Copeland Housing Viability Study

West Cumbria Evidence Base

Copeland borough council

Proud of our past. Energised for our future.

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For and on behalf of GVA Grimley Ltd

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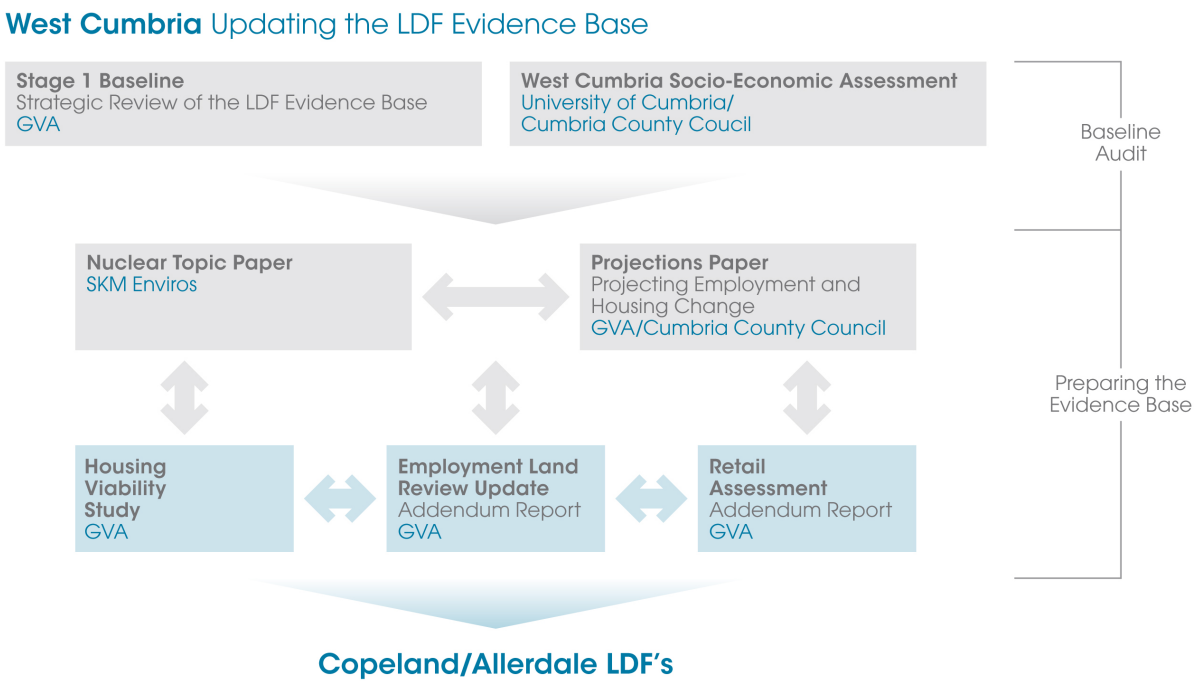
1. Introduction

1.1 GVA was appointed in December 2010 to undertake a programme of works to assist the West Cumbria Authorities to update their LDF evidence base and produce a new Economic Blueprint and Spatial Plan to establish the future of the area, taking account of the potential for Nuclear New Build and other related investment.

1.2 This paper represents one of a number of outputs associated with updating the LDF evidence base and informing the Economic Blueprint. These are set out in the following diagram.

Figure 1.1: Updating the LDF Evidence Base for West Cumbria and Evidencing the Economic Blueprint



Source: GVA, 2011

1.3 As the diagram illustrates this report includes information which is then utilised in other evidence base reports.

1.4 The report focuses on one key thematic area of analysis -to undertake an update of the Viability Assessments (VA), produced for each of the West Cumbria Authorities in 2010.

Although produced by the same consultancy, the VAs were not alligned in their scope or the base date of their evidence.

1.5 The key objective of the VA (2011) Update is therefore to audit the available viability evidence for each of the West Cumbria Authorities and apply a consistent approach across both Copeland and Allerdale. To achieve this has required a refinement to the viability evidence underpinning the assessment of the 'deliverability' of potential future sites for housing supply included within the Strategic Housing Land Availability Assessment (SHLAA) in both authorities (Stage 7c of the SHLAA Guidance[1]) to model a range of property market scenarios.

1.6 By adopting a consistent approach to Viability Assessment, this evidence can subsequently be utilised to inform, and be compatible with, emerging and future research and policy development.

1.7 The purpose of this VA report is to provide the results of viability testing for Copeland Borough Council framed by information regarding the study approach and assumptions underpinning the VA (2011) Update. It is structured as follows:

- Section 2: provides a summary of the approach undertaken within the VA (2011) Update;
- Section 3: presents the revised assumption underpinning the VA (2011) Update (reflecting on consistency and differences with the original VA (2010) study;
- Section 4: presents the draft results of the VA (2011) Update

[1] Strategic Housing Land Availability Assessments: Practice Guidance (CLG) – July 2007

2. VA Update Approach

2.1 The study utilises a residual development appraisal model developed by GVA, which identifies Gross Development Value (incl. affordable housing) against which all development costs (incl. developer profit, land acquisition and all non-affordable housing planning obligations) are set, in order to calculate whether a scheme is viable (i.e. whether revenues exceed all costs). The model further allows for a number of key sensitivities to be applied to key costs (incl. affordable housing obligations).

2.2 Although taking account of a number of site specific sensitivities that will impact on economic viability, the viability study does not hold the objective of testing the absolute viability of specific sites; rather a broad assessment of economic viability for a range of site classifications, within a set of market (or policy) defined locations across each authority, under a set of scenarios to cover the spectrum of market conditions. Such a scope will enable an informed judgement on the 'deliverability' of SHLAA sites (Stage 7c of the SHLAA in line with the CLG Guidance), as well as when setting affordable housing policy, whilst remaining flexible to update (through the viability toolkit) to take into account changes in the market context.

2.3 This overall approach is consistent with the original VA (2010) study research.

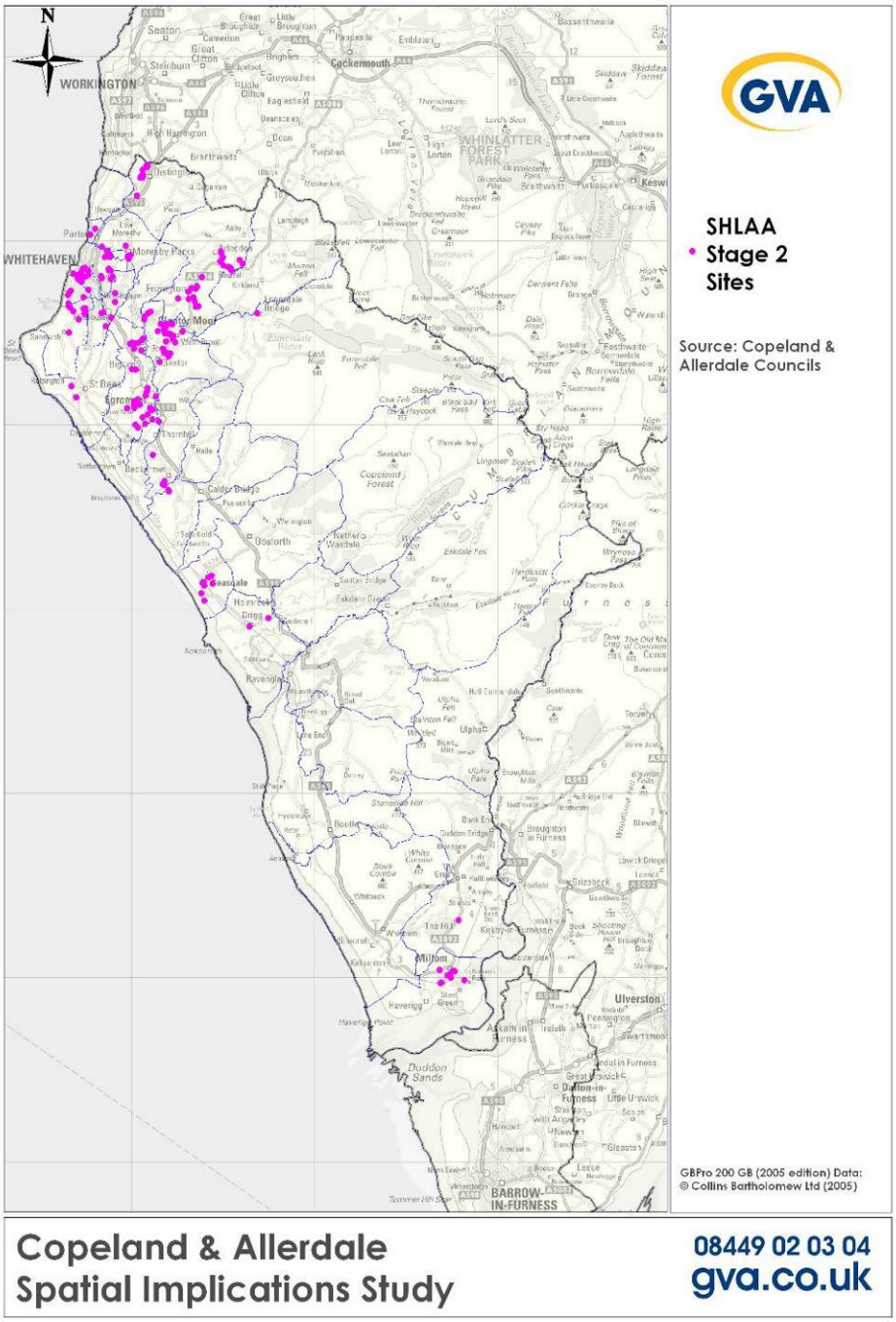
Representative Sample of Sites

2.4 The VA (2011) Update tests the viability of all sites included at Stage 2 within the latest Copeland SHLAA database. This enables the most comprehensive assessment of site viability to be undertaken across the borough for the purposes of achieving the primary objective of the VA as set out in Section 1.

