



Report for the Broads Authority

Local Plan Viability Assessment

Report – October 2024

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Use of this report	<p>This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons toolkit and is based on local level data supplied by the Broads Authority, consultant team inputs and quoted published data sources. The toolkit provides a review of the development economics of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.</p> <p>No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.</p>
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EXECUTIVE SUMMARY

Context

1. The Broads Authority (BA) is reviewing its Local Plan. The new Local Plan will set out the opportunities for development across the Broads Authority Executive Area for the period up to 2041, alongside the policies to support that development, as well as policies to conserve and enhance the natural environment. As part of the review process, the BA needs evidence to demonstrate the deliverability of potential future policies, including what balance of affordable and market housing is viable and whether this varies across the area.
2. The Viability Assessment has been prepared in consultation with the development industry and other key stakeholders and has followed the relevant regulations and government guidance. As is standard practice, it has adopted a residual value approach for analysis. Residual value is the value of the completed development (known as the gross development value or GDV) less scheme costs. The residual value of a scheme is compared with a benchmark land value and if it exceeds this, the scheme is said to be viable.

Typologies

3. In consultation with the Broads Authority, a suite of case study typologies was drawn up. The typologies were reflective of the type of sites likely to come forward over the life of the new Local Plan, including allocations in the Local Plan.
4. Typologies are tested on both brownfield (BF) as well as greenfield (GF) sites. The brownfield sites are split further into waterfront and general (inland) sites. They range in size from 1-unit up to 100-units and include a specialist older person housing scheme. Typologies above and below the national 10 dwelling affordable housing threshold were included, to ascertain whether smaller sites are able to support an affordable housing contribution.
5. Residential moorings are beyond the scope of this study and it is considered that they will come forward if it is viable and practical to do so.

Testing assumptions

6. Based on Land Registry data, two distinct residential value areas, general (inland) and waterfront, were identified. House prices were found to be higher in the waterfront value area.
7. For build costs, the Build Cost Information Service (BCIS) was the primary data source. Additional costs for plot costs and site infrastructure were also identified. Allowances were also made for recent updates to Building Regulations Part L, O, F and S, as advised by BCIS.
8. In arriving at a benchmark land value (BMLV) for the Broads Authority, a number of data sources were reviewed including existing use values. From these, a range of BMLV were identified ranging from £350,000 per gross ha for a greenfield site through to £450,000 per gross ha for brownfield land and £720,000 for a brownfield waterfront site.
9. Other costs and values have been benchmarked to industry standards or based upon published sources including government impact assessments.

Draft policies

10. The viability assessment has taken account of the cost implications of policies in the Regulation 19 Publication Local Plan 2041 that will impact on development viability. This includes policies for affordable housing, which in turn refers to the policies of the six districts that retain responsibility for housing across the BA. Affordable housing was tested as 33% of development units, reflecting the predominant requirement across the BA. Single unit development was tested without affordable housing.
11. Policies reviewed and implications taken into account in the testing include:
 - Policy PUBDM2: Embodied Carbon
 - Policy PUBSP1: Responding to the Climate Emergency
 - Policy PUBDM6: Boat wash-down facilities
 - Policy PUBDM7: Water efficiency and re-use
 - Policy PUBSP2: Strategic flood risk policy
 - Policy PUBDM8: Development and flood risk
 - Policy PUBDM16: Biodiversity Net Gain
 - Policy PUBDM17: Mitigating Recreational Impacts
 - Policy PUBDM18: Mitigating Nutrient Enrichment Impacts
 - Policy PUBDM20: Energy demand and performance of new buildings (including extensions)
 - Policy PUBSP15: Residential development
 - Policy PUBDM43: Affordable housing
 - Policy PUBDM48: Elderly and specialist needs housing
 - Policy PUBDM51: Custom/self-build
 - Policy PUBDM52: Design
 - Policy PUBDM53: Source of heating
 - Policy PUBDM55: Non-residential development and BREEAM
 - Policy PUBDM60: Planning obligations and developer contributions.
12. A number of sensitivity tests were carried out to consider the effect of possible alternative market scenarios including the following;
 - a) The introduction of Future Homes as proposed by the previous government administration in December 2023 through a consultation document and impact assessment. Two options were put forward in the consultation document– option 1, the more expensive option, was used for this viability study because this best improves energy efficiency for occupiers
 - b) The effect of switching all affordable rented units to social rent
 - c) The impact of higher build costs on general typologies.

Residential testing results and implications for policy

13. The results of the viability testing present a picture of good general viability and ability to deliver policy compliant affordable housing for most residential typologies across the Broads Authority, with headroom in many instances for further policy costs as well as those associated with national policies such as Future Homes, should it be taken forward by the new government.
14. The 1-unit typology however is not viable and would not be able to make a contribution to affordable housing. This is not unusual for single-unit typologies which are often built non-speculatively for occupation by the household that commissioned the development, or where a small developer/contractor builds at a lower profit margin.
15. The 3-unit typology on general brownfield sites, whilst viable with affordable housing in the main testing scenario, is weakened where additional costs are applied, although this is not the case for waterfront or greenfield typologies. Again, with the exception of the 3-unit general brownfield typology and the 1-unit typology in all areas, delivery of social rent is viable should this be the preferred affordable rented tenure.
16. Specialist older persons housing was only viable with affordable housing in the waterfront area.
17. The good viability achieved on most residential development typologies indicates headroom to respond to market changes, higher development costs or land values if applicable over the plan period.

Policy implications for residential development

18. An affordable contribution of at least 33% is achievable on most typologies across the Broads Authority, including on those of fewer than 10 dwellings. The clear exceptions to this in viability terms are developments of 1-unit on any site type and older persons housing apart from on waterfront sites. For the typologies of 3-units a contribution is realistic on waterfront sites and greenfield sites – on general (inland) brownfield sites collection is still feasible but could be compromised if there are additional development cost pressures such as higher environmental costs. As some results are positive, the authority could still ask for a contribution on these sites but may then have to assess a viable contribution on a site-by-site basis.
19. Potential national increases in development standards in respect of carbon reduction (such as Future Homes for residential development and Future Buildings – for non residential development) would reduce residual values but does not change our conclusion. Similarly for local policies for carbon reduction such as Policy PUBDM20: Energy demand and performance of new buildings (including extensions).
20. As well as affordable housing, the testing included allowances for policies in the Publication Local Plan, including:
 - Biodiversity Net Gain at 20%
 - Accessibility to Building Regulations M4(2) standard on every dwelling
 - Accessibility to Building Regulations M4(3) standard on 10% of affordable homes

- Self and custom build housing at 5% on sites of 100 dwellings or more.

The results of the viability testing show these policies to be achievable.

