dwelling. This is not a straightforward exercise as school capacities vary by area and time, transport mitigation varies by area and there can be site-specific mitigation issues. However, £7,000 is more than 2.5 times higher than the recent historical average.

15..2. A number of steering group members felt that this figure was too low and instead suggested testing based on £10,000 per dwelling. In the interests of allowing additional headroom for s106 contributions, the Council is amenable to this figure. **Consensus achieved.**

## 16. Legal Fees

16..1. A figure of £600 per dwelling was unanimously agreed by the steering group as a basis for high-level testing. **Consensus achieved.**

## 17. Professional Fees

17..1. In order to reflect economies of scale, professional fees of 8% for a 10 unit scheme, 7% for a 50 unit scheme and 6% for a 100-150 unit scheme were originally proposed by the Council. The steering group unanimously agreed with this approach. However, based on the steering group's requested principle of using one set of assumptions to test sites below 50 units and another to test sites of 50+ units, 8% professional fees will be used to test schemes below 50 units and 6% professional fees will be used to test schemes of 50+ units. **Consensus achieved.**

## 18. Land Cost Fees

18..1. The steering group agreed that 1.5% for land cost fees was an acceptable value in addition to the appropriate Land Transaction Tax. However, a small number of members later submitted individual statements requesting an increase to land cost fees from 1.5% to 2%. These requests were not accompanied with any justification or evidence to substantiate increasing the fee originally agreed with the steering group. Based on the majority consensus, 1.5% will therefore be maintained for testing. **Predominant consensus achieved.**

## 19. Sales and Marketing Fees

19..1. The steering group agreed that 2.5% was an appropriate figure to use for sales and marketing costs (0% affordable housing – see also section 6) and all but one member agreed with this figure in individual representations. Therefore 2.5% will be maintained for testing sites of up to and including 150 dwellings. **Predominant consensus achieved.**

## 20. Land Value Benchmarks

20..1. In order to arrive at land value benchmarks, the Council initially sought advice from the District Valuer. The District Valuer advised that sufficient comparable data was not available across all seven housing market areas, and, moreover, a crude average of 'comparables' would not produce a robust or appropriate benchmark for use in a high-level study. This is because some past sales will have been for non-policy compliant schemes, some will have been based on historic agreements and some will have been based on a complex range of unknown variables. Past land value sales will also include parcels of land that

have been purchased based on needing to modify policy requirements afterwards.

20..2. The advice from the District Valuer accords with the Development Plans Manual, which states that prices paid for comparable land should be “adjusted where necessary to take account of any difference between past and proposed planning policy and / or infrastructure requirements”. The Manual also states,

“High level testing is generally based on a methodology that produces a residual land value (after allowing for a percentage profit margin for the developer) which is then compared with the benchmark land value (or values) for a geographical area. Site-specific appraisals commonly include an assumed benchmark value, the test then being whether the residual profit will provide an appropriate return for a developer in the context of prevailing market conditions. For the development plan high level testing is required to give certainty that the plan and policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements”.

20..3. In a number of other examinations, the District Valuer has dealt with this issue by setting a benchmark land value of £300,000 based on 17 x multiplier on agricultural land (£18,000). Whilst this approach could be replicated in Bridgend County Borough, the Council initially suggested a range of land multipliers, adjusted to reflect contrasting market areas:

- Porthcawl: £600,000 per net developable hectare
- Bridgend / Pencoed: £500,000 per net developable hectare
- Pyle / Valleys Gateway: £400,000 per net developable hectare
- Valleys: £200,000 per net developable hectare

20..4. Essentially, the high-level study will seek to identify what a developer can afford to pay for land in different areas, assuming a planning compliant scheme and whether that amount is sufficient to incentivise the landowner to dispose of the site. The DVS approaches this exercise by agreeing land value benchmarks and then using a residual land value approach in comparison to those benchmarks. If the residual value has no relevance to the respective benchmark, an assessment is required as to whether the site will provide enough profit and whether it can fund the planning contributions necessary to render it acceptable in planning terms.

20..5. The approach of utilising different land value benchmarks in different areas was welcomed by the steering group, although a number of members felt that the proposed benchmarks were low.

20..6. Several individual respondents later cited a limited number of examples of land transactions that were higher than these benchmarks (including land sales outside of the County Borough). Equally, several steering group members recommended drawing on evidence from the Council's Property Department to arrive at 'averages' based on recent land sales. However, both suggested approaches are not considered appropriate based on the aforementioned justification and issues discussed.

20..7. Suggestions were however put forward from other steering group members based on experience as to what would be acceptable as a minimum value in different local areas. In particular, Savills provided a response based on available evidence to suggest that the Benchmark Land Value assumptions originally suggested were too low in all of the locations referenced. A Savills representative, stated,

20..7.1. In principle, and having regard to evidence available to me, I am of the view that the BLV assumptions in all of the locations referenced above are too low, this based principally on information from minimum price clauses within option agreements where appropriate and transactional evidence by a number of housing associations in lower value locations such as the Valley areas where agreed prices have universally been in excess of your £200,000 per net developable hectare assumption.

20..7.2. I have shared my approach with HBF, all of the PLC housebuilders who form part of the steering group as well as with the agent representation. No adverse comments were received from them and my approach endorsed as a reasonable approach for high level planning viability purposes by Llanmoor, Taylor Wimpey, Persimmon and Herbert R Thomas.