2.5 This respresents an extended approach beyond the scope of the VA (2010) research, which based analysis on a small sample of sites with variant characteristics and locations across the borough.

2.6 The following plan illustrates the spatial location of sites tested within the VA (2011) Update.

Figure 2.1: Housing Sites Assessed - Copeland



Source: Copeland SHLAA database

Varying Market Conditions

2.7 Given the cyclical nature of the housing market, it is important that the VA Update (2011) can be flexible to reflect varying housing market conditions throughout the cycle. This will provide a more detailed understanding of the impact of market conditions on site viability and potential housing supply in the future.

2.8 This goes beyond the scope of the VA (2010) study, which tested viability under only 'current' market conditions.

Current Market Conditions – the Baseline

2.9 As with the VA (2010) study, a set of established 'current' market values underpin the baseline testing within the VA Update (2011). An explanation of the methodology for establishing 'current' market conditions is presented in Section 3.

Market Condition Scenarios

2.10 To test the potential impact of a market recovery in house prices on site viability the VA Update (2011) also runs several scenarios:

- Scenario 1 - Market improvement 'moderate': This tests viability if a 10% improvement in house price was to occur.
- Scenario 2 - Market improvement 'good': This tests viability if a 20% improvement in house price was to occur.

3. Viability Model & Assumptions

3.1 This section provides a summary of the assumptions underpinning the VA (2011) Update, highlighting where they have been altered from the VA (2010) study to account for changes in both the market and planning policy.

3.2 Consistency with the VA (2010) study in the assumptions and approach to calculating variables has been maintained where possible – reflecting the discussions held with housebuilders and property professionals undertaken as part of the VA (2010) study.

Values

Reflecting Market Areas

3.3 A review of house transaction data undertaken for the VA (2011) Update confirms that Copeland continues to function as a property market with sub-market areas of varying house price performance and land value.

3.4 In an approach consistent with the VA (2010) study, the VA (2011) Update has disaggregated Copeland into a small number of market sub-areas based upon parish boundaries for the wider authority area, and ward boundaries within Whitehaven. These have been aggregated into three broad market areas of 'High', 'Moderate' and 'Low' market performance.

3.5 The values underpinning the market strengths have been updated and are derived from a triangulation of several house-price datasets with analysis conducted at parish scale. These include the Council's housing intelligence 'Streetvalue' (2011) dataset, used to derive the aggregation process as described in paragraph 3.4. Land Registry house transaction data (by dwelling type) over the period 01-01-2010 to 30-05-2011 has been utilised to derive average transaction values by dwelling type to apply to development sites within each of the broad market areas. This has provided an up-to-date assessment of the relative market values achieved across the borough.

3.6 In order to reflect the variance in values between the areas of broad market strength the following price modelling was applied and adjusted for dwelling type:

- Moderate = borough average
- Low = average transaction values achievable in 'low' value market areas
- High = average transaction values achievable in 'high' value market areas capped at a 50% premium on the borough average[2]

3.7 The derived market area values have been utilised in the VA (2011) Update to constitute the 'current' market baseline testing position. The modelled unit values are presented in the following figure.

Figure 3.1: Market Values by Dwelling Type (£ per unit)

Unit type	Modelled Sales Receipt (£)		
	Low	Moderate (Average)	High (Capped at+50%)
1/2 bed flat/apartment	£96,227	£103,273	£154,910
2/3 bed terrace	£72,849	£116,933	£175,400
3/4 bed semi detached	£101,137	£147,560	£221,339
4/5 bed detached	£199,748	£236,005	£354,007

Source: Streetvalue 2011, The Property Database, 2011, GVA, 2011

3.8 The following figure presents the market area assigned to each parish / ward.

Figure 3.2: Market Area Values – Parish & Ward[3][4]

Copeland (parish / ward)	Value Typology
Arlecdon and Frizington	Moderate
Bootle	Moderate
Bransty Ward (Whitehaven)	Moderate
Cleator Moor	Low

[2] Note: 'Capping' has been applied in these locations to moderate the upwards skewing of average transaction values attributable to low sales volumes. Consideration of new build sales indicates that transaction values fall below re-sales and further support the 'capping' process.

[3] Note: Egremont and Millom parishes are both classified as 'low' market value locations for the purpose of modelling. The values within these parishes are, however, on the border with the 'moderate' designation. The transaction values in these locations will need to be monitored carefully in future to reflect any market changes – particularly given the period of transactional volatility within which this assessment has been conducted.

[4] Note: The relative strength of Market Areas reflects a point in time value and, as such, there will be a requirement for careful future monitoring of the relative market values, especially given the levels of pricing and transactional volatility within the housing market at present. Furthermore, it should be noted that within each value typology there is a spectrum of values along which individual parishes/wards lie. Moreover, within some parishes/wards there are are areas demonstrating variance in local market housing values.

Copeland (parish / ward)	Value Typology
Distington	Low
Drigg and Carleton	High
Egremont	Low
Ennerdale and Kinniside	High
Eskdale	High
Gosforth	Moderate
Haile	High
Harbour Ward (Whitehaven)	Moderate
Hensingham Ward (Whitehaven)	Low
Hillcrest Ward (Whitehaven)	Moderate
Irton with Santon	Moderate
Kells Ward (Whitehaven)	Low
Lamplugh	High
Lowca	Low
Lowside Quarter	Moderate
Millom	Low
Millom Without	Moderate
Mirehouse Ward (Whitehaven)	Low
Moresby	Moderate
Muncaster	High
Parton	Low
Ponsonby	High
Sandwith Ward (Whitehaven)	Low
Seascale	Moderate
St. Bees	Moderate
St. Bridget Beckermet	Moderate
St. John Beckermet	Moderate
Ulpha	High
Waberthwaite	High
Wasdale	Moderate
Weddicar	Moderate
Whicham	Moderate

Source: GVA, 2011

3.9 The VA (2010) research included a discounting on the open market value (OMV) of dwellings to take into account affordable housing transactions from RSLs. The VA (2011) update maintains this approach:

- Social rent: 50% discount off OMV
- Intermediate: 30% discount off OMV

3.10 Affordable Rent units are also tested as a sensitivity within the VA (2011) Update. This is an additional component of analysis not considered within the VA (2010) research. For the purpose of analysis, the VA (2011) Update utilises the latest Valuations Office Agency

(VOA) publication of private rents for Copeland – released in October 2011. This is illustrated in the following figure:

Figure 3.3: Average Monthly Private Rent Values (September 2010 – September 2011)

Copeland: Average Rents (Sept 2010 - Sept 2011) - monthly				
Studio	1 Bed	2 Bed	3 Bed	4+ Bed
£288	£376	£442	£507	£768

Source: VOA, October 2011

3.11 The rents presented above are then annualised and discounted to 80% to reflect the upper limit of Affordable Rent. This rental value has subsequently been capitalised, and an allowance made for maintenance and management, in order to generate a per unit value.

3.12 Alteration in achievable values for intermediate tenure and Affordable Rent dwellings are applied in line with market strength as detailed above. Social rented transaction values are held at a constant 50% discount on the borough average dwelling value disaggregated by dwelling type.

Annual Price Inflator

3.13 The VA (2010) research included a 2% per annum price inflator linked to site development phasing/sale. This sensitivity has not been applied in the VA (2011) Update as this is not a process or trend that has occurred within the market in recent years.

Land Values

3.14 The VA (2010) study establishing land values within Copeland by reviewing Council land disposals and Council book values. The sites were split by their greenfield or brownfield status and an inflator/deflator applied linked to location (by broad market strength) in line with property values.

3.15 When considering the values applied in the Copeland VA (2010) study, these appear high – particulalrly in relation to the land values applied in the Allerdale VA (2010), the latter having been agreed with the Allerdale SHLAA Steering Group with representatives from the local development industry as well as consideration of transactions, which provides a more robust approach.

3.16 In conducting the VA (2011) Update GVA has reviewed the latest available Copeland Council land disposals and book values. However, given the limited volume of information and the nature of the public assets, GVA does not view this data source as representative of values for land on the open market in the borough.

