

Rossendale Council
AFFORDABLE HOUSING ECONOMIC VIABILITY
ASSESSMENT



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Final Report
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GLOSSARY

Abbreviation

AAP	Area Action Plan
AHEVA	Affordable Housing Economic Viability Assessment
AMR	Annual Monitoring Report
APS	Alastair Sheehan & Co.
BCIS	Building Cost Information Service
CLG	Communities and Local Government
CLCR	Central Lancashire City Region
CSH	Code for Sustainable Homes
DMV	Discounted Market Value
DPS	Dwellings Per Site
EUV	Existing Use Value
GVH	Green Vale Homes
HCA	Housing and Communities Agency
HMR	Housing Market Renewal
HNS	Housing Needs Survey
HSSA	Housing Strategy Statistical Appendix
IHPS	Interim Housing Policy Statement
JLSP	Joint Lancashire Structure Plan
LCHO	Low Cost Home Ownership
LDD	Local Development Document
LDF	Local Development Framework
LPA	Local Planning Authority
LSVT	Local Stock Voluntary Transfer
NAHP	National Affordable Housing Programme
NGP	New Growth Point
PPG	Planning Policy Guidance
PPS	Planning Policy Statement
RBC	Rossendale Borough Council
RHS	Regional Housing Strategy
ROCE	Return on Capital Employed

RSL	Registered Social Landlord
RSS	Regional Spatial Strategy
RTB	Right to Buy
RTP	Roger Tym & Partners
SHLAA	Strategic Housing Land Availability Assessment
SHMA	Strategic Housing Market Assessment
VAT	Value Added Tax

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1 INTRODUCTION

- 1.1 Roger Tym and Partners (RTP) was commissioned by Rossendale Borough Council in May 2009 to undertake a Borough-wide Affordable Housing Economic Viability Assessment (AHEVA). AP Sheehan and Co (APS) was appointed as sub-consultant to RTP in order to assist in the 'achievability' element of the study. The AHEVA study follows on from the Strategic Housing Land Availability Assessment (SHLAA) which RTP completed for the Council in February 2009.

Objectives of the Study

- 1.2 In July 2008, the Court of Appeal gave judgement in the case of Blyth Valley Borough Council v Persimmon Homes (North East) Limited and Others¹. In addition to forcing a change in the wording of PPS12 in relation to soundness, the case is well known for confirming the need in PPS3 for affordable housing targets to be based on 'an assessment of the likely economic viability of land for housing within the area'.
- 1.3 It was also pointed out that a Strategic Housing Market Assessment (SHMA) would 'not necessarily involve the sort of economic viability study required by PPS3', and that 'no viability exercise carried out on the old basis could be considered to be valid for the purposes of assessing the viability of a particular proportion of affordable housing as defined now in PPS3 and the Core Strategy'.
- 1.4 Accordingly, the Rossendale AHEVA will need to supplement and support the work that the Council is currently undertaking on Rossendale's Core Strategy and provide sufficient detail to satisfy the requirements that were (re)established by the Blyth Valley case. We have therefore used the findings from the SHLAA as well as the SHMA, which Fordham Research completed for the Council in February 2009, as the starting position, although in order to satisfy the requirements of PPS3, we have undertaken a bespoke affordable housing economic viability assessment, focusing on a representative sample of sites.

Background

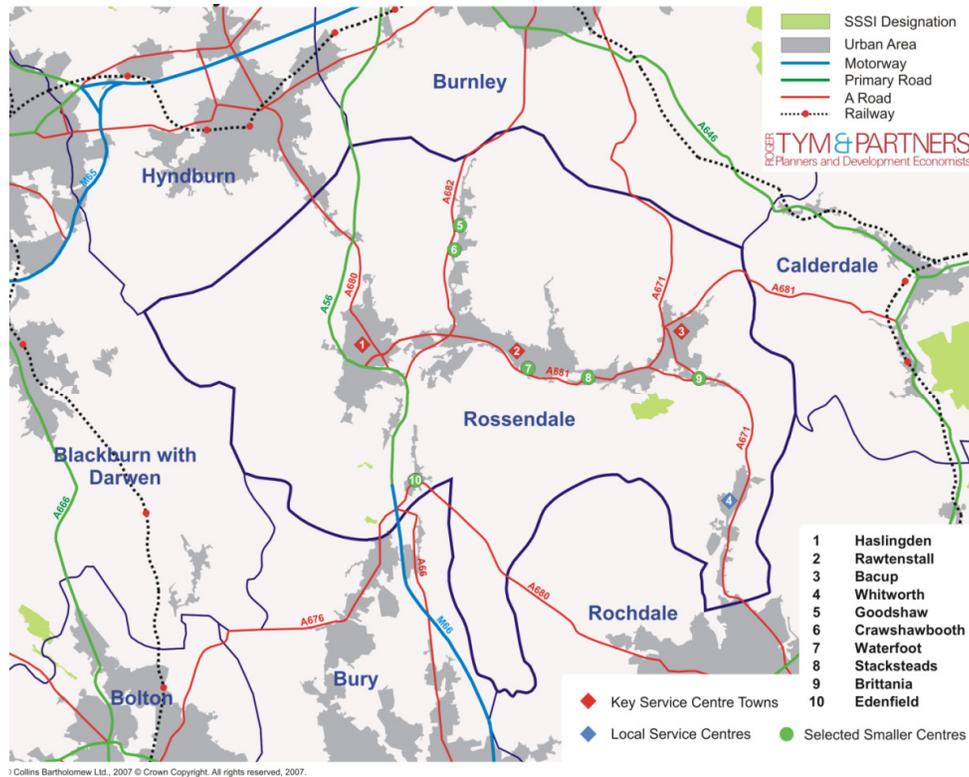
- 1.5 Rossendale, a relatively small local authority with a population of approximately 66,700², is bounded to the west by Blackburn with Darwen, to the north by Hyndburn and Burnley, to the east by Calderdale and to the south by Bury and Rochdale. The Borough lies within the Central Lancashire City Region (as identified by the North West RSS) but is also located on the northern fringes of the Manchester City Region and consequently it reflects housing market influences of both sub-regions.
- 1.6 Population density in the Borough is equal to the average for the North West as a whole (4.8 persons per hectare), but is significantly lower than the surrounding local authorities. Distribution of population within the Borough is highly uneven however, with the towns

¹ Case Number: C1/2008/1319, 29 July 2008

² ONS, 2006 Mid-Year Sub-National Population Projections (published 12 June 2008)

and villages of Rossendale being packed densely together in the steep-sided valleys of the River Irwell, whilst being surrounded by expanses of almost completely unpopulated moorland. As such, the topography of Rossendale is a significant challenge to finding potential sites for residential development in the Borough.

Map 1.1 Rossendale AHEVA Study Area



1.7 Rawtenstall is the largest settlement in the Borough, with a resident population of around 22,000 (in 2001). Bacup and Haslingden are the next-biggest settlements, with populations of over 10,000. Whitworth and Edenfield are also relatively significant settlements, albeit not quite as populous as their larger neighbours. However, the remaining 34 settlements that we have identified each has a resident population of less than 1,000.

1.8 The western half of Rossendale benefits from good connectivity to the national motorway network, with easy access to the M66 and M65. Indeed, development of the M66 in the early 1980s, followed by completion of the eastern link of the M60 in 2000, boosted residential demand in the Borough, as the improved road network opened up Rossendale to the commuter market, particularly commuters to Manchester City Centre. Towns and villages in Rossendale with suitable access to the motorway network have continued to be the most sought-after locations in the Borough. Access to the road network is particularly important in Rossendale, as none of the main towns in the Borough are connected to the national rail network. The only operational railway line in Rossendale runs between Bury and the outskirts of Rawtenstall; however, the service comprises a tourist-orientated steam train rather than a mainstream passenger/commuter service.

Report Outline

1.9 The remainder of this report is structured as follows:

- **Section 2** provides a résumé of current and emerging national, regional and local policy insofar as it relates to the provision of affordable housing and the economic viability of providing affordable housing.
- **Section 3** provides an analysis and summary of the sub-regional development context in which this study is being undertaken. This includes an assessment of existing housing markets in Rossendale and an overview of the past delivery of affordable housing in the Borough.
- **Section 4** provides an overview of our methodology for assessing the viability of sites for affordable housing.
- **Section 5** presents an analysis of the results of our development appraisals and assesses the viability of affordable housing provision throughout the Borough at various affordable thresholds.
- **Section 6** provides a brief overview of the challenges and solutions which are inherent in the delivery of affordable housing, particularly in the context of the recession.
- **Section 7** provides a summary of our findings and outlines our headline recommendations.

2 THE REQUIREMENTS OF NATIONAL, REGIONAL AND LOCAL POLICY

- 2.1 This section sets out the requirements of national, regional and sub-regional policy in so far as it relates to the provision of affordable housing, and more specifically, the viability of affordable housing provision in Rossendale.
- 2.2 In recent years there have been a number of changes to planning policy, particularly in relation to housing. In 2004, the Barker Review of Housing Supply was published. The Government's response to this review set out a package of measures to increase housing supply and improve affordability, including a target to raise the number of new dwellings being built to at least 200,000 net additions per year by 2016.
- 2.3 Whilst the pre-budget report of November 2006 argued that some progress has been made, it also highlighted Barker's findings that a lack of affordable housing has been one result of planning strategy being poorly aligned with the economy.

National Policy and Guidance

Planning Policy Statement 3 (November 2006): Housing

- 2.4 The Reflecting Barker's findings, the Government is seeking to increase and speed up the delivery of new, sustainable and affordable housing. PPS3 is designed to ensure that local and regional plans are more responsive to housing markets and that they release more land to meet future housing requirements.
- 2.5 PPS3 replaced the previous PPG3 as the statement of the national planning policy framework for delivering the Government's housing objectives. PPS3 defines affordable housing as that which meets the needs of eligible households, whose needs are not met by the market. Thus, affordable housing should:
- be at a cost low enough to be affordable for eligible households, determined with regard to local incomes and local house prices; and
 - include provision for the home to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.
- 2.6 Thus, in light of the fact that this new definition of affordable housing excludes low-cost market housing, in deciding proportions of affordable housing, local planning authorities (LPAs) should also take account the need to deliver low cost market housing as part of the overall housing mix.

2.7 LPAs should:

'set an overall target for the amount of affordable housing to be provided... [the target] should also reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured.'

2.8 This study is a direct response to the above requirement to test the most viable options for the provision and delivery of affordable housing across the Borough.

2.9 LPAs should set out the range of circumstances in which affordable housing will be required. Whilst the national indicative minimum site size threshold is 15 dwellings, where viable and practicable, LPAs may set lower thresholds. This is particularly relevant in more rural areas, or where there exists a more acute need for affordable housing. We have assessed such options in this study, as detailed later in our report.

Policy Statement (November 2006): Delivering Affordable Housing

2.10 The aim of this document is to support local authorities and other key stakeholders in the delivery of affordable housing by outlining the affordable housing challenge that needs to be met and by providing information on how existing delivery mechanisms can help the provision of such housing. This document is intended to be read in conjunction with PPS3: Housing.

2.11 Paragraph 19 of the Policy Statement outlines the issues for LPAs to consider when developing strategies for the delivery of affordable housing. In particular we note that LPAs should consider the following:

- the availability of both public and private investment in the delivery of affordable housing, and its impact on the viability of sites and the level of affordable housing targets and thresholds. Most importantly, the targets should reflect an assessment of the likely economic viability of providing affordable housing within schemes; and
- an understanding of the mechanisms for ensuring affordable housing is retained in the affordable housing market, whether that be through buy back or through the recycling of public subsidy.

Affordable Housing Viability - The Case of Blyth Valley

2.12 There is no doubt in the current economic circumstances that development viability is a critical issue; if a scheme is not economically viable, then development will be incapable of getting off the ground in the first place.

2.13 In July 2008, the Court of Appeal gave judgement in the case of Blyth Valley Borough Council v Persimmon Homes (North East) Limited and Others³. In addition to forcing a change in the wording of PPS12 in relation to soundness, the case is well known for

confirming the need in PPS3 for affordable housing targets to be based on *'an assessment of the likely economic viability of land for housing within the area'*.

- 2.14 It was shown in Blyth Valley that, in future, local authorities will need to undertake an informed assessment of the economic viability of any thresholds and proportions of affordable housing proposed. It was also pointed out that a Strategic Housing Market Assessment (SHMA) would *'not necessarily involve the sort of economic viability study required by PPS3,'* and that *'no viability exercise carried out on the old bases could be considered valid for the purposes of assessing the viability of a particular proportion of affordable housing as defined now in PPS3 and the Core Strategy.'*
- 2.15 Importantly, Blyth Valley Borough Council had commissioned a study of Housing Need, which had concluded that the need was so high in the Borough, that it would equate to 83 per cent of the Borough's annual housing land requirement; however, given that this would clearly be unviable, the Study recommended an affordable housing target of 40 per cent. The Council then lowered this figure to 30 per cent in order to be consistent with the neighbouring authority of Wansbeck. In the High Court, Collins J concluded that *'the 30 per cent has been produced on the basis of material which is not supported by the guidance and which ignores a highly material factor, namely the economic viability of the relevant target.'*
- 2.16 The notable factors emerging from this case focus on the fact that LPAs must carry out an economic viability assessment to justify any demands for affordable housing in their Core Strategy; any other approach is simply not tenable. Accordingly, Rossendale Borough Council requires a viability assessment of housing sites contained in the SHLAA, to provide a sufficiently detailed and robust evidence base to inform the emerging Core Strategy, which will satisfy the requirements of PPS3 that were confirmed through the Blyth Valley case.
- 2.17 In a wider context, this case represents an emerging and welcome trend in planning, for decisions to be based on robust, up-to-date and credible evidence. When markets are experiencing difficulties - as is currently the case - policy requirements must reflect the fact that what can viably be developed now is likely to be considerably different to the sort of scheme that was viable in peak market conditions.

Key Government Housing Initiatives Since 2008

- **National Affordable Housing Programme** - £8.4 billion to increase the supply of all affordable homes up to 2011.
- **Housing Pledge** - £1.5 billion to support existing programmes, including £350 million to buy unsold stock and £400 million brought forward for affordable housing.
- **Kickstart** - £1.06 billion package to deliver 22,000 homes over two years, of which 8,600 will be directly supported affordable homes.
- **Community Infrastructure Fund** - £100 million for the Thames Gateway and £200 million for Growth Areas and Growth Points to support housing developments.
- **HomeBuy Direct** - £300 million shared equity scheme to help first time buyers purchase their newly-built properties.
- **Housing PFI (Round 6)** - £1.7 billion PFI credits for ten councils to deliver 4,500 new or improved council homes as well as 1,600 new affordable rented homes.
- **Housing Market Renewal Pathfinder Areas** - £35 million extra funding.
- **Eco Towns** - four new settlements to provide 10,000 new homes by 2016, of which 30 per cent are to be affordable homes.
- **Mortgage support** - includes the £44 million Homeowners Mortgage Support Scheme and the £280 million Mortgage Rescue Scheme.
- **Stamp Duty holiday** - on properties costing less than £175,000 until the end of 2009.

Regional Policy

North West of England Plan: Regional Spatial Strategy to 2021 (September 2008)

- 2.18 The North West of England Plan (the RSS) replaced Regional Planning Guidance for the North West (RPG13) and the Joint Lancashire Structure Plan (JLSP). The RSS provides a framework for development and investment in the region in the period up to 2021.
- 2.19 The RSS divides the region into five sub-regions (Manchester City Region; Liverpool City Region; Central Lancashire City Region; Cumbria and North Lancashire; and South Cheshire). Rossendale is located within the Central Lancashire City Region (CLCR), and Policies CLCR1 and CLCR2 state that plans and strategies for the CLCR should 'provide for a range of good quality housing, accessible for local facilities', and prioritise the Elevate East Lancashire Housing Market Renewal Pathfinder area (which includes Bacup, Stacksteads and Britannia).
- 2.20 Section 7 of the RSS sets out regional housing provision figures for the period 2003 to 2021. Table 7.1 specifies a requirement for 4,000 dwellings (net of clearance replacement) in Rossendale over this period, which equates to an average net gain per annum of 222 dwellings. Furthermore, the RSS sets a target that at least 65 per cent of residential development should use brownfield land and buildings.
- 2.21 Importantly, paragraph 7.19 explains that the housing provision figures set out in the RSS should no longer represent maximum thresholds or 'absolute targets'. Thus, in line with the 'plan, monitor, manage' approach which underpins PPS3, the RSS lays the foundations for a more flexible approach to housing provision at the local level, explaining

that local authorities can introduce phasing policies and that the annual housing figures may be exceeded, *'where justified by evidence of need, demand, affordability and sustainability issues and fit with relevant local and sub-regional strategies'*. Conversely, the RSS also states that *'some areas will achieve lower levels [of housing provision] in the early years, for example during major housing renewal, which will be compensated later.'*

The North West Regional Housing Strategy (January 2009)

2.22 The revised Regional Housing Strategy (RHS) builds on that published by the Regional Housing Board in 2005. It is envisaged that the Strategy will play a leading role in the development of policy and local delivery, in addition to providing a clear platform for the integration of housing in the emerging Regional Spatial Strategy.

2.23 Thus the revised RHS is written in the context of economic conditions which have had significant adverse impacts on housing development in the region. In particular, the strategy notes that it is becoming increasingly apparent that many of these adverse impacts are structural rather than just cyclical. This means *'revisiting many long held assumptions, policies and investment models to check against reality, deliverability and appropriateness in moving forward.'* In light of this, the RHS sets out an overall vision which is:

'to create balanced housing markets across the North West that support economic growth , strengthen economic and social inclusion and ensure that everyone has access to appropriate, well-designed, high quality, affordable housing in sustainable, mixed and vibrant communities.'

2.24 Thus, in addition to increasing the overall supply of homes in the region, the RHS identifies that there is a linked issue of the requirement for the provision of greater numbers of affordable homes. However, given the current economic circumstances, a reduction in affordable supply is inevitable; these impacts are nevertheless short term and so the RHS advises that it is essential that the planning system continues to be used to maximum effect to secure affordable housing and to ensure an adequate supply of land in suitable locations once the market recovers.