20..7.3. Based on the above, it is my opinion, as shared by others referred to above that the Benchmark Land Values, based upon current market conditions should be as follows:-

- **Porthcawl** - £750,000 per net developable hectare
- **Bridgend/Pencoed** - £620,000 per net developable hectare
- **Pyle/Valleys Gateway** – £500,000 per net developable hectare
- **Valleys** - £250,000 per net developable hectare

20..8. The Council is in agreement with this approach and will use these suggested Benchmark Land Values for high-level testing. **Consensus achieved.**

## **21. Inflation**

21...1. A number of steering group members stressed that these discussions have taken place at a point in time based on current known costs and allowances. House prices and costs will inevitably change in the future and therefore later reviews may well be necessary at appropriate stages to ensure the study remains valid. Equally, site-specific viability testing will, by its very nature, need to reflect site-specific nuances and values as applicable at the time. The Council agrees with these points and they have been recorded here for completeness.

**Consensus achieved.**



## Appendix 3: Land Values Statement (redacted)

15 July 2020



### Without Prejudice

#### Bridgend Council – Viability Steering Group Benchmark Land Values

Further to the virtual viability workshop held on 5<sup>th</sup> June 2020 I wanted to set out my opinion in response to your assumptions on Benchmark Land Value (BLV) as set out within your presentation and reproduced below:-

- ↑ • Porthcawl: £600,000 per net developable hectare
- **Bridgend / Pencoed: £500,000 per net developable hectare**
- ↓ • Pyle / Valleys Gateway: £400,000 per net developable hectare
- Valleys: £200,000 per net developable hectare

In principle, and having regard to evidence available to me, I am of the view that the BLV assumptions in all of the locations referenced above are too low, this based principally on information from minimum price clauses within option agreements where appropriate and transactional evidence by a number of housing associations in lower value locations such as the Valley areas where agreed prices have universally been in excess of your £200,000 per net developable hectare assumption.

I have shared my approach with HBF, all of the PLC housebuilders who form part of the steering group as well as with the agent representation. No adverse comments were received from them and my approach endorsed as a reasonable approach for high level planning viability purposes by Llanmoor, Taylor Wimpey, Persimmon and Herbert R Thomas.

Based on the above, it is my opinion, as shared by others referred to above that the Benchmark Land Values, based upon current market conditions should be as follows:-

- **Porthcawl** - £750k per net developable hectare
- **Bridgend/Pencoed** - £620,000 per net developable hectare
- **Pyle/Valleys Gateway** – £500,000 per net developable hectare
- **Valleys** - £250,000 per net developable hectare

I trust this information is of assistance in making progress with your LDP review.

Yours sincerely

## Appendix 4 – Example Screenshots of Notional Site Appraisals

### Porthcawl 10 Dwelling Scenario (excluding proposed changes to Part L, Building Regulations)

Main Inputs & Key Variables				Collect / Update GIA's and ACG's			
Unit Nos.			GIA's in m <sup>2</sup>		Overall	Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
2	1b2p	flat	46.0	54.1	20.0%	£ 970	
2	2b3p	flat	59.0	69.4	20.0%	£ 970	
2	3b5p	house	94.0	94.0	20.0%	£ 970	£249,000
2	4b6p	house	110.0	110.0	20.0%	£ 970	£291,000
2	4b7p	house	114.0	114.0	20.0%	£ 970	£302,000
6	4	ACG Band 4			100.0%		
<b>Percentage of Affordable Homes</b>			40.0%	<b>OMV per m<sup>2</sup></b>		£ 2,645	£246 psf
<b>Sales GIA's</b>		OM 636.0 m <sup>2</sup>	AH 210.0 m <sup>2</sup>				
<b>Net to gross ratio for flats</b>			85.0%	<b>Total Build (m<sup>2</sup>)</b>		883.1	
<b>Allowance for External Site Costs</b>			of Build Costs, or £/unit				£ 15,000
<b>Site/Sales Agency &amp; Marketing Costs</b>			2.50% of OM Sales				
<b>Legals on all Units</b>			£600 per dwelling				
<b>AH transfer values - Social Rent</b>			42.0% of ACG	<b>Intermediate</b>		60.0%	
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>			£6,500				
<b>Contingency on all construction &amp; physical infrastructure costs</b>			5.00%				
<b>s.106 Obligations</b>			£10,000 per dwelling - or CIL		psm (excl AH)		
<b>Abnormal Site Costs (if any)</b>							per acre
<b>Opening-up Costs (if any)</b>							per acre
<b>Net Developable Site Area</b>			<b>Land Price</b>		£217,500		
0.72 acres		0.29 hectares	£303,521 per acre		£750,000 per hectare		
Housing Density		34.5 units/hectare	and		3,045 sq.m/hectare		

Development Programme		11 months in total	
Pre-Construction period	3 months	Estate/Mixed	
Construction period	8 months	starting in Month 4	
Sales rate (OM homes)	36 per year	Overhang months	
Sales period (OM & AH)	2 months	starting in Month 10	