Non-residential development

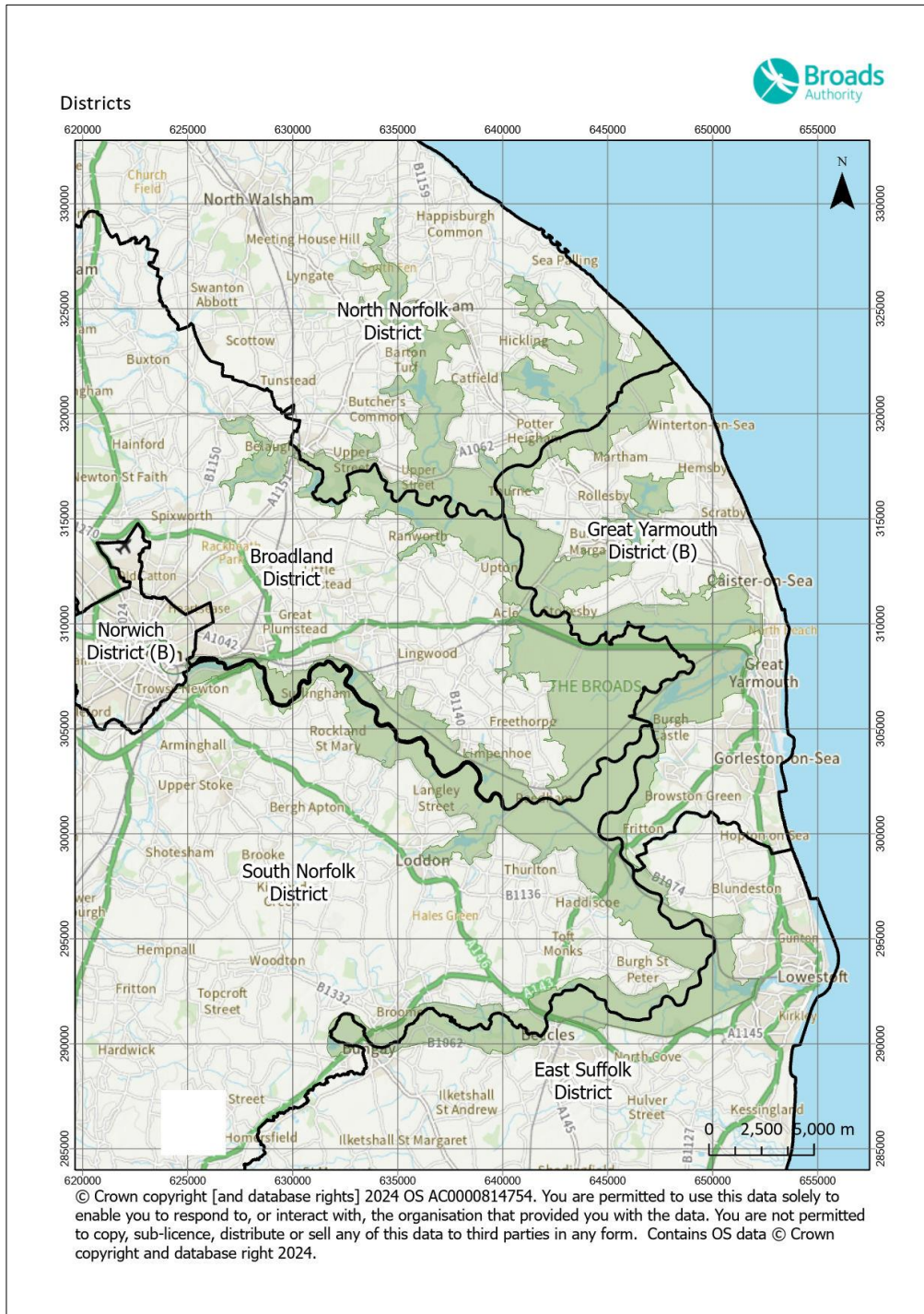
21. For non residential development, there is a limited number of policies that directly impact on development viability. Those that do include BREEAM and Biodiversity Net Gain. Whilst this does increase the cost, the impact of these policies is minimal and would not, either on their own or in combination, effect delivery of these forms of development.

Chapter 1 Introduction

Context

- 1.1** The Broads Authority (BA) is reviewing its Local Plan. The new Local Plan will set out the opportunities for development across the Broads Authority Executive Area for the period up to 2041 alongside the policies to support that development, as well as policies to conserve and enhance the natural environment. As part of the review process, the BA needs evidence to demonstrate the deliverability of potential future policies, including what balance of affordable and market housing is viable and whether this varies across the area.
- 1.2** The assessment includes an analysis of the impact of the policies set out in the Publication Local Plan and has been undertaken in accordance with national policy and guidance - including the December 2023 National Planning Policy Framework and Planning Practice Guidance.
- 1.3** Underlying the assessment is a series of tests that calculate the viability of a set of notional sites, representative of the types of development likely to come forward over the life of the Local Plan. The Viability Assessment has been prepared in consultation with the development industry and other key stakeholders.
- 1.4** Unlike other local planning authorities, those covering National Parks and the Broads are **not** the local housing authority. The designated Broads Authority Executive Area covers parts of Norfolk and North Suffolk, as shown on the map below. The area includes parts of Broadland District, South Norfolk District, North Norfolk District, Great Yarmouth Borough, Norwich City, and East Suffolk Council area. Together, these are referred to as the district authorities or as the districts throughout the report. The districts for those areas do not have planning powers in the Broads area but retain all other local authority powers and responsibilities. Norfolk County Council and Suffolk County Council are the county planning authority for their respective part of the Broads, with responsibilities that include minerals and waste planning, and are also the Lead Local Flood Authority.

Figure 1.1 Broads Authority Executive Area (in green)



1.5 It is important to note that the BA in preparing its Local Plan has had regard to the affordable housing policies of the districts.

Viability in plan making

- 1.6** An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient for the landowner to sell the land for the development proposed. If these conditions are not met, a scheme will not be viable.
- 1.7** This report sets out the typologies and assumptions used to inform the viability testing reflecting latest available information. The viability testing for this report has:
- Reviewed broad costs associated with addressing the proposed policies in the Publication Local Plan
 - Tested the quantum and broad form of proposed development
 - Been designed to assess the balance around development contributions including the amount of affordable housing that development can support and whether there are differences in viability across different areas within the Authority or between different types of development that are sufficient to justify different policy approaches.
- 1.8** The testing has drawn on the following evidence:
- Review of the types of sites outlined in the Publication Local Plan
 - Review of the policies in the Publication Local Plan and central government guidance that may have implications for development viability
 - Review of recent planning consents including details on unit sizes, density, built form
 - A review of recent developer contributions agreed by the BA as well as discussion with Authority officers about the proposed use of s106 going forward
 - Consultation with BA officers and with officers from the six districts, including planning and housing
 - Desk research to form initial views on the values and costs of residential development in BA
 - A range of consultation exercises with the development industry and registered providers (housing associations).
- 1.9** In addition to this report a technical appendix provides further evidence and background information in support of the analysis undertaken.

Chapter 2 Local and national policy context

National policy

- 2.1** National policy and guidance on viability for plan making and Community Infrastructure Levy is set out in [National Planning Policy Framework](#) (NPPF) December 2023 and the [Planning Practice Guidance](#) (PPG). There is also useful guidance contained within 'Viability Testing Local Plans - Advice for planning practitioners' (Harman 2012) and 'Assessing Viability in Planning' (RICS 2021). The viability testing undertaken within this study complies with this national policy and guidance, the details of which are set out in Appendix I.
- 2.2** There are a number of other national policies recently introduced that have a bearing on development costs and which have been included in the viability testing undertaken. These include:
- More stringent requirements to improve building standards, including to reduce carbon emissions in new homes, particularly the update to Building Regulations Part L (conservation of fuel and power), Part F (ventilation) and Part O (overheating)
 - Update to Part S - Infrastructure for Charging Electric Vehicles which requires new development to provide electric vehicle charging points where a parking space is provided or cabling elsewhere
 - Provision for biodiversity net gain introduced through the Environment Act 2021, with 10% net gain a mandatory requirement for most development types from April 2024
 - The introduction of First Homes, providing a nationally defined low cost home ownership option and a requirement through a Written Ministerial Statement (24 May 2021) that these should form a minimum of 25% of affordable housing units secured through developer contributions.
- 2.3** In July 2024 the incoming Labour government introduced a [consultation on a wide range of changes to the NPPF](#). Whilst this is not yet policy it is prudent to be mindful of some of the proposals. Implications for viability testing are focussed on the provision of affordable housing in that there is a stronger emphasis on social rent as an affordable tenure and a proposal to remove the requirement that a minimum of 25% of affordable housing units should be First Homes. It is also proposed that the requirement that 10% of units on s106 sites should be for affordable home ownership be removed. These proposals have been accounted for in our viability modelling.
- 2.4** In December 2023 the previous government issued a consultation on the [Future Homes and Buildings Standard](#) which seeks to make further improvements to the level of carbon emissions in new homes and non-domestic buildings and is anticipated to come into force in 2025. The status of this document and which options may be pursued is unclear since the July 2024 change

of government but we nonetheless comment on headroom for the additional related costs associated with the standard should it be introduced.