2.25 The RHS also acknowledges that the vulnerable HMR areas have already been hit by the economic downturn; however, as the Parkinson Report⁴ highlights, this means that what was right in good times, is essential in poor ones. A weakening of support will leave these struggling areas at high risk of slipping back into the circumstances that provoked their establishment in the first place. The key leadership role in delivering transformational programmes in vulnerable markets now lies with local authorities and their sub-regional partnerships.

2.26 However, the RHS considers that the solution to deprived neighbourhoods is not just provision of more affordable and social housing as this will only further weaken

⁴ The Credit Crunch and Regeneration: Impact and Implications, January 2009, Professor Michael Parkinson et al. Found at: <http://www.communities.gov.uk/publications/citiesandregions/creditcrunchregeneration>

unsustainable tenure patterns. Rather, more difficult, but comprehensive and long term solutions must be found through strategies that address deep rooted issues of low self-esteem, worklessness and poverty. In this context, the overall aim of policy in relation to affordable housing in the region is *'to create a better income-mix in areas dominated by social housing by addressing worklessness in particular, to offer a wider range of choice to those in housing need and to improve social mobility.'*

Local Policy Documents and Studies

Interim Housing Policy Statement (July 2008)

- 2.27 The Interim Housing Policy Statement (IHPS) was prepared to provide further guidance on how the Council intends to manage the release of land for housing prior to the adoption of the LDF. However, the IHPS is not a statutory document, neither does it introduce new policy; rather the role of the IHPS is to identify a series of considerations that are material to applications and which will provide clarity with regard to how the Council intends to approach these considerations.
- 2.28 In relation to affordable housing provision in Rossendale, and reflecting the requirements of higher order policy contained in PPS3, the IHPS states that:

'on proposals for 15 or more dwellings within the regeneration priority areas of Rawtenstall Town Centre AAP and/or Bacup, Stacksteads and Britannia AAP, the Council will seek to obtain 20% affordable housing (where there is a clear need as demonstrated through the Housing Needs Assessment).

Outside the regeneration priority areas, proposals within the urban boundary of settlements within Rossendale will only be acceptable where they make an essential contribution to the supply of affordable housing...'

- 2.29 The acceptable requirements are set out in the IHPS and indicate that for small schemes of between 5 and 9 units, the affordable housing requirement stands at 20 per cent, whilst for larger developments of 10 units or more, the affordable housing requirement is 30 per cent. These requirements are set at a level which is below that required to fully satisfy local need in accordance with the 2004 Housing Market Needs Assessment which states that in order to meet the need identified, 42 per cent of housing development should comprise affordable units⁵.
- 2.30 The IHPS stipulates that a reduction in the affordable housing requirement will only be acceptable where the applicant pays for the Council to approach an independent specialist to test its arguments on viability. Moreover, the Council accepts that in some cases, it may not be possible to provide affordable housing on site; in these exceptional circumstances, the Council recognises that a financial contribution in lieu of on-site provision may be more appropriate.

⁵ In 2008, Fordham Research was commissioned to undertake a Housing Needs Survey, the findings of which indicated a requirement for 35 per cent of dwellings to be affordable if the annual need is to be met.

Rossendale Strategic Housing Market Assessment (February 2009)

- 2.31 In 2008, the Council commissioned Fordham Research to undertake a Borough-wide Strategic Housing Market Assessment (SHMA), the findings of which would inform appropriate policy responses to housing need and demand in Rossendale.
- 2.32 The study comprises two volumes; Volume 1 is the main SHMA document, whilst Volume 2 undertakes an assessment of housing needs in Rossendale known as a Housing Needs Survey (HNS).
- 2.33 The key findings of the SHMA, as presented in Volume 1, indicate that there are clear variations throughout the Borough in terms of tenure. The highest concentrations of owner occupied properties are found towards the south west of the Borough whilst private rented housing is concentrated in the Bacup sub-area. The pattern for social rented accommodation, however, is less clear, with wards containing the highest levels of social rented properties dispersed across the Borough, and areas containing the lowest proportions of social rented stock found towards the south west.
- 2.34 In terms of a 'snapshot' of the housing market at the time of the publication of the study, analysis of quantitative data and discussions with agents revealed that house price levels in the Borough are significantly lower than the average for England and Wales. Within the Borough itself, however, there does exist some variation in prices, with a concentration of more expensive housing to the west of the Borough, in and around Helmshore and Edenfield.
- 2.35 Fordham Research also carried out an assessment of the affordability of housing in Rossendale. The study found that there is a growing affordability issue throughout the Borough; indeed, price to income ratios increased from 3:2 in 2002 to 5:1 in 2007.
- 2.36 Volume 2 of the report carries out a more detailed analysis of housing need in Rossendale, and is informed by a survey of households. To enable an estimation of the affordable housing need in Rossendale, the HNS takes the calculation of current need, together with that of future need. The summary of these findings is presented in Table 2.1 below.

Table 2.1 Summary of Housing Needs Position in Rossendale

	per annum
Backlog Need	204
Backlog Supply	111
Net Backlog Need	93
Future Need	694
Future Supply	460
Net Future Need	234
Total net need	327

- 2.37 Table 2.1 indicates that there is an annual requirement for 327 additional affordable dwellings in Rossendale in order to accommodate the need that has been identified by the study. Further data gathered from the household survey indicate that 36 per cent of the

affordable housing need could be met through a form of intermediate housing⁶. Thus, based on the above assessment of need informed by the survey of households, Fordham concluded that there is a requirement for the Council to set a target of 30 per cent affordable housing, of which 35 per cent would comprise intermediate housing. Fordham notes, however, that all such targets must be subject to *'viability and deliverability, which are issues being dealt with outside the present study.'*

- 2.38 The most striking aspect of the findings of the SHMA in relation to affordable housing need is the high proportion of affordable housing required and the high proportion of intermediate housing required; indeed, evidence from the SHMA indicates that the demand for affordable housing in the Borough exceeds averages for the North of England.
- 2.39 In this context our role through the AHEVA is to undertake a detailed and robust assessment of potential housing sites to determine the appropriate and most viable range of affordable housing to be set throughout the Borough in order to best satisfy the high levels of identified need.

Housing Market Renewal Pathfinder Initiative

Bacup, Stacksteads and Britannia 'Elevate' East Lancashire Housing Market Renewal Pathfinder

- 2.40 HMR is a Government initiative designed to tackle the problems caused by failure in the private sector housing market in parts of the Midlands and Northern England. Elevate East Lancashire is one of nine HMR 'Pathfinder' areas introduced by the Government in April 2002, with the aim of tackling the most acute areas of low housing demand and abandonment, and covers failing neighbourhoods in Rossendale, as well as Blackburn with Darwen, Burnley, Hyndburn, and Pendle. The central strand of the Elevate East Lancashire programme is to focus on improving the quality, affordability and diversity of the housing stock in order to widen the choice of housing to serve the needs of existing and new residents.
- 2.41 Rossendale Borough Council was invited to become part of the Elevate Partnership in 2003, and an AAP for Bacup, Stacksteads and Britannia is currently being prepared. The emerging AAP sets out a development framework for the area over a 10 to 15 year period, and will provide a masterplan to guide regeneration in the area. The AAP envisages that there will be some selective clearance of properties in the worst condition, but this will be combined with new initiatives to revitalise and refurbish existing stock and provide sufficient affordable housing in new build schemes. There are also plans to develop Bacup as an 'exemplar Eco-town'.

⁶ Defined by PPS3 as housing at prices and rents above those of social rent, but below market prices or rents.

3 SUB-REGIONAL DEVELOPMENT CONTEXT

Introduction

- 3.1 In this section we provide an assessment of the Rossendale housing market including housing stock, tenure, affordability and areas of demand. We also provide a brief review of the key data in relation to affordable housing delivery trends to date.
- 3.2 The population of Rossendale is approximately 67,000⁷. As we explained in Section 2, the Borough lies within the Central Lancashire City Region, as identified in the adopted North West RSS, and also reflects the housing market influences of the Manchester City Region which is located to the south of Rossendale. The Borough contains 39 settlements, of which Rawtenstall is the largest, with a resident population of approximately 22,000. Bacup and Haslingden each has a population of over 10,000; Whitworth and Edenfield are also relatively significant settlements, although not as populous as their larger neighbours. The remaining 34 settlements each has a resident population of less than 1,000.

Housing Markets in Rossendale

Housing Stock

- 3.3 The Housing Strategy Statistical Appendix (HSSA) 2008 records a total stock of 30,513 dwellings for Rossendale. Data on property types are collated in the Census and therefore the figures for housing stock in Table 3.1 reflect the position at 2001.
- 3.4 The Borough contains a broad mix of property types including farm houses, barn conversions, pre-1900 stone terraces and more modern detached properties and apartments.
- 3.5 Table 3.1 shows that the proportion of detached and semi-detached properties in Rossendale is below the average for England and Wales. The largest single property type in Rossendale is terraced housing comprising 45 per cent of total stock, compared to 26 per cent in England and Wales.
- 3.6 Anecdotal evidence from local agents suggests that the terraced housing stock within Rossendale is generally popular, with some individuals relocating to the Borough attracted by older terraced properties with original period features. Terraced properties are also attractive to first-time buyers where they are relatively spacious and cheap to purchase. Local agents also consider there to be an under-supply of larger modern family homes with a limited property range available for families; they have also suggested that demand for apartments has fallen and is not anticipated to experience any significant increase.

⁷ ONS, 2007 Mid-Year Sub-National Population Estimates

Table 3.1: Housing Stock

Property Type	Rossendale		England and Wales	
	No	%	No	%
Detached	5,368	19	5,131,821	23
Semi-detached	7,432	26	7,117,662	32
Terraced	12,913	45	5,869,878	26
Flat, maisonette or apartment	2,727	10	4,246,029	19
Other	137	0	115,915	1
TOTAL	28,577	100	22,481,305	100

Source: Census 2001

Housing Tenure

- 3.7 Of the total stock of 30,513 dwellings recorded in the HSSA 2008, 15.2 per cent is Registered Social Landlord (RSL) stock, with the remaining 84.8 per cent in the private sector.
- 3.8 The total RSL stock of 15.2 per cent is higher than both the average for the North West (12.9 per cent) and England (9.5 per cent). However total public sector stock (Local Authority, RSL and other) is 15.2 per cent below both the North West average of 18.8 per cent and the England average of 18.1 per cent. The absence of LA dwelling stock in Rossendale is explained by the stock transfer to Green Vale Homes (an RSL) in April 2006.

Table 3.2: Housing Tenure, 2008

	Rossendale	North West	England
LA Dwelling Stock	0%	5.8%	8.3%
RSL Dwelling Stock	15.2%	12.9%	9.5%
Other Public Sector Dwelling Stock	0%	0.1%	0.3%
Owner Occupied and Private Rented Dwelling Stock	84.8%	81.2%	81.8%

Source: DCLG - Dwelling Stock by Tenure, 2008

House Building

- 3.9 The number of dwelling starts on site peaked nationally and regionally in 2005/2006, and peaked in 2006/2007 at the sub-regional and local level. The subsequent decline in housing starts can be attributed to the economic downturn and issues affecting the housing market, the implications of which are discussed more fully in Section 6.

Table 3.3: Dwelling Starts and Completions (2004-2008)

		Dwellings Started	Dwellings Completed
2004/2005	England	174,540	155,890
	North West	22,020	17,910
	Lancashire	3,630	3,870
	Rossendale	208	318
2005/2006	England	184,910	163,400
	North West	24,570	20,620
	Lancashire	2,930	2,960
	Rossendale	217	181
2006/2007	England	172,290	167,680
	North West	19,730	18,070
	Lancashire	3,440	2,250
	Rossendale	231	134
2007/2008	England	155,880	166,990
	North West	17,290	20,310
	Lancashire	2,630	2,610
	Rossendale	184	222

Source: CLG House Building Statistics

Affordability

- 3.10 The effects on the housing market nationally as a consequence of the economic downturn and locally specific social issues have created a number of local housing needs. The specific needs identified in the Rossendale Housing Strategy (2005-2008) included:
- *‘with 2,233 people on the waiting list in January 2005, demand for social housing is still high;*
 - *emergency accommodation has become a big issue, as no longer can homeless people and families be easily re-housed due to the increase in demand; and*
 - *a projected ageing population in Rossendale will have implications for future levels of supported housing needs and supply of relevant accommodation⁸.*
- 3.11 Tables 3.4 and 3.5 below show the number of households on the housing waiting lists as at 1 April between 2001 and 2008 at a national, regional, sub-regional and local level, and the tables show the percentage change over time.

⁸ Rossendale Borough Council, *Housing Strategy 2005 - 2008*

Table 3.4: Number of Households on the Waiting List as at 1 April

	2001	2002	2003	2004	2005	2006	2007	2008
England	1,039,265	1,093,342	1,270,675	1,437,735	1,547,280	1,634,301	1,674,421	1,770,116
North West	112,405	121,213	160,194	177,836	200,600	217,397	212,597	234,559
Lancashire	15,059	15,438	18,450	20,924	24,291	27,803	24,632	23,012
Rossendale	1,644	1,572	1,726	1,684	2,737	2,947	2,518	2,253

Source: CLG Housing Statistics

Table 3.5: Housing Waiting Lists Change

	% Change since 2001	% Change since 2006
England	70%	8%
North West	109%	8%
Lancashire	53%	-17%
Rossendale	37%	-24%

Source: CLG Housing Statistics

- 3.12 Table 3.5 demonstrates that although the numbers on the housing waiting lists in Rossendale have risen by 37 per cent since 2001, this has been below the national, regional and sub regional increases. Furthermore, from a peak in 2006, the number on the housing waiting list for Rossendale has fallen by 24 per cent in the last two years. Despite this welcome improvement, 2,253 households remained on the housing waiting list as at 1 April 2008, and demand for social housing remains high.
- 3.13 House price data collected by CLG indicate that Rossendale is the 43rd cheapest house price area in the country, with an average residential property price of £136,753 in 2008⁹. However, although house prices are relatively low, the weekly earnings of residents living in Rossendale are also commensurately low. Rossendale employees' gross weekly pay of £419.90 is 15 per cent less than the average weekly earnings for England (£484.00)¹⁰.

⁹ Rank out of 348 local authorities across England and Wales, where 1 is the cheapest house price area and 348 is the most expensive.

¹⁰ Nomis, Annual Survey of Hours and Earnings (Resident Analysis), 2008

Table 3.6: Average House Prices

	2005	2006	2007	2008	2009 ¹¹
England	189,983	204,235	219,804	217,192	206,034
North West	137,804	150,046	159,892	156,811	148,638
Lancashire	126,954	140,587	152,469	153,069	147,916
Rosendale	124,104	123,481	132,985	136,753	124,407
Burnley	67,125	85,199	96,410	96,287	90,608
Chorley	151,990	159,510	165,297	168,664	170,626
Fylde	184,770	198,952	204,833	206,946	189,884
Hyndburn	87,794	97,485	108,354	107,640	99,349
Blackburn with Darwen	96,912	108,584	118,730	115,688	113,542
Lancaster	138,564	144,723	158,136	154,237	147,615
Pendle	83,430	102,876	115,829	119,526	113,834
Preston	132,909	141,421	150,018	137,725	143,066
Ribble Valley	197,057	209,050	230,464	234,541	207,130
South Ribble	147,030	156,432	167,039	159,577	151,040
West Lancashire	160,793	172,655	191,903	189,241	169,720
Blackpool	116,306	121,991	127,588	123,774	110,378
Wyre	154,589	165,846	172,664	174,336	165,977

Source: CLG and Land Registry

¹¹ House price data for 2009 are based on figures published for Q2, 2005 to 2008 are the annual published figures

Table 3.7: House Price Change

	£ Change 2005-2008	£ Change 2005-2009	£ Change 2007-2009	% Change 2005-2008	% Change 2005-2009	% Change 2008-2009
England	27,209	16,050	-13,770	14%	8%	-5%
North West	19,006	10,834	-11,254	14%	8%	-5%
Lancashire	26,114	20,962	-4,553	21%	17%	-3%
Rossendale	12,649	303	-8,578	10%	0%	-9%
Burnley	29,163	23,483	-5,802	43%	35%	-6%
Chorley	16,673	18,636	5,329	11%	12%	1%
Fylde	22,176	5,114	-14,949	12%	3%	-8%
Hyndburn	19,846	11,555	-9,005	23%	13%	-8%
Blackburn with Darwen	18,776	16,630	-5,188	19%	17%	-2%
Lancaster	15,674	9,052	-10,521	11%	7%	-4%
Pendle	36,096	30,404	-1,995	43%	36%	-5%
Preston	4,816	10,157	-6,952	4%	8%	4%
Ribble Valley	37,484	10,073	-23,333	19%	5%	-12%
South Ribble	12,548	4,010	-15,999	9%	3%	-5%
West Lancashire	28,447	8,927	-22,183	18%	6%	-10%
Blackpool	7,468	-5,928	-17,210	6%	-5%	-11%
Wyre	19,747	11,389	-6,687	13%	7%	-5%

Source: CLG and Land Registry

- 3.14 Tables 3.6 and 3.7 above show that residential property prices peaked in 2008 and have fallen by 9 per cent across the Borough in line with national trends as a consequence of the economic downturn. This corresponds with anecdotal evidence from local agents who also stress that the situation differs across the Borough, with some areas of traditional low demand, such as parts of Bacup, experiencing falls in the region of 30 per cent.
- 3.15 Additionally the latest UK House Price Index Statistics released by CLG in October 2009 showed an annual fall in UK house prices of 5.6 per cent for August 2009 compared to August 2008. More positively, house prices for the quarter ending August 2009 rose by 2.6 per cent, compared to a decline of 1.7 per cent in the quarter ending May 2009, suggesting that the rate of decline in house prices has now started to slow for the time being.
- 3.16 A property can be considered 'affordable' if the purchase price is no more than 3.5 times a household's annual income. Table 3.8 demonstrates that the ratio of median house price to median earnings is higher in Rossendale than both the regional and sub-regional averages. Additionally the ratio of house prices to earnings continued to increase in Rossendale between 2007 and 2008 in contrast to the decline at a national, regional and sub-regional levels.