**Create / Update Sensitivity Tables**

High-Level Appraisal			
Gross Development Value	Units (N <sup>2</sup> )	% GDV	
Open Market Homes	6	£ 1,682,220	
Soc. Rented Homes	50.0% 2	£ 115,668	
Intermediate Homes	50.0% 2	£ 165,240	
<b>Total Revenue</b>	<b>10</b>	<b>£ 1,963,128</b>	<b>100.0%</b>
Land Cost incl LTT & fees @	1.50%	£ 221,438	11.3%
Pre-Construction Costs (if applicable)			
Physical Infrastructure			
Normal External Costs	£/unit £ 15,000	£ 157,500	8.0%
Abnormal Site Costs	£/unit £ -	£ -	
Opening-up Costs	£/unit £ -	£ -	
Professional Fees	8.00%	£ 12,600	0.6%
Planning Obligations / CIL	£/unit £ 10,000	£ 100,000	5.1%
Housing Construction			
Building Costs	£/unit £ 96,765	£ 967,645	49.3%
Professional Fees	8.00%	£ 77,412	3.9%
Sale & Marketing Costs			
Finance Costs	Debit Credit		
Interest rates (p.a.)	6.00% 0.50%	£ 28,120	1.4%
<b>Total Development Costs</b>		<b>£ 1,612,770</b>	
Blended Margin on Total GDV 17.8% <b>Profit</b> £ 350,358			
Overall Profit on Cost 21.72% (see benchmark below)			
Target/Benchmark Profit £ 327,437			
based on open market sales @ 17.50% £ 294,389			
and on affordable housing cost @ 6.00% £ 33,048			
<b>Surplus/(Shortfall) on Target Profit</b> £ 22,921 7.00%			
<b>Total Equity &amp; Borrowing (Capital Employed)</b>		<b>£ 1,159,054</b>	<b>71.87%</b>

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	50.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)

## Porthcawl 50 Dwelling Scenario (excluding proposed changes to Part L, Building Regulations)

Main Inputs & Key Variables						Collect / Update GIA's and ACG's		
Unit Nos.				GIA's in m <sup>2</sup>		Overall	Build	Approx.
OM	AH	Dwelling Type		Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
	10	1b2p	flat	51.0	51.0	20.0%	£ 918	
5	4	2b4p	house	83.0	83.0	18.0%	£ 918	£220,000
3	3	3b4p	house	88.0	88.0	12.0%	£ 918	£233,000
12		3b5p	house	94.0	94.0	24.0%	£ 918	£249,000
5	1	4b6p	house	110.0	110.0	12.0%	£ 918	£291,000
7		4b7p	house	114.0	114.0	14.0%	£ 918	£302,000
<u>32</u>		<u>18</u>	ACG Band <u>4</u>			<u>100.0%</u>		
<b>Percentage of Affordable Homes</b>				<b>36.0%</b>	<b>OMV per m<sup>2</sup></b>		<b>£ 2,645</b>	<b>£246 psf</b>
<b>Sales GIA's</b>		<b>OM</b>	<b>3,155.0 m<sup>2</sup></b>	<b>AH</b>	<b>1,216.0 m<sup>2</sup></b>			
<b>Net to gross ratio for flats</b>				<b>100.0%</b>	<b>Total Build (m<sup>2</sup>)</b>		<b>4,371.0</b>	
<b>Allowance for External Site Costs</b>				of Build Costs, or £/unit <b>£15,000</b>				
<b>Site/Sales Agency &amp; Marketing Costs</b>				2.50% of OM Sales				
<b>Legals on all Units</b>				£600 per dwelling				
<b>AH transfer values - Social Rent</b>				42.0% of ACG		<b>Intermediate</b>	60.0%	
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>				£6,500				
<b>Contingency on all construction &amp; physical infrastructure costs</b>				5.00%				
<b>s.106 Obligations</b>				£10,000 per dwelling - or CIL		psm (excl AH)		
<b>Abnormal Site Costs (if any)</b>				per acre				
<b>Opening-up Costs (if any)</b>				per acre				
<b>Net Developable Site Area</b>				<b>Land Price</b> <b>£1,072,500</b>				
3.53 acres		1.43 hectares		£303,521 per acre		£750,000 per hectare		
Housing Density		35.0 units/hectare		and		3,057 sq.m/hectare		

Development Programme		20 months in total	
Pre-Construction period	3 months	Estate/Mixed	
Construction period	15 months	starting in Month 4	
Sales rate (OM homes)	36 per year	Overhang	2 months
Sales period (OM & AH)	11 months	starting in Month	10

Create / Update Sensitivity Tables

High-Level Appraisal				
Gross Development Value		Units (N <sup>2</sup> )	% GDV	
Open Market Homes		32	£ 8,344,975	
Soc. Rented Homes		60.0% 11	£ 663,088	
Intermediate Homes		40.0% 7	£ 631,512	
<b>Total Revenue</b>		<b>50</b>	<b>£ 9,639,575</b>	<b>100.0%</b>
Land Cost incl LTT & fees @ 1.50%			£ 1,131,438	11.7%
Pre-Construction Costs (if applicable)				
Physical Infrastructure				
Normal External Costs	£/unit £ 15,000		£ 787,500	8.2%
Abnormal Site Costs	£/unit £ -		£ -	
Opening-up Costs	£/unit £ -		£ -	
Professional Fees		6.00%	£ 47,250	0.5%
Planning Obligations / CIL	£/unit £ 10,000		£ 500,000	5.2%
Housing Construction				
Building Costs	£/unit £ 91,089		£ 4,554,457	47.2%
Professional Fees		6.00%	£ 273,267	2.8%
Sale & Marketing Costs			£ 238,624	2.5%
Finance Costs		Debit	Credit	
Interest rates (p.a.)		6.00%	0.50%	
			£ 149,482	1.6%
<b>Total Development Costs</b>			<b>£ 7,682,019</b>	
Blended Margin on Total GDV		20.3%	<b>Profit</b> <b>£ 1,957,556</b>	
Overall Profit on Cost		25.48%	(see benchmark below)	
<b>Target/Benchmark Profit</b>			<b>£ 1,826,873</b>	
based on open market sales @ 20.00%			£ 1,668,995	
and on affordable housing cost @ 6.00%			£ 157,878	
<b>Surplus/(Shortfall) on Target Profit</b>			<b>£ 130,683</b>	<b>7.15%</b>
<b>Total Equity &amp; Borrowing (Capital Employed)</b>			<b>£ 3,488,341</b>	<b>45.41%</b>