Local Plan policy

- 2.5** It is intended that the new Local Plan will replace the existing Local Plan for the Broads 2015-2036, adopted May 2019. The NPPF is clear that viability testing should take into account the costs of any requirements arising from the Local Plan likely to be applied to development (paragraphs 34 and 58).
- 2.6** Table 2.1 below summarises the policies in the Publication Local Plan 2041 which have viability implications which have been taken into account in the testing, alongside other national requirements.

Table 2.1 Publication Local Plan strategic policies with viability implications

Policy	Response
Policy PUBDM2: Embodied Carbon	The testing has been carried out to Building Regs 2021 standard for Parts L, O, and F and included additional cost as estimated by BCIS. Comment is provided on the impact of higher standards for the Future Homes Standard and The Future Buildings Standard.
Policy PUBSP1: Responding to the Climate Emergency	The EVA has tested development to Building Regs 2021 standard for Parts L, O, and F and included additional cost as recommended by BCIS. EV charging points for every dwelling (Part S). Allowance for Biodiversity Net Gain. Comment is provided on the impact of higher standards for the Future Homes Standard and The Future Buildings Standard. The testing identifies the viability headroom available for additional building efficiency standards such as the implementation of the Future Homes and Future Buildings Standard (s)
Policy PUBDM6: Boat wash-down facilities	Account is taken within site infrastructure allowances and/or accounted for within land value.
Policy PUBDM7: Water efficiency and re-use	Allowance made for water efficiency within build and infrastructure costs. BREEAM is discussed within the non-residential section
Policy PUBSP2: Strategic flood risk policy	Allowances for drainage, including SUDS included within build and infrastructure costs.
Policy PUBDM8: Development and flood risk	Allowances for flood resilience and mitigation is made within the viability testing for waterfront development, where higher build

Policy	Response
	costs are used, noting that any significant measures required should also be reflected in the land value.
Policy PUBDM16: Biodiversity Net Gain	Cost allowances are made within the viability testing for provision of 20% BNG.
Policy PUBDM17: Mitigating Recreational Impacts	Allowance made within testing for Recreation Disturbance Avoidance and Mitigation Strategies (RAMS)
Policy PUBDM18: Mitigating Nutrient Enrichment Impacts	This affects parts of the BA designated area and comment is made on headroom for these mitigations.
Policy PUBDM20: Energy demand and performance of new buildings (including extensions)	The viability testing allows for financial headroom which is available to meet any costs arising from the impact of higher standards for the Future Homes Standard and The Future Buildings Standard is discussed.
Policy PUBSP15: Residential development	The Plan sets out how the objectively assessed housing need of 358 dwellings over for the Plan period (2021 to 2041) will be met. For the purposes of establishing typologies, housing mixes, unit sizes and type are determined by the 2017 SHMA, the policies and practice of the six districts and boroughs within the area of the Broads Authority as well as an analysis of past delivery and permitted development.
Policy PUBDM43: Affordable housing	Major development is tested with 33% affordable housing; a percentage which is high enough to cover the varying levels of affordable housing contributions required by all six districts and boroughs. Smaller development typologies are also tested for ability to provide an off-site contribution. Affordable housing mix is based on the policies, needs and past and potential delivery of the BA and the six districts and boroughs.
Policy PUBDM48: Elderly and specialist needs housing	The viability testing includes typologies for older person housing.
Policy PUBDM51: Custom/self-build	Typologies of 100 or more dwellings are tested with 5% custom/self-build homes.
Policy PUBDM52: Design	The viability assessment allows for additional costs associated with meeting the requirement that all homes should be built to building standard M4(2) as a minimum and that the M4(3)a accessibility standards is applicable to 10% of affordable homes. The policy references the Design Guide which, whilst it does not set out specific items that may incur extra costs, it does put

Policy	Response
	forward a high standard of design. To take account of this, all waterfront typologies employ upper quartile build costs from BCIS. Additionally, as a sensitivity test, upper quartile costs are used in testing non-waterfront residential typologies.
Policy PUBDM53: Source of heating	The testing has been carried out to Building Regs 2021 standard for Part L and included additional cost as recommended by BCIS. Comment is provided on the impact of higher standards for the Future Homes Standard and The Future Buildings Standard.
Policy PUBDM55: Non-residential development and BREEAM	Non-residential analysis includes BREEAM Very Good Standard and higher credits for larger buildings
Policy PUBDM60: Planning obligations and developer contributions	Developer contributions are based on past collection and future aspirations as advised by the Authority.
Policy PUBNOR1: Utilities Site	This allocated site is not included in the testing as it is subject to a separate viability assessment

Allocated sites

- 2.7** The Publication Local Plan does not make any specific housing allocations that do not already have planning permission, with the exception of Policy PUBNOR1: Utilities Site which is allocated for mixed-use development including potential for around 250 dwellings.
- 2.8** Policy NOR1 deals with the redevelopment of the Utilities Site which is part of the wider East Norwich Regeneration Area, the majority of which is allocated for sustainable mixed use redevelopment in the Greater Norwich Local Plan. It sets out that “Redevelopment of this area will be sought to realise its potential contribution to the strategic needs of the wider Norwich area. The site is allocated for mixed-use development which could include around 250 dwellings”. This site is subject to a separate viability assessment for the wider East Norwich regeneration area to support development of a Supplementary Planning Document and for this reason has not been included in our testing for the Broads Authority. This position has been agreed with the Broads Authority and Norwich City Council.

Consultation with the development industry

- 2.9** The PPG sets out that:

“Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.” (Paragraph: 006 Reference ID: 10-006-20190509)

2.10 Consultation with the development industry, undertaken for this assessment, involved a range of activities which provided opportunities for the development industry to engage with the process. The activities were:

- A workshop consultation exercise with developers active within the Authority in June 2024 (a note of the workshop is appended at Appendix II)
- A note of the workshop was sent to those who attended, those who sent apologies as well as a longer list of known developers in the area, offering a further opportunity to comment or discuss – consequently follow up consultation with individual developer stakeholders during August 2024
- Consultation with housing associations active in the Authority and the surrounding area to discuss assumptions for affordable housing and issues around delivery; these took place during July and August 2024.

2.11 The industry consultation was broadly supportive or raised no issues with the majority of viability assumptions accepted. Some stakeholders raised the following issues:

- Values tend to be very specific to individual sites, although for the purposes of this high-level exercise the values and variations for waterfront and inland sites was about right
- First Homes are not considered a suitable product in the Broads
- The proposed 3-bed market home was considered too large at 110 sqm – this was subsequently reduced
- Land values would be expected to flex to accommodate additional abnormal development costs such as piling
- Consultation with the housing associations mainly confirmed our affordable housing assumptions, although it was commented that the size of a 4-bed home and the rate of finance capitalisation were both too low – these were subsequently raised.

Chapter 3 Approach to testing and viability

Approach viability and typologies

3.1 As is standard practice and described in PPG (Paragraph: 010 Reference ID: 10-010-20180724), we have adopted a residual value approach to our analysis. Residual value is the value of the completed development (known as the Gross Development Value or GDV) less scheme costs. The value of the scheme includes both the value of the market housing and affordable housing. Scheme costs include the costs of building the development, plus professional fees, scheme finance and a return to the developer as well as any planning obligations or other policy costs and the costs of the land (as a benchmark land value) and its purchase, as described in PPG:

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

3.2 In respect of the types of sites to test, PPG states that:

“Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage”. (Paragraph: 003 Reference ID: 10-003-20180724)

3.3 This has informed our approach to testing and use of typologies as a high-level proxy for sites likely to come forward during the life of the Publication Local Plan.

Uses included in the testing

3.4 The uses tested are listed below and focus on developer-led forms of development rather than publicly led uses such as new infrastructure facilities or development types that are not common:

- Residential for sale
- Older person homes
- Non-residential.

Typology selection

3.5 We worked with the Authority draw up a suite of typologies. These are intended to reflect the type of sites likely to come forward over the life of the new Local Plan. These generic typologies are not intended to represent specific development proposals but to reflect typical forms of development that are likely to come forward over the plan period. The typologies were shared with stakeholders during the consultation process, where it was agreed that these were broadly representative. These are set out below.