3.17 In the absence of robust local data, and information from the Valuation Office Agency (VOA)[5], the decision has therefore been taken to revert to the agreed land values within the Allerdale VA (2010) study (which are also used in the Allerdale VA 2011 Update). To ensure that the land values are representative of the differences in market performance between the borough's, the land values used in the Copeland VA (2011) Update represent a 20% discount on those utilised in the Allerdale VA (2011) Update. This discounting has been applied to reflect the 20% difference in average (all dwelling type) transaction values recorded in each borough over the period 01-01-2010 to 30-05-2011. It is a reasonable assumption that such differences in achievable dwelling transaction values will be reflected in the saleable price of land for residential development.

Figure 3.4: Land Values by Market Area & Land Type

Area	£ per Hectare
High market area	£667,161
Moderate market area	£555,967
Low market area	£444,774

Source: GVA analysis, 2011

Site Characteristics

Site Typology

3.18 In conformity with the VA (2010) study, the VA (2011) Update has derived site typologies from the SHLAA information for each site. These were identified in the form of the sites' relative location to existing settlements, as urban, suburban or rural, and also the current status of the site, as either greenfield or brownfield. The site typology is subsequently used

[5] The VOA has ceased to provide average land value information for Copeland and Allerdale borough's due to the lack of recent transactions.

to determine a range of other inputs for the model, including the mix of dwellings a site is likely to deliver and professional costs required for site delivery.

Site Size

3.19 The VA (2011) Update sets out size boundaries to categorise sites from the SHLAA:

- Small: 0-19 units
- Medium: 20-49 units
- Large: 50+ units

3.20 This assumption is consistent with the VA (2010) study.

Dwelling Mix

3.21 A dwelling mix on each site is assumed – drawing on evidence of recent development completions as set out in the VA (2010) Study. The VA (2011) Update remains broadly consistent with the VA (2010) study, yet presents a rationalised set of dwelling types. This alligns with Land Registry transaction recording format and allows for a more straightforward monitoring process by the Council in future.

3.22 The dwelling mix assumptions adopted for the VA (2011) Update are presented in the following figure.

Figure 3.5: Site Dwelling Mix – Open Market

Copeland Borough - Dwelling Mix									
	Site Typology								
Dwelling Type	Urban Small	Urban Medium	Urban Large	Suburban Small	Suburban Medium	Suburban Large	Rural Small	Rural Medium	Rural Large
1/2 bed flats/apartments	30%								
2/3 bed terrace	70%	70%	50%	40%			25%	20%	20%
3/4 bed semi detached		30%	25%	60%	60%	40%	50%	30%	30%
4/5 bed detached			25%		40%	60%	25%	50%	50%

Source: GVA, 2011

Figure 3.6: Site Dwelling Mix – Affordable

Copeland Borough - Dwelling Mix: Affordable Component									
	Site Typology								
Dwelling Type	Urban Small	Urban Medium	Urban Large	Suburban Small	Suburban Medium	Suburban Large	Rural Small	Rural Medium	Rural Large
1/2 bed flats/apartments	15%								
2/3 bed terrace	85%	70%	40%	40%			25%	25%	25%
3/4 bed semi detached		30%	60%	60%	100%	60%	50%	35%	35%
4/5 bed detached						40%	25%	40%	40%

Source: GVA, 2011

3.23 To conform with the VA (2010) study, the VA (2011) Update also remains consistent with the dwelling mix assumptions for the affordable housing component of sites (where affordable housing contributions sought). As with the market dwelling mix, this has been rationalised to a shorter list of dwelling types.

Costs

Land Acquisition Costs

3.24 The VA (2011) Update incorporates land acquisition costs for stamp duty land tax for residential land (SDLT) in line with HM Revenue & Customs rates correct as at August 2011. Legal fees and commercial agents acquisition fees are also added and conform to the costs included in the VA (2010) study.

Figure 3.7: Site Acquisition Costs

Cost Element	% Value of Land			
Stamp Duty	£125,001 - £250,000	£250,001 - £500,000	£500,0001 - £1,000,000	£1,000,0001 +
	1%	3%	4%	5%
Cost Element	All sites			
Legal Fees	1%			
Commercial Acquisition Agents Fees	1%			

Source: HMRC, 2011, VA (2010) study, GVA analysis

Construction Costs

3.25 Build costs have been based on the cost associated per square metre of the development's gross internal area (GIA). They are therefore exclusive of external works, development abnormals, professional fees and contingencies. Build costs have been utilised for each dwelling type considered within the dwelling mix. The model does not consider the availability of Social Housing Grant funding.

3.26 The construction costs for use in the VA (2011) Update are presented below. These draw on the latest BCIS build costs, as well as national Government guidance set out within the Code for Sustainable Homes (CfSH): Updated Cost Review guidance published by CLG on 26th August 2011[6]. CfSH Level 3 is utilised as a baseline build cost within the VA (2011) Update to reflect the latest building regulations.

3.27 This differs from the VA (2010) study, which utilised the former BCIS and CLG measures applicable at the time of writing.

Figure 3.8: Construction Cost by Dwelling Type – CfSH Level 3 – 6 (GIA per sq.m)

Unit Type	Construction Costs - Gross Internal Area (GIA) per m2			
	CfSH 3	CfSH 4	CfSH 5	CfSH 6
1/2 bed flats/apartments	£1,018	£1,067	£1,284	£1,502
2/3 bed terrace	£854	£885	£1,048	£1,188
3/4 bed semi detached	£839	£875	£1,027	£1,168
4/5 bed detached	£889	£932	£1,090	£1,251

Source: BCIS, CLG, 2011

Lifetime Homes Cost Uplift

3.28 The VA (2010) research included a £2,000 additional cost uplift per unit to take into account building to Lifetime Homes standards over and above basic build costs (in line with 2006 building regulations). This sensitivity has not been applied in the VA (2011)

[6] Code for Sustainable Homes: Updated Cost Review (August 2011) - CLG

Update as the costs applicable are either minimal or form the standard specification to develop at CfSH Level 3 and above[7].

Externals, Overheads & Abnormals

3.29 The VA (2010) study contained additional agreed cost allowances to take into account externals (e.g. sewers, roads, footpaths), overheads (e.g. site offices and security) and abnormals (e.g. ground remediation). GVA has utilised consistent costs in the VA (2011) Update.

3.30 A 15% uplift in baseline build costs is applied to brownfield sites to allow for site abnormals (demolition / remediation).

Figure 3.9: External, Overhead and Abnormal Costs

Category	Site Size / Category	Cost (% addition on build costs)
External Costs	Less than 10 units	20.00%
	10 – 50 units	17.00%
	51+ units	13.00%
Overhead Costs	Less than 10 units	10.00%
	10 – 50 units	8.00%
	51+ units	7.00%
Abnormals (Brownfield)	Greenfield	0.00%
	Brownfield	15.00%

Source: VA (2010) study

General Development Costs

Professional Fees

3.31 The VA (2010) research made assumptions on the level of professional fees to charge as a percentage overage on base construction costs. The VA (2011) Update utilises these figures for consistency. They align with GVA's undertaking of VA's elsewhere.

[7] Code for Sustainable Homes: A Cost Review (2010) - CLG

Figure 3.10: Professional Fees

Cost Element	% Cost of gross construction costs					
	Small Greenfield	Medium Greenfield	Large Greenfield	Small Brownfield	Medium Brownfield	Large Brownfield
Professional Fees	10.00%	9.00%	8.00%	12.00%	11.00%	10.00%

Source: VA (2010) Study, GVA 2011

Finance, Disposal Costs & Developer Profit

3.32 The VA (2010) research assumed the level of financing to charge on cost as 8%. GVA see this as a reasonable assumption and the VA (2011) Update maintains this rate.

3.33 The VA (2010) research made assumptions on the level of likely disposal costs (marketing, sales, legal) as being 2% of GDV. However, GVA's experience of undertaking VA's elsewhere places this higher at 5.5%. It is recommended that a figure of 4% is applied to moderate the positions.

3.34 The VA (2010) study incorporated the level of developer profit as 17%. This is seen to be broadly representative of GVA's undertaking of VA's elsewhere. The VA (2011) Update also utilises 17%. The VA(2011) Update also includes a tolerance mechanism of 5% on profit to allow for an element of flexibility in determining viability on sites where a residual value is finely balanced.

Figure 3.11: Finance, Disposal Costs & Developer Profit

Cost Element	% Cost	Application
Developer Profit	17.00%	of gross development value (GDV)
Interest Rate (Finance)	8.00%	on costs (S-Curve)
Marketing fees	3.00%	of gross development value
Sales Agent Fees	0.50%	of gross development value
Sales Legal Fees	0.50%	of gross development value

Source: VA (2010) Study, GVA 2011

Sensitivity Testing

3.35 In order to comprehensively and robustly assess SHLAA site viability a range of sensitivities has been applied to a set of key variables within the VA (2011) Update model. This will enable the determination of a 'sliding scale' of viability over several scenarios, which goes beyond the analysis of the VA (2010) study. The key sensitivities include:

Affordable Housing Contribution

3.36 A 'sliding scale' of affordable housing provision is applied to test site viability at the following levels of affordble housing requirement:

- 0%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%.