Table 3.8: Ratio of Median House Price to Median Earnings

	2005	2006	2007	2008
England	6.81	6.91	7.26	6.94
North West	5.37	5.62	5.82	5.53
Lancashire	5.03	5.58	5.74	5.49
Rossendale	5.57	5.86	6.13	6.53

Source: CLG Housing Statistics

- 3.17 It is important to note that a fall in house prices does not automatically improve affordability. The significant growth in average house prices over the last ten years means that any price falls would have to be very substantial for housing to become affordable relative to average household earnings. Recent research on the 'Credit Crunch' and its implications for the UK housing market suggests that first time buyers are being hit particularly hard as lenders apply stricter criteria, require larger deposits and provide a more limited range of mortgage products¹². The credit-driven excesses of the last ten years also indicates that the average first time buyer has to consider repayment of credit/store cards and other loans before they can be considered eligible for further financial products, such as mortgages.
- 3.18 Figure 3.1 demonstrates the relative affordability of various types of property in different wards within Rossendale. It shows that although terraced housing stock across the Borough is generally affordable, there is a limited choice of other types of affordable dwellings. Only in the Facit and Shawforth, Greensclough, Hareholme, Healey and Whitworth, and Whitewell wards can semi-detached properties be bought at an affordable ratio of 3.5 (earnings to house price). Elsewhere, an average-priced semi-detached property is only affordable at 4.5 times the average household income. Meanwhile, detached properties across the Borough can only be purchased at a price equating to 5.5 times the average household income, with detached properties in Goodshaw rising to 9 times the average income.
- 3.19 It is important to note at this point that whilst Figure 3.1 indicates that a deposit of 5 per cent would be required in any transaction, it is more likely that in the current economic circumstances, a deposit of at least 15 per cent would be much more likely. This has further implications for the affordability of housing in the Borough.

¹² 'The Credit Crunch and Implications for the UK Housing Market,' Centre for Cities, May 2008

Figure 3.1 Location and Type of Affordable Property in Rossendale Borough

Area	Avg Household Income (£)	Detached				Semi-Detached				Terraced			
		Avg Price	5% Deposit	Income Needed	Affordable	Avg Price	5% Deposit	Income Needed	Affordable	Avg Price	5% Deposit	Income Needed	Affordable
Cribden	29250	223649	11182	60705		114763	5738	31150		68734	3437	18656	•
Eden	33000	193604	9680	52550		132546	6627	35977		91570	4579	24855	•
Facit & Shawforth	29750	186375	9319	50588		98408	4920	26711	•	55173	2759	14976	•
Goodshaw	28000	254594	12730	69104		127960	6398	34732		71161	3558	19315	•
Greenfield	32500	181603	9080	49292		127078	6354	34493		81501	4075	22122	•
Greensclough	27000	229904	11495	62403		99333	4967	26962	•	55950	2798	15186	•
Hareholme	25000	164666	8233	44695		83166	4158	22574	•	38449	1922	10436	•
Healey & Whitworth	27750	186375	9319	50588		98408	4920	26711	•	55173	2759	14976	•
Helmshore	33000	227989	11399	61883		148939	7447	40426		109403	5470	29695	•
Inwell	25250	172164	8608	46730		94081	4704	25536		43230	2162	11734	•
Longholme	26000	202872	10144	55055		118087	5904	32052		56261	2813	15271	•
Stacksteads	23000	164721	8236	44710		92857	4643	25204		42376	2119	11502	•
Whitewell	25500	204300	10215	55453		66995	3350	18184	•	56120	2806	15233	•
Worsley	22750	132674	6634	36012		97738	4887	26529		51781	2589	14055	•

Source - Rossendale Borough Council, *Housing Strategy 2005 - 2008*

- 3.20 Thus, it is clear that there are a number of affordability issues and specific housing needs within the Borough that will need to be addressed in the coming years.

Areas of Demand

- 3.21 There is a distinct division between demand for housing towards the east of the Borough, and demand for housing towards the west. The areas of high demand and considered 'attractive' areas are Rawtenstall, Waterfoot, Helmshore, Edenfield, Crawshawbooth, Cloughfold and Newchurch. Demand is lower in Haslingden, Whitworth, Townsend Fold and Whitwell Bottom, although these are considered 'reasonably attractive' locations according to local property market agents. Bacup and Stacksteads are areas of low demand and considered 'less attractive' areas.

- 3.22 The Rossendale Housing Strategy 2005 - 2008 also contains a detailed analysis of housing demand across the Borough, largely based on changes in local house prices. The Housing Strategy explains that:

'the areas of most significant demand are focused in the western and northern markets of the Borough, particularly the wards of Cribden, Goodshaw and Helmshore.

However...Rossendale does have housing markets which appear to demonstrate housing market collapse and where regeneration is considered necessary. These housing markets are particularly concentrated in the eastern wards of the Borough and have been identified as an intervention area through the Elevate funding'.

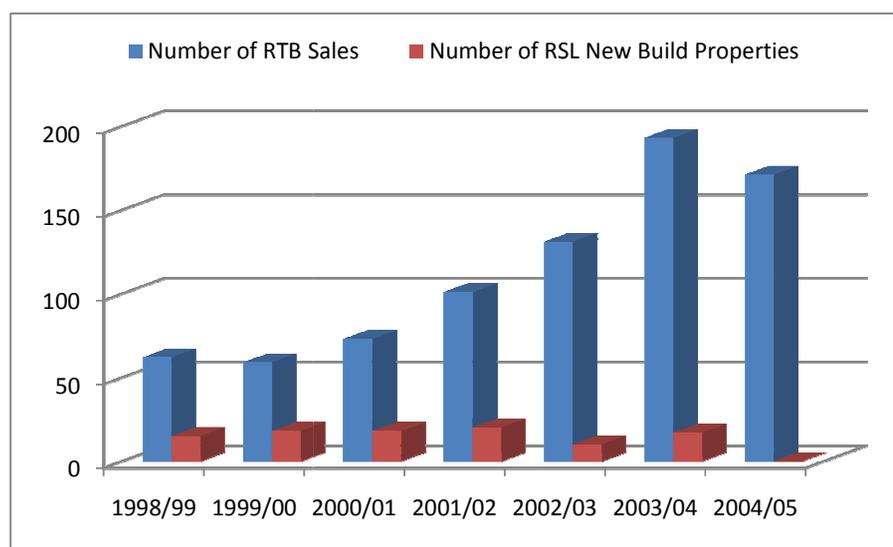
Past Trends in the Delivery of Affordable Housing in Rossendale

- 3.23 Detailed below is a brief review of the key data in relation to affordable housing delivery trends in Rossendale to date. This is important in the context of any possible changes to policy which the Council may wish to consider in response to the findings of this study.
- 3.24 Existing affordable housing for rent in Rossendale is owned by ten RSL partners that operate throughout the Borough, the main stockholders being Green Vale Homes (GVH), West Pennine, Places for People and Harvest Housing. As shown by Table 3.2, social

housing market in Rossendale makes up around 15 per cent of the overall stock, compared with the average in England and Wales of 10 per cent.

- 3.25 Since 1998, Rossendale has lost an average of around 5 per cent per annum of its social rented stock¹³, primarily through the right to buy (RTB) process. The replacement of new build affordable units however has not kept up with this loss, and thus, overall, the Borough has witnessed a decline in its stock of affordable accommodation. Figure 3.2 indicates the extent of the deficit between a loss of affordable housing stock through RTB and replacement through RSL new builds.

Figure 1.2 RTB Sales Compared With RSL New Build Rates



Source: Rossendale Affordable Housing Strategy 2006-2008

- 3.26 The Council's latest Annual Monitoring Report (AMR) states that during the 2007/2008 financial year, 23 affordable units were completed. However, the Housing Need and Market Assessment Report undertaken by David Cumberland Housing Regeneration Limited in 2005 indicated a requirement for some 350 affordable units over the period 2005-2010, equating to approximately 70 units per annum, which reflects a slight improvement on the number of affordable units completed across the Borough in previous years. During the 2006/2007 financial year 20 affordable units were completed, whilst during 2005/2006 no affordable units were completed. However it is important to note that during this latter period there was no affordable housing policy to require contributions from the development industry.

¹³ It is worth noting that RBC no longer owns any housing stock: this was transferred in 2006 to Green Vale Homes (Rossendale's local stock voluntary transfer (LSVT) organisation) a registered social landlord (RSL) in its own right

4 METHODOLOGY

Broad Approach

- 4.1 In this section, we describe our methodology for the Rossendale AHEVA Study. As a starting point, we have undertaken 'high-level' assessments of the 63 sites over 0.4ha from the SHLAA that we rated as Category 1 ('deliverable'), together with 9 further strategic sites that have recently come forward. As part of this process we have made a judgement on the level of affordable housing which could be required without rendering the site unviable. We then undertook a more detailed development appraisal on a sample of 10 strategic sites around the Borough. From these assessments we have been able to evaluate the appropriate targets for affordable housing requirements across the Borough.

High-Level Site Assessments

- 4.2 We photographed and assessed each of the 72 study sites, recording factors likely to influence viability such as bad neighbour uses, topography, likely geo-environmental conditions and the character of the surrounding area. We then assessed appropriate dwelling yields and densities, taking into account factors such as proximity of town centres, bus routes and permanent features. This information fed into the achievability analysis for the 72 sites to ensure that our assessments are robust.
- 4.3 A development appraisal was then been completed for each site, which can be adapted should an application be made for residential or mixed-use development. A general overall developable area, split initially between market and affordable housing, can be supplemented with detail from a proposed schedule of accommodation to establish an acceptable level of affordable accommodation on that particular site, and the make-up of such affordable accommodation.
- 4.4 The margin level has a substantial impact on land value and therefore delivery, and will also have a substantial impact on what is a deliverable level of affordable housing, either on-site or in the form of a commuted sum.
- 4.5 The appraisals also take into account ongoing Government policy factors affecting build costs, such as the Code for Sustainable Homes (CSH) or Policy EM18 of the RSS. The financial implications of the requirement for affordable homes to be built with CSH level 3 have been incorporated into the site appraisals.
- 4.6 We have taken account of the impact of the potential balance between social rented and shared equity. At the present time there tends to be a preference to encourage equal proportions on-site of social rented, units discounted from market value and low cost housing financed through shared equity schemes.

Detailed Development Appraisals

- 4.7 In addition to the high-level assessment of the 72 sites, we have completed more detailed development appraisals on a tightly focused sample of 10 sites across the Borough, which

were led by APS. The sample selected has been based on securing a broad representative sample by geography, site size and land type.

The Appraisal Model

- 4.8 The detailed development appraisals were undertaken for sites that were rated as Category 1 and 2 in the SHLAA (that is, the sites which we consider can make the greatest contribution to the delivery of market and affordable housing, and which are most likely to come forward in the short- to medium-term).
- 4.9 The appraisals enable us to demonstrate that our assumptions in the 'first phase' achievability assessments are robust. They also provide the Council with a set of representative 'templates' which can then be used as the basis for detailed assessment of any site, as and when required.
- 4.10 Under our Excel spreadsheet based Viability Assessment Model, the development appraisals are notionally divided into two halves; 'revenue' and 'cost'. Revenue factors reflect a general price per square foot of the net developable area under 'normal' market conditions in each area of Rossendale. The same also applies to the housebuilding industry's acceptable margin levels, which have a substantial impact on land value and therefore delivery of the land.
- 4.11 In considering the house-building industry's acceptable margin levels in the current climate we have applied a gross margin of approximately 25 per cent. We accept, however, that at present, the margin level is arguably slightly higher for some medium-sized regional builders. Such margin requirements, as dictated by the banks, will drift southwards in the next 12 months as competition reappears in the lending market. Sensitivity analysis on the appraisal tool demonstrates the impact that margin level variances have on the deliverable level of affordable housing, either on-site or in the form of a commuted sum.
- 4.12 In summary the APS development appraisal tool takes into account:
- the existing use value of the site, reflecting any obvious physical and geo-environmental factors and constraints such as abnormal piling costs, likely ground remediation costs, gas protection measures, Japanese knotweed remediation techniques and associated costs;
 - the most appropriate type of residential development for the site, based on both macro and micro-economic factors, and the impact of various levels of affordable housing provision;
 - the impact on deliverability of different forms of tenure;
 - general build costs for both apartment schemes and traditional housing schemes; and
 - ongoing Government policy factors affecting build costs, such as the Code for Sustainable Homes (CSH) or Policy EM18 of the RSS.
- 4.13 The viability tool allows the user to vary the amount of affordable housing included within any given scheme allowing, together with adjustments to the land value. The overall viability of a scheme is determined by the level of residual land value in relation to alternative use values.

Our Key Assumptions

- 4.14 We set out the assumptions on which our analysis is based below. It is important to note that the housing market is constantly changing and therefore any analysis of viability can only provide a snapshot. The current housing market is currently experiencing major changes as a consequence of the economic downturn and it is important to note the significant effect that this has on the viability of affordable housing and development in general.

Planning permission

- 4.15 We have assumed that planning permission is in place or will be granted and that the site is serviced, cleared and ready for development.

Development mix

- 4.16 We have initially assumed an equal split of one-third Social Rented, one-third Shared Equity and one-third Discounted Market Value. Variations around this central theme are investigated and on occasions, the appraisals demonstrate that by changing the proportions of tenure type, there can be a limited impact on land value between for example a 30 per cent contribution on a social rented basis and a contribution of 40 per cent. For example, a site which can provide 30 per cent affordable housing on an even split of tenure, can generally provide 40 per cent affordable housing, on a 50-50 basis of Shared Equity and Discounted Market Value. On this basis, certain flexibility on an area-by-area needs basis is possible.

Density

- 4.17 Unit densities are based upon current industry standards, which have seen a marked reduction in high-density schemes. The majority of housebuilders are currently targeting lower density semi-detached and detached schemes, at an average of 36 units per hectare (14.5 units per acre)..

Unit sizes

- 4.18 With regard to unit sizes we have assumed a standard 3-bed house at 83 sq.m (900 sq.ft) and a 4-bed at 107 sq.m (1,150 sq.ft). In reality these unit sizes will be altered on a site-by-site basis, dependant on developer and market demand.

Build costs

- 4.19 We have drawn on various sources, including our extensive experience, consultation with relevant personnel in various housebuilding companies and the latest Building Cost Information Service (BCIS) data, and we have developed a base per sq.m build cost for the different housing types. Our assumptions are based on construction with either brick or reclaimed stone.
- 4.20 A residential all-in build cost of £785.77 per sq.m (£73.00 per sq.ft) is assumed. This reflects a traditional mode of construction (i.e. non timber framed method) based upon traditional strip foundations 1m down with ground bearing slabs and no gas protection measures incorporated.

- 4.21 A commercial build cost (typically ground floor retail to shell and core) £65.00 per sq.ft is assumed. We have also assumed a cost for the delivery of affordable housing to CSH Level 3 calculated at £75 per sq.m (£7 per sq.ft) extra over the build cost.

Other development costs

- 4.22 We have also assumed a figure for other development costs in addition to the build cost. This covers basic infrastructure including services, roads, car parking landscaping and other external costs. These costs will be specific to the requirements of each site and therefore can only be generally estimated within the detailed development appraisals.

Abnormal development costs

- 4.23 Geo-environmental abnormals are estimated based on industry experience, local area knowledge and some knowledge of an individual site's former use. Such costs are estimates and will be subject to change, upon production of a phase 2 environmental report.

Professional fees

- 4.24 Our assumptions for professional fees are based upon current industry standards and include: stamp duty at 4 per cent; agent fees at 1 per cent, legal fees at 0.5 per cent, and VAT on stamp duty, usually associated with brownfield land, at 15 per cent.
- 4.25 Other professional fees are set as a percentage of construction costs and based on current industry standards. Promotion and marketing fees are also set to current industry standards.

Section 106 costs

- 4.26 The majority of residential developments are required to provide contributions, other than affordable housing, towards highways, community facilities and other costs related to the development as part of the Section 106 Agreement. Our assumptions for Section 106 cost are based on typical requirements of Rossendale Borough Council.

Contingency

- 4.27 A developer's contingency of 5 per cent on build costs has been assumed on every site.

Developer's profit

- 4.28 The appraisals have been calculated to provide a return of 24-25 per cent as a Gross Margin on Revenue. This is the generally accepted industry standard at the current stage of the economic cycle, but will require close attention and annual updates. Gross margin on cost figures are also automatically calculated as some smaller housebuilders occasionally utilise this figure. Return on Capital Employed (ROCE), also used by a small number of volume housebuilders, is included to provide a thorough picture.

Interest rates

- 4.29 The financial return assumes an interest rate of 7 per cent, a figure that is of a punitive nature and current industry standard. As the economy recovers and interest rates rise, banks will once again be tempted to lend and will become more competitive with their

rates. We believe that in this regard, a figure of 7 per cent will remain fairly constant during the short-medium term.

Sales rates and values

- 4.30 Sales rates have been estimated under 'normal' market conditions, as have investment yields, although particular regulation attention will need to be paid to the latter figure, as it is subject to more mobile activity. These figures have been derived from consultation with developers, housebuilders, estate agents and where required, investment agents. Assumptions on Affordable Housing purchase rates are based upon current industry circumstances and have been verified through consultations with various RSLs and housebuilders.
- 4.31 Our sales values for market dwellings have been assumed as equating to £1,883 sq.m (£175 per sq.ft) for 3-bed dwellings and £1,830 per sq.m (£170 per sq.ft) unless otherwise stated. Variations are made on an area-by-area basis.