Residential typologies

- 3.6** The generic residential typologies are set out in Table 3.1. These include sites above and below the 10-dwelling NPPF threshold for affordable homes generally. The proportion of net developable area reflects policy requirements as well as typical characteristics of this site type.
- 3.7** Typologies are tested on both brownfield (BF) as well as greenfield (GF) sites. The brownfield sites are divided further into waterfront and general (inland) sites.
- 3.8** For brownfield sites, the testing does not assume that there is any existing floorspace on the site. It is possible that this will be the case in practice and that there will be existing space that should be netted off against the affordable housing liability, thus increasing the residual value and strengthening the viability position of the scheme. (see PPG Paragraph: 027 Reference ID: 23b-027-20190315) However, this can only be realistically assessed on a scheme by scheme basis, at planning application. The approach taken in this study is a conservative one which will therefore tend to under estimate viability on some brownfield sites.
- 3.9** The residential typologies are labelled Res1 through to Res 7 and the older persons typology is labelled OP1. The dwelling sizes and mixes are set out in the testing assumptions in Chapter 4.

Table 3.1 Typologies

Reference	Number of dwellings	Density - dwellings/ hectare	Gross site area (hectares)	Net site area (hectares)
Res 1	1 unit		0.067	0.067
Res 2	3 units	15 dph	0.2	0.2
Res 3	5 units	15 dph	0.33	0.33
Res 4	8 units	20 dph	0.4	0.4
Res 5	12 units	20 dph	0.63	0.63
Res 6	30 units	25 dph	1.33	1.2
Res 7	100 units	30 dph	3.11	2.33
OP 1	50 units sheltered	100 dph	0.5	0.5

Note - self and custom build homes were included in Res 7 (100 units) – 5% of total

- 3.10** Residential moorings are beyond the scope of this study and it is considered that they will come forward if it is viable and practical to do so.

Affordable housing requirements

3.11 Local Plan policy PUBDM43 requires that the affordable housing contribution from development is delivered “in accordance with the requirements of the adopted standards and policies of the relevant District Council”. The requirements in the local plans are set out in the table below, noting that the most relevant local plans are at different stages.

Table 3.2 Affordable housing policies from the districts

District	Plan	Policy ref	% requirement
East Suffolk (1)	Suffolk Coastal Local Plan Adopted September 2020	Policy SCLP5.10	33%
East Suffolk (2) (Lowestoft)	Waveney Local Plan Adopted March 2019	Policy WLP8.2	20%
East Suffolk (2) (rest)	Waveney Local Plan Adopted March 2019	Policy WLP8.2	30%
Great Yarmouth	First Draft Local Plan Consultation 13 March to 8 May 2024	HOU1	25%
North Norfolk (zone 1 - Broads)	Local Plan proposed submission version publication stage regulation 19 January 2022	HOU2	15%
North Norfolk (zone 2 incl Hoveton)	Local Plan proposed submission version publication stage regulation 19 January 2022	HOU2	35%
Norwich / South Norfolk / Broadland	Greater Norwich Local Plan (adopted March 2024)	Policy 5	33%

3.12 In our testing we have used a base point of 33% affordable housing as this covers the majority of the designation Broads Authority area. We note that the percentage is lower in the emerging Great Yarmouth Local Plan as well as most of North Norfolk and parts of East Suffolk, therefore in those areas the viability assessment takes a cautious approach and viability is likely to be stronger in practice than reported here. There is small part of North Norfolk that requires a higher percentage (35%) but we understand that much of the area within the BA is in a flood plain and unlikely to see much development.

3.13 Further discussion about value areas can be found in Chapter 4.

3.14 We have tested typologies above and below the national 10 dwelling affordable housing threshold to ascertain whether smaller sites are able to support an affordable housing contribution.

3.15 Sites with affordable housing are tested with an affordable tenure mix of 70% affordable rent and 30% shared ownership as this best reflects the policies and housing need of the districts. Although the districts and Registered Providers (RPs) report that most affordable rented housing is expected to be affordable rent, especially on s106 sites, there is a national and local shift towards social rent and we have also carried some sensitivity testing where the affordable rented homes are switched to social rent.

Non-residential typologies

3.16 Non-residential development is discussed in Chapter 6 where comment is made on the typologies that will potentially come forward in the BA and the policy cost implications.

Chapter 4 Testing assumptions

4.1 We used a range of data sources, including government impact assessments, national datasets, local examples of development, to draw up a series of assumptions that were reviewed at the development industry workshops, adjusted as necessary following feedback, with a final set of testing assumptions agreed with the BA. The final set of assumptions were used in the viability testing. This chapter summarises the key assumptions and the data they rely on.

Dwelling mix, unit size and tenure

4.2 The overall size and mix of dwellings in the typologies used in the testing takes account of requirements from the local plans of the districts, the [Local Housing Needs Assessment 2022](#) (version 2), recent planning applications in the BA and feedback received from local developers, Registered Providers (RPs) and officers.

4.3 The tenure mix of the affordable housing also relies on the policies of the districts and consultation to arrive at a split between rented and shared ownership homes. On the advice of the Authority, local RPs and other stakeholders, the tenure mix does not include First Homes taking into account the WMS discussed in chapter 2 and the consistent feedback that this tenure is not suitable or desirable in the BA.

4.4 The size of dwellings used, affects both their market value (as sale values were assessed on a per sq m basis) and their development costs – also based on dwelling size. Unit sizes meet Nationally Described Space Standards (NDSS). Development costs for flats will include non-saleable circulation and common areas, although we have assumed that flatted development will be 1-2 storeys, often ‘maisonette style’ with more limited communal areas:

- for schemes with 1 -2 storeys the allowance is 10%
- an allowance of 25% floor area is added for sheltered homes, which allows for circulation, common and service areas and has been informed by discussion with the retirement housing industry.

4.5 The housing mixes used for the generic typologies in the study are shown in tables 4.1 and 4.2 below.

Table 4.1 Market housing mix and size for residential typologies – showing differences between typologies

	sqm	1-unit and 3-unit typologies	100-unit typology	Specialist older persons 50 units	all other typologies i.e. 5, 8, 12, 30 units
1 bed flat	55		10%	50%	
2 bed flat	70		5%		
2 bed flat (older persons)	75			50%	
2 bed house	80		25%		33%
3 bed house	95	100%	30%		33%
3 bed bungalow	95				
4 bed house	140		30%		33%
5 bed house	190				
		100.00%	100.00%	100%	100.00%

Table 4.2 Affordable housing mix and size for residential typologies Res 3-7 (5, 8, 12 30 and 100 units)

	Sqm	Rented (70% of affordable mix)	Shared ownership (30% of affordable mix)
1 bed flat	50	20%	
2 bed flat	61		
2 bed house	79	40%	50%
3 bed house	93	30%	50%
4 bed house	106	10%	

4.6 The affordable mix for the 1-unit typology (Res 1) and 3-unit typology (Res 2) was tested with 3-bed houses only and for the specialist older persons typology (OP1) there was a 50/50 split between 1 and 2-bed flats.

Values – standard residential market

4.7 Unlike defined local authority areas, there was no one definitive data source available from which to derive market values for the BA. We therefore relied on a range of published sources to arrive at market values:

- Land Registry data for new build properties for parishes where some part of the parish was within the Broads Authority area. The data was taken over the last five year period and

updated by the House Price Index to end of quarter 1 2024 (the latest date at which there was sufficient data to generate a reliable indexation); the Land Registry data was matched to Energy Performance Certificates to enable a value per sq m to be generated for the different house types, based on over 1,000 records

- An analysis of property available on Rightmove, where dwelling sizes and price were both available
- The house prices from the previous viability study (Hampson Barron Smith 2018) were updated by the latest House Price Index
- A sense check was made to recent valuations for homes known to be within the BA.

4.8 A value of £3,750 per square metre was arrived at which is slightly below the value of £3,900 which was presented to and endorsed by the developer workshop but takes into account later comment that prices are often location specific in practice and vary across the Broads. On this basis we adopted a more cautious approach and the value of £3,750 per square metre.