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	60.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)

## Porthcawl 100 Dwelling Scenario (excluding proposed changes to Part L, Building Regulations)

Main Inputs & Key Variables				Collect / Update GIA's and ACG's				
Unit Nos.				Build		Approx.		
OM	AH	Dwelling Type	GIA's in m <sup>2</sup>	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
	20	1b2p flat	51.0	51.0	20.0%	£ 918		
11	8	2b4p house	83.0	83.0	19.0%	£ 918	£220,000	
7	6	3b4p house	88.0	88.0	13.0%	£ 918	£233,000	
24		3b5p house	94.0	94.0	24.0%	£ 918	£249,000	
10	1	4b6p house	110.0	110.0	11.0%	£ 918	£291,000	
13		4b7p house	114.0	114.0	13.0%	£ 918	£302,000	
65 35			ACG Band 4		100.0%			
Percentage of Affordable Homes			35.0%	OMV per m <sup>2</sup>		£ 2,645	£246 psf	
Sales GIA's		OM 6,367.0 m <sup>2</sup>	AH 2,322.0 m <sup>2</sup>					
Net to gross ratio for flats			100.0%	Total Build (m <sup>2</sup> )		8,689.0		
Allowance for External Site Costs			of Build Costs, or £/unit		£15,000			
Site/Sales Agency & Marketing Costs			2.50% of OM Sales					
Legals on all Units			£600 per dwelling					
AH transfer values - Social Rent			42.0% of ACG	Intermediate	60.0%			
Extra cost/unit (if any) for additional Building Regs requirements			£6,500					
Contingency on all construction & physical infrastructure costs			5.00%					
s.106 Obligations			£10,000 per dwelling - or CIL		psm (excl AH)			
Abnormal Site Costs (if any)					per acre			
Opening-up Costs (if any)					per acre			
Net Developable Site Area			Land Price		£2,145,000			
7.07 acres		2.86 hectares	£303,521 per acre		£750,000 per hectare			
Housing Density		35.0 units/hectare	and		3,038 sq.m/hectare			

Development Programme		31 months in total	
Pre-Construction period	3 months	Estate/Mixed	
Construction period	25 months	starting in Month 4	
Sales rate (OM homes)	36 per year	Overhang 3 months	
Sales period (OM & AH)	22 months	starting in Month 10	

Create / Update Sensitivity Tables

High-Level Appraisal			
Gross Development Value	Units (N <sup>o</sup> )	% GDV	
Open Market Homes	65	£ 16,840,715	
Soc. Rented Homes	60.0%	21	£ 1,268,190
Intermediate Homes	40.0%	14	£ 1,207,800
<b>Total Revenue</b>	<b>100</b>	<b>£ 19,316,705</b> 100.0%	
Land Cost incl LTT & fees @	1.50%	£ 2,284,375 11.8%	
Pre-Construction Costs (if applicable)			
Physical Infrastructure			
Normal External Costs	£/unit	£ 15,000	£ 1,575,000 8.2%
Abnormal Site Costs	£/unit	£ -	£ -
Opening-up Costs	£/unit	£ -	£ -
Professional Fees		6.00%	£ 94,500 0.5%
Planning Obligations / CIL	£/unit	£ 10,000	£ 1,000,000 5.2%
Housing Construction			
Building Costs	£/unit	£ 90,578	£ 9,057,827 46.9%
Professional Fees		6.00%	£ 543,470 2.8%
Sale & Marketing Costs			£ 481,018 2.5%
Finance Costs			
Interest rates (p.a.)	Debit	Credit	
	6.00%	0.50%	£ 315,465 1.6%
<b>Total Development Costs</b>		<b>£ 15,351,655</b>	
Blended Margin on Total GDV	20.5%	Profit £ 3,965,050	
Overall Profit on Cost	25.83%	(see benchmark below)	
Target/Benchmark Profit			
		£ 3,670,093	
based on open market sales @	20.00%	£ 3,368,143	
and on affordable housing cost @	6.00%	£ 301,950	
<b>Surplus/(Shortfall) on Target Profit</b>		<b>£ 294,957 8.04%</b>	
<b>Total Equity &amp; Borrowing (Capital Employed)</b>		<b>£ 5,141,977 33.49%</b>	

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	60.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)