5 FINDINGS OF THE VIABILITY ASSESSMENTS

Introduction

- 5.1 This section of the report presents the findings of the viability assessments. It aims to show, by testing a number of key policy options, what the impact of providing affordable housing is likely to be on the viability of development and will include an analysis of the results of the 72 high-level site assessments and the 10 detailed development appraisals. This will allow us to calculate how many sites are viable at various different affordable housing thresholds and thus will inform the most appropriate threshold to be applied in Rossendale.
- 5.2 It is important to note at the outset that the appraisals assume 'normal' market conditions; that is, a market timeframe of around 2-3 years, with a stable availability of mortgages' and readily available funding for development. This is particularly pertinent given the economic circumstances prevailing at the time of undertaking this study. Indeed, if the viability assessments were to incorporate cost and value data, reflecting the current economic downturn, we consider that the majority of schemes on brownfield land would be unviable.
- 5.3 However, whilst the current market position is a concern, given the cyclical nature of the property market, we consider that the downturn is unlikely to remain during the lifetime of the Council's affordable housing policy. Indeed, it is likely that we will possibly experience more than one property cycle during the life time of the Core Strategy, and therefore in order to ensure a policy which is flexible enough to adapt to changing market conditions, a range of affordable housing thresholds have been tested. We discuss this matter in more detail in Section 6 and the impact that the recession may have on the delivery of affordable housing throughout the Borough.

Appraisal Results: High Level Site Assessments

- 5.4 The high-level site assessments tested five different degrees of affordable housing thresholds, which were applied to each of the 72 sites so as to enable us to score each site according to its degree of viability under each of the five thresholds.
- 5.5 **Scenario 1** reflects the baseline position and indicates the proportion of schemes that would be viable without any element of affordable housing, and under 'normal' market conditions. Of the total 72 sites, under Scenario 1 (0 per cent affordability threshold), nine sites achieve a score of '0' ('very poor viability').

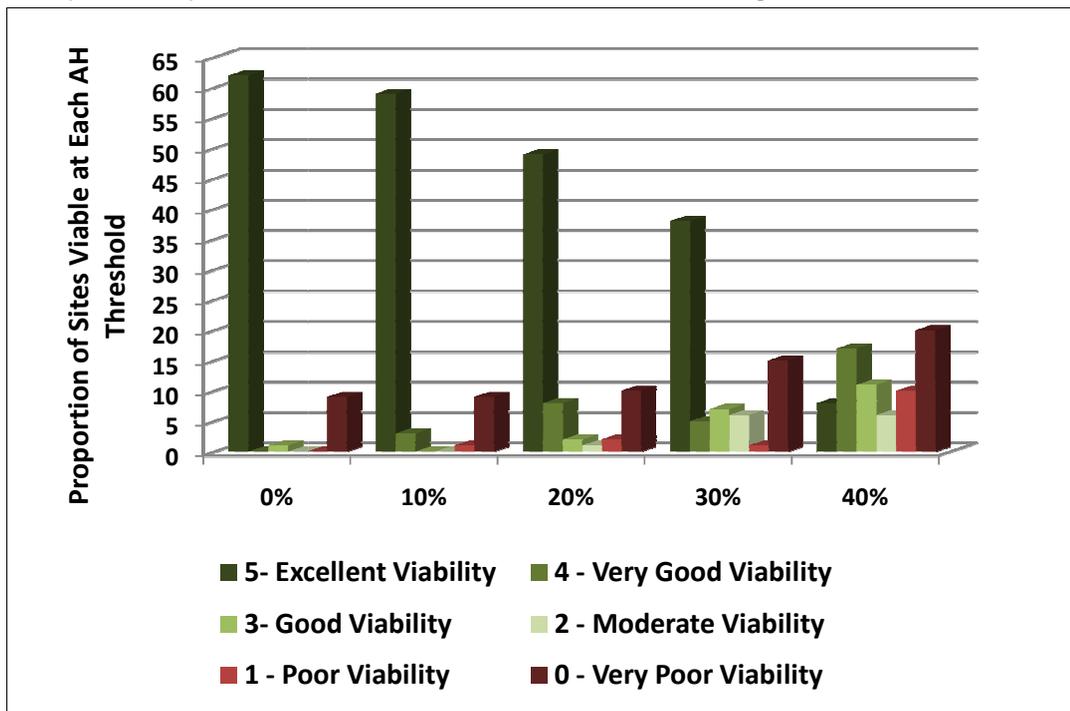
Table 5.1 Summary of High Level Site Assessment Scores

Site Ref	Site Area (HA)	Town	Yield	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
				0% Affordable	10% Affordable	20% Affordable	30% Affordable	40% Affordable
487	0.53	Rawtenstall	12	0	0	0	0	0
543	0.43	Bacup	45	5	5	5	5	5
548	1.38	Whitworth	62	5	4	3	0	0
569	1.48	Rawtenstall	48	5	5	5	5	5
578	0.72	Rawtenstall	20	5	5	1	0	0
588	0.82	Haslingden	10	0	0	0	0	0
597	2.73	Haslingden	100	0	0	0	0	0
601	0.52	Edenfield	15	0	0	0	0	0
602	0.72	Edenfield	20	5	4	1	0	0
606	4.45	Cowpe	115	5	5	5	0	0
611	1.69	Loveclough	30	5	5	4	5	3
618	0.41	Rawtenstall	14	0	0	0	0	0
626	2.07	Rawtenstall	48	5	5	5	5	3
627	0.49	Rawtenstall	8	0	0	0	0	0
635	4.98	Haslingden	154	5	5	5	0	0
636	2.61	Rawtenstall	0	0	0	0	0	0
639	1.13	Rawtenstall	36	5	5	5	5	3
646	2.84	Rawtenstall	70	5	5	5	3	1
652	0.83	Loveclough	25	5	5	5	5	2
659	1.43	Bacup	46	5	5	5	5	0
672	1.86	Loveclough	60	5	5	5	5	3
673	1.86	Rawtenstall	60	5	5	5	5	0
674	1.65	Rawtenstall	54	5	5	5	3	1
676	0.53	Rawtenstall	24	5	5	5	5	0
683	1.60	Rawtenstall	50	5	5	5	5	2
692	0.71	Haslingden	20	5	5	5	5	2
710	1.61	Haslingden	43	5	5	5	4	1
718	1.31	Haslingden	30	5	5	4	2	1
720	0.59	Rawtenstall	20	5	5	5	5	3
722	0.64	Haslingden	29	3	1	0	0	0
723	0.54	Edenfield	24	5	5	5	5	4
732	0.88	Rawtenstall	28	5	5	5	5	4
734	0.72	Loveclough	19	5	5	5	5	4
735	0.40	Rawtenstall	5	5	5	5	5	4
737	0.91	Rawtenstall	28	5	5	5	5	4
752	0.58	Rawtenstall	15	5	5	5	4	4
761	0.42	Rawtenstall	19	5	5	5	5	5
775	0.76	Rawtenstall	34	5	5	5	4	2
786	0.45	Rawtenstall	20	5	5	5	5	4
791	0.41	Rawtenstall	15	5	5	5	5	4
804	0.89	Haslingden	24	5	5	5	5	4
822	6.72	Bacup	302	5	5	5	4	3
823	2.90	Rawtenstall	131	5	5	5	5	4
824	5.18	Rawtenstall	233	5	5	5	5	4
830	1.26	Haslingden	57	5	5	5	5	3
835	0.43	Haslingden	23	5	5	5	5	4
907	0.49	Rawtenstall	22	5	5	5	5	3
1034	0.41	Rawtenstall	18	5	5	5	5	5
1047	0.84	Rawtenstall	34	5	5	5	3	2
1055	0.67	Whitworth	30	5	5	5	5	3
1074	0.42	Rawtenstall	19	5	5	5	5	4
1082	0.79	Bacup	36	5	5	5	2	1
1088	0.81	Bacup	44	5	5	5	5	4
1096	2.31	Weir	0	5	5	5	5	5
1113	1.01	Bacup	0	5	5	5	5	5
1145	2.30	Bacup	86	5	5	5	5	4
1151	3.87	Haslingden	131	5	5	3	2	1
1161	2.14	Haslingden	80	5	5	5	5	5
1166	0.76	Haslingden	0	0	0	0	0	0
1169	3.06	Rawtenstall	65	5	5	5	5	4
1170	0.58	Rawtenstall	0	0	0	0	0	0
1171	0.99	Goodshaw	29	5	5	4	2	1
1262	0.89	Bacup	29	5	5	5	5	4
S1	3.61	Whitworth	-	5	5	4	3	1
S2	1.49	Rawtenstall	-	5	5	4	3	0
S3	1.67	Rawtenstall	-	5	5	4	2	1
S4	1.90	Boarsgreave	-	5	5	4	2	1
S5	12.08	Rawtenstall	-	5	5	5	4	3
S6	0.59	Rawtenstall	-	5	5	5	3	3
S7	2.76	Rawtenstall	-	5	5	5	5	5
S8	0.48	Waterfoot	-	5	4	2	1	0
S9	0.44	Bacup	-	5	5	4	3	2

Key for A P Sheehan & Co's Assessment of 'Achievability'	Score	Key
- Excellent viability (no known exceptional costs or conflict of land values with existing	5	Viable
- Very good marketability and/or viability	4	
- Good viability	3	
- Moderate viability based on exceptionals and existing land value	2	
- Poor viability based on exceptionals and existing land value	1	
- Very poor viability (assumed exceptional costs and insufficient land value to better	0	Unviable

- 5.6 Tables 5.1 and 5.2 indicate that Scenario 1 results in the least variation in terms of viability and the highest proportion of sites, 62 in total (or 85 per cent), achieving the highest score of '5' which indicates *'excellent viability'*. However, this is to be expected given that this scenario incorporates an affordable housing threshold of 0 per cent.
- 5.7 Nevertheless, whilst under this scenario a total 88 per cent of sites would be viable, this scenario does not incorporate any element of affordable housing. Thus, given that the recently commissioned SHMA indicated a likely annual requirement for 327 affordable dwellings throughout Rossendale, this scenario is unsatisfactory and merely serves to indicate the proportion of schemes which would be viable, without affordable housing and under 'normal' market conditions.

Graph 5.1 Proportion of Viable Sites at Each Affordable Housing Threshold



- 5.8 Under **Scenario 2**, Table 5.1 and Table 5.2 indicate that a ratio of 10 per cent affordable housing is achievable across 86 per cent of sites. Indeed, the findings of the 72 high level site assessments indicate that 59 sites achieve the highest score of 5, and are thus classed as having *'excellent viability'* potential under 'normal' market conditions. As was the case under Scenario 1, the same nine sites are deemed to have *'very poor viability'* and are thus unable to deliver affordable housing. In addition, under Scenario 2, one site achieves a low score of '1' and thus affordable housing on this site is also deemed unachievable.
- 5.9 Thus, given that 86 per cent of sites are achievable under this scenario, we consider than an affordable housing threshold of 10 per cent would be a viable option. However, the Council must again take into account the findings of the 2009 SHMA which indicated that 327 affordable dwellings would be required annually in Rossendale if the identified need is to be satisfied; this would be a difficult target to achieve with an affordable housing

threshold of just 10 per cent. Thus whilst a development mix of 10 per cent affordable housing may be viable and achievable, particularly in those weaker housing market areas such as Britannia and Stacksteads, such a target would not adequately meet the identified need.

Table 5.2 Summary of Results of High Level Site Assessments

Viability Score	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
	Number of Sites Viable at Each Threshold				
	0%	10%	20%	30%	40%
5- Excellent Viability	62	59	49	38	8
4- Very Good Viability	0	3	8	5	17
3- Good Viability	1	0	2	7	11
2- Moderate Viability	0	0	1	6	6
1- Poor Viability	0	1	2	1	10
0- Very Poor Viability	9	9	10	15	20
Total Achievable Sites for AH	63	62	60	56	42
Achievable Sites as a % of Total	88%	86%	83%	78%	58%

- 5.10 The results of the high-level site assessments under **Scenario 3** indicate that under 'normal' market conditions, 83 per cent of sites would be achievable at an affordable housing threshold of 20 per cent. This includes 49 sites which achieve a score of '5', a further eight sites which achieve a score of '4', two sites which achieve a score of '3' and one site which achieves a score of '2'. This is therefore deemed to be a viable threshold for affordable housing across the Borough; however we consider that developers may have more difficulty in delivering this level of affordable housing on brownfield sites given the scale of remediation costs associated with such sites. Indeed, delivery is likely to rise in difficulty at this level, generally commensurate to a narrowing proximity to urban centres, where alternative use values are higher and there is a higher proportion of brownfield sites.
- 5.11 The results of the high-level site assessments under **Scenario 4** indicate that under 'normal' market conditions, 78 per cent of sites would be achievable at an affordable housing threshold of 30 per cent. This includes 38 sites which achieve a score of '5', a further five sites which achieve a score of '4', seven sites which achieve '3' and six sites which achieve a score of '2'. Thus, the findings of the 72 high level site assessments indicate that a 30 per cent affordable housing target would be a viable figure for affordable housing across the Borough. However, developers will once more experience difficulty delivering this level of affordable housing in the urban areas where sites are predominantly brownfield, and in those areas which are deemed less desirable; in such cases, in order to maximise the proportion of affordable homes which can be delivered throughout the Borough, the Council may wish to consider altering the affordable housing tenure splits, for example by providing a higher proportion of intermediate tenure housing.
- 5.12 Under **Scenario 5**, 40 per cent affordable housing is deliverable across 58 per cent of the total schemes assessed. It is recommended that 70 per cent of sites should be viable prior to a policy being classed as robust. Therefore at 58 per cent viability overall, Scenario 5 falls below the acceptable threshold and therefore an affordable housing threshold of 40 per cent would be deemed unacceptable.

- 5.13 The box below provides a summary of our assessment of each of the five scenarios, with a conclusion as to whether or not they are viable policy options for the delivery of affordable housing in Rossendale.

Scenario 1 - 0%: 88 per cent of schemes are viable, however this scenario tests the viability of the 72 sites with no element of affordable housing incorporated into the development mix. Hence this scenario is not appropriate should the Council wish to meet its affordable housing requirements of 327 new affordable dwellings annually.

Scenario 2 - 10%: 6 per cent of schemes are achievable under this scenario, thus making this a viable target for affordable housing. However, given that the need in Rossendale is so high, the Council should consider a higher threshold.

Scenario 3 - 20%: 83 per cent of schemes are achievable under this scenario, again making this a viable target for affordable housing.

Scenario 4 - 30%: 78 per cent of schemes are viable under this scenario, which is a reasonable proportion of viable schemes, and is above the acceptable threshold of 70 per cent viability. Thus, any policy based on this threshold would be considered to be robust.

Scenario 5 - 40%: Just 58 per cent of schemes are achievable under this scenario, and thus we consider that this would not be a viable policy option.

Appraisal Results: Detailed Development Appraisals

- 5.14 The purpose of the second phase development appraisals is two-fold. Firstly, the appraisals demonstrate that our assumptions in the 'first phase' of achievability assessments are robust. Secondly, the appraisals provide the Council with a set of representative 'templates' which can then be used as the basis for detailed assessment of any site as and when required.
- 5.15 In summary, each detailed development appraisal takes into account the following factors¹⁴:
- the existing use value of the site, reflecting any obvious physical and geo-environmental factors and constraints such as abnormal piling costs, likely ground remediation costs, gas protection measures, Japanese knotweed remediation techniques and associated costs;
 - the most appropriate type of residential development for the site, based on both macro and micro-economic factors, and the impact of various levels of affordable housing provision;
 - the impact on deliverability of different forms of tenure;
 - general build costs for both apartment schemes and traditional housing schemes; and
 - ongoing Government policy factors affecting build costs, such as the Code for Sustainable Homes (CSH) or Policy EM18 of the RSS.

¹⁴ The full methodology is included in Section 4 of this Report.