Varying the Affordable Housing Tenure Split

3.37 A range of tenure splits are considered to understand their impact on site viability. The scenarios are as follows:

- 50% social rented and 50% intermediate dwellings
- 60% social rented and 40% intermediate dwellings
- 70% social rented and 30% intermediate dwellings
- 80% social rented and 20% intermediate dwellings
- The introduction of Affordable Rent dwellings alongside social rented and intermediate dwellings

Section 106 (S106) Contributions

3.38 For S106 contributions (other than affordable housing) several scenarios are tested having been agreed with Copeland Council:

- A baseline case – assuming 0% of Gross Development Value (GDV)
- A 'heavy touch' case – assuming 5% of GDV
- A 'research/policy driven' case – assuming a contribution of £1,020 per person (drawing on the recommendations of the Open Space Assessment).

3.39 The latter draws upon dwelling occupancy assumptions linked to the proposed dwelling mix. The following assumptions are included.

Figure 3.12: Occupancy Assumptions – Per Dwelling by Type

Dwelling Type	Persons per
1/2 bed flats/apartments	1.55
2/3 bed terrace	2.3
3/4 bed semi detached	2.95
4/5 bed detached	3.2

Source: GVA, 2011

3.40 A S106 contribution associated with education provision is included as an additional cost. This draws on Cumbria County Council's draft Development Contributions to Education Capacity paper (together with a worked example they used for a scheme in Cockermouth in May 2010). The following table demonstrates the contribution per dwelling (by dwelling type and size) for education using figures extrapolated by Copeland Borough Council from the Cumbria County Council draft Development Contributions to Education Capacity paper and using the Cockermouth example provided.

Figure 3.13: Education Dwelling Contribution

Dwelling Size and Type	No. of Dwellings to Generate 1 Pupil Place	Average Charge Per Dwelling
4/5 -bed house	1.87	**£6,432.00**
3/4-bed house	2.56	**£4,692.00**
2/3-bed house	7.81	**£1,536.00**
1/2-bed apartment	15.15	**£792.00**

Source: Copeland Borough Council, 2011; Cumbria County Council, 2010; GVA, 2011

Code for Sustainable Homes (CfSH)

3.41 It is recognised that current building regulations ensure that all new dwellings reach Code for Sustainable Homes (CfSH) Level 3, which result in an uplift in baseline costs. The VA Update (2011) model tests build costs at CfSH Levels 3 – 6:

- CfSH Level 3 (Baseline)
- CfSH Level 4, Level 5 and Level 6 scenarios

Varying the Site Size Threshold (for Affordable Housing Contribution)

3.42 PPS3 sets out the recommended site size threshold for applying an affordable housing requirement as 15 dwellings. However, it stipulates that policy is flexible to allow the introduction of appropriate local thresholds linked to assessment of site viability.

3.43 It does not appear that the previous VA (2010) research applied any sensitivities around the application of a site size threshold. The VA (2011) Update considers the impact on viability related to the number of dwellings to be brought forward in order to inform an appropriate threshold to trigger the requirement for affordable housing on a site. The model is run to test the following range:

- 1 dwelling
- 5 dwellings
- 10 dwellings
- 15 dwellings

4. Update Study Results

4.1 This section presents the results of the VA model. The results are presented to illustrate the outputs of the research to assess economic viability across a number of different sensitivities traversing a range of market scenarios. The results section is structured as follows:

- Testing the General Viability of the SHLAA Sites
- Baseline assessment at 'Current' Market Conditions
- Scenario 1 - Market improvement 'moderate': This tests viability if a 10% improvement in house price was to occur.
- Scenario 2 - Market improvement 'good': This tests viability if a 20% improvement in house price was to occur.

Testing the General Viability of the SHLAA Sites

4.2 The VA (2011) Update has included the testing of the general viability of housing sites included within the SHLAA, based upon the appraisal of Stage 2 sites. This approach conforms to the Government requirements to inform the undertaking of Stage 7c of the SHLAA Guidance - 'Assessing Achievability for Housing'[8].

4.3 Stage 7c is directly focussed on assessing the 'achievability' of housing. The key test being whether a site is considered achievable for development, with this being dependent upon whether there is a reasonable prospect that housing will be developed on the site at a particular point in time. This judgement relates to the economic viability of the site, and the capacity of the developer to complete and sell the housing over a certain period, with this being affected by three core factors, market, cost and delivery. This assessment of 'achievability' represents part of the process along with Stages 7a and 7b in arriving at the conclusion of Stage 7 as to whether sites are likely to be developed over a certain period.

4.4 Importantly the SHLAA Guidance notes that the information collated through Stage 7 allows for a judgement to be made as to whether a site can be considered deliverable, developable or not currently developable for housing development including whether it is unsuitable. These three classifications are important as they directly feed into Stage 8 and the overall assessment of the classification of sites within a housing trajectory. This leads to the identification of a 5 year supply and capacity beyond this supply. In summary the Guidance provides the following definitions for the three classifications:

- Deliverable – a site is available now, offers a suitable location for housing development and there is a reasonable prospect that housing will be delivered on the site within five years from the date of the adoption of the plan;
- Developable – a site should be in a suitable location for housing development, and there should be a reasonable prospect that it will be available for and could be developed at a specific point in time; and
- Not currently developable – where the site is unsuitable or it is unknown when a site could be developed, then it should be regarded as not currently developable. This may be, for example, because one of the constraints to development is severe, and it is not known when it might be overcome.

General Viability Testing – Baseline Scenario

4.5 The testing of general viability utilises the baseline scenario as follows.

Figure 4.1: General Viability Testing – Baseline Scenario Variables & Inputs

Scenario Variable	Adopted Input
Market Scenario	Base (Current)
Affordable Housing	0%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	N/A
Site size threshold	N/A

Source: GVA, 2011

[8] Strategic Housing Land Availability Assessment (SHLAA) Practice Guidance (July 2007) CLG

4.6 However, it is a challenging market in which to define absolute site viability (and the financial decisions of developers/landowners) on an individual site basis. Therefore, for the purpose of considering general viability the outputs of testing are presented as the residual value as a percentage (%) of the base GDV. This provides an estimate of how viable or unviable a site may be for development within a spectrum. In line with the VA (2010) study, the following thresholds are utilised for these outputs.

Figure 4.2: General Viability Testing – Viability Thresholds

- 10% or greater residual value to base GDV is considered a 'viable' site. This is coloured Green.
- -5% to 10% residual value to base GDV is considered a 'marginal' site. These sites could be 'viable' if the scheme is only slightly altered to reduce cost, boost value or if a write-down on developer profit is accepted.
- -5% or worse residual value to base GDV is considered to be unviable.

Source: GVA, 2011

4.7 The matrix below provides a headline summary of SHLAA viability.

Figure 4.3: General Viability Testing – Baseline Scenario

General SHLAA Viability Testing					Sites by Market Location			Potential Supply (Years)
Viability Threshold	Number of Sites	Proportion of Sites	Number of Dwellings	Proportion of Dwellings	High	Moderate	Low	RSS Target - 230
Viable	3	2%	145	1.6%	3	0	0	
Marginal	41	23%	1,240	13.9%	0	41	0	**6**
Unviable	138	76%	7,538	84.5%	0	30	108	
Total Sites	***182***	***100%***	***8,923***	***100%***	***1.6%***	***39.0%***	***59.3%***	

Source: GVA, 2011

4.8 In summary of the SHLAA sites tested, 2% were classified as 'viable', with a further 23% of sites classed as 'marginal', which when taken together equates to an estimated potential yield of 1,385 dwellings. This indicates that Copeland Borough has 6 years of dwelling supply when required to achieve the RSS annual dwelling target of 230 units when both 'viable' and 'marginal' sites are taken into account. Under current conditions, 76% of sites remain 'unviable'.

4.9 Considering viability by market location – all outright 'viable' sites are located in 'High' value market areas, with the 'marginal' sites located within 'Moderate' market areas. All sites considered 'unviable' are located within the 'Moderate' and 'Low' market areas.

General Viability Testing –Baseline Scenario with 20% Affordable Housing

4.10 The testing of general viability has also incorporated an additional scenario as follows.

Figure 4.4: General Viability Testing – Baseline Scenario with 20% Affordable Housing Variables & Inputs

Scenario Variable	Adopted Input
Market Scenario	Base (Current)
Affordable Housing	20%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	50% social / 50% intermediate
Site size threshold	1 unit

Source: GVA, 2011

4.11 This scenario considers the general viability of SHLAA sites when a 20% affordable housing contribution is sought on all sites (i.e. a 1 unit threshold is applied). The matrix below provides a headline summary of SHLAA viability.