## Porthcawl 150 Dwelling Scenario (excluding proposed changes to Part L, Building Regulations)

Main Inputs & Key Variables						Collect / Update GIA's and ACG's	
Unit Nos.			GIA's in m <sup>2</sup>		Overall	Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
	32	1b2p flat	51.0	51.0	21.3%	£ 918	
18	11	2b4p house	83.0	83.0	19.3%	£ 918	£220,000
9	8	3b4p house	88.0	88.0	11.3%	£ 918	£233,000
35		3b5p house	94.0	94.0	23.3%	£ 918	£249,000
15	2	4b6p house	110.0	110.0	11.3%	£ 918	£291,000
20		4b7p house	114.0	114.0	13.3%	£ 918	£302,000
<hr/>			<hr/>		<hr/>		<hr/>
97	53	ACG Band 4			100.0%		
<hr/>			<hr/>		<hr/>		<hr/>
<b>Percentage of Affordable Homes</b>			35.3%	<b>OMV per m<sup>2</sup></b>		£ 2,645	£246 psf
<b>Sales GIA's</b>			OM 9,506.0 m <sup>2</sup>	<b>AH</b>		3,469.0 m <sup>2</sup>	
<b>Net to gross ratio for flats</b>			100.0%	<b>Total Build (m<sup>2</sup>)</b>		12,975.0	
<b>Allowance for External Site Costs</b>					of Build Costs, or £/unit	£ 15,000	
<b>Site/Sales Agency &amp; Marketing Costs</b>					2.50%	of OM Sales	
<b>Legals on all Units</b>					£600	per dwelling	
<b>AH transfer values - Social Rent</b>			42.0%	<b>of ACG</b>		<b>Intermediate</b>	60.0%
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>					£6,500		
<b>Contingency on all construction &amp; physical infrastructure costs</b>					5.00%		
<b>s.106 Obligations</b>			£10,000	per dwelling - or CIL		psm (excl AH)	
<b>Abnormal Site Costs (if any)</b>						per acre	
<b>Opening-up Costs (if any)</b>						per acre	
<b>Net Developable Site Area</b>			<b>Land Price</b>		£3,217,500		
10.60 acres			4.29 hectares	£303,521 per acre		£750,000 per hectare	
<b>Housing Density</b>			35.0 units/hectare	and		3,024 sq.m/hectare	

Development Programme		41 months in total
Pre-Construction period	3 months	Estate/Mixed
Construction period	35 months	starting in Month 4
Sales rate (OM homes)	36 per year	Overhang 3 months
Sales period (OM & AH)	32 months	starting in Month 10

**Create / Update Sensitivity Tables**

High-Level Appraisal				
Gross Development Value	Units (N <sup>2</sup> )			% GDV
Open Market Homes	97	£ 25,143,370		
Soc. Rented Homes	60.0%	32	£ 1,897,182	
Intermediate Homes	40.0%	21	£ 1,806,840	
<b>Total Revenue</b>	<b>150</b>	<b>£ 28,847,392</b>		<b>100.0%</b>
Land Cost incl LTT & fees @ 1.50%		£ 3,437,313		11.9%
Pre-Construction Costs (if applicable)				
Physical Infrastructure				
Normal External Costs	£/unit	£ 15,000	£ 2,362,500	8.2%
Abnormal Site Costs	£/unit	£ -	£ -	
Opening-up Costs	£/unit	£ -	£ -	
Professional Fees		6.00%	£ 141,750	0.5%
Planning Obligations / CIL	£/unit	£ 10,000	£ 1,500,000	5.2%
Housing Construction				
Building Costs	£/unit	£ 90,202	£ 13,530,353	46.9%
Professional Fees		6.00%	£ 811,821	2.8%
Sale & Marketing Costs			£ 718,584	2.5%
Finance Costs				
Interest rates (p.a.)	Debit	Credit		
	6.00%	0.50%	£ 488,307	1.7%
<b>Total Development Costs</b>			<b>£ 22,990,627</b>	
Blended Margin on Total GDV	20.3%	<b>Profit</b>	<b>£ 5,856,765</b>	
Overall Profit on Cost	25.47%		(see benchmark below)	
		<b>Target/Benchmark Profit</b>	<b>£ 5,480,384</b>	
		based on open market sales @ 20.00%	£ 5,028,674	
		and on affordable housing cost @ 6.00%	£ 451,710	
		<b>Surplus/(Shortfall) on Target Profit</b>	<b>£ 376,381</b>	6.87%
<b>Total Equity &amp; Borrowing (Capital Employed)</b>			<b>£ 6,534,042</b>	28.42%

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	60.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)