4.9 There was clear comparative evidence in the sales data that properties in waterfront locations achieve values significantly above other, inland, locations. Where locations are waterfront we have added a further 30% to values for all property types. Again, there was agreement by the development industry consulted that, for this high-level plan wide testing, this was 'about right'. Therefore two value areas have been identified; general (or inland) and waterfront.

4.10 Where properties are identified as bungalows the data supports a 20% value uplift for this type of dwelling. Older persons units are based on the recommendations made by the Retirement Housing Group (RHG) Viability Guidance 2016, with the value of a 2-bed apartment being equal to the resale value of a semi-detached house and a 1-bed at 75% of this.

4.11 The values used in the viability testing are shown for each value area in Table 4.3 below. These are shown as unit values, based on the sizes set out in the housing mix section earlier in the chapter. The background data for the house price analysis, including sample data from Land Registry, can be found in Appendix III.

Table 4.3 Market values

Unit Type	Size - sqm	Value – general (inland)	Value - Waterfront
1 bed flat	55	£206,250	£268,125
2 bed flat	70	£262,500	£341,250
2 bed house	80	£300,000	£390,000
3 bed house	95	£356,250	£463,125
3 bed bungalow	95	£427,500	£555,750
4 bed house	140	£525,000	£682,500
1 bed flat – sheltered (C3)	55	£267,200	£347,350
2 bed flat – sheltered (C3)	75	£356,250	£463,125

Source: Land Registry/EPC and local data

4.12 The custom and self build homes were modelled as 3-bed detached units and an additional 5% was added to the value. This is consistent with published research undertaken by Three Dragons with the Right to Build Task Force into the costs and values of self-build and custom housebuilding (Area-wide Approaches to Viability Assessment Right to Build Task Force & Three Dragons July 2023 Guidance Note PG3.7).

Values - Affordable housing

4.13 Initial estimates of the value of affordable housing were produced using a capitalised net rent approach i.e. the notional amount the provider of the unit can borrow against the net income received. The assumptions were based on known industry standards informed by an analysis of annual reports for six actively developing RPs (A2 Dominion; Accent; Aster; L&Q; Stonewater; Sovereign 2023) as well as the government global accounts (2022) and these were then used as the basis of consultation with RPs active in the BA, with input from the housing districts.

4.14 In calculating the capitalised net rent the assumptions set out in the table below were used, following the consultation.

Table 4.5 Affordable housing assumptions

Type	Assumption
Affordable housing rent	
Affordable Rent	100% LHA rate
Social rent	75% LHA rate
Management & maintenance (annual)	£1,250
Voids/bad debts	2.5%
Repairs reserve (annual)	£600
Capitalisation	5%
Service charges (weekly)	Flats - £7 Houses - £5
Affordable housing – shared ownership	
Share size	40%
Rental share	2.75%
Capitalisation	5%
Repairs	£4,000

4.15 The affordable housing assumptions were discussed at the developer workshop and with local Registered Providers (RPs) in one-to-one interviews and checked against the accounts referred to in paragraph 4.13 above (where the information was quoted). No significant alternatives to our approach were identified but some adjustments were made with increases to the management and maintenance charge and the capitalisation rates and a decrease in the initial share purchased, to account for a changing market.

4.16 The table below summarises the values attributed to the affordable housing property types included in the testing, using these assumptions.

Table 4.6 Affordable homes values (figures are rounded)

Summary	Capital value for social rent	Capital value for affordable rent	Shared ownership - Value General (Inland)	Shared ownership - Value Area Waterfront
1 bedroom flat	£66,000	£94,000	N/A	N/A
2 bedroom house	£85,000	£118,000	£206,000	£268,000
3 bedroom house	£103,000	£142,000	£243,000	£317,000
4 bedroom house	£165,000	£224,000	£277,000	£362,000

Development costs

Build costs

- 4.17** The Build Cost Information Service (BCIS) provides benchmarking information for build costs, adjusted for the location. Residential build costs are based on actual tender prices for new builds and the tender price data is rebased to 1st Quarter 2024 (in line with values) and Norfolk location prices using BCIS defined adjustments, to give the build costs for different types of schemes.
- 4.18** We understand from work with housebuilders and cost consultants that volume and regional house builders can comfortably operate within the BCIS lower quartile cost figures, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller and medium sized developers of houses are usually unable to attain the same economies, so their construction costs may be higher although this will vary between housebuilders and sites. We have worked with BCIS to identify how costs change according to the size of the development. We have used this analysis by BCIS to inform our approach to testing in the BA. The variable build costs by site size have been applied to houses only, as flat build costs primarily vary by height.
- 4.19** Our testing also accounted for the higher build costs reported by developers for waterfront development, where we have used upper quartile costs. In addition, we have tested some of our general (inland) typologies with the higher quartile build costs, noting that the (draft) BA Design Guide includes some higher quality design standards and principles which may come forward on some (but not all) sites away from the waterfront.
- 4.20** For self build and custom housebuilding an additional 5% was added to build costs. This is consistent with published research undertaken by Three Dragons with the Right to Build Task Force (Guidance note PG3.7 Area-wide Approaches to Viability Assessment Right to Build Task Force & Three Dragons July 2023).

Table 4.7 Residential development costs

Type	Base build cost – mean £/sq m	Base build cost – upper quartile £/sqm	Site sizes (number homes)
One off detached	£2,678	£3,171	1
Estate housing (index +5% and self-build))	£1,513	£1,617	2-5
Estate housing (as per index)	£1,441	£1,578	6-9
Estate housing (index x 95%)	£1,369	£1,499	10-50
Estate housing (index x 92%)	£1,326	£1,452	51-100
Bungalows	£1,720	N/A	2-5
Flats 1-2 storey	£1,605	N/A	All
Supported housing	£1,818	N/A	All

Source: BCIS – see Appendix V for BCIS report

Other residential development costs

- 4.21** A range of other standard costs have been used in the viability testing. These were discussed with the development industry at the workshop and are based on PPG and experience of other high level plan making viability testing. Further information providing background to some of the costs is set out in the following table.
- 4.22** Allowances are made for an additional 15% on build costs for plot costs, site infrastructure works and contingency. These are industry standards on which we monitor what is happening elsewhere in similar locations in the UK as well as consulting with the local development industry.
- 4.23** Separate allowances are made for garages and we have allowed for a single garage for all 4 bed detached homes. This is on the basis that not all detached homes will have a garage but some may have a double. No allowances are made for garages for semi-detached, terraces or within the flat led developments as is usual for the BA.
- 4.24** A cost is included below for Future Homes 2025 (see chapter 2 for summary of what this entails). This proposed standard was introduced by the previous government and is still at consultation stage with no indication of how it might be taken forward. We do not therefore include it in the standard testing but nonetheless comment on available viability headroom should it be adopted nationally. Costs are based on the government impact assessment (DLUHC December 2023). There are two options included in the consultation and we have taken Option 1 which is the higher cost because this option takes better account of the cost to the consumer. We have also increased the cost to account for the larger dwelling sizes in the BA. This approach was agreed with the Authority.