Figure 4.5: General Viability Testing – Baseline Scenario with 20% Affordable Housing

General SHLAA Viability Testing					Sites by Market Location			Potential Supply (Years)
Viability Threshold	Number of Sites	Proportion of Sites	Number of Dwellings	Proportion of Dwellings	High	Moderate	Low	RSS Target - 230
Viable	3	2%	145	1.6%	3	0	0	
Marginal	17	9%	807	9.0%	0	17	0	**4**
Unviable	162	89%	7,971	89.3%	0	54	108	
Total Sites	***182***	***100%***	***8,923***	***100%***	***1.6%***	***39.0%***	***59.3%***	

Source: GVA, 2011

4.12 In summary, when a 20% affordable housing contribution is sought on all SHLAA sites tested, only 2% were classified as 'viable' – of these all are in 'High' value market locations. Under current market conditions, all other sites remain 'unviable'. A further 9% of sites were classified as 'marginal'. As a result, this equates to a reduced estimated potential yield of 952 dwellings. Under this scenario Copeland Borough has 4 years of

dwelling supply when required to achieve the RSS annual dwelling target of 230 units when both 'viable' and 'marginal' sites are taken into account.

4.13 The impact of this scenario on site viability is most evident within 'Moderate' value market locations – where zero sites are now 'marginal', with over 50 sites 'unviable'.

4.14 For the purpose of informing policy, subsequent scenario testing will provide a difinitive measure of viability – applying a simple test to establish whether a site is viable or unviable.

Baseline Assessment – Current Market Conditions

4.15 Testing of sites within this baseline assessment focuses on establishing the viability of delivering sites within current market conditions. A 50:50 affordable housing tenure split between social rented and intermediatedwellings is applied unless specified otherwise.

Varying the Code for Sustainable Homes Level from 3 – 6

4.16 Current building regulations ensure that all new dwellings reach Code for Sustainable Homes (CfSH) Level 3 as a minimum. This sub-section assesses the impact on the economic viability of providing affordable housing, of lifting CfSH build standards from Level 3 to Level 6 within current market conditions, with an affordable housing tenure split of 50% social rented and 50% intermediate and a 15 unit threshold on sites before an affordable housing requirement is triggered.

4.17 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.6: Site Viability Assessment Inputs – CfSH Level 3 - 6

Scenario Variable	Adopted Input
Market Scenario	Base (Current)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3 - 6
Section 106	Base (0% of GDV)
Tenure Split	50:50
Site size threshold	15 units

Source: GVA, 2011

4.18 The following figure tests the impact on site viability of delivering housing at CfSH Level 3.

Figure 4.7: Site Viability Assessment – CfSH Level 3

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	46%	39%	29%	5%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.19 The results demonstrate that, at CfSH Level 3, 100% of sites in 'high' value market locations can viably deliver up to 50% affordable housing, yet only 5% of sites in 'moderate' value market locations can achieve a 15% affordable housing contribution. In contrast, there are no viable sites in 'low' value market locations.

4.20 The following figure tests the impact on site viability of delivering housing at CfSH Level 4.

Figure 4.8: Site Viability Assessment – CfSH Level 4

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	29%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.21 The results demonstrate that, at CfSH Level 4, viability is considerably reduced across sites in 'moderate' value locations due to the resultant uplift in build costs moving from CfSH Level 3. As a result only 5% of sites in 'moderate' market locations can now viably deliver a 5% affordable housing contribution.

4.22 There is no significant impact on development viability on sites in 'high' value locations.

4.23 The following figure tests the impact on site viability of delivering housing at CfSH Level 5.

Figure 4.9: Site Viability Assessment – CfSH Level 5

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	0%

Source: GVA, 2011

4.24 Viability is further reduced when sites are required to meet CfSH Level 5 build standards – although this decrease is much more pronounced in 'moderate' value locations than in 'high' value locations. As a result 100% of sites in 'high' value market locations remain viable when providing a 45% affordable housing contribution, although none can meet a 50% affordable housing contribution.

4.25 In contrast no sites in 'moderate' locations are viable – even without an affordable housing requirement.

4.26 The following figure tests the impact on site viability of delivering housing at CfSH Level 6.

Figure 4.10: Site Viability Assessment – CfSH Level 6

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	67%	0%	0%	0%	0%	0%

Source: GVA, 2011

4.27 When sites are required to meet CfSH Level 6 (carbon neutrality) viability is further reduced in 'high' value locations. Only 67% of sites remain viable when providing a 25% affordable housing contribution.

Varying the site size threshold

4.28 National policy guidelines for the site size threshold to trigger a requirement for affordable housing are presented in PPS3. The national indicative minimum site size threshold is 15 dwellings, although PPS3 notes that authorities can set lower thresholds where viable and practicable.

4.29 The testing of the unit threshold at which affordable housing is required allows the study to analyse an appropriate threshold to trigger the requirement for affordable housing and provides a greater understanding of the impact of applying a threshold of 10 units, 5 units or 1 unit within current market conditions.

4.30 Testing is conducted at the baseline CfSH Level 3, in line with current building regulations.

4.31 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.11: Site Viability Assessment Inputs – site size threshold

Scenario Variable	Adopted Input
Market Scenario	Base (Current)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	50:50
Site size threshold	15 units, 10 units, 5 units, 1 unit

Source: GVA, 2011

4.32 The following figure tests the impact on site viability of applying a reduced 10 unit threshold before an affordable housing requirement is introduced (i.e. sites of 1-9 dwellings are excluded).

Figure 4.12: Site Viability Assessment – 10 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	35%	30%	22%	4%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.33 When comparing the results with Figure 4.7, which tests viability at a 15 unit threshold, the results demonstrate that viability is not improved in 'moderate' or 'low' value market locations by reducing the threshold to 10 units.

4.34 The following figure tests the impact on site viability of applying a reduced 5 unit threshold before an affordable housing requirement is introduced (i.e. sites of 1-4 dwellings are excluded).

Figure 4.13: Site Viability Assessment – 5 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	29%	25%	18%	3%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.35 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in a reduction in viability in 'moderate' value market locations.

4.36 The following figure tests the impact on site viability of applying a reduced 1 unit threshold before an affordable housing requirement is introduced (i.e. all sites of 1-4 dwellings are tested against their capacity to deliver affordable housing).

Figure 4.14: Site Viability Assessment – 1 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	27%	23%	17%	3%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.37 Further reducing the site size threshold for applying an affordable housing requirement to 1 unit (i.e. all sites) again results in a reduction in site viability in 'moderate' value locations. This indicates that introducing a reduced site size threshold for appling an affordable housing contribution on sites is undesirable within current market conditions.

Varying the Affordable Housing Tenure Split

4.38 This sub-section assesses the impact of altering the tenure split of affordable housing between social rent and intermediate on site viability. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations.

4.39 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.15: Site Viability Assessment Inputs – varying the affordable housing tenure split

Scenario Variable	Adopted Input
Market Scenario	Base (Current)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	60/40, 70/30, 80/20
Site size threshold	15 units

Source: GVA, 2011

4.40 The following figure tests the impact on development viability of applying a 60:40 split in the affordable housing requirement on each site.

Figure 4.16: Site Viability Assessment – 60/40 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	46%	39%	27%	5%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.41 When comparing the results with Figure 4.7, which tests site viability with a 50:50 affordable housing tenure split, the results demonstrate that viability is not improved in 'moderate' or 'low' value market locations by altering the tenure split to 60:40 in favour of social rented dwellings. In fact, due to the reduced receipt on each social unit (when compared to an intermediate sale) GDV is decreased with a resultant slight decline in site viability.

4.42 The following figure tests the impact on development viability of applying a 70:30 split in the affordable housing requirement on each site.

Figure 4.17: Site Viability Assessment – 70/30 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	46%	39%	27%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.43 Site viability is further decreased in 'moderate' value market locations by altering the tenure split to 70:30 in favour of social rented dwellings – although the decline is marginal. It remains that 27% of sites in 'moderate' value market locations are viable with a 10% affordable housing requirement.

4.44 The following figure tests the impact on development viability of applying a 80:20 split in the affordable housing requirement on each site.

Figure 4.18: Site Viability Assessment – 80/20 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	46%	34%	22%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.45 Site viability is further decreased in 'moderate' value market locations by altering the tenure split to 80:20 in favour of social rented dwellings – although again the decline is marginal. It remains that 22% of sites in 'moderate' value market locations are viable with a 10% affordable housing requirement.

4.46 There is no signficant impact of altering the tenure split on the viability of sites in 'high' value market locations.

Applying Section 106 (S106) Contributions

4.47 This sub-section tests the impact on site viability of applying S106 contributions (other than affordable housing) alongside an affordable housing requirement on sites. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations. Several scenarios are tested:

- A 'heavy touch' case – assuming 5% of GDV on each site
- A 'research/policy driven' case – assuming a contribution of £1,020 per person (drawing on the recommendations of the Open Space Assessment).
- A S106 contribution associated with education provision drawing on Cumbria County Council's draft Development Contributions to Education Capacity paper.