## Porthcawl 10 Dwelling Scenario (including proposed changes to Part L, Building Regulations)

Main Inputs & Key Variables						Collect / Update GIA's and ACG's	
Unit Nos.			GIA's in m <sup>2</sup>		Overall	Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
	2	1b2p flat	46.0	54.1	20.0%	€ 970	
1	1	2b3p flat	59.0	69.4	20.0%	€ 970	€156,000
2		3b5p house	94.0	94.0	20.0%	€ 970	€249,000
2		4b6p house	110.0	110.0	20.0%	€ 970	€291,000
2		4b7p house	114.0	114.0	20.0%	€ 970	€302,000
<u>7</u>	<u>3</u>	ACG Band <u>4</u>			<u>100.0%</u>		
<b>Percentage of Affordable Homes</b>			30.0%	<b>OMV per m<sup>2</sup></b>		€ 2,645	€246 psf
<b>Sales GIA's</b>		OM	695.0 m <sup>2</sup>	AH	151.0 m <sup>2</sup>		
<b>Net to gross ratio for flats</b>			85.0%	<b>Total Build (m<sup>2</sup>)</b>		883.1	
<b>Allowance for External Site Costs</b>			of Build Costs, or €/unit		€15,000		
<b>Site/Sales Agency &amp; Marketing Costs</b>			2.50%		of OM Sales		
<b>Legals on all Units</b>			€600 per dwelling				
<b>AH transfer values - Social Rent</b>			42.0%	of ACG	Intermediate	60.0%	
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>			€9,500				
<b>Contingency on all construction &amp; physical infrastructure costs</b>			5.00%				
<b>s.106 Obligations</b>			€10,000	per dwelling - or CIL		psm (excl AH)	
<b>Abnormal Site Costs (if any)</b>			per acre				
<b>Opening-up Costs (if any)</b>			per acre				
<b>Net Developable Site Area</b>			<b>Land Price</b>		€217,500		
0.72 acres		0.29 hectares	€303,521 per acre		€750,000 per hectare		
Housing Density		34.5 units/hectare	and		3,045 sq.m/hectare		

Development Programme		11 months in total	
Pre-Construction period	3 months	Estate/Mixed	
Construction period	8 months	starting in Month 4	
Sales rate (OM homes)	36 per year	Overhang months	
Sales period (OM & AH)	2 months	starting in Month 10	

**Create /  
Update  
Sensitivity  
Tables**

High-Level Appraisal			
Gross Development Value	Units (N <sup>o</sup> )	% GDV	
Open Market Homes	7	€ 1,838,275	
Soc. Rented Homes	60.0%	2	€ 100,271
Intermediate Homes	40.0%	1	€ 95,496
<b>Total Revenue</b>	<b>10</b>	<b>€ 2,034,042</b>	<b>100.0%</b>
Land Cost incl LTT & fees @	1.50%	€ 221,438	10.9%
Pre-Construction Costs (if applicable)			
Physical Infrastructure			
Normal External Costs	€/unit	€ 15,000	€ 157,500 7.7%
Abnormal Site Costs	€/unit	€ -	€ -
Opening-up Costs	€/unit	€ -	€ -
Professional Fees		8.00%	€ 12,600 0.6%
Planning Obligations / CIL	€/unit	€ 10,000	€ 100,000 4.9%
Housing Construction			
Building Costs	€/unit	€ 99,915	€ 999,145 49.1%
Professional Fees		8.00%	€ 79,932 3.9%
Sale & Marketing Costs			
Finance Costs		Debit	Credit
Interest rates (p.a.)		6.00%	0.50%
		€ 28,540	1.4%
<b>Total Development Costs</b>		<b>€ 1,651,112</b>	
Blended Margin on Total GDV		18.8%	<b>Profit</b> € 382,930
Overall Profit on Cost		23.19%	(see benchmark below)
<b>Target/Benchmark Profit</b>		€ 345,572	
based on open market sales @		17.50%	€ 321,698
and on affordable housing cost @		6.00%	€ 23,874
<b>Surplus/(Shortfall) on Target Profit</b>		€ 37,358 10.81%	
<b>Total Equity &amp; Borrowing (Capital Employed)</b>		<b>€ 1,185,019 71.77%</b>	

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	60.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)

## Porthcawl 50 Dwelling Scenario (including proposed changes to Part L, Building Regulations)

Main Inputs & Key Variables					Collect / Update GIA's and ACG's		
Unit Nos.		GIA's in m <sup>2</sup>		Overall	Build	Approx.	
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
	8	1b2p flat	51.0	51.0	16.0%	£ 918	
6	3	2b4p house	83.0	83.0	18.0%	£ 918	£220,000
3	3	3b4p house	88.0	88.0	12.0%	£ 918	£233,000
13		3b5p house	94.0	94.0	26.0%	£ 918	£249,000
6	1	4b6p house	110.0	110.0	14.0%	£ 918	£291,000
7		4b7p house	114.0	114.0	14.0%	£ 918	£302,000
35	15						
		ACG Band	4		100.0%		
<b>Percentage of Affordable Homes</b>			30.0%	<b>OMV per m<sup>2</sup></b>		£ 2,645	£246 psf
<b>Sales GIA's</b>		OM	3,442.0 m <sup>2</sup>	AH	1,031.0 m <sup>2</sup>		
<b>Net to gross ratio for flats</b>			100.0%	<b>Total Build (m<sup>2</sup>)</b>		4,473.0	
<b>Allowance for External Site Costs</b>			of Build Costs, or £/unit				£15,000
<b>Site/Sales Agency &amp; Marketing Costs</b>			2.50% of OM Sales				
<b>Legals on all Units</b>			£600 per dwelling				
<b>AH transfer values - Social Rent</b>			42.0% of ACG	<b>Intermediate</b>		60.0%	
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>			£9,500				
<b>Contingency on all construction &amp; physical infrastructure costs</b>			5.00%				
<b>s.106 Obligations</b>			£10,000 per dwelling - or CIL	psm (excl AH)			
<b>Abnormal Site Costs (if any)</b>			per acre				
<b>Opening-up Costs (if any)</b>			per acre				
<b>Net Developable Site Area</b>			<b>Land Price</b>				£1,072,500
3.53 acres		1.43 hectares	£303,521 per acre		£750,000 per hectare		
Housing Density		35.0 units/hectare	and		3,128 sq.m/hectare		