Table 4.8 Other residential development costs

Type	Cost	Metric
Site costs		
Plot costs, site infrastructure works and contingency – all typologies	15%	On build cost
2021 updates to Building Regulations (as recommended by BCIS June 2023)	3.9%	On build costs Part L 2.8% Part F 0.4% Part O 0.7%
Garages	£8,100 per single garage	4 bed detached and single units
Fees and finance costs		
Professional fees	10%	of build costs including plot costs/contingency
Finance	7%	of total development costs including land purchase
Marketing/legal/sales fees	3% 6%	of market GDV of older persons GDV
Affordable home legal fee	£500	per affordable unit
Developer return	17.5% 6%	market GDV (mid point of the range set out in the PPG) affordable homes GDV
Agents and legal	1.75%	land cost (BLV)
Stamp duty	prevailing rate	land cost (BLV)
Policy and mitigation costs		
Biodiversity net gain (20%)	£1,272 £304	per unit (greenfield) per unit (brownfield)
EV charging points Part S	£865	per dwelling
Accessibility M4(2)	£1,400	per unit except for those with M4(3)
Accessibility M4(3)(a)	Flat £10,000 House £14,500	applicable to 10% of affordable units
General s106	£2,500	per unit
Self & custom build	Additional 5% build costs	5% of units on sites of 100 homes plus (not flats)
Future Homes 2025 (Option 1)	House £6,000 Flat £4,000	Applied as a sensitivity test

National and local policy requirements

4.25 Biodiversity net gain – The allowance for biodiversity net gain (BNG) is drawn from the government’s impact assessment (MHCLG, 2019, Biodiversity net gain and local nature recovery

strategies impact assessment) which was published with the consultation on the amendments to the Environment Act. The Publication Local Plan requires 20% biodiversity net gain which is above the national requirement of 10%. The government's Impact Assessment suggests that this will increase costs to developers by 19% of the MHCLG published allowance (Section 6.11.2) - the actual costs used in the testing are shown in Table 4.8 above. A cross-typology allowance, split by greenfield and brownfield is used.

- 4.26** However, it should be noted that, as biodiversity net gain is site specific depending on both the existing site characteristics and the ability of development form to both mitigate and provide additional gain, it is difficult to gauge a suitable allowance for meeting the requirements. It is also of note that the NHBC with the RSPB have issued guidance on how to achieve net gain within new development. At the launch of the guidance both the authors and one of the major housebuilders (Barratt Homes) emphasised that incorporating measures for biodiversity net gain during the design phase meant additional costs were minimal (Biodiversity in new housing developments RSPB / NHBC April 2021). This suggests that, whilst an allowance is included, the actual cost could be much lower and therefore the testing allowances are a conservative estimate. It is also relevant that the government Impact Assessment (page 42) highlights research findings about the costs of new policies to development stating that “development costs are passed back through to land prices” and over time it is therefore land values that absorb these costs.
- 4.27 Part S EV charging** - An allowance for ‘fast charge’ electric vehicle charging points is made for all dwellings at a ratio of 1 per dwelling for general housing. On this basis the total allowance on a site basis is considered sufficient to meet need and both national and local policy. It is recognised that there is also a desire for rapid chargers, however these are generally operated (and brought forward) on a commercial basis and therefore have not been included within the costs. The EV charger costs are based upon the impact assessment produced by the government (DfT/MHCLG, 2021, Residential charging infrastructure provision impact assessment).
- 4.28 Part M Accessibility** - The accessibility costs for M4(2) are applied to every unit as per draft Policy PUBDM52: Design and are based on the government impact assessment. The costs for Part M4(3) are based on cost consultant advice and other published studies, these are applied to 10% of affordable units, again in line with the draft policy.
- 4.29 Nutrient neutrality** – Development in certain areas of Norfolk falls within the nutrient neutrality catchment area of the Broads SAC and Broadland Ramsar. Policy PUBDM18 requires that this is mitigated before development can go ahead. As the policy does not cover the entire BA area, we comment on headroom available for this mitigation using the costs of credits which, based on assessments some of the districts provided through the consultation process, is £3,500 per dwelling, although this can vary in practice.
- 4.30** The cost of nutrient neutrality is in addition to the recreational mitigation cost collected through payment of either Suffolk Coast or Norfolk, Recreation Disturbance Avoidance and Mitigation

Strategy (RAMS), which is assumed to be collected for every unit tested and therefore included within the testing.

Benchmark land value

4.31 National guidance on setting benchmark land values (BMLVs) is clear that BMLVs should not be based on market values (although these can be used as a sense-check), or indeed the price paid for a particular site, but rather on the existing value of land plus an uplift to provide an incentive to the landowner. The appropriate scale of the uplift is not set out in any of the current guidance, although PPG does define that a ‘premium’ for a landowner should:

“Provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements” (PPG Paragraph: 016 Reference ID: 10-016-20190509).

4.32 However, a landowner premium of 10-30% for brownfield land and 10-20 x agricultural value for greenfield land is well established as an industry norm for strategic high level viability studies (see Homes and Communities Agency, 2010, Appendix 1 (Transparent Viability Assumptions p9). More recent research from [Lichfields \(2020\)](#) has a similar finding.

“Unsurprisingly, the level of uplift was found to vary, with an increase of 20% common for brownfield sites and a multiplier of 15-20 times above EUV or an uplift of 20% plus an additional allowance of between £250,000 and £650,000/ha being applied in respect of greenfield sites.”

4.33 In arriving at a benchmark land value for the BA, we have reviewed data for existing use values as well as checking against land values used in previous viability studies for the BA and for the housing districts (both area wide and site specific) and known values achieved within and adjacent to the BA. We have used a range of figures in the testing, from £350,000 per gross ha for a greenfield site through to £720,000 per gross ha for waterfront brownfield land. General inland brownfield typologies have a benchmark land value of between £400,000 and £450,000 hectare, dependent on location, and we have tested at both rates.

4.34 The values were presented to the developer workshop which commented that the values seemed ‘broadly reasonable’ and did not offer any other alternatives, although cautioned that abnormal costs such as piling should be reflected in land values – as per PPG which states that abnormal costs as well as site infrastructure costs should be taken into account when defining the land value (Paragraph 012 Reference ID: 10-012-20180724).

4.35 In arriving at the benchmark land values we use, we understand that where the market is able to pay a higher premium, it will do so. However, the guidance in the PPG is clear that benchmark land values should not be based on market values.

4.36 The table below shows the full range of benchmark land values that can be achieved within the ‘industry standard’ premium range described above. Where a site is of poorer quality or has

marginal viability then we would expect the lower value point to be achieved and there will be some premium sites where the higher value point can be reached.

Table 4.9 Benchmark Land Values

Site type	BLV/ha	Based on	EUV Source
Greenfield	£350,000	15 times agricultural value	3D review, MHCLG* + land value inflation**
Brownfield 1	£400,000	Standard brownfield EUV + 20%	MHCLG* - industrial land for the housing districts excluding Greater Norwich) Review of local viability studies
Brownfield 2	£450,000	Standard brownfield EUV + 20%	MHCLG* - industrial land for the housing districts including Greater Norwich Review of local viability studies
Brownfield 3 Waterfront	£720,000	Standard brownfield EUV + 20%	MHCLG* - industrial land Greater Norwich***

* note MHCLG refers to 'Land Value estimates for Policy Appraisal' MHCLG 2019

** Savills (Rural Land Values June 2024) estimate a greenfield land value inflation of 10%

*** Based on advice that waterfront development achieves land values akin to Greater Norwich

4.37 Land values were sense checked with the market, noting that details of local transactions were limited.

Residential sensitivity testing

4.38 A number of sensitivity tests were carried out to consider the effect of possible alternative market scenarios and were:

- a) **The effect of switching all affordable rented units to social rent.** This would account for the growing importance of social rent as an affordable tenure that is more affordable to households on low earned incomes or subject to the benefit cap – as the rent is lower social rent has lower transfer values than affordable rent and would there reduce viability headroom.
- b) **The effect of upper quartile build costs on general brownfield development.** This helps examine the potential for higher development costs association with the Design Guide.
- c) **The impact of delivering bungalows.** We have tested the 3-unit typology as a 'bungalow' scheme, noting that bungalows tend to be a popular type of home in the BA.

4.39 Finally we make comment on capacity of development to meet the Future Homes Standard or other local higher environmental requirements from Policy PUBDM20: Energy demand and performance of new buildings (including extensions) – this requires applicants “to demonstrate what measures they have taken to achieve more energy efficiency beyond the building regulation standards” (paragraph 4).