4.48 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.19: Site Viability Assessment Inputs – varying the affordable housing tenure split

Scenario Variable	Adopted Input
Market Scenario	Base (Current)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	'Heavy touch' (5% of GDV), Open Space, Education Provision
Tenure Split	50:50
Site size threshold	15 units

Source: GVA, 2011

4.49 The following figure tests the impact on development viability of applying a 'heavy touch' (5% of GDV) S106 contribution requirment alongside an affordable housing requirement on each site.

Figure 4.20: Site Viability Assessment – 'Heavy touch' (5% of GDV)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.50 When compared to Figure 4.7, which does not apply an additional S106 contribution requirement, it is evident that applying a 'heavy touch' cost to sites has a negative impact on viability – particularly in 'moderate' value locations. As a result, only 5% of sites in 'moderate' value locations are viable without any affordable housing contribution. This re-affirms the marginal nature of viable sites in 'moderate' value locations within current market conditions.

4.51 In contrast, there is no discernable impact upon the viability of sites in 'high' value market locations. This suggests there is greater scope to apply additional S106 costs to sites in these locations.

4.52 The following figure tests the impact on development viability of applying an Open Space S106 contribution requirment alongside an affordable housing requirement on each site.

Figure 4.21: Site Viability Assessment – Open Space Contribution

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	34%	27%	5%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.53 The following figure tests the impact on development viability of applying an Education Provision S106 contribution requirment alongside an affordable housing requirement on each site.

4.54 When compared to Figure 4.7, the results suggest that applying an open space contribution has a limited negative impact on site viability, although this is restricted to sites within 'moderate' value market locations.

4.55 In contrast, this additional cost can be absorbed by sites within 'high' value market locations without reducing site viability.

Figure 4.22: Site Viability Assessment – Education Provision Contribution

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	29%	10%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.56 When compared to both Figure 4.21 and Figure 4.7, the results suggest that applying an education provision contribution has a further negative impact on site viability, although again this is restricted to sites within 'moderate' value market locations.

Introduction of Affordable Rent

4.57 This sub-section tests the impact on viability of introducing Affordable Rent tenure units as a proportion of the affordable housing requirement on sites. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations. Several scenarios are tested:

- A 40/40/20 split between social rented, intermediate and Affordable Rent units.
- A 30/30/40 split between social rented, intermediate and Affordable Rent units.
- A 25/25/50 split between social rented, intermediate and Affordable Rent units.

4.58 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.23: Site Viability Assessment Inputs – introduction of Affordable Rent

Scenario Variable	Adopted Input
Market Scenario	Base (Current)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	As set out above – Affordable Rent
Site size threshold	15 units

Source: GVA, 2011

4.59 The following figure tests the impact on development viability of applying a 40:20:20 split in the affordable housing requirement on each site.

Figure 4.24: Site Viability Assessment – 40/40/20 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	46%	39%	29%	5%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.60 The following figure tests the impact on development viability of applying a 30:30:40 split in the affordable housing requirement on each site.

4.61 When compared to Figure 4.7, the introduction of a 20% Affordable Rent housing component within the affordable units has no significant impact on viability on sites in 'moderate' and 'high' value locations. The reason for this is that it is anticipated that the loss in value realisable for an intermediate or, potentially, a social rented dwelling is being offset the value the introduction of Affordable Rent dwellings within Copeland once rents are discounted to 80% of the open market rate and capitalised and maintenance fees are accounted for.

Figure 4.25: Site Viability Assessment – 30/30/40 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	46%	37%	29%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.62 Increasing the proportion of Affordable Rent housing within the affordable tenure split to 30% results in a slight negative impact on viability on sites in 'moderate' value locations. This indicates that introducing a larger proportion of Affordable Rent units fails to offset the loss in value of intermediate and, potentially, social rented dwellings on sites.

4.63 The following figure tests the impact on development viability of applying a 25:25:50 split in the affordable housing requirement on each site.

Figure 4.26: Site Viability Assessment – 25/25/50 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	46%	34%	29%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.64 Increasing the proportion of Affordable Rent housing within the affordable tenure split to 50% results in a further slight negative impqct on viability.

Scenario 1: 'Moderate' Market Improvement

4.65 Scenario 1 focuses on establishing the effect on viability of delivering affordable housing with a 'moderate' improvement in market conditions, to enable consideration of development viability for informing policy across the spectrum of the market cycle. Residential transaction values within a 'moderate' market improvement reflect residential transaction values at 10% above the 'current' market conditions.

Varying the Code for Sustainable Homes Level from 3 – 6

4.66 This sub-section assesses the impact on the economic viability of providing affordable housing, of lifting CfSH build standards from Level 3 to Level 6 with a 'moderate' improvement in market conditions, with an affordable housing tenure split of 50% social rented and 50% intermediate and a 15 unit threshold on sites before an affordable housing requirement is triggered.

4.67 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.27: Scenario 1 Assessment Inputs – CfSH Level 3 - 6

Scenario Variable	Adopted Input
Market Scenario	Scenario 1 (+10%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3 - 6
Section 106	Base (0% of GDV)
Tenure Split	50:50
Site size threshold	15 units

Source: GVA, 2011

4.68 The following figure tests the impact on site viability of delivering housing at CfSH Level 3.

Figure 4.28: Site Viability Assessment – CfSH Level 3

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	66%	61%	54%	51%	46%	41%	34%	7%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.69 The results demonstrate that, at CfSH Level 3, 100% of sites in 'high' value market locations continue to viably deliver a 50% affordable housing contribution. In addition, over 30% of sites in 'moderate' value market locations can achieve a 30% affordable housing contribution. This represents a considerable increase in site viability when compared to the same sensitivity testing within current market conditions within Figure 4.7.

4.70 However, a 'moderate' improvement in market conditions has not resulted in sites in 'low' value market locations becoming viable.

4.71 The following figure tests the impact on site viability of delivering housing at CfSH Level 4.

Figure 4.29: Site Viability Assessment – CfSH Level 4

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	56%	54%	51%	41%	37%	20%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.72 The results demonstrate that, at CfSH Level 4, viability is slightly reduced across sites in 'moderate' value locations due to the resultant uplift in build costs moving from CfSH Level 3. In 'moderate' value locations this results in no sites being able to viably provide a 30% affordable housing contribution, although 20% of sites can viably provide a 25% affordable housing contribution.

4.73 The following figure tests the impact on site viability of delivering housing at CfSH Level 5.

Figure 4.30: Site Viability Assessment – CfSH Level 5

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.74 Uplift to CfSH Level 5 reduces viability further across sites in 'moderate' locations. As a result no sites in these locations are viable.

4.75 The following figure tests the impact on site viability of delivering housing at CfSH Level 6.

Figure 4.31: Site Viability Assessment – CfSH Level 6

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	67%	0%	0%

Source: GVA, 2011

4.76 Uplift to CfSH Level 6 results in a reduction in viability on sites within 'high' value locations – although the effect is limited. As a result, less than 70% of sites in 'high' value locations can now viably deliver up to a 40% affordable housing contribution.

Varying the site size threshold

4.77 This sub-section tests the unit threshold at which affordable housing is required to identify an appropriate threshold to trigger the requirement for affordable housing, and provides a greater understanding of the impact of applying a threshold of 10 units, 5 units or 1 unit

with a 'moderate' improvement in market conditions. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations.

4.78 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.32: Scenario 1 Assessment Inputs – site size threshold

Scenario Variable	Adopted Input
Market Scenario	Scenario 1 (+10%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	50:50
Site size threshold	10 units, 5 units, 1 unit

Source: GVA, 2011

4.79 The following figure tests the impact on site viability of applying a reduced 10 unit threshold before an affordable housing requirement is introduced (i.e. sites of 1-9 dwellings are excluded).

Figure 4.33: Site Viability Assessment – 10 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	65%	61%	56%	43%	35%	31%	26%	6%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.80 When comparing the results with Figure 4.12, which tests viability at a 10 unit threshold within current market conditions, the results demonstrate that viability is considerably enhanced with a 'moderate' improvement in market conditions.

4.81 As a result, over 25% of sites in 'moderate' value market locations can now viably deliver a 30% affordable housing contribution and over 40% of sites in 'moderate' market locations can deliver a 15% affordable housing contribution.

4.82 However, when compared to Figure 4.28, which presents analysis at a 15 unit threshold, the results show a marginal decrease in site viability in 'moderate' value market locations.

4.83 The following figure tests the impact on site viability of applying a reduced 5 unit threshold before an affordable housing requirement is introduced (i.e. sites of 1-4 dwellings are excluded).

Figure 4.34: Site Viability Assessment – 5 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	62%	58%	54%	38%	29%	26%	22%	5%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.84 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in a further marginal decline in viability in 'moderate' value market locations when compared to the application of a 10 unit threshold. As a result, 22% of sites in 'moderate' value locations can viably deliver up to 30% affordable housing.

4.85 The following figure tests the impact on site viability of applying a reduced 1 unit threshold before an affordable housing requirement is introduced (i.e. all sites of 1-4 dwellings are tested against their capacity to deliver affordable housing).