Development Programme		21 months in total	
Pre-Construction period	3 months	Estate/Mixed	
Construction period	16 months	starting in Month 4	
Sales rate (OM homes)	36 per year	Overhang 2 months	
Sales period (OM & AH)	12 months	starting in Month 10	

**Create / Update Sensitivity Tables**

High-Level Appraisal				
Gross Development Value		Units (N <sup>o</sup> )	% GDV	
Open Market Homes		35	£ 9,104,090	
Soc. Rented Homes	60.0%	9	£ 561,053	
Intermediate Homes	40.0%	6	£ 534,336	
<b>Total Revenue</b>		<b>50</b>	<b>£ 10,199,479</b>	<b>100.0%</b>
Land Cost incl LTT & fees @		1.50%	£ 1,131,438	11.1%
Pre-Construction Costs (if applicable)				
Physical Infrastructure				
Normal External Costs	£/unit	£ 15,000	£ 787,500	7.7%
Abnormal Site Costs	£/unit	£ -	£ -	
Opening-up Costs	£/unit	£ -	£ -	
Professional Fees		6.00%	£ 47,250	0.5%
Planning Obligations / CIL	£/unit	£ 10,000	£ 500,000	4.9%
Housing Construction				
Building Costs	£/unit	£ 96,205	£ 4,810,275	47.2%
Professional Fees		6.00%	£ 288,616	2.8%
Sale & Marketing Costs			£ 257,602	2.5%
Finance Costs				
Interest rates (p.a.)		Debit	Credit	
		6.00%	0.50%	
			£ 150,401	1.5%
<b>Total Development Costs</b>			<b>£ 7,973,082</b>	
Blended Margin on Total GDV		21.8%	<b>Profit</b>	
Overall Profit on Cost		27.92%	£ 2,226,397 (see benchmark below)	
<b>Target/Benchmark Profit</b>			<b>£ 1,954,402</b>	
based on open market sales @		20.00%	£ 1,820,818	
and on affordable housing cost @		6.00%	£ 133,584	
<b>Surplus/(Shortfall) on Target Profit</b>			<b>£ 271,995</b> 13.92%	
<b>Total Equity &amp; Borrowing (Capital Employed)</b>			<b>£ 3,447,764</b> 43.24%	

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	60.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)

## Porthcawl 100 Dwelling Scenario (including proposed changes to Part L, Building Regulations)

Main Inputs & Key Variables				Collect / Update GIA's and ACG's			
Unit Nos.		GIA's in m <sup>2</sup>		Overall	Build	Approx.	
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
	16	1b2p flat	51.0	51.0	16.0%	£ 918	
12	7	2b4p house	83.0	83.0	19.0%	£ 918	£220,000
8	6	3b4p house	88.0	88.0	14.0%	£ 918	£233,000
25		3b5p house	94.0	94.0	25.0%	£ 918	£249,000
11	1	4b6p house	110.0	110.0	12.0%	£ 918	£291,000
14		4b7p house	114.0	114.0	14.0%	£ 918	£302,000
70	30	ACG Band 4			100.0%		
<b>Percentage of Affordable Homes</b>			30.0%	<b>OMV per m<sup>2</sup></b>		£ 2,645	£246 psf
<b>Sales GIA's</b>		OM 6,856.0 m <sup>2</sup>	AH 2,035.0 m <sup>2</sup>				
<b>Net to gross ratio for flats</b>			100.0%	<b>Total Build (m<sup>2</sup>)</b>		8,891.0	
<b>Allowance for External Site Costs</b>				of Build Costs, or £/unit £15,000			
<b>Site/Sales Agency &amp; Marketing Costs</b>				2.50% of OM Sales			
<b>Legals on all Units</b>				£600 per dwelling			
<b>AH transfer values - Social Rent</b>				42.0% of ACG	Intermediate	60.0%	
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>				£9,500			
<b>Contingency on all construction &amp; physical infrastructure costs</b>				5.00%			
<b>s.106 Obligations</b>				£10,000 per dwelling - or CIL psm (excl AH)			
<b>Abnormal Site Costs (if any)</b>				per acre			
<b>Opening-up Costs (if any)</b>				per acre			
<b>Net Developable Site Area</b>				<b>Land Price</b> £2,145,000			
7.07 acres		2.86 hectares		£303,521 per acre		£750,000 per hectare	
Housing Density		35.0 units/hectare		and		3,109 sq.m/hectare	

Development Programme		32 months in total	
Pre-Construction period	3 months	Estate/Mixed	
Construction period	26 months	starting in Month 4	
Sales rate (OM homes)	36 per year	Overhang	3 months
Sales period (OM & AH)	23 months	starting in Month	10