Non-residential assumptions

4.40 Non-residential development is discussed in more detail in chapter 6, although the majority of proposed policies are not considered to significantly add to the development costs for non-residential uses in the Plan period. However, to note that the following policies that may have some impact on the viability of non-residential development:

Policy PUBDM16: Biodiversity Net Gain all types of development are expected to achieve a minimum of 20% Biodiversity Net Gain (BNG). A Government Impact Assessment undertaken by DEFRA in Table 15 estimates that a 10% BNG is estimated to represent a cost of £14,334 per hectare. Further, para 6.11.2 of the same impact assessment estimates that the impact of increasing the net gain to 20% increases the cost to developers by 19%. Therefore, it is assumed that a 20% BNG could represent a cost of £17,058 per hectare.

Policy PUBDM55: Non-residential development and BREEAM non residential development above 250 sqm must achieve a minimum of BREEAM Very Good. Additionally, non-residential development above 250 sqm must also achieve 3 credits in BREEAM category Wat 01 and those over 1,000 sqm must achieve 5 credits. Historically, BREEAM has been commonly used to categorise non-residential building standards, with five categories – Pass; Good; Very Good; Excellent and Outstanding. Work undertaken by BRE suggests that the uplift over base construction costs varies between 0.1% and 0.2% for BREEAM Very Good.

Chapter 5 Results of the residential viability modelling

5.1 The results of the residential modelling are discussed in this chapter and non-residential development is discussed in Chapter 6.

Residential Overview

5.2 The base testing includes the standard development costs and affordable housing for each of the two value areas, i.e. general (inland) typologies and waterfront typologies and other policy costs as set out in chapter 4. The viability results take into account land costs, finance and developer return.

5.3 The results are shown as a net residual value per dwelling so that different development mixes and scheme sizes can be easily compared. A negative figure means a scheme is not viable (as tested). A positive residual value shows a viable scheme and represents the theoretical maximum 'headroom' available to support either additional policy costs, planning obligations and/or higher land values/developer return. Where we refer to results as 'Marginal' we define this as being up to plus/minus £5,000 per dwelling. This is an arbitrary definition used in this report and with the purpose of identifying typologies and policy tests where a small change in the assumptions used could switch a site from having a positive to negative residual value or vice versa.

5.4 The results of the testing are grouped under the following sub-headings and include some sensitivity testing:

- General typologies - Greenfield and brownfield
- Waterfront typologies - Brownfield
- Specialist older persons housing
- Delivery of social rent
- Higher build costs
- Headroom for further policy costs.

5.5 Results are shown with 33% affordable housing. The results shown are with the higher benchmark land value of £450,000 gross hectare for general brownfield sites, £350,000 gross hectare for greenfield sites and £720,000 gross hectare for waterfront brownfield sites – see Table 4.9 above, but other land values were tested. A full set of results showing results per scheme and per unit, as well as at the full range of land values can be found at Appendix VII.

General (inland) typologies

5.6 The following table shows the results on a per unit basis for the general typologies.

Table 5.1 Modelling results for the general typologies - £s per unit

Ref	Units	Greenfield Residual Value per unit	Brownfield Residual Value per unit
Res 1	1	-£108,800	-£115,000
Res 2	3	£13,900	£7,800
Res 2 (b/low*)	3		£29,100
Res 3	5	£29,200	£23,100
Res 4	8	£42,400	£38,000
Res 5	12	£48,200	£43,300
Res 6	30	£51,800	£47,800
Res 7	100	£50,800	£46,700

* Bungalow – typology test with 3 x 3 bed bungalows

5.7 The general typologies show good overall viability with 33% affordable housing on both greenfield and brownfield typologies. Where the 3 unit typology (Res 2) was tested with bungalows on a brownfield site, viability improved. The single unit typology (Res 1) was tested without affordable housing but was not viable on either land type, reflecting the higher costs and lack of economies of scale associated with building a single unit.

Waterfront typologies

5.8 The following table shows the results on a per unit basis for the waterfront typologies, where land values, build costs and sales values are higher than for the general testing.

Table 5.2 Modelling results for the Waterfront typologies - £s per unit

Ref	Units	RV per unit
Res 1	1	-£114,100
Res 2	3	£33,900
Res 2 (b/low*)	3	£86,400
Res 3	5	£54,700
Res 4	8	£74,600
Res 5	12	£79,800
Res 6	30	£87,000
Res 7	100	£85,400

* Bungalow – typology test with 3 x 3 bed bungalows

5.9 The waterfront typologies again show good overall viability with 33% affordable housing. Indeed, viability is improved compared to the general typologies with the increase in build costs more than ameliorated by the higher values associated with developing here. However the single unit typology (Res 1) which was tested without affordable housing remains unviable.

Specialist older persons housing

5.10 The following table shows the results for the specialist older persons housing scheme (sheltered) on a greenfield, a brownfield and a brownfield waterfront typology. Costs and cashflows are different for this type of housing, compared to 'ordinary' houses or flats. As well as modelling with 33% affordable housing we have, in one instance, modelled a scheme without affordable housing – this is on a general brownfield site which is the type of site such schemes typically come forward.

Table 5.3 Modelling results for the specialist older persons typologies - £ per unit

Ref	Units	Greenfield Residual Value per unit	Brownfield Residual Value per unit	Waterfront Brownfield Residual Value per unit
OP1	50	-£32,100	-£32,200	£25,200
OP1 - without affordable homes	50		£10,300	

5.11 Specialist older persons housing was only viable with 33% affordable housing on the waterfront typology. In other locations viability was negative indicating that 33% affordable housing is not deliverable on such schemes. However, a viable result on a general brownfield typology was produced when affordable housing was removed from the model suggesting that there may be some headroom for a reduced affordable housing contribution.

Delivery of social rented units

5.12 We also looked at the impact on viability of delivering social rent in place of affordable rent. Social rents are almost always lower than affordable rents, giving a reduced transfer value. The results are shown in the table below – note that Res 1, the single unit typology has not been modelled here as it was not viable with affordable rent (and so it is reasonable to assume it would not be viable with social rent).

Table 5.4 Sample results where affordable rented units are switched to social rent - £s per unit

Ref	Units	Brownfield Residual Value per unit	Waterfront Brownfield Residual Value per unit
Res 2	3	-£700	£25,400
Res 3	5	£15,200	£46,800
Res 4	8	£30,100	£66,700
Res 5	12	£35,400	£71,900
Res 6	30	£39,800	£79,100
Res 7	100	£38,500	£77,400

5.13 The results illustrate that changing the type of affordable rented tenure (from affordable rent to social rent) reduces viability. However, case studies Res 3 through to Res 7 remained viable on general brownfield land and in waterfront locations with 33% affordable housing. Res 2 (3 units) was unviable on a general brownfield typology, although marginally so and could likely be ameliorated by a small adjustment to the housing mix or land value to accommodate this.

Increasing build costs to account for higher specification design

5.14 We also reviewed the impact of higher build costs on general brownfield sites, to a standard similar to that of waterfront development and the results are shown in the following table.

Table 5.5 Sensitivity modelling on general brownfield typology – showing the impact of upper quartile build costs - £ per unit

Ref	Units	Brownfield Residual Value per unit
Res 2	3	-£10,600
Res 3	5	£4,600
Res 4	8	£20,400
Res 5	12	£26,500
Res 6	30	£31,000
Res 7	100	£31,400

5.15 Although viability is reduced when build costs are increased to the upper quartile (with no corresponding increase in value), typologies of 5 or more units remained viable with 33% affordable housing. Res 2, the 3-unit typology, however was no longer viable.

Headroom for further policy costs

5.16 Higher carbon reduction standards such as those proposed in the 2023 Future Homes Consultation or through the Publication Local Plan Policy PUBDM20: Energy demand and performance of new buildings (including extensions) have implications for higher costs. The impact assessment for Future Homes (discussed in chapter 4) suggests a figure of £6,000 could be applicable to houses to reach the standard. (Figure is adjusted from the Impact Assessment to account for the larger dwellings in the BA.)

5.17 Where development falls within the catchment area of the Broads SAC and Broadland Ramsar, a mitigation cost will apply for nutrient neutrality and this could be in the region of £3,500 for the areas in which it applies.

