

Derby City Council: Addendum to Nationwide CIL Services (NCS) Derby HMA CIL Viability Assessment July 2014

1. Introduction

- 1.1 The Derby HMA Authorities commissioned NCS to prepare a HMA-wide viability assessment to assist in their consideration of whether to pursue CIL and to provide information to support the preparation of their individual 'Core Strategies'.
- 1.2 The report was completed in July 2014 and provided information on a wide range of potential development scenarios and taking account of a various policy implications. For a full explanation of the methodology and assumptions used, please read the full report.
- 1.3 As part of the report, a separate 'construction costs study' was produced by Gleeds. This formed the basis for the cost assumptions in the main report. Importantly, NCS tested the implications of applying 'Code for Sustainable Homes' (CoSH) Level 4 on development. At the time, all three HMA authorities were proposing to apply these standards in their Draft Core Strategies. The Gleeds Study did, however, also provide comparator information relating to CoSH Level 3. The difference between the two standards amounted to between £43 and £64 per square metre, depending on the nature of the development.
- 1.4 Following consultation on the Draft Core Strategy, and taking into account the results of the viability assessment and other evidence, the City Council resolved to amend its draft policies on CoSH; removing the absolute requirement to meet CoSH Level 4 by 2016. Instead, a more flexible approach is to be adopted which expects developers to deliver a best practice approach in line with building regulations.
- 1.5 Using the viability model and construction cost information provided by NCS, Derby City Council officers have been able to carry out an additional set of viability tests which consider the implications on this new approach.

2. The Results

- 2.1 Table 2.1 presents the results of the assessment where CoSH Level 3 is used. All other assumptions remained as used by NCS in their main report. It should be noted that this was also on the basis of the 'revised tenure' assessments. These were also carried out on the basis of recognition of the need for more flexibility in affordable housing policy to help with the viability and delivery of the Plan.

Table 2.1: Revised Viability Assessment Results (Derby City Council)

Maximum Residential CIL Rates per sqm 15% Affordable Housing					
Charging Zone/ Base Land Value	1. Mixed Residential Development	2. Small Scale Infill (No Affordable)	3. Urban Fringe - Medium scale	4. Urban Regeneration	5. Urban Fringe Housing - Large scale
1 Low Value					
Greenfield	£61	£125	£77	-£65	£76
Brownfield	-£5	£60	£10	-£118	£9
2 Medium Value					
Greenfield	£160	£206	£174	£70	£172
Brownfield	£92	£133	£105	£14	£102
3. High Value					
Greenfield	£369	£360	£376	£356	£375
Brownfield	£301	£292	£306	£302	£306
Maximum Residential CIL Rates per sqm 20% Affordable Housing					
1 Low Value					
Greenfield	£43	£125	£58	-£90	£57
Brownfield	-£23	£60	-£9	-£143	-£11
2 Medium Value					
Greenfield	£150	£206	£163	£56	£162
Brownfield	£82	£133	£94	£0	£92
3. High Value					
Greenfield	£377	£360	£385	£367	£384
Brownfield	£309	£292	£315	£313	£314
Maximum Residential CIL Rates per sqm 25% Affordable Housing					
1 Low Value					
Greenfield	£22	£125	£35	-£118	£35
Brownfield	-£44	£60	-£32	-£171	-£33
2 Medium Value					
Greenfield	£139	£206	£151	£41	£149
Brownfield	£71	£133	£82	-£15	£80
3. High Value					
Greenfield	£386	£360	£395	£380	£394
Brownfield	£318	£292	£325	£326	£324
Maximum Residential CIL Rates per sqm 30% Affordable Housing					
1 Low Value					
Greenfield	-£2	£125	£9	-£150	£9
Brownfield	-£67	£60	-£58	-£203	-£59
2 Medium Value					
Greenfield	£126	£206	£137	£23	£136
Brownfield	£58	£133	£68	-£31	£66
3. High Value					
Greenfield	£397	£360	£406	£395	£405
Brownfield	£329	£292	£337	£341	£336

Maximum Residential CIL Rates per sqm 35% Affordable Housing					
1 Low Value					
Greenfield	-£29	£125	-£20	-£187	-£20
Brownfield	-£95	£60	-£87	-£240	-£88
2 Medium Value					
Greenfield	£111	£206	£121	£3	£120
Brownfield	£43	£133	£52	-£51	£50
3. High Value					
Greenfield	£409	£360	£420	£411	£419
Brownfield	£341	£292	£350	£357	£349
Maximum Residential CIL Rates per sqm 40% Affordable Housing					
1 Low Value					
Greenfield	-£61	£125	-£55	-£231	-£54
Brownfield	-£126	£60	-£122	-£284	-£122
2 Medium Value					
Greenfield	£94	£206	£102	-£21	£101
Brownfield	£26	£133	£33	-£75	£31
3. High Value					
Greenfield	£423	£360	£435	£431	£434
Brownfield	£355	£292	£366	£377	£364
Scenarios: 1. 500 mixed units; 2. 14 units (2/3 beds); 3. 50 units (2,3,4 beds); 4. 100 units (flats, 2,3 bed houses); 5. 200 (2,3,4 bed houses)					

- 2.2 The change to the assumptions has had a positive impact on the viability figures. Of particular importance is the impact on viability at 30% affordable housing. This brings low value greenfield development up to a point where development would be viable for some of the scenarios (which was not the case using CoSH Level 4). It is recognised that this would be marginal in many circumstances and there would need to be negotiation over other S106 requirements. However, this still illustrates a considerably more positive picture and provides more comfort over the validity of the Council's approach, particularly in the context of an improving economy.
- 2.3 The data also shows that with medium and high value development, all but the 'Urban Regeneration Scenario', demonstrates a considerable degree of viability at 30% – including considerable scope for additional S106/CIL contributions. The 'Urban Regeneration' scenario contains a high proportion of apartments, which are subject to higher build costs. This is particularly relevant to some parts of the City and shows why setting a lower affordable housing target that would reflect the lowest common denominator would not be a sensible policy approach. If this scenario were used to set the overall target for the City, then it would significantly reduce the number of affordable units that could be delivered across the City.

- 2.4 This data supports the view that the Core Strategy policies on affordable housing and planning obligations offer a sensible and appropriate balance between delivery and achieving the wider planning objectives of the Plan and the NPPF. It is recognised that there will be a need to negotiate on some schemes. However, this approach is an accepted part of the planning process and is advocated within the NPPF. Importantly, the approach suggested in the strategy in no way prejudices or impedes growth. The policy still allows for a reasonable return to be achieved for both developer and landowner.
- 2.5 The policies provide scope for flexibility and negotiation on a site by site basis but are set at a level where the requirements will be able to be met in full on a number of schemes. They also provide scope to accommodate the anticipated improvement to the economic situation over the lifetime of the plan.
- 2.6 Justification of the strategy and individual policies is provided in more detail in the Local Plan Part 1: Core Strategy document and accompanying evidence base papers. These can be found on the City Council's website.