- 5.16 To ensure that the detailed development appraisals take account of the wide range of variables which can affect the viability of providing affordable housing on a scheme, we selected ten sites, each with different characteristics in terms of location, size, land type and so on, as specified in Table 5.3:

Table 5.3 The Ten Sites Selected for the Detailed Development Appraisals

SHLAA Site Ref	Location	Size (ha)	Dwelling Yield	Comments
734	Love Clough	0.72	25	Edge of countryside, proposed mix of uses
1151	Haslingden	3.87	131	Out of town and semi-rural
626	Rawtenstall	2.07	67	Open land adjacent to existing terraced housing
659	Bacup	1.43	45	Site visit indicates potential capacity for 55 dwellings
602	Edenfield	0.72	20	Site visit indicated good potential as extension to adjacent housing development
639	Rawtenstall	1.13	35	Located in close proximity to existing housing and local services
823	Rawtenstall	2.9	93	Edge of town, and good potential for housing development
646	Rawtenstall	2.84	65	Wooded area with mature trees and steep topography
S1	Whitworth	3.61	102	Previously developed land
S9	Bacup	0.44	16	Previously developed land

- 5.17 The comprehensive results of the detailed development appraisals are presented in Appendix 2, and are summarised below in Table 5.4 for ease of reference.
- 5.18 The findings indicate that **20 per cent** affordable housing is achievable on all ten of the sites selected for the detailed development appraisals. This is to be expected given that under the high level site assessments, 83 per cent of schemes were viable under this scenario; this is considered to be a high level of viability.
- 5.19 However, it is important to note that for two of the sites (refs 1 and 9), the results of the appraisals indicate that a threshold of 20 per cent is the limit of affordable housing provision that could be viably accommodated on site. Indeed, for Site ref 1, the acquisition cost is only a minor enhancement of the Existing Use Value (EUV) and in the case of Site ref 9, the acquisition cost is close to EUV; thus, were a higher proportion of affordable housing to be implemented on either site, revenue would be reduced to the extent that the gross margin would be less than the required 24 - 25 per cent and hence net profit would be insufficient enough to attract not only the landowner to consider release for residential development, but also developer interest. In this case, alternative uses would be considered and residential delivery unviable.
- 5.20 In this context, it is likely that delivery of a residential development on site refs 1 and 9 would only be possible, if the scheme comprised a maximum 10 per cent affordable housing, given that the return produced when accommodating 20 per cent is too low.
- 5.21 The results of the detailed development appraisals demonstrate that at an affordable threshold of **30 per cent**, eight out of the ten sites are viable and can produce a gross margin in the region of 24 - 25 per cent; this equates to 80 per cent viability which we consider is a high proportion. In certain circumstances however, in order to achieve this

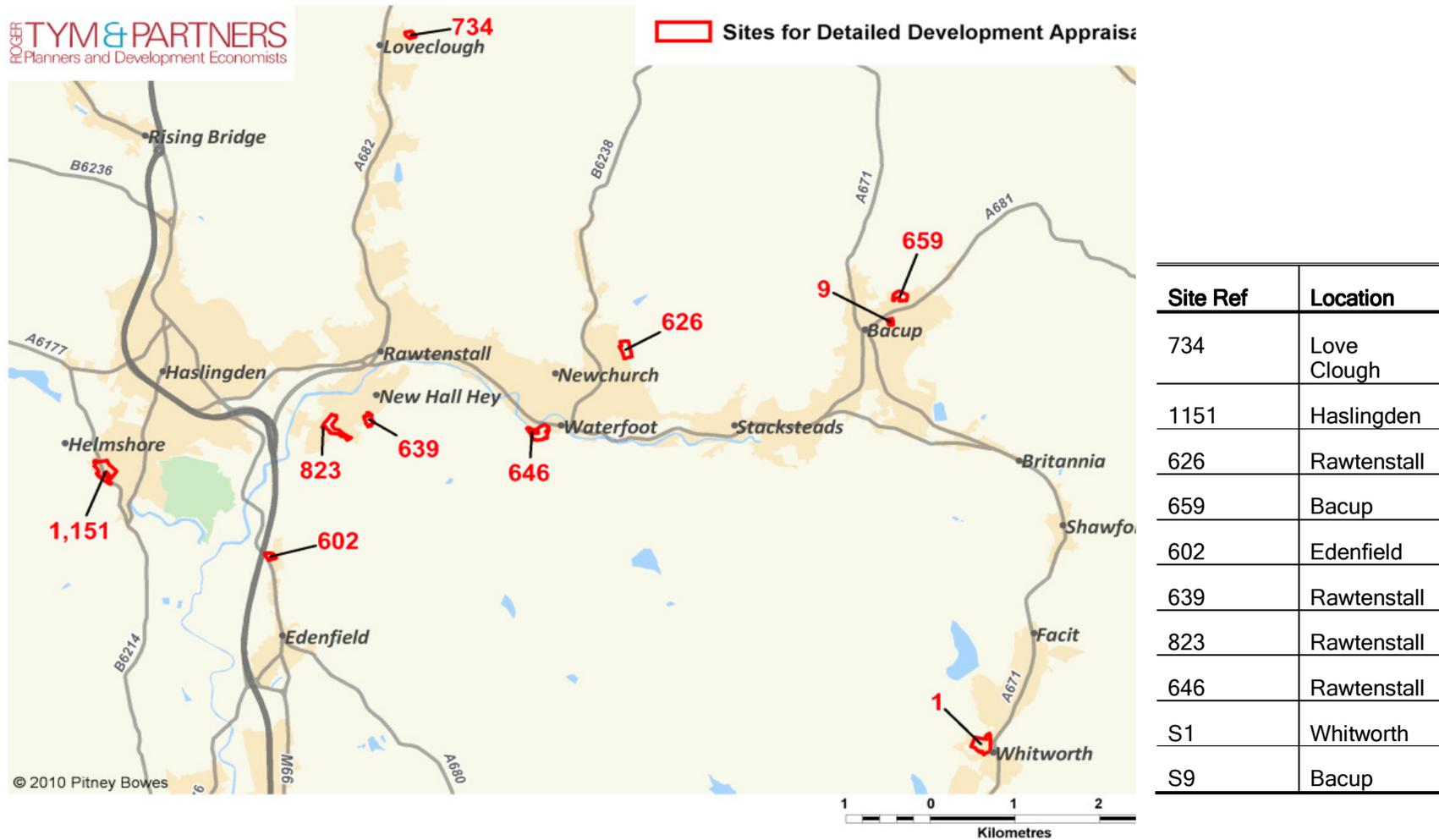
level of affordable housing, the tenure mix has been altered away from one third for each of the three types, in favour of DMV and Shared Equity. The two sites which are unviable at the 30 per cent threshold are site refs 1 and 9, and further analysis of the detailed development appraisals indicates that these two sites are limited in their capacity to accommodate higher proportions of affordable housing due to the scale of abnormal costs, typically associated with brownfield land. Due to the nature of previously developed land and the associated urban location, together with the potential for alternative uses, the general delivery of affordable accommodation over a level of 10-20 per cent appears challenging.

- 5.22 Greenfield sites will always have the capacity to accommodate a higher proportion of affordable housing, and indeed a higher proportion of social rented within this affordable element, given that the existing use value is lower, there are no associated remediation costs and, these sites tend to be located in more sought-after rural areas where end sales values are higher.
- 5.23 In addition to the aforementioned abnormal costs associated with residential development on site ref 9, and the small nature of the site (just one acre), values in Bacup are generally lower than elsewhere in the Borough; this subsequently has a negative impact on the revenue side of the appraisal. Build costs and abnormal remediation costs are more of a constant.

Table 5.4 Summary of Results of Detailed Development Appraisals

Summary of Results of Detailed Development Appraisals											
				Tenure Mix							
Site Ref.	Location	Size (ha)	Affordable Threshold	SR	SE	DMV	Site Cost (£)	Gross Margin (%)	Net Profit (%)	Net Profit (£)	Additional comments on viability of site
734c	Love Clough	0.72	20%		2/3	1/3	460,000	24.85	20.55	764,839	Highly appropriate site in terms of infill and provision of affordable in a desirable location such as this. The greenfield nature of the site and the Public Ownership will ensure delivery of at least 7 units.
734b			30%		1/2	1/2	450,000	24.35	20.05	747,392	
734a			40%	1/5	2/5	2/5	400,000	24.18	19.88	657,763	
1151c	Haslingden	3.87	20%	1/3	1/3	1/3	1,550,000	24.84	21.04	4,166,747	The site has certain demolition and remediation issues. Subject to any heritage protection status, the possibility exists to provide 100% residential on the site in order to increase the chance of site delivery.
1151a			30%		1/2	1/2	1,100,000	24.22	20.62	3,895,335	
1151b			40%	1/3	1/3	1/3	1,350,000	24.72	21.03	4,199,825	
626a	Rawtenstall	2.07	20%	1/3	1/3	1/3	1,400,000	24.86	20.48	2,156,437	Good setting of site, very few obvious development constraints with exception of dig out/cart off of top and sub soil together with retaining walls.
626b			30%	1/5	2/5	2/5	1,200,000	24.63	20.38	2,035,480	
626c			40%		1/2	1/2	1,200,000	24.21	19.93	1,970,149	
659a	Bacup	1.43	20%	1/3	1/3	1/3	1,000,000	24.07	19.49	1,358,564	Junction improvements required to facilitate development access. Prime setting and vendor appears to be taking good advice over recent Commons Act Legislation.
659b			30%	1/3	1/3	1/3	800,000	24.37	20.07	1,342,210	
659c			40%		1/2	1/2	800,000	24.93	20.65	1,369,805	
602a	Edenfield	0.72	20%	1/4	1/4	1/2	750,000	24.36	18.98	739,843	Well placed greenfield site, likely to lose a small amount of developable area due to acoustics from A56.
602b			30%	1/3	1/3	1/3	625,000	24.67	19.79	715,212	
602c			40%	1/6	1/3	1/2	600,000	24.53	19.66	687,874	
639a	Rawtenstall	1.13	20%	1/3	1/3	1/3	550,000	25.07	21.06	1,175,511	Good setting of site, levels will need to be carefully considered.
639c			30%	1/3	1/3	1/3	430,000	24.97	21.16	1,132,378	
639b			40%	1/3	1/3	1/3	240,000	24.99	21.52	1,043,975	
823a	Rawtenstall	2.9	40%	1/2	1/2		1,400,000	25.02	20.95	2,831,657	Highly appropriate Greenfield site in terms of infill and provision of affordable in a desirable location such as this.
646a	Rawtenstall	2.84	40%	1/3	1/3	1/3	760,000	24.98	21.13	1,916,848	Sites development area will be reduced by heavily wooded steep topography to rear.
S1a	Whitworth	3.61	20%	1/3	1/3	1/3	1,750,000	25.00	20.89	3,412,327	Large mainly PDL site close to centre of Whitworth; site of old mill. Appraisal indicates site cost is only minor enhancement on EUV due to scale of abnormalities therefore maximum 20 affordable units.
S9b	Bacup	0.44	10%		1/2	1/2	225,000	24.91	20.92	499,303	Relatively significant remediation works and site levelling required. Appraisal indicates that site cost is close to EUV due to scale of abnormalities and low land values, therefore maximum of 3 affordable units viable on site.
S9a			20%	1/3	1/3	1/3	160,000	25.00	21.30	494,695	

Figure 5.1: Site Locations for Detailed Development Appraisals



- 5.24 Finally, the findings of the detailed development appraisals indicate that an affordable housing threshold of **40 per cent** is viable on seven of the ten sites. In addition to Sites 1 and 9 being unviable for reasons we have previously discussed, Site 646 is at the limits of viability at a threshold of 40 per cent; thus it is likely that a land owner would only commit to delivery of this site if the affordable element of the scheme was in the region of 30 per cent, in order to help mitigate some of the risk.
- 5.25 Indeed, in cases such as this, whereby there is a fine balance between the viability of a site or otherwise, it would be wise for the Council to consider a more flexible tenure mix within the affordable element to that tested in the detailed development appraisals as standard (1/3 social rented, 1/3 shared equity and 1/3 discounted market value). This will have the effect of improving the chance of delivery of the land for residential development, without the need, in many cases, to reduce the quantity of stock delivered.

Sensitivity Testing and Alternative Appraisal Scenarios

- 5.26 In order to test the impact that adjustments to cost and revenue inputs have on the viability of schemes, particularly those which are at the limits of viability, we have undertaken a small number of additional appraisals with adjustments to tenure mix and build costs.

Tenure Mix

- 5.27 The results of the detailed development appraisals undertaken for site 646 indicate that at an affordable threshold of 40 per cent, this site is at the limits of viability, and thus it is likely that a developer would only commit to a scheme of this nature if the affordable element was reduced, as it would reduce the land value to a level whereby delivery of the land from its owner would be unviable. The detailed development appraisals incorporate a tenure mix of 1/3 social rented, 1/3 shared equity and 1/3 discounted market value as standard within the affordable element of the scheme. Thus, in order to assess the impact that changes in the tenure mix has on the viability of schemes which are unviable at higher proportions of affordability, we have undertaken additional appraisals for site 646 with the following adjustments to the tenure mix:

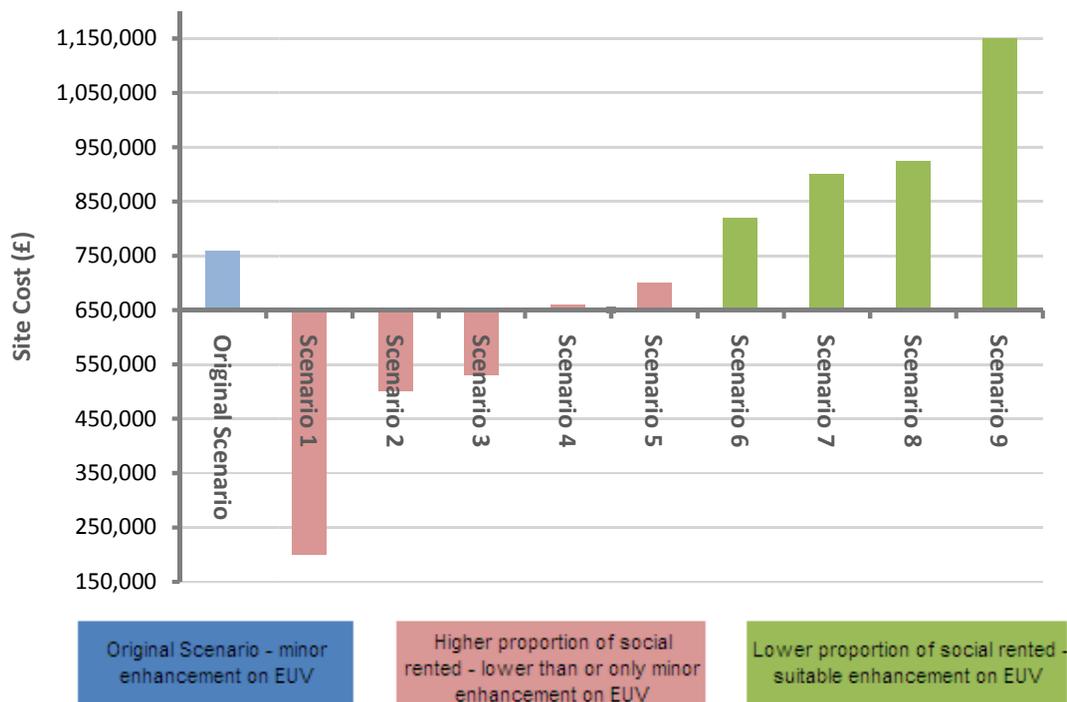
- Scenario 1** 100 per cent social rented.
- Scenario 2** 70 per cent social rented and 30 per cent shared equity.
- Scenario 3** 70 per cent social rented and 30 per cent discounted market value.
- Scenario 4** 50 per cent social rented and 50 per cent shared equity.
- Scenario 5** 50 per cent social rented and 50 per cent discounted market value.
- Scenario 6** 30 per cent social rented and 70 per cent shared equity.
- Scenario 7** 30 per cent social rented and 70 per cent discounted market value.
- Scenario 8** 20 per cent social rented, 40 per cent shared equity and 40 per cent discounted market value.
- Scenario 9** 100 per cent discounted market value.

- 5.28 Graph 5.2 provides a summary of the results of this analysis, and gives an indication of the price that the developer would be expected to pay in order to secure a gross margin in

the range of 24 to 25 per cent for each scenario; this price, in turn, is an indicator of the viability of a scheme depending on how close it is to the EUV. The EUV for site 646 has been valued at approximately £650,000, and thus any scenario with a site cost which is close to, or lower, than this EUV in order to secure a gross margin of between 24 and 25 per cent, would be deemed unviable.

- 5.29 The original scenario tests a tenure split of one-third social rented, one-third shared equity and one-third discounted market value housing within the affordable element of the scheme; this split required a site cost of £760,000 (as indicated in Graph 5.2) in order to secure a gross margin of 24.98 per cent. However, this acquisition cost was only greater than the EUV by approximately £100,000 and thus the viability of this scheme is weak.

Graph 5.2 The Impact of Adjustments to Tenure Split on Site Cost at 40% Affordable Housing - Site 646



- 5.30 Of the alternative tenure splits tested, Graph 5.2 demonstrates that the first five scenarios are not achievable given that they require a land cost which is either lower than, or only a minor enhancement of the EUV. This is attributable to the fact that these five scenarios incorporate higher proportions of social rented housing which subsequently generates less revenue than either shared equity or discounted market value housing.
- 5.31 This is further confirmed by the latter four scenarios which incorporate between 0 and 30 per cent social rented into the affordable housing element of the scheme. Indeed, Graph 5.2 indicates that Scenarios 6, 7, 8 and 9 all generate a land cost which is in excess of £800,000 whilst still securing a gross margin of between 24 and 25 per cent; thus indicating that they are suitably within the bounds of viability and with more flexible tenure combinations, can accommodate higher proportions of affordable housing. Such

sensitivity can be used to ensure delivery of stock, should a site require a greater amount of remediation, following production of a phase 2 environmental report.

Build costs

- 5.32 The second analysis we have undertaken assesses the impact that adjustments to construction costs will have on the gross margin of a scheme. Whilst the construction costs tend to remain fairly stable - influenced predominantly by the level of demand and the cost of raw materials and labour - we have included an analysis of the sensitivity of the gross margin to changes in such costs in order to illustrate the importance of accuracy when estimating build costs. Indeed, a minor reduction in costs can increase the return on a scheme and subsequently reduce risk and increase viability, and so the Council should refrain from being over optimistic, or indeed pessimistic, with regard to the scale of such costs and it should have such costs updated on a six-monthly basis.
- 5.33 Table 5.5 summarises the results of the sensitivity analysis carried out for Site 1, incorporating 20 per cent affordable housing, which, it appears at this moment in time, is the maximum proportion this site can viably accommodate. The analysis demonstrates that a reduction in build costs of just 3 per cent, either side, can have a significant impact on the viability of a scheme.

Table 5.5 Impact of Build Cost Adjustments on Gross Margin and Net Profit

Site 1 - 20% Affordable Housing					
Scenario	% Change	Build Cost (£ psf)	Gross Margin (%)	Net Profit (£)	
Scenario 1	15	83.95	17.33	2,006,831	
Scenario 2	10	80.30	19.75	2,466,009	
Scenario 3	5	76.65	22.17	2,878,796	
Scenario 4	3	75.19	23.13	3,043,911	
Original Scenario	0	73.00	24.59	3,291,583	
Scenario 5	-3	70.81	26.04	3,539,256	
Scenario 6	-5	69.35	27.00	3,704,371	
Scenario 7	-10	65.70	29.42	4,117,158	
Scenario 8	-15	62.05	31.84	4,529,945	

- 5.34 As one would expect, an increase in the construction costs has a hugely negative effect on the gross margin of the scheme. Such an adjustment would make this scheme wholly unviable at 20 per cent affordable housing.

Summary

- 5.35 The findings of the detailed development appraisals confirm that the method for determining the appropriate level of affordable housing throughout the Borough is fraught with difficulty given the sheer range of variables that can influence the viability of any given scheme; this is evidenced by the adjustments we have made to several appraisals by way of tenure mix and build costs. Thus, prior to recommending the most appropriate level of affordable housing to be implemented throughout the Borough, we stress that in

any case, the Council should ensure that it is flexible in implementing affordable housing targets.