5.18 These two figures suggest a possible additional cost to development of between £3,500 and £9,500 per unit if the above circumstances prevail. However, the results in this chapter indicate that the majority of development within the BA is able to absorb these costs. Of the typologies

that were previously viable, the 3-unit typology and the specialist older persons typology on a general brownfield site could struggle to accommodate the costs if providing affordable housing as well, as could the 5-unit typology on a similar site if also built to upper quartile build costs. These results do not take into account that additional value could be generated to schemes by increased house prices at the time Future Homes is adopted.

Review of the residential results

- 5.19** The results of testing viability of the residential typologies identified present a picture of good general viability and ability to deliver policy compliant affordable housing for most residential typologies across the Broads Authority, with headroom in many instances for further policy costs as well as those associated with national policies such as Future Homes.
- 5.20** The 1-unit typology however is not viable, even without affordable housing, and would not be able to make a contribution to affordable housing. This is not unusual for single-unit typologies which are often built non-speculatively for occupation by the household that commissioned the development, or where a small developer/contractor builds at a lower profit margin.
- 5.21** The 3-unit typology on general brownfield sites, whilst viable with affordable housing in the main testing scenario, is weakened where additional costs are applied, although this is not the case for waterfront or greenfield typologies. Again, with the exception of the 3-unit general brownfield typology and the 1-unit typology in all areas, delivery of social rent is viable should this be the preferred affordable rented tenure.
- 5.22** Specialist older persons housing was only viable with affordable housing in the waterfront area.
- 5.23** The good viability achieved on most development typologies indicates headroom to respond to market changes, higher development costs or land values if applicable over the plan period.

Chapter 6 Non-residential development

- 6.1** This chapter summarises the impact of the publication version of the Local Plan policies on the viability of non-residential development. There are few Local Plan policies that directly affect the viability of non-residential development however the BA wants to understand the impact of those policies which do imply additional non-residential standards.
- 6.2** A review of recent local plan and/or CIL viability studies for the local authorities that comprise the Broads Authority demonstrate that non-residential typologies generally perform weakly, in viability terms, when assessed using a Residual Land Value approach. For instance:
- **Great Yarmouth Local Plan Viability Assessment** (HDH 2023) (para 12.91): finds that employment uses are generally “not being brought forward to on a speculative basis” and instead the limited amount of office and industrial development that is being developed tended to be as a user-led scheme that fit the requirements of that specific developer, rather than for investment purposes. Retail warehouses and supermarkets were demonstrated to be viable.
 - **East Suffolk CIL Review Study** (Aspinal Verdi 2022) (paras 10.13 & 10.21): found office and industrial development to be “considerably unviable in the District” and “currently unviable” respectively. Convenience retail was demonstrated as being viable, whereas comparison retail was judged to be unviable.
 - **North Norfolk District Council Plan Wide Viability Assessment** (NCS 2022) (para 1.2): demonstrated that “only food retail development showed significant viability” and that “[a]ll of the remaining commercial use class appraisals indicate negative viability though this does not mean that this type of development is not deliverable”.
 - **Greater Norwich Development Partnership**: do not appear to consider non-residential typologies in any of the viability assessments that have been submitted as part of the Greater Norwich Local Plan which was submitted for examination on 30th July 2021.
- 6.3** The clear conclusion from the reviewed work was that only retail development was consistently viable on a speculative basis but that development was still likely to come forward to meet occupiers’ commercial needs.
- 6.4** From the policy review of the publication version of the Local Plan set out in Chapter 2, the majority of proposed policies are not considered to significantly add to the development costs for non-residential uses in the plan period. The following policies that may have some impact on the viability of non-residential development are:
- **Policy PUBDM16: Biodiversity Net Gain** all type of development is expected to achieve a minimum of 20% Biodiversity Net Gain (BNG). A Government Impact Assessment undertaken by DEFRA (2019) in Table 15 estimates that a 10% BNG is estimated to represent a cost of £14,334 per hectare. Further, para 6.11.2 of the same impact

assessment estimates that the impact of increasing the net gain to 20% increases the cost to developers by 19%. Therefore, it is assumed that a 20% BNG could represent a cost of £17,058 per hectare. Compared to the total development costs of non-residential development as a whole, this cost is relatively modest.

- **Policy PUBDM55: Non-residential development and BREEAM** non-residential development above 250 sqm must achieve a minimum of BREEAM Very Good. Additionally, non-residential development above 250 sqm must also achieve 3 credits in BREEAM category Wat 01 and those over 1,000 sqm must achieve 5 credits. Historically, BREEAM has been commonly used to categorise non-residential building standards, with five categories – Pass; Good; Very Good; Excellent and Outstanding. Work undertaken by BRE (Building Research Establishment, 2016, The value of BREEAM) suggests that the uplift over base construction costs varies between 0.1% and 0.2% for BREEAM Very Good.

- 6.5** Generally, it is considered that the requirements of these policies are not unreasonable for non-residential development and that the order of magnitude of the potential cost uplift outlined above would not unduly jeopardise development. Indeed, anecdotal evidence indicates that potential occupiers are increasingly requesting higher standard for potential premises to meet their own Environmental Social and Governance (ESG) objectives meaning that, given the magnitude of the costs, many developers are adopting such standards regardless.
- 6.6** It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However, there will also be development that is undertaken for specific commercial operators, either as owners or pre-lets. In these circumstances the economics of the development relate to the profitability of the enterprise accommodated within the buildings rather than the market value of the buildings. Therefore, it should be noted that while the testing suggests that all types of development are not viable, they may still be brought forward for individual occupiers to meet their specific requirements. In particular, if the required return is reduced to the level of a contractor return, then unviable sites may be marginal or (marginally) positive.

Summary for non-residential testing

- 6.7** Non-residential development has not been viability tested within this study for the following reasons. Firstly, the BA does not expect a significant amount of non-residential development within the Broads area over the plan period; and that the local plan's 'deliverability' is not reliant on such development. Secondly, the policies that the Authority has included that are directly relevant to these types of developments only represent modest costs. Given the weak viability for commercial uses that has been identified in similar viability studies conducted recently it is unlikely that these policies, given the magnitude of the costs, would have a significant impact on the overall delivery of the Local Plan should they be included or not.

Chapter 7 Summary and conclusions

7.1 To inform the Regulation 19 Publication Local Plan we have modelled the viability of a range of typologies across the Broads Authority. These are representative of the types of development anticipated to come forward during the plan period and include costs attributed to the draft policies. The testing assumptions used have been derived from published sources and consulted upon with the development industry and other key stakeholders. The implications drawn from the results are discussed below.

Policy Implications

7.2 An affordable contribution of at least 33% is achievable on most typologies across the Broads Authority, including on those of fewer than 10 dwellings. The clear exceptions to this in viability terms are developments of 1-unit on any site type and older persons housing apart from on waterfront sites. For the typologies of 3-units a contribution is realistic on waterfront sites and greenfield sites – on general (inland) brownfield sites collection is still feasible but could be compromised if there are additional development cost pressures such as higher environmental costs. As some results are positive, the authority could still ask for a contribution on these sites but may then have to assess a viable contribution on a site-by-site basis.

7.3 Potential national increases in development standards in respect of carbon reduction (Future Homes and Future Buildings) would reduce residual values but does not change our conclusion.

7.4 As well as affordable housing, the testing included allowances for policies in the Publication Local Plan including:

- Biodiversity Net Gain at 20%
- Accessibility to Building Regulations M4(2) standard on every dwelling
- Accessibility to Building Regulations M4(3) standard on 10% of affordable homes
- Self and custom build housing at 5% on sites of 100 dwellings or more.

The results of the viability testing show these policies to be achievable.

7.5 For non residential development, there is a limited number of policies that directly impact on development viability. Those that do include BREEAM and Biodiversity Net Gain. Whilst this does increase the cost, the impact of these policies is minimal and would not, either on their own or in combination, effect delivery of these forms of development.

List of appendices

List of appendices to be found in Technical Appendices Report

Appendix I – National policy and guidance

Appendix II – Notes from the developer workshop

Appendix III – Sample house price data

Appendix IV – Building and construction costs

Appendix V – Results sheets

Appendix VI – Sample summary appraisals