Figure 4.35: Site Viability Assessment – 1 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	63%	59%	55%	38%	27%	24%	20%	4%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.86 Reducing the site size threshold for applying an affordable housing requirement to 1 unit results in a further slight decline in viability in 'moderate' value market locations when compared to the application of a 5 unit threshold. As a result, 20% of sites in 'moderate' value locations can viably deliver up to 30% affordable housing.

Varying the Affordable Housing Tenure Split

4.87 This sub-section assesses the impact of altering the tenure split of affordable housing between social rent and intermediate on site viability with a 'moderate' improvement in market conditions. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations.

4.88 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.36: Scenario 1 Assessment Inputs – varying the affordable housing tenure split

Scenario Variable	Adopted Input
Market Scenario	Scenario 1 (+10%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	60/40, 70/30, 80/20
Site size threshold	15 units

Source: GVA, 2011

4.89 The following figure tests the impact on development viability of applying a 60:40 split in the affordable housing requirement on each site.

Figure 4.37: Site Viability Assessment – 60/40 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	66%	59%	54%	51%	41%	39%	22%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.90 When comparing the results with Figure 4.28, which tests site viability with a 50:50 affordable housing tenure split, the results demonstrate that viability is not improved in 'moderate' or 'low' value market locations by altering the tenure split to 60:40 in favour of social rented dwellings. In fact, due to the reduced receipt on each social unit (when compared to an intermediate sale) GDV is decreased with a resultant slight decline in site viability affecting sites in 'moderate' value locations.

4.91 The following figure tests the impact on development viability of applying a 70:30 split in the affordable housing requirement on each site.

Figure 4.38: Site Viability Assessment – 70/30 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	66%	59%	54%	51%	41%	37%	12%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.92 Site viability is further decreased in 'moderate' value market locations by altering the tenure split to 70:30 in favour of social rented dwellings – although the decline is marginal. It remains that 12% of sites in 'moderate' value market locations are viable with a 30% affordable housing requirement.

4.93 The following figure tests the impact on development viability of applying a 80:20 split in the affordable housing requirement on each site.

Figure 4.39: Site Viability Assessment – 80/20 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	66%	59%	54%	51%	41%	34%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.94 Site viability is further decreased in 'moderate' value market locations by altering the tenure split to 80:20 in favour of social rented dwellings. As a result 0% of sites in 'moderate' value market locations remain viable with a 30% affordable housing requirement.

Applying Section 106 (S106) Contributions

4.95 This sub-section tests the impact on site viability of applying S106 contributions (other than affordable housing) alongside an affordable housing requirement on sites with a 'moderate' improvement in market conditions. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations. Several scenarios are tested:

- A 'heavy touch' case – assuming 5% of GDV on each site
- A 'research/policy driven' case – assuming a contribution of £1,020 per person (drawing on the recommendations of the Open Space Assessment).
- A S106 contribution associated with education provision drawing on Cumbria County Council's draft Development Contributions to Education Capacity paper.

4.96 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.40: Site Viability Assessment Inputs – applying S106 Contributions

Scenario Variable	Adopted Input
Market Scenario	Scenario 1 (+10%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	'Heavy touch' (5% of GDV), Open Space, Education Provision
Tenure Split	50:50
Site size threshold	15 units

Source: GVA, 2011

4.97 The following figure tests the impact on development viability of applying a 'heavy touch' (5% of GDV) S106 contribution requirment alongside an affordable housing requirement on each site.

Figure 4.41: Site Viability Assessment – 'Heavy touch' (5% of GDV)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	51%	46%	39%	27%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.98 When compared to Figure 4.28, which does not apply an additional S106 contribution requirement, it is evident that applying a 'heavy touch' cost to sites has a negative impact on viability – particularly in 'moderate' value locations. As a result, less than 30% of sites in 'moderate' value locations are viable with a 15% affordable housing contribution.

4.99 In contrast, there is no discernable impact upon the viability of sites in 'high' value market locations. This suggests there is greater scope to apply additional S106 costs to sites in these locations.

4.100 The following figure tests the impact on development viability of applying an Open Space S106 contribution requirment alongside an affordable housing requirement on each site.

Figure 4.42: Site Viability Assessment – Open Space Contribution

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	61%	54%	51%	46%	41%	34%	10%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.101 When compared to Figure 4.28, the results suggest that applying an open space contribution has a limited negative impact on site viability, although this is restricted to sites within 'moderate' value market locations.

4.102 In contrast, this additional cost can be absorbed by sites within 'high' value market locations without reducing site viability.

4.103 The following figure tests the impact on development viability of applying an Education Provision S106 contribution requirment alongside an affordable housing requirement on each site.

Figure 4.43: Site Viability Assessment – Education Provision Contribution

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	56%	54%	51%	41%	37%	22%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.104 The results suggest that applying an education provision contribution has a negative impact on site viability, although again this is restricted to sites within 'moderate' value market locations.

Introduction of Affordable Rent

4.105 This sub-section tests the impact on viability of introducing Affordable Rent tenure units as a proportion of the affordable housing requirement on sites with a 'moderate' improvement in market conditions. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations. Several scenarios are tested:

- A 40/40/20 split between social rented, intermediate and Affordable Rent units.
- A 30/30/40 split between social rented, intermediate and Affordable Rent units.
- A 25/25/50 split between social rented, intermediate and Affordable Rent units.

4.106 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.44: Site Viability Assessment Inputs – introduction of Affordable Rent

Scenario Variable	Adopted Input
Market Scenario	Scenario 1 (+10%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	As set out above – Affordable Rent
Site size threshold	15 units

Source: GVA, 2011

4.107 The following figure tests the impact on development viability of applying a 40:20:20 split in the affordable housing requirement on each site.

Figure 4.45: Site Viability Assessment – 40/40/20 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	66%	59%	54%	51%	46%	39%	22%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.108 When compared to Figure 4.28, the introduction of a 20% Affordable Rent housing component within the affordable units has only a limited negative impqct on viability on sites in 'moderate' and 'high' value locations. The reason for this is that it is anticipated that the loss in value realisable for an intermediate or, potentially, a social rented dwelling is being offset the value the introduction of Affordable Rent dwellings within Copeland once rents are discounted to 80% of the open market rate and capitalised and maintenance fees are accounted for.

4.109 The following figure tests the impact on development viability of applying a 30:30:40 split in the affordable housing requirement on each site.

Figure 4.46: Site Viability Assessment – 30/30/40 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	66%	59%	56%	51%	46%	37%	15%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.110 Increasing the proportion of Affordable Rent housing within the affordable tenure split to 30% results in a slight negative impact on viability on sites in 'moderate' value locations. This indicates that introducing a larger proportion of Affordable Rent units fails to offset the loss in value of intermediate and, potentially, social rented dwellings on sites.

4.111 The following figure tests the impact on development viability of applying a 25:25:50 split in the affordable housing requirement on each site.

Figure 4.47: Site Viability Assessment – 25/25/50 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	66%	59%	56%	51%	46%	37%	10%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.112 Increasing the proportion of Affordable Rent housing within the affordable tenure split to 50% results in a further slight negative impact on viability.

Scenario 2: 'Good' Market Improvement

4.113 Scenario 2 focuses on establishing the effect on viability of delivering affordable housing with a 'good' improvement in market conditions from the current market context, to enable consideration of development viability for informing policy across the spectrum of

the market cycle. Residential transaction values within a 'good' market improvement reflect residential transaction values at 20% above the 'current' market conditions.

Varying the Code for Sustainable Homes Level from 3 – 6

4.114 This sub-section assesses the impact on the economic viability of providing affordable housing, of lifting CfSH build standards from Level 3 to Level 6 with a 'good' improvement in market conditions, with an affordable housing tenure split of 50% social rented and 50% intermediate and a 15 unit threshold on sites before an affordable housing requirement is triggered.

4.115 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.48: Scenario 2 Assessment Inputs – CfSH Level 3 - 6

Scenario Variable	Adopted Input
Market Scenario	Scenario 2 (+20%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3 - 6
Section 106	Base (0% of GDV)
Tenure Split	50:50
Site size threshold	15 units

Source: GVA, 2011

4.116 The following figure tests the impact on site viability of delivering housing at CfSH Level 3.

Figure 4.49: Site Viability Assessment – CfSH Level 3

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	16%	13%	8%	2%	0%	0%	0%	0%	0%	0%	0%
	Moderate	88%	80%	78%	73%	66%	61%	51%	49%	39%	39%	7%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.117 Overall, the results with a 'good' improvement in market conditions demonstrate a significant improvement in site viability over and above both current and 'moderately' improved market conditions.

4.118 Significantly, sites in 'low' value locations are now viable – with almost 10% of sites now viable with a 10% affordable housing contribution.

4.119 Moreover, almost all sites in 'moderate' value market locations are viable without an affordable housing contribution, and over 50% of these can achieve a 30% affordable housing contribution. This represents a considerable increase in site viability when compared to the same sensitivity testing within current market conditions within Figure 4.7.