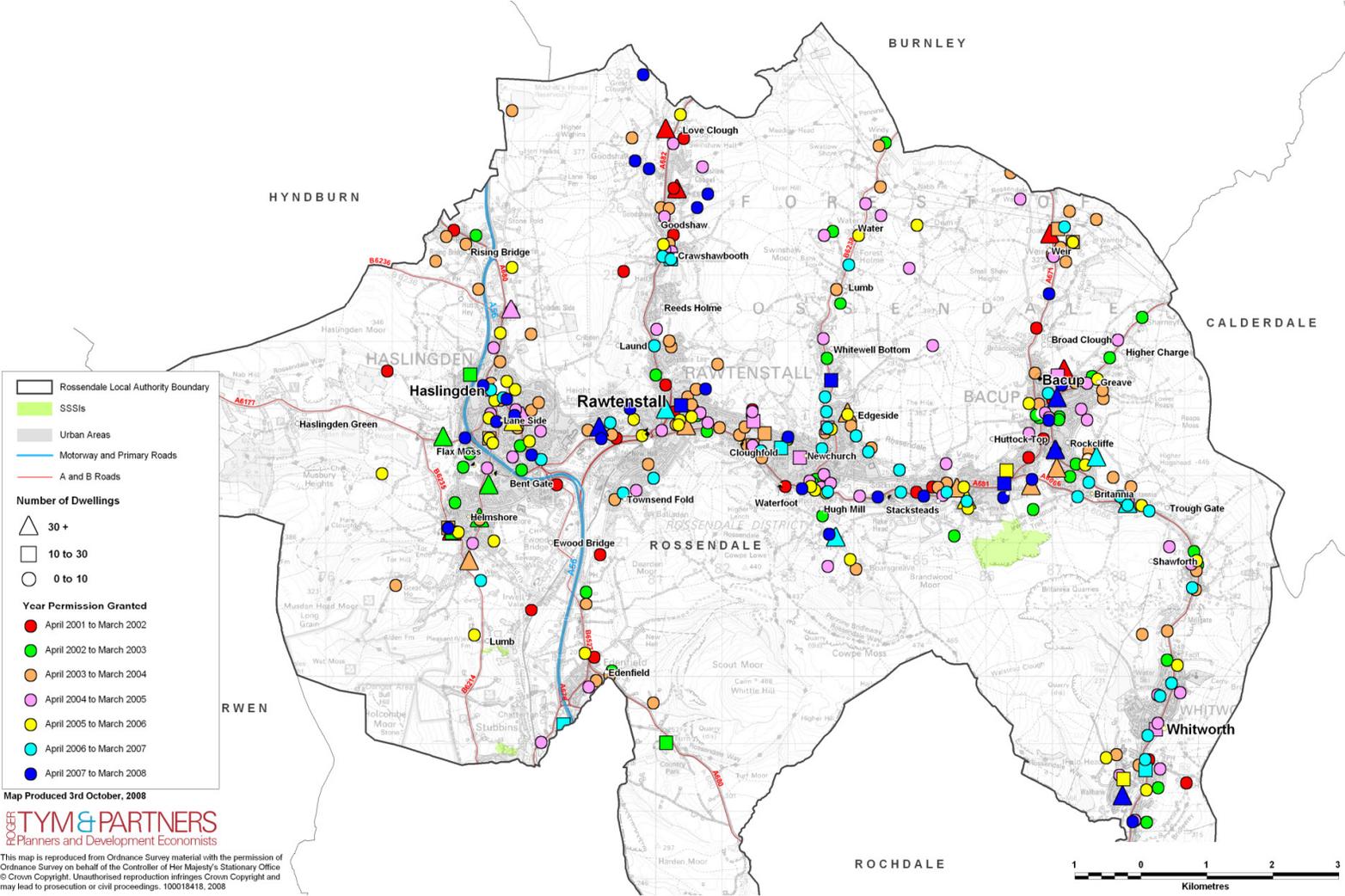
- 5.36 The detailed development appraisals indicate that 40 per cent affordable housing is achievable for seven of the sites. A proportion of 30 per cent is achievable on one of the sites and the remaining two sites can comfortably accommodate 10 per cent affordable housing.
- 5.37 Thus, the findings of the detailed development appraisals demonstrate that a range of between 10 per cent and 40 per cent affordable housing is deliverable on sites located throughout the Borough, with the individual site threshold ultimately dependent on variables such as prevailing market values, tenure mix and the scale of development costs. Undoubtedly, the challenges associated with the delivery of residential development on brownfield land, are numerous, especially during the course of the 5-year supply. Naturally, the nature and Existing Use Value of greenfield land presents fewer challenges and even a provision of 40 per cent will not deter a landowner from releasing land, so long as landowners are convinced that this policy is here to stay and will not be reversed in the short-medium term.
- 5.38 Adjustments were also made to a small number of the appraisals in order to test the impact that changes in tenure split and construction costs might have on those sites which could not achieve the higher proportions of affordable housing; this included Site 646, Site 1 and Site 9. The results of this analysis provide us with two important factors which must be taken into account when selecting the most appropriate affordable housing thresholds:
- Firstly, as demonstrated above, it is crucial that the Council remains flexible with regard to the tenure mix that is incorporated within the affordable element of schemes. The above analysis has shown that variations in the social housing tenure can have a significant impact on the viability of a scheme. Indeed, we consider that it would be better for a scheme to be implemented with a higher proportion of shared equity or discounted market value housing within the affordable element, than for a scheme to not go ahead at all. Such viability would obviously be subject to the ability of a RSL to acquire such stock. Attention must be paid to the dramatic changes in the RSL market, whereby RSLs have been unable to take up shared equity stock, due to the retention of high levels of unsold stock. In this instance, a lower amount of units focusing on social rented stock will be applicable to the scheme, or possibly a higher proportion of DMV stock.
 - The volatile nature of the property market and the subsequent repercussions these shocks have on development costs is a key factor in determining the viability of a scheme. Thus, it is critical that the Council does not apply a blanket threshold throughout the Borough, but rather applies a minimum and a headline threshold which allows developers 'room for manoeuvre' during those times when prevailing costs and values do not favour residential development.
- 5.39 Both of the above points are especially relevant in the case of marginal sites; that is those, sites which might incur high abnormal costs, are located in low value areas or have physical constraints. Many of these sites will undoubtedly be typically brownfield in nature.

Implications and Policy Recommendations

- 5.40 The purpose of this study is to inform the development of the affordable housing policy for Rossendale Borough Council. Taking into account the findings of the above appraisals, the analysis contained in the SHMA and our wider knowledge of the operation and application of affordable housing policy, we now provide our recommendation for affordable housing targets in Rossendale, and an analysis of the policy implication of such targets for the Borough's affordable housing requirements.
- 5.41 By Fordham Research, indicates that there is a requirement for 327 affordable homes annually in Rossendale in order to meet the need identified by the HNS. Based on this requirement, Fordham concludes that it would be reasonable to assume that an affordable housing target of 35 per cent would be appropriate in Rossendale, of which a 30 per cent proportion should comprise intermediate housing.
- 5.42 However, Fordham is keen to state that such targets must be subject to assessments of viability and deliverability, and such assessments are outside the boundaries of their particular study. Hence, this RTP study has assessed various scenarios of affordable housing targets in order to test the viability of the scenarios and thus come to a conclusion as to the most appropriate affordable housing target (or targets) for Rossendale.
- 5.43 Prior to recommending a viable and achievable target for affordable housing in Rossendale, we consider what might constitute an appropriate site size threshold. PPS3 sets out the national indicative site size threshold as 15 dwellings; however, the guidance further states that:
- 'Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area.'*
- 5.44 The findings of the detailed development appraisals indicate that when targets are set lower for sites of a smaller size, then affordable housing provision is still viable and achievable; indeed, viability is more sensitive to development cost, location, density and tenure or development mix than site size thresholds.
- 5.45 Moreover, analysis of past permissions in Rossendale indicate that the vast majority of housing permissions are for schemes of 10 dwellings or less (see Figure 5.1). Therefore, if the Council was to impose the PPS3 standard site size threshold of 15 dwellings, then the potential to deliver affordable housing in Rossendale would be vastly reduced.
- 5.46 Research carried out by RTP on similar studies suggests it is often the case that where higher site size thresholds are implemented in a plan area, developers and landowners will opt for lower density development in order to prevent having to provide affordable housing. Again, this reduces the overall potential for affordable housing provision.
- 5.47 Nevertheless, the findings of the appraisals in Rossendale also demonstrate that the capacity for brownfield sites to achieve higher levels of affordable housing is limited, particularly on smaller sites located in the urban areas. On this basis, the Council should consider implementing a higher minimum site size threshold for brownfield sites. This will

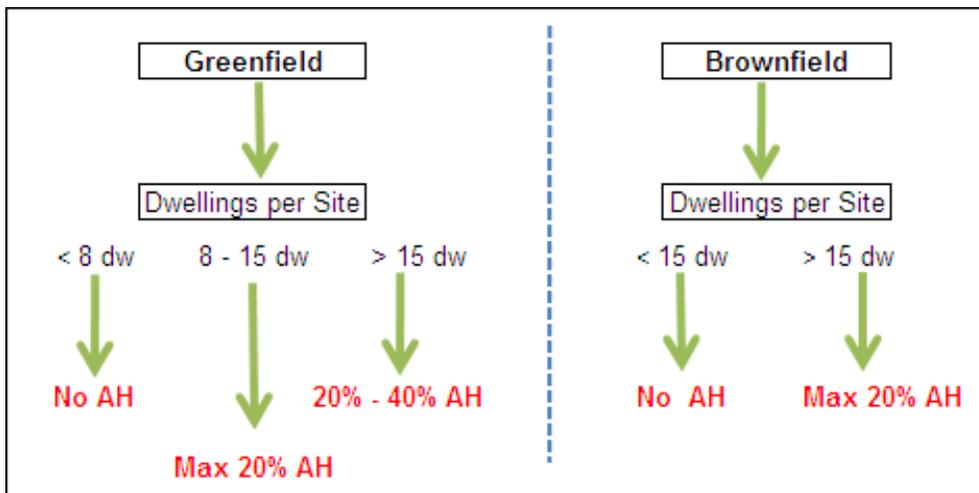
ensure that on smaller brownfield sites, where the provision of affordable housing is not viable, developers will not be deterred from redevelopment. This is especially critical given the large number of brownfield sites located within Rossendale.

Figure 5.2 Residential Planning Permissions by Density and Year



- 5.48 The quotas currently implemented by RBC are summarised in paragraph 2.29 of this report and are in the order of 20 per cent to 30 per cent, dependent on the density of a scheme. The findings of the 72 high level site assessments indicate that the two most viable options for the delivery of affordable housing are scenarios 3 and 4; Scenario 3 tests an affordable housing target of 20 per cent, and Scenario 4 tests a scenario of 30 per cent. Both of these targets are in accordance with existing RBC affordable housing requirements for schemes in excess of five dwellings.
- 5.49 The detailed development appraisals represented a more comprehensive analysis of the ten sites located throughout the Borough in order to determine the level of affordable housing that could be achieved on each site. The results demonstrate that on seven of the ten sample sites, 40 per cent affordable housing is achievable; a further one site can achieve a maximum of 30 per cent; and for the remaining two sites, 10 per cent is the most appropriate threshold.
- 5.50 The need for affordable housing in Rosendale is high - at 327 affordable homes annually - and thus we consider that whilst a wholesale target of 20 per cent throughout the Borough would be too low, it would also be inappropriate to apply a blanket target of 40 per cent throughout the plan area given that the results of the detailed development appraisals indicate that 40 per cent affordability is not achievable on all sites, and in particular, brownfield sites.
- 5.51 Thus, in light of the aforementioned, we consider that the most appropriate guidance for the provision of affordable housing would be to implement a minimum requirement of 10 per cent throughout the Borough, with a headline target of 40 per cent where viable, and on larger sites. This is summarised below, in Figure 5.2.

Figure 5.3 Factors for Consideration in Determining Affordable Housing (AH) Targets



- 5.52 In determining the most appropriate and viable proportion of affordable housing on a site-by-site basis, the Council should consider utilising the process illustrated in Figure 5.2. This will ensure that the potential for each site to deliver affordable housing is maximised, whilst ensuring that those sites which are incapable of achieving such thresholds do not remain undeveloped due to the unviability of implementing affordable housing on such sites.

- 5.53 We also consider that in weaker market areas, or for those schemes where the viability of providing affordable housing is poor, it would be prudent for the Council to promote a more varied development mix which may comprise a higher proportion of intermediate housing and a lower proportion of social rented housing. Developments in the past few years have attempted to create a variety of tenure, in order to create a reasonable balance, so that not all developments are 100 per cent social rented within the affordable element. Thus, if the Council wishes to increase the proportion of viable and affordable schemes, and a target closer to that recommended by Fordham Research of 30 per cent of affordable housing comprising intermediate housing, then there will be a requirement for the Council to adopt a more flexible approach to housing tenure mixes.
- 5.54 The benefits of such flexibility within the approach to affordable housing provision are evidenced by the analysis we have undertaken which follows on from the detailed development appraisals and which indicates that on marginal sites, in order to increase the chances of deliverability, a more varied tenure mix within the affordable element of the scheme should be permitted.
- 5.55 Taking into account the aforementioned analysis, our policy recommendation for the provision of affordable housing in Rossendale is as follows:

Policy Recommendation:

On all Greenfield sites over 8 dwellings, a minimum of 10 per cent affordable units should be applied and a target of 40 per cent should be sought wherever practicable. In particular, 40 per cent should be sought on larger sites or those within areas of high demand. The final level however should be negotiated on the basis of specific site viability to ensure that full affordability potential is reached.

On all brownfield sites over 15 dwellings, a maximum target of 20 per cent should be sought wherever practicable.

Public subsidy should be sought to ensure that the desired targets are met and to enable the provision of affordable housing on marginal and brownfield sites.

Affordable schemes should comprise an equal mix of affordable housing tenures; however, on marginal sites the Council should be more flexible in terms of tenure mix - i.e. a higher proportion of intermediate housing. Ultimately, the final tenure split should be agreed with the Council and should respond to local needs.

- 5.56 Whilst there has been criticism of the target based approach (whether numerical or percentage), we consider that it is the most suitable means of maximising the potential for achieving affordable housing within Rossendale, whilst ensuring that the delivery of schemes is not hindered as a result of rigid and inflexible policy requirements. Indeed, if there are genuine reasons why the maximum target cannot be achieved on a particular site (e.g. high existing use value, other section 106 costs, physical constraints and so on), then it is more beneficial for the site to come forward with a lower proportion of affordable housing than the headline target than not at all. Allowing such 'room for manoeuvre' is encouraged in the guidance contained within PPS3 which seeks to ensure a *'flexible, responsive supply of land'*.

5.57 Our analysis has proven that greenfield sites have the capacity to accommodate a higher proportion of affordable housing - and indeed a higher proportion of social rented within this affordable element - given that the existing use value is lower, there are no associated remediation costs and these sites tend to be located in more rural areas where values are higher and alternative uses fewer. Thus, if necessary, the Council could consider the release of greenfield land in order to help increase the supply of affordable housing, and, where local need dictates, to increase the supply of social rented housing.

6 AFFORDABLE HOUSING IN ROSSENDALE: CHALLENGES, SOLUTIONS AND DELIVERY

Introduction

- 6.1 This section draws together the findings of the analysis and suggests ways in which the Council can overcome the challenges associated with ensuring the successful delivery of affordable housing. This is especially relevant given the current economic climate and the associated impact on the property market generally.

Challenges and Solutions

Locational Challenges

- 6.2 Development of housing in Rossendale is somewhat restricted by the Borough's locational characteristics; in particular the steep topography of its landscape. Thus, although the Borough covers an area of some 138 square kilometres, a significant proportion of the land area comprises the steep-sided valleys of the Pennines and expanses of moorland (much of which is designated as either Green Belt or Areas of Special Landscape, in the adopted Rossendale Local Plan).
- 6.3 Development is thus largely restricted to the land at the foot of the Rossendale Valley, and along existing radial routes through the Borough. There is therefore limited scope to create new settlements beyond the existing built-up area, and little opportunity to expand existing settlements. This has a direct bearing on the ease with which affordable housing can be delivered in Rossendale.
- 6.4 The findings of the Housing Market Commentary Paper, which was undertaken by RTP to support the findings of the Rossendale SHLAA, indicate that in addition to physical constraints to the delivery of affordable housing in Rossendale, the Borough may also be facing a further challenge in terms of the nature of its housing market. Linked in with the fact that there is a shortage of space for large, high density housing schemes in Rossendale, the Borough receives little interest from national volume house builders. This again limits the potential for affordable housing.
- 6.5 RBC is thus faced with two contradictory pressures; on the one hand there is an urgent need (as identified by the 2009 SHMA) for additional affordable housing, whilst on the other hand there is a shortage of developable space and a desire to protect the areas of Greenbelt and open moorland. Nevertheless, there still remain numerous residential development opportunities throughout the Borough, most notably in the form of previously developed land, and particularly old mill buildings and factories, which are often situated in prime locations, adjacent to popular settlements and main roads. Such brownfield sites are unlikely to yield high quantities of affordable accommodation however. In this context, and in light of our recommendation that the Council should set a low site size threshold of 8 dwellings, we consider that the aforementioned challenges are not insurmountable.