**Create / Update Sensitivity Tables**

High-Level Appraisal			
Gross Development Value	Units (N <sup>o</sup> )	% GDV	
Open Market Homes	70	£ 18,134,120	
Soc. Rented Homes	60.0%	18	£ 1,108,901
Intermediate Homes	40.0%	12	£ 1,056,096
<b>Total Revenue</b>	<b>100</b>	<b>£ 20,299,117</b>	<b>100.0%</b>
Land Cost incl LTT & fees @ 1.50%		£ 2,284,375	11.3%
Pre-Construction Costs (if applicable)			
Physical Infrastructure			
Normal External Costs	£/unit £ 15,000	£ 1,575,000	7.8%
Abnormal Site Costs	£/unit £ -	£ -	
Opening-up Costs	£/unit £ -	£ -	
Professional Fees	6.00%	£ 94,500	0.5%
Planning Obligations / CIL	£/unit £ 10,000	£ 1,000,000	4.9%
Housing Construction			
Building Costs	£/unit £ 95,675	£ 9,567,535	47.1%
Professional Fees	6.00%	£ 574,052	2.8%
Sale & Marketing Costs		£ 513,353	2.5%
Finance Costs	Debit Credit		
Interest rates (p.a.)	6.00% 0.50%	£ 316,591	1.6%
<b>Total Development Costs</b>		<b>£ 15,925,406</b>	
Blended Margin on Total GDV	21.5%	<b>Profit</b> £ 4,373,711	
Overall Profit on Cost	27.46%	(see benchmark below)	
<b>Target/Benchmark Profit</b>		£ 3,890,848	
based on open market sales @ 20.00%		£ 3,626,824	
and on affordable housing cost @ 6.00%		£ 264,024	
<b>Surplus/(Shortfall) on Target Profit</b>		£ 482,863 12.41%	
<b>Total Equity &amp; Borrowing (Capital Employed)</b>		<b>£ 5,162,986</b>	<b>32.42%</b>

### Sensitivity

House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	60.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)



## Porthcawl 150 Dwelling Scenario (including proposed changes to Part L, Building Regulations)

Main Inputs & Key Variables				Collect / Update GIA's and ACG's			
Unit Nos.		GIA's in m <sup>2</sup>		Overall	Build	Approx.	
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
	26	1b2p flat	51.0	51.0	17.3%	£ 918	
19	9	2b4p house	83.0	83.0	18.7%	£ 918	£220,000
11	8	3b4p house	88.0	88.0	12.7%	£ 918	£233,000
38		3b5p house	94.0	94.0	25.3%	£ 918	£249,000
16	2	4b6p house	110.0	110.0	12.0%	£ 918	£291,000
21		4b7p house	114.0	114.0	14.0%	£ 918	£302,000
105		45	ACG Band		4	100.0%	
Percentage of Affordable Homes			30.0%	OMV per m <sup>2</sup>		£ 2,645	£246 psf
Sales GIA's		OM	10,271.0 m <sup>2</sup>	AH	2,997.0 m <sup>2</sup>		
Net to gross ratio for flats			100.0%	Total Build (m <sup>2</sup> )		13,268.0	
Allowance for External Site Costs			of Build Costs, or £/unit		£15,000		
Site/Sales Agency & Marketing Costs			2.50% of OM Sales				
Legals on all Units			£600 per dwelling				
AH transfer values - Social Rent			42.0% of ACG	Intermediate	60.0%		
Extra cost/unit (if any) for additional Building Regs requirements			£9,500				
Contingency on all construction & physical infrastructure costs			5.00%				
s.106 Obligations			£10,000 per dwelling - or CIL	psm (excl AH)			
Abnormal Site Costs (if any)					per acre		
Opening-up Costs (if any)					per acre		
Net Developable Site Area			Land Price		£3,217,500		
10.60 acres		4.29 hectares	£303,521 per acre		£750,000 per hectare		
Housing Density		35.0 units/hectare	and		3,093 sq.m/hectare		

Development Programme		44 months in total	
Pre-Construction period	3 months	Estate/Mixed	
Construction period	38 months	starting in Month 4	
Sales rate (OM homes)	36 per year	Overhang 3 months	
Sales period (OM & AH)	35 months	starting in Month 10	

Create / Update Sensitivity Tables

High-Level Appraisal			
Gross Development Value	Units (N <sup>2</sup> )	% GDV	
Open Market Homes	105	£27,166,795	
Soc. Rented Homes	60.0%	27	£ 1,635,858
Intermediate Homes	40.0%	18	£ 1,557,960
<b>Total Revenue</b>	<b>150</b>	<b>£30,360,613</b> 100.0%	
Land Cost incl LTT & fees @	1.50%	£ 3,437,313 11.3%	
Pre-Construction Costs (if applicable)			
Physical Infrastructure			
Normal External Costs	£/unit	£ 15,000	£ 2,362,500 7.8%
Abnormal Site Costs	£/unit	£ -	£ -
Opening-up Costs	£/unit	£ -	£ -
Professional Fees		6.00%	£ 141,750 0.5%
Planning Obligations / CIL	£/unit	£ 10,000	£ 1,500,000 4.9%
Housing Construction			
Building Costs	£/unit	£ 95,235	£ 14,285,275 47.1%
Professional Fees		6.00%	£ 857,117 2.8%
Sale & Marketing Costs			£ 769,170 2.5%
Finance Costs			
Interest rates (p.a.)	Debit	Credit	
	6.00%	0.50%	£ 486,973 1.6%
<b>Total Development Costs</b>	<b>£23,840,097</b>		
Blended Margin on Total GDV	21.5%	<b>Profit</b> £ 6,520,516	
Overall Profit on Cost	27.35%	(see benchmark below)	
Target/Benchmark Profit		£ 5,822,849	
based on open market sales @		20.00%	£ 5,433,359
and on affordable housing cost @		6.00%	£ 389,490
<b>Surplus/(Shortfall) on Target Profit</b>		<b>£ 697,667</b> 11.98%	
<b>Total Equity &amp; Borrowing (Capital Employed)</b>			<b>£ 6,430,602</b> 26.97%

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	60.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)