4.120 The following figure tests the impact on site viability of delivering housing at CfSH Level 4.

Figure 4.50: Site Viability Assessment – CfSH Level 4

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	76%	73%	68%	66%	56%	51%	41%	39%	32%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.121 The results demonstrate that, at CfSH Level 4, viability is reduced across sites in 'low' and 'moderate' value locations due to the resultant uplift in build costs moving from CfSH Level 3. This impact is most pronounced upon sites in 'low' value market locations.

4.122 The following figure tests the impact on site viability of delivering housing at CfSH Level 5.

Figure 4.51: Site Viability Assessment – CfSH Level 5

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	44%	39%	29%	5%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.123 Uplift to CfSH Level 5 reduces viability further across sites in both 'low' and 'moderate' value locations. As a result no sites in 'low' value locations are now viable. Moreover, only 5% of sites in 'moderate' value locations can deliver upto a 15% affordable housing contribution.

4.124 The following figure tests the impact on site viability of delivering housing at CfSH Level 6.

Figure 4.52: Site Viability Assessment – CfSH Level 6

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.125 Uplift to CfSH Level 6 removes any site viability across 'moderate' locations. Viability is not however reduced upon sites within 'high' value locations.

Varying the site size threshold

4.126 This sub-section tests the unit threshold at which affordable housing is required to identify an appropriate threshold to trigger the requirement for affordable housing, and provides a greater understanding of the impact of applying a threshold of 10 units, 5 units or 1 unit with a 'good' improvement in market conditions. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations.

4.127 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.53: Scenario 1 Assessment Inputs – site size threshold

Scenario Variable	Adopted Input
Market Scenario	Scenario 2 (+20%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	50:50
Site size threshold	10 units, 5 units, 1 unit

Source: GVA, 2011

4.128 The following figure tests the impact on site viability of applying a reduced 10 unit threshold before an affordable housing requirement is introduced (i.e. sites of 1-9 dwellings are excluded).

Figure 4.54: Site Viability Assessment – 10 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	14%	11%	7%	1%	0%	0%	0%	0%	0%	0%	0%
	Moderate	89%	83%	78%	70%	65%	61%	54%	37%	30%	30%	6%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.129 When comparing the results with Figure 4.33, which tests viability at a 10 unit threshold with a 'moderate' improvement to market conditions, the results demonstrate that viability is considerably enhanced with a 'good' improvement in market conditions.

4.130 As a result 1% of sites in 'low' value locations can now viably deliver up to a 15% affordable housing contribution and 6% of sites in 'moderate' value market locations can now viably deliver a 50% affordable housing contribution. Moreover, over 50% of sites in 'moderate' locations can deliver 35% affordable housing.

4.131 However, when compared to Figure 4.49, which presents analysis at a 15 unit threshold, the results show a marginal decline in site viability in 'moderate' value locations and 'low'

value locations. This points towards the marginal nature of smaller sites in 'low' value locations.

4.132 The following figure tests the impact on site viability of applying a reduced 5 unit threshold before an affordable housing requirement is introduced (i.e. sites of 1-4 dwellings are excluded).

Figure 4.55: Site Viability Assessment – 5 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	11%	9%	5%	1%	0%	0%	0%	0%	0%	0%	0%
	Moderate	89%	80%	72%	66%	62%	58%	48%	31%	25%	25%	5%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.133 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in a further slight decline in viability in 'moderate' and 'low' value market locations when compared to the application of a 10 unit threshold.

4.134 The following figure tests the impact on site viability of applying a reduced 1 unit threshold before an affordable housing requirement is introduced (i.e. all sites of 1-4 dwellings are tested against their capacity to deliver affordable housing).

Figure 4.56: Site Viability Assessment – 1 Unit Site Threshold

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	9%	7%	5%	1%	0%	0%	0%	0%	0%	0%	0%
	Moderate	90%	82%	75%	68%	62%	59%	46%	30%	23%	23%	4%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.135 Reducing the site size threshold for applying an affordable housing requirement to 1 unit results in a further slight decline in viability in 'moderate' and 'low' value market locations when compared to the application of a 5 unit threshold.

Varying the Affordable Housing Tenure Split

4.136 This sub-section assesses the impact of altering the tenure split of affordable housing between social rent and intermediate on site viability with a 'good' improvement in market conditions. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations.

4.137 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.57: Scenario 1 Assessment Inputs – varying the affordable housing tenure split

Scenario Variable	Adopted Input
Market Scenario	Scenario 2 (+20%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	60/40, 70/30, 80/20
Site size threshold	15 units

Source: GVA, 2011

4.138 The following figure tests the impact on development viability of applying a 60:40 split in the affordable housing requirement on each site.

Figure 4.58: Site Viability Assessment – 60/40 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	16%	13%	6%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	88%	80%	78%	68%	66%	61%	51%	41%	39%	20%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.139 When comparing the results with Figure 4.49, which tests site viability with a 50:50 affordable housing tenure split, the results demonstrate that viability is not improved in 'moderate' or 'low' value market locations by altering the tenure split to 60:40 in favour of social rented dwellings. In fact, due to the reduced receipt on each social unit (when compared to an intermediate sale) GDV is decreased with a resultant slight decline in site viability affecting sites in 'moderate' value locations.

4.140 The following figure tests the impact on development viability of applying a 70:30 split in the affordable housing requirement on each site.

Figure 4.59: Site Viability Assessment – 70/30 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	16%	11%	6%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	88%	80%	78%	68%	66%	54%	51%	41%	37%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.141 Site viability is further decreased in both 'low' and 'moderate' value market locations by altering the tenure split to 70:30 in favour of social rented dwellings – although the decline is marginal. It remains that over 50% of sites in 'moderate' value market locations are viable with a 30% affordable housing requirement. Moreover, 6% of sites in 'low' value locations can viably contribute a 10% affordable housing requirement.

4.142 The following figure tests the impact on development viability of applying a 80:20 split in the affordable housing requirement on each site.

Figure 4.60: Site Viability Assessment – 80/20 (social / intermediate)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	16%	11%	6%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	88%	80%	78%	66%	61%	51%	46%	39%	12%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.143 Site viability is further decreased in 'low' and 'moderate' value market locations by altering the tenure split to 80:20 in favour of social rented dwellings – although again the decline is marginal. It remains that almost 50% of sites in 'moderate' value market locations are viable with a 30% affordable housing requirement and 6% of sites in 'low' value locations can viably contribute a 10% affordable housing requirement.

Applying Section 106 (S106) Contributions

4.144 This sub-section tests the impact on site viability of applying S106 contributions (other than affordable housing) alongside an affordable housing requirement on sites with a 'good' improvement in market conditions. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations. Several scenarios are tested:

- A 'heavy touch' case – assuming 5% of GDV on each site
- A 'research/policy driven' case – assuming a contribution of £1,020 per person (drawing on the recommendations of the Open Space Assessment).
- A S106 contribution associated with education provision drawing on Cumbria County Council's draft Development Contributions to Education Capacity paper.

4.145 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.61: Site Viability Assessment Inputs – varying the affordable housing tenure split

Scenario Variable	Adopted Input
Market Scenario	Scenario 2 (+20%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	'Heavy touch' (5% of GDV), Open Space, Education Provision
Tenure Split	50:50
Site size threshold	15 units

Source: GVA, 2011

4.146 The following figure tests the impact on development viability of applying a 'heavy touch' (5% of GDV) S106 contribution requirment alongside an affordable housing requirement on each site.

Figure 4.62: Site Viability Assessment – 'Heavy touch' (5% of GDV)

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	71%	63%	59%	54%	49%	41%	32%	0%	0%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.147 When compared to Figure 4.49, which does not apply an additional S106 contribution requirement, it is evident that applying a 'heavy touch' cost to sites has a negative impact on viability – particularly in 'low' and 'moderate' value locations. As a result, no sites in 'low' value locations are viable without any affordable housing contribution.

4.148 In contrast, there is no discernable impact upon the viability of sites in 'high' value market locations. This suggests there is greater scope to apply additional S106 costs to sites in these locations.

4.149 The following figure tests the impact on development viability of applying an Open Space S106 contribution requirment alongside an affordable housing requirement on each site.

Figure 4.63: Site Viability Assessment – Open Space Contribution

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	11%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	80%	78%	71%	66%	61%	54%	51%	41%	39%	12%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.150 When compared to Figure 4.49, the results suggest that applying an open space contribution has a limited negative impact on site viability.

4.151 The following figure tests the impact on development viability of applying an Education Provision S106 contribution requirment alongside an affordable housing requirement on each site.

Figure 4.64: Site Viability Assessment – Education Provision Contribution

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	76%	73%	71%	66%	59%	51%	46%	39%	32%	0%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.152 The results suggest that applying an education provision contribution has a negative impact on site viability.

Introduction of Affordable Rent

4.153 This sub-section tests the impact on viability of introducing