Implications of the Economic Downturn

- 6.6 The economic climate has suffered nothing short of extreme deterioration in the past 18 months following some 15 years of favourable economic circumstances, with rising property values and high levels of activity across most property sectors. Professor Parkinson's report (2009)¹⁵ on the implications of the credit crunch for regeneration stated that in simple terms the implications of the 'credit crunch' are that *'lenders won't lend, borrowers can't borrow, builders can't build and buyers can't buy'*. He has since been *proven right*. The economy has deteriorated further since the report by Professor Parkinson with a continued decline in property prices, whilst the supply of credit has only marginally improved¹⁶ for consumers. For producers, there is no significant increase in funding supply for housing schemes and no funding supply for apartment schemes whatsoever, save on sites where financial institutions are heavily committed and have no option other than to continue with their commitments to a build-out, in order to recover funds.
- 6.7 The funding market is directly linked to the liquidity problems that have affected the credit market and the significant challenges that face the banking and mortgage sectors. Where funding is available for housing development schemes, lenders are much more selective, require at least 35 per cent -40 per cent equity and the costs of lending, where available, are greater.
- 6.8 The consequences have been severe for the residential property market which has seen significant deterioration in both sales volumes and prices. Development of sites for residential uses by the private sector has seen a marked decline. Where sites are being acquired by developers these acquisitions are being made a price materially lower than two years ago, although there may be a profit share or uplift arrangement should circumstances improve. Typically, land values have fallen in secondary and tertiary areas by as much as 65 per cent from their June 2007 peak and by as much as 35 per cent in prime areas. The affordable housing sector has remained far more active and is more evident as a supplier of accommodation in the current market. Since 2007, RSLs have been a valuable source of funding, seen as a means of delivering housing development on site which are no longer viable to the private sector. They were regarded as a means of recovering at least *some* of the substantial losses that investors/speculators and developers had made on residential sites. We estimate that this delivery activity will trail off towards the end of 2010, as competition begins to re-emerge into the funding markets.
- 6.9 Nationally activity in the housing market peaked in 2006, before the start of the economic downturn, as affordability was being weakened by increasing property prices. It is likely that prices would have slowed but the 'credit crunch' intensified the decline with dramatic effect¹⁷.

¹⁵ Parkinson, M Professor, *The Credit Crunch and Regeneration*, 2009. CLG

¹⁶ All Party Urban Development Group, *'Regeneration and recession: unlocking the money'*, 2009

¹⁷ Parkinson, M Professor, *'The Credit Crunch and Regeneration'*, 2009, CLG

- 6.10 The economic downturn has had a significant impact on house building rates. Over the last ten years house building rates in the UK have been low by international standards, despite picking up considerably between 2005 and 2007. Much of this increase was the result of greater densities, created by the restricted supply of land due, notably in the North West of England, to the restrictive planning moratoria on residential development.

Table 6.1: House Building Starts

		Dwellings Started	Dwellings Completed
2006 Q1	England	48,180	37,720
	North West	4,990	4,310
2006 Q2	England	47,040	43,250
	North West	5,220	5,560
2006 Q3	England	39,860	37,670
	North West	3,030	4,240
2006 Q4	England	42,120	42,220
	North West	1,790	3,020
2007 Q1	England	43,270	44,540
	North West	4,990	4,310
2007 Q2	England	42,760	43,260
	North West	5,220	5,560
2007 Q3	England	42,660	38,680
	North West	3,030	4,240
2007 Q4	England	37,770	48,420
	North West	1,790	3,020
2008 Q1	England	33,250	37,780
	North West	5,220	5,560
2008 Q2	England	33,880	37,510
	North West	3,030	4,240
2008 Q3	England	22,310	31,450
	North West	1,790	3,020
2008 Q4	England	15,850	35,660
	North West	3,030	4,240
2009 Q1	England	18,280	29,210
	North West	5,220	5,560
2009 Q2	England	30,740	39,830
	North West	3,030	4,240

Source: CLG House Building Statistics

- 6.11 Table 6.1 shows house building rates peaked nationally and regionally in 2006. This has been followed by a sharp drop in the number of dwellings started in Quarter 1 of 2009 with 18,270 starts in England and 1,260 starts in the North West, a decline of 62 per cent and 82 per cent from 2006.
- 6.12 Moving forward it is difficult to predict with any certainty the duration of the downturn and the longer term impact on property prices. There remains a shortage of funds to finance development borrowing and when full liquidity will return to the market is unclear. Private

sector developers are likely to be *'constrained by a weaker supply of credit, relative to the past ten years, and higher risk premiums, particularly for more marginal projects'*¹⁸.

- 6.13 Following a critical analysis by APS & Co on the macro-economic climate, what is clear is that land values may not recover to any significant level. APS estimates that sales values will likely increase by no more than 4 per cent -5 per cent per annum for the next few years. With the imposition of Code Level 3 of the Code for Sustainable Homes, the general implication in cost terms amounts to approximately £75 per sq.m (£7 per sq.ft), or approximately 10 per cent of the net build cost of a house or apartment. In this respect, the impact on land values will be as much as a 20 per cent reduction, thereby mitigating any land value increases during the course of the next 4 - 5 years. By such time, Code Level 4 will be implemented and will have a similarly detrimental effect of land value inflation. In this regard
- 6.14 This national picture has been reflected in the development picture in Rossendale in 2009. Residential development is rather static with any development that is occurring being in the form of 100 per cent affordable housing. Some affordable housing providers have been able to secure sites in the Borough which private developers have been unable to deliver whilst the economic climate remains unfavourable.
- 6.15 Affordable housing provision has been heavily related to development of open market sales through Section 106 agreements. Whilst there will likely be some impact on RSL build programmes these could be impacted by the restricted supply of credit. However in light of the longer term view generally taken by RSLs they are not likely to be as badly affected by the economic downturn.

¹⁸ All Party Urban Development Group, 'Regeneration and recession: unlocking the money', 2009.

7 SUMMARY AND CONCLUSIONS

- 7.1 The purpose of this study is to inform the development of affordable housing policy for Rossendale Borough Council. The study has addressed the following issues:
- should the Council set a minimum site size threshold for the provision of affordable housing and what should this threshold be;
 - what should the tenure split between intermediate and social rented units be in order to maximise affordable housing delivery and ensure a greater overall proportion of affordable housing;
 - what should be the minimum proportion of affordable housing to be applied to all sites; and
 - what is the maximum target which is capable of being achieved on larger sites.

The Findings of the Viability Assessments

High Level Site Assessments

- 7.2 Under Scenario 1, some 88 per cent of sites in Rossendale would be viable. Such a high proportion of viability is to be expected given that this scenario does not incorporate any element of affordable housing; indeed, under this scenario, 62 sites achieve the highest score of '5' which indicates 'excellent viability'. However, this scenario would not be an appropriate policy option given that the need for affordable housing in Rossendale is so high.
- 7.3 The findings of Scenario 2 indicate that a ratio of 10 per cent affordable housing is achievable across 86 per cent of sites. However, whilst a target of 10 per cent affordable housing is achievable on the majority of sites throughout the Borough, again we note that the affordable housing need is high in Rossendale, and a low target such as this would therefore prevent sites from meeting their full potential in terms of affordable housing provision.
- 7.4 Scenario 3 indicates that under 'normal' market conditions, 83 per cent of sites would be viable at an affordable housing threshold of 20 per cent. This makes this an achievable and robust target for affordable housing in Rossendale. The results of the high level site assessments applied under Scenario 4 indicate that 78 per cent of sites would be achievable at an affordable housing threshold of 30 per cent. This is also a reasonable proportion of viable schemes, and is above the acceptable threshold of 70 per cent viability, and so any policy based on this threshold can be considered robust.
- 7.5 Finally, the findings of Scenario 5 indicate that 40 per cent affordable housing is achievable across just 58 per cent of sites. We consider that this degree of viability is too low for any policy based on such a threshold to be considered viable and robust.

Detailed Development Appraisals

- 7.6 The findings of the detailed development appraisals indicated that 40 per cent affordable housing is achievable for seven of the ten sample sites, 30 per cent is achievable on one site and the remaining two sites can comfortably accommodate a maximum proportion of

10 per cent affordable housing. Thus, the findings of the detailed development appraisals demonstrate that a range of between 10 per cent and 40 per cent affordable housing is deliverable on sites located within the Borough, with the individual site threshold dependant on variables such as prevailing market values, tenure mix and the extent of development costs.

7.7 Additional appraisals were also carried out in order to test the impact that adjustments in tenure split and construction costs might have on those sites which are unable to accommodate higher proportions of affordable housing. The results of this analysis provide us with two critical insights which should be taken into account when formulating policy on affordable housing:

- i) The Council must ensure that it remains flexible in its approach to affordable housing, particularly in relation to the overall proportion of affordable housing and the tenure mix which it promotes within the affordable element of schemes. On this basis, rather than applying a blanket target throughout the Borough, we recommend a minimum and a headline target to enable developers 'room for manoeuvre' in response to changing economic circumstances. Moreover, the sensitivity analysis which was carried out as part of the detailed development appraisals indicated that adjustments to the tenure split can make the difference between the viability of a scheme or otherwise, and thus the Council should adopt a flexible approach to the tenure mix it promotes within the affordable element of schemes.
- ii) Secondly, the volatile nature of the property market means that the costs and values related to residential development are constantly fluctuating in response to the peaks and troughs which occur in property market cycles. The Council should therefore refrain from being over optimistic, or indeed pessimistic, with regard to the scale of such costs in order to ensure that the viability of affordable housing schemes is accurately tested¹⁹.

Implications and Policy Recommendations

7.8 The purpose of this study is to inform the development of the affordable housing policy for Rossendale Borough Council. Prior to recommending a viable affordable housing threshold, our study has considered what would be an appropriate site size threshold. Analysis of past permissions in Rossendale indicates that the vast majority of permissions are for schemes of less than 10 dwellings, and so if the Council was to impose a threshold of 15 dwellings, as recommended by PPS3, the potential to deliver affordable housing in Rossendale would be reduced. Nevertheless, the findings of the appraisals in Rossendale also demonstrate that the capacity for brownfield sites to achieve higher levels of affordable housing is limited, particularly on smaller brownfield sites located in the urban areas. On this basis, the Council should consider implementing a higher minimum site size threshold for brownfield sites than the threshold used for greenfield sites.

¹⁹ APS & Co is available to provide training to the Council on all elements of viability testing.

- 7.9 In this context, and in light of the findings of the viability assessments, we propose that the most appropriate guidance for the provision of affordable housing would be to apply a maximum threshold of 20 per cent throughout the Borough for brownfield sites of 15 dwellings or more and a maximum target of 40 per cent for all greenfield sites in excess of 8 dwellings.
- 7.10 We also consider that in weaker market areas, or for those schemes where the viability of providing affordable housing is marginal, it would be prudent for the Council to promote a more varied tenure mix which may comprise a higher proportion of intermediate housing and a lower proportion of social rented housing.
- 7.11 Our analysis has proven that greenfield sites have the capacity to accommodate a higher proportion of affordable housing - and indeed a higher proportion of social rented within this affordable element - given that the existing use value is lower, there are no associated remediation costs and these sites tend to be located in more rural areas where values are higher. Thus, if necessary, the Council could consider the release of greenfield land in order to help increase the supply of affordable housing, and, where local need dictates, to increase the supply of social rented housing.

Headline Recommendations

- 7.12 Viability is questionable on sites which are located in areas of low demand, sites which have high abnormal development costs and sites which have high EUVs. On such sites, it may be necessary for housebuilders and RSLs to secure gap funding from the HCA and its NAHP.
- 7.13 Furthermore, on marginal sites such as these, we consider that the Council will need to be flexible in its affordable housing targets in order to maximise the potential of residential schemes to provide affordable housing. Such flexibility can be in the form of either allowing adjustments to the tenure mix, or by setting a minimum and a headline target as opposed to a blanket affordable housing target throughout the Borough. In this context we have recommended a maximum threshold of 20 per cent throughout the Borough for brownfield sites of 15 dwellings or more.
- 7.14 On larger sites, greenfield sites, or those which do not incur any additional abnormal costs, higher proportions of affordable housing can be accommodated. It is on sites such as these, that the Council should aim to achieve the headline target of 40 per cent affordable housing where the scheme is of 8 dwellings or more.
- 7.15 The economic downturn is posing significant challenges for residential developers in particular, especially in terms of producing market housing with a suitable return. Thus, it is even more challenging for the private sector to produce affordable housing at present. The most recent statistics indicate that whilst we may be approaching the 'floor' of the recession, we are likely to trundle along the bottom and significant growth is unlikely to return to the mainstream until early 2012, irrespective of how soon prices stop falling.
- 7.16 We do not envisage a problem with developers and land owners holding back sites because of an increased affordable housing target, unless existing use mitigates against

this. However, it should be recognised that there may be some time lag for the new policy to 'settle' and thus some flexibility in the negotiation process is advocated.

- 7.17 Ultimately, it is critical that viability is tested on a case-by-case basis. This will ensure that the full potential of each site to provide affordable housing is maximised, and, that developers are not deterred from development of brownfield sites which are unable to accommodate such housing.

APPENDIX 1

FUNDING AND DELIVERY OF AFFORDABLE HOUSING

Funding and Delivery of Affordable Housing

A change from the Housing Corporation's Approved Development Programme to the National Affordable Housing Programme 2008-11 introduced a range of qualifying criteria for RSLs who could access social housing grant. From 2008-11, the Homes and Communities Agency (HCA) will invest around £8.4 billion in affordable housing through the NAHP. The programme's development partners will deliver 155,000 new homes and each year a proportion of homes built will be made available for low cost home ownership and social rent. Before applying for funding, housing providers must be awarded Investment Partner status through the pre-qualification status. There have been two pre-qualification rounds to date and 143 providers have been awarded Investment Partner accreditation. Within Rossendale, the largest delivery partner is Green Vale homes. We would recommend that the Council seeks to attract a higher proportion of RSL's into the Borough, in order to prevent demand restriction for shared equity product.

The £400m Kickstart Housing Delivery Programme was announced in the 2009 budget and is targeted at stalled sites with the aim of constructing high quality, mixed tenure housing developments. Additional resources of £660m were also announced in Building Britain's Future on 29th June 2009. This extension to the Kickstart programme means that additional resources will be available to schemes which have applied under rounds one and two of Kickstart.

Up to 22,400 additional new homes could be built across England and Wales through the 270 bids which were shortlisted. The 270 shortlisted schemes are promoted by a range of developers, including private housebuilders and RSLs.

The Public Land Initiative is designed to bring new construction players into the housing market using land in public ownership. Rather than selling land outright to developers, public landowners would take a 'deferred payment'. Partners will be selected from the forthcoming HCA Delivery Partner Panel and the sites will be briefed to the standards set for the Public land Initiative which include the Code for Sustainable Homes Level 4 and minimum space requirements. The land will then be disposed of through an agreement based upon a joint venture model that will take account of the value of the land invested, shared risk and returns, and available grant for social housing. The completed homes could then be transferred to a Registered Social Landlord (RSL), to Private Rental Sector Initiative partners, or sold on the open market to individuals.

Affordable Housing Products

The Homes and Communities Agency (HCA) are responsible for the delivery of nearly all of the affordable housing in England. The HCA has an investment programme of £8.4 billion for 2008-11 agreed with their development partners (RSLs and private sector developers) to delivery at least 180,000 new affordable homes nationally. By 2010-11 the ambition is to see a building rate of 70,000 homes per year, with a minimum target of 45,000 for social rent and 25,000 for affordable sale.

HomeBuy Schemes

The National Affordable Housing Programme (NAHP), the HCA's investment vehicle for delivering new affordable homes invested £3.9 billion in 84,000 new affordable homes in England between 2006 and 2008. HomeBuy Agents, formerly Zone Agents, form part of the delivery process for intermediate housing products developed in the NAHP, providing the access point between the developers and the end purchasers. The role of HomeBuy Agents includes, inter alia, the following:

- holding the local waiting list and/or working with local authorities in assisting applicants for Government LCHO programmes funded through the NAHP;
- assessing eligibility for assistance and maintaining a database of all eligible applicants. These could include existing social tenants, and those on RSL and local authority waiting lists; key workers; and priority first time buyers as defined by Regional Housing Strategies;
- processing applications for LCHO schemes using a single standard application form; and
- liaising with local authorities, developers, regional housing bodies and local employers to ensure effective targeting of assistance to eligible groups.

The HomeBuy agent for Rossendale is Plumlife, part of the Great Places Housing Group. Rossendale Borough Council is working in partnership with Plumlife to implement the HomeBuy Schemes. The Plumlife HomeBuy Agency service operated across Greater Manchester and Lancashire and is able to provide a one-stop-shop for first time buyers for all schemes in the area.

Open Market HomeBuy

Open Market HomeBuy is a Government backed home-ownership scheme that aims to help people to purchase 100 per cent of a property on the open market. It is a flexible equity loan scheme designed to help households earning up to a maximum household income of £60,000 a year (subject to certain criteria) to buy a home. There are currently two Open Market HomeBuy schemes:

- **MyChoiceHomeBuy** has been developed by 8 housing providers in partnership with the Government and the HCA and is being marketed via a national network of 23 HomeBuy Agents. The scheme works by allowing buyers to purchase a home on the open market and then providing as much as a 50 per cent or as little as a 15 per cent equity share. The purchaser will then pay a fee of 1.75 per cent on the share bought with MyChoiceHomeBuy.
- **Ownhome** is provided by a partnership between Places for People and The Co-operative Bank. Under the scheme, purchasers can borrow between 20 per cent and 40 per cent of the home's equity for 25 years (or the term of the mortgage). Interest payments are not paid on the Ownhome loan for the first five years. After five years interest is charged at a fixed rate of 1.75 per cent on the Ownhome loan each year. After a further five years the interest will be increased to a fixed rate of 3.75 per cent for the rest of the loan period.

New Build HomeBuy

New Build HomeBuy enables people who cannot afford to buy a home outright, to purchase a share in a new build home. The properties are built with the aid of public subsidy or a grant from the HCA. The scheme is specifically aimed at helping local authority and housing association tenants, key workers, first time buyers and others who are unable to afford a new home. Purchasers are expected to buy an initial share of between 25 and 75 per cent and then pay rent on the portion they do not own. The option to staircase (buy further shares in the house) is available on most schemes.

HomeBuy Direct

HomeBuy Direct gives eligible buyers the opportunity to own a specified newly built property. Buyers are offered an equity loan of up to 30 per cent of the value of the home, co-funded by the government and the developer, without any fees for the first five years. The purchaser then receives an equity loan of up to 30 per cent of the purchase price of the chosen property (minimum 15 per cent). The equity loan will be co-funded on equal terms by the government and by the developer supplying the property. The purchaser must contribute the remaining equity (a minimum of 70 per cent), through their mortgage (which could be obtained from any lender regulated by the Financial Services Authority) and any deposit. After the first year, purchasers are able to redeem the equity loan in instalments or in full, purchasing up to 100 per cent equity by buying additional equity at the market rate. Equal repayments must be made to both loans i.e. a minimum of 5 per cent must be paid to both the government and the developer; therefore in total a minimum repayment of 10 per cent is required.

Buyers will be able to sell their HomeBuy Direct home on the open market. When they do so, they will repay the equity loan by way of a share of the sale proceeds. This repayment will be shared equally between the government and the developer. If the value of the property has increased by the point of sale, the buyer, the developer and the government will all share in this increase. If the value of the property has gone down, the government and the developer will only share the sale proceeds that are left over once the mortgage has been repaid.

Social HomeBuy

The Social HomeBuy Scheme allows RSLs and Local Authorities to dispose of their rented housing at a discount on shared ownership terms to its secure and assured tenants who occupy properties eligible for the scheme.

Purchasers are able to buy an equity share based on a percentage of the full market value of the property they occupy. The range of the initial equity share can be any amount between 25 and 100 per cent. All Social HomeBuy leases allow the purchaser to buy further shares and staircase to 100 per cent.

APPENDIX 2

DETAILED DEVELOPMENT APPRAISALS

Rossendale Appraisal Template 1b - 100% Residential - Traditional Housing

Site Name

626a

Total Area **5.105** Acres Approx Developable Area **4.6** Acres

Proportion of Apartments

Proportion of Land for Apartments

Housing Density **14.5** Units/Acre **67** Houses

Affordable Units based on
 1/3 Social Rented Discounted @ 35% of OMV
 1/3 Shared Equity Discounted @ 70% of OMV
 1/3 Discounted Market Value Discounted @ 75% of OMV

Affordable Provision

20%

REVENUE	Units	Per Annum		
Housing Ground Leases	67	@ 200.00		£13,340
			Net annual income	£13,340
			Capitalised at Yield of	£177,867
			Less: Purchasers costs at	£9,273
				£168,594
			Net annual income	0
			Capitalised at Yield of	0
			Less: Purchasers costs at	0
				£0
	No.	sq ft		
3-bed House - Open Market Value	33	900	29,700 sqft @	£5,049,000
3-bed House - Social Rented	4	900	3,600 sqft @	£214,200
3-bed House Shared Equity	4	900	4,002 sqft @	£476,190
3-bed House Discounted Market Value	5	900	4,500 sqft @	£573,750
4-Bed House = 40% of Total OMV Houses	21	1150	24,546 sqft @	£4,050,024
Total Affordable Houses	13			
Total Net Saleable area - Houses			66,347 sqft	
				£0
				£0
			Total Direct Sales	£10,363,164
			Inv.Sales:	168,594
			Dir.Sales:	10,363,164
				REVENUE
				£10,531,758

COSTS

Site Cost					£1,400,000
Site Stamp Duty		at 4.00%			£56,000
VAT on Stamp Duty (Usually brownfield land)					£0
Site Legal Fees		at 0.50%			£7,000
Site Agency Fees		at 1.00%			£14,000
S106 Contributions - Community Sum					£0
Local Area of Play - Calculated at £541 per plot	For sites of more than 10 dwellings	67	@	£541	£36,085
Outdoor Sports Provision - Calculated at £566 per plot	For sites of more than 10 dwellings	67	@	£566	£37,752
Open Space Maintenance - Calculated at £259 per plot	For sites of more than 10 dwellings	67	@	£259	£17,275
Highways					£0
Construction - Residential Houses		66,347	@	£73	£4,843,346
Environmental abnormals and retaining walls					£150,000
Highways abnormals					£10,000
RSS EM18 Policy implications	Apts @4500 per plot	£0	Houses @ 7500 per plot	£0	£0
Code for Sustainable Homes (3) Implications	Currently priced at £7 per foot				£464,430
Code for Sustainable Homes (4) Implications					£0
Code for Sustainable Homes (5) Implications					£0
					£7,035,888
Building Regs		0.21%			£15,000
Planning Fees		0.21%			£15,000
Full Planning Application Fees	£16,565 max + £100 per plot over 50 un use G64 in total box	£16,565	1670	22011	£18,235
Contingency		5.00%			£351,794
Architect		2.00%			£140,718
Engineer		0.00%			£0
Quantity Surveyor		0.00%			£0
Mechanical / Electri		0.00%			£0
Other					£0
Letting Agents Fee	at 10.00%				£0
Letting Legal Fees	at 5.00%				£0
Inv.sale Agents Fee	at 1.00%				£1,686
Inv.sale Legal Fees	at 0.50%				£843
Dir.sale Agents Fee Comm	at 1.00%				£0
Dir.sale Agents Fee Resi	at 1.20%				£124,358
Dir.sale Legal Fees Comm	at 0.50%				£0
Dir.sale Legal Fees Resi	at 0.30%		(plus £340 per plot)		£31,089
Marketing Resi	at 1.5%				£155,447
Marketing Comm					0
Zurich / NHBC	67	at	£350		23,345
Premium-Office	0		Months Rent		0
Premium-Retail	0		Months Rent		0
					£336,769

COSTS 7,913,404

GROSS MARGIN 2,618,354

INTEREST

(See CASHFLOW)

461,917

Interest rate pa 7.00%

NET PROFIT 2,156,437

Gross Margin %	24.86%
Gross Margin on Cost	33.09%
Net Profit %	20.48%
Net Profit on Cost (inc interest)	25.75%
ROCE % (before interest)	40.28%
ROCE % (after interest)	33.17%

Rossendale Appraisal Template 1b - 100% Residential - Traditional Housing

Site Name

626c

Total Area 5.105 Acres Approx Developable Area 4.6 Acres

Proportion of Apartments

Proportion of Land for Apartments

Housing Density 14.5 Units/Acre 67 Houses

Affordable Units based on 1/3 Social Rented Discounted @ 35% of OMV
 1/3 Shared Equity Discounted @ 70% of OMV
 1/3 Discounted Market Value Discounted @ 75% of OMV

Affordable Provision 40%

REVENUE	Units	Per Annum		
Housing Ground Leases	67	@ 200.00		£13,340
			Net annual income	£13,340
			Capitalised at Yield of 7.50%	£177,867
			Less: Purchasers costs at 5.50%	£9,273
				£168,594
			Net annual income	0
			Capitalised at Yield of 8.0%	0
			Less: Purchasers costs at	
				£0
	No.	sq ft		
3-bed House - Open Market Value	24	900	21,611 sqft @ 170.00	£3,673,836
3-bed House - Social Rented	0	900	0 sqft @ 59.50	£0
3-bed House Shared Equity	12	900	10,800 sqft @ 119.00	£1,285,200
3-bed House Discounted Market Value	15	900	13,500 sqft @ 127.50	£1,721,250
4-Bed House = 40% of Total OMV Houses	16	1150	18,409 sqft @ 165.00	£3,037,518
Total Affordable Houses	27			
Total Net Saleable area - Houses			64,320 sqft	
				£0
				£0
			Total Direct Sales	£9,717,804
			Inv.Sales:	168,594
			Dir.Sales:	9,717,804
				REVENUE
				£9,886,398

COSTS

Site Cost					£1,200,000
Site Stamp Duty		at 4.00%			£48,000
VAT on Stamp Duty (Usually brownfield land)					£0
Site Legal Fees		at 0.50%			£6,000
Site Agency Fees		at 1.00%			£12,000
S106 Contributions - Community Sum					£0
Local Area of Play - Calculated at £541 per plot	For sites of more than 10 dwellings	67	@ £541		£36,085
Outdoor Sports Provision - Calculated at £566 per plot	For sites of more than 10 dwellings	67	@ £566		£37,752
Open Space Maintenance - Calculated at £259 per plot	For sites of more than 10 dwellings	67	@ £259		£17,275
Highways					£0
Construction - Residential Houses		64,320	@ £73		£4,695,360
Environmental abnormals and retaining walls					£150,000
Highways abnormals					£10,000
RSS EM18 Policy implications	Apts @4500 per plot	£0	Houses @ 7500 per plot	£0	£0
Code for Sustainable Homes (3) Implications	Currently priced at £7 per foot				£450,240
Code for Sustainable Homes (4) Implications					£0
Code for Sustainable Homes (5) Implications					£0
					£6,662,712
Building Regs		0.21%			£14,000
Planning Fees		0.21%			£14,000
Full Planning Application Fees	£16,565 max + £100 per plot over 50 un use G64 in total box	£16,565	1670	22011	£18,235
Contingency		5.00%			£333,136
Architect		2.00%			£133,254
Engineer		0.00%			£0
Quantity Surveyor		0.00%			£0
Mechanical / Electri		0.00%			£0
Other					£0
Letting Agents Fee	at 10.00%				£0
Letting Legal Fees	at 5.00%				£0
Inv.sale Agents Fee	at 1.00%				£1,686
Inv.sale Legal Fees	at 0.50%				£843
Dir.sale Agents Fee Comm	at 1.00%				£0
Dir.sale Agents Fee Resi	at 1.20%				£116,614
Dir.sale Legal Fees Comm	at 0.50%				£0
Dir.sale Legal Fees Resi	at 0.30%		(plus £340 per plot)		£29,153
Marketing Resi	at 1.5%				£145,767
Marketing Comm					0
Zurich / NHBC	67	at £350			23,345
Premium-Office	0	Months Rent			0
Premium-Retail	0	Months Rent			0
					£317,408

COSTS 7,492,745

GROSS MARGIN 2,393,653

INTEREST

(See CASHFLOW)

423,504

Interest rate pa

7.00%

NET PROFIT 1,970,149

Gross Margin %	24.21%
Gross Margin on Cost	31.95%
Net Profit %	19.93%
Net Profit on Cost (inc interest)	24.89%
ROCE % (before interest)	40.02%
ROCE % (after interest)	32.94%

Rossendale Appraisal Template 1b - 100% Residential - Traditional Housing

Site Name

602a

Total Area 1.78 Acres **Approx Developable Area** 1.4 Acres

Proportion of Apartments

Proportion of Land for Apartments

Housing Density 14.5 Units/Acre **20 Houses**

Affordable Units based on
 1/3 Social Rented Discounted @ 35% of OMV
 1/3 Shared Equity Discounted @ 70% of OMV
 1/3 Discounted Market Value Discounted @ 75% of OMV

Affordable Provision 20%

REVENUE	Units	Per Annum	
Housing Ground Leases	20	200.00	£4,000
Net annual income			£4,000
Capitalised at Yield of		7.50%	£53,333
Less: Purchasers costs at		5.50%	£2,780
			£50,553

Net annual income			0
Capitalised at Yield of		8.0%	0
Less: Purchasers costs at			0
			£0

	No.	sq ft			
3-bed House - Open Market Value	6	950	5,320 sqft @	195.00	£1,037,400
3-bed House - Social Rented	1	950	1,267 sqft @	68.25	£86,441
3-bed House Shared Equity	1	950	1,267 sqft @	136.50	£172,883
3-bed House Discounted Market Value	2	950	1,900 sqft @	146.25	£277,875
4-Bed House = 65%% of Total OMV Houses	10	1150	11,960 sqft @	190.00	£2,272,400
Total Affordable Houses	4				
Total Net Saleable area - Houses			21,713 sqft		

					£0
					£0
Total Direct Sales					£3,846,999
Inv.Sales:		50,553			
Dir.Sales:		3,846,999			
				REVENUE	£3,897,552

COSTS

Site Cost					£750,000
Site Stamp Duty		at	4.00%		£30,000
VAT on Stamp Duty (Usually brownfield land)					£0
Site Legal Fees		at	0.50%		£3,750
Site Agency Fees		at	1.00%		£7,500
S106 Contributions - Community Sum					£0
Local Area of Play - Calculated at £541 per plot		For sites of more than 10 dwellings	20	@	£541
Outdoor Sports Provision - Calculated at £566 per plot		For sites of more than 10 dwellings	20	@	£566
Open Space Maintenance - Calculated at £259 per plot		For sites of more than 10 dwellings	20	@	£259
Highways					£0
Construction - Residential Houses			21,713	@	£73
Environmental abnormalities and remediation					£45,000
Highways abnormalities					£10,000
RSS EM18 Policy implications	Apts @4500 per plot	£0		Houses @ 7500 per plot	£0
Code for Sustainable Homes (3) Implications	Currently priced at £7 per foot				£151,992
Code for Sustainable Homes (4) Implications					£0
Code for Sustainable Homes (5) Implications					£0
					£2,610,616
Building Regs		0.48%			£12,500
Planning Fees		0.48%			£12,500
Full Planning Application Fees	£16,565 max + £100 per plot over 50 un use G64 in total box		£16,565	-3000	6600
Contingency		5.00%			£130,531
Architect		2.00%			£52,212
Engineer		0.00%			£0
Quantity Surveyor		0.00%			£0
Mechanical / Electri		0.00%			£0
Other					£0
Letting Agents Fee		at	10.00%		£0
Letting Legal Fees		at	5.00%		£0
Inv.sale Agents Fee		at	1.00%		£506
Inv.sale Legal Fees		at	0.50%		£253
Dir.sale Agents Fee Comm		at	1.00%		£0
Dir.sale Agents Fee Resi		at	1.20%		£46,164
Dir.sale Legal Fees Comm		at	0.50%		£0
Dir.sale Legal Fees Resi		at	0.30%	(plus £340 per plot)	£11,541
Marketing Resi		at	1.5%		£57,705
Marketing Comm					0
Zurich / NHBC	20	at	£350		7,000
Premium-Office		0	Months Rent		0
Premium-Retail		0	Months Rent		0
					£123,168

COSTS 2,948,128

GROSS MARGIN 949,424

INTEREST (See CASHFLOW) 209,581
 Interest rate pa 7.00%

NET PROFIT 739,843

Gross Margin %	24.36%
Gross Margin on Cost	32.20%
Net Profit %	18.98%
Net Profit on Cost (inc interest)	23.43%
ROCE % (before interest)	34.36%
ROCE % (after interest)	26.77%

Rossendale Appraisal Template 1b - 100% Residential - Traditional Housing

Site Name

646 a

Total Area 7.04 Acres **Approx Developable Area** 4.5 Acres

Proportion of Apartments

Proportion of Land for Apartments

Housing Density 14.5 Units/Acre **65 Houses**

Affordable Units based on
 1/3 Social Rented Discounted @ 35% of OMV
 1/3 Shared Equity Discounted @ 70% of OMV
 1/3 Discounted Market Value Discounted @ 75% of OMV

Affordable Provision 40%

REVENUE		Units	Per Annum	
Housing Ground Leases		65	@ 150.00	£9,788
				£9,788
Net annual income				£9,788
Capitalised at Yield of 7.50%				£130,500
Less: Purchasers costs at 5.50%				£6,803
				£123,697
				0
Net annual income				0
Capitalised at Yield of 8.0%				0
Less: Purchasers costs at				£0
No.	sq ft			
3-bed House - Open Market Value	16 930	14,880	sqft @ 165.00	£2,455,200
3-bed House - Social Rented	9 850	7,394	sqft @ 57.75	£427,019
3-bed House Shared Equity	8 850	6,800	sqft @ 115.50	£785,400
3-bed House Discounted Market Value	9 850	7,394	sqft @ 123.75	£915,040
4-Bed House OMV Houses	23 1150	26,450	sqft @ 165.00	£4,364,250
Total Affordable Houses	26			
Total Net Saleable area - Houses		62,919	sqft	
				£0
				£0
Total Direct Sales				£8,946,908
Inv. Sales:		123,697		
Dir Sales:		8,946,908		
				REVENUE £9,070,605

COSTS

Site Cost/Greater than EUV by approx £100K				£760,000
Site Stamp Duty	at	4.00%		£30,400
VAT on Stamp Duty (Usually brownfield land)				£4,560
Site Legal Fees	at	0.50%		£5,000
Site Agency Fees	at	1.00%		£7,600
S106 Contributions - Community Sum				£0
POS (Calculated at £1366 per plot - over 10 plots)				£88,790
Legal Agreement Admin Fee - 15% of Application Fee				£2,710
Highways				£0
Construction - Residential Houses		62,919	@ £73	£4,593,052
Clean Top-Soil Cover				£72,000
Highways abnormalals				£10,000
RSS EM18 Policy implications	Apts @4500 per plot	£0	Houses @ 7500 per plot	£0
Code for Sustainable Homes (3) Implications	Currently priced at £7 per foot			£440,430
Code for Sustainable Homes (4) Implications				£0
Code for Sustainable Homes (5) Implications				£0
				£6,014,541
Building Regs		0.50%		£30,000
Planning Fees		0.50%		£30,000
Full Planning Application Fees	£16,565 max + £100 per plot over 50 un use G64 in total box		If F64 is minus figure, 1525 21533	£18,065
Contingency		5.00%		£300,727
Architect		2.00%		£120,291
Engineer		0.00%		£0
Quantity Surveyor		0.00%		£0
Mechanical / Electri		0.00%		£0
Other				£0
Letting Agents Fee	at	10.00%		£0
Letting Legal Fees	at	5.00%		£0
Inv.sale Agents Fee	at	1.00%		£0
Inv.sale Legal Fees	at	0.50%		£0
Dir.sale Agents Fee Comm	at	1.00%		£0
Dir.sale Agents Fee Resi	at	1.20%		£107,363
Dir.sale Legal Fees Comm	at	0.50%		£0
Dir.sale Legal Fees Resi	at	0.30%	(plus £340 per plot)	£26,841
Marketing_Resi	at	1.5%		£134,204
Marketing Comm				0
Zurich / NHBC	65	at	£350	22,838
Premium-Office		0	Months Rent	0
Premium-Retail		0	Months Rent	0
				£291,245

COSTS 6,804,869

GROSS MARGIN 2,265,736

INTEREST

Interest rate pa

(See CASHFLOW)

7.00%

348,888

NET PROFIT

1,916,848

Gross Margin %	24.98%
Gross Margin on Cost	33.30%
Net Profit %	21.13%
Net Profit on Cost (inc interest)	26.79%
ROCE % (before interest)	45.47%
ROCE % (after interest)	38.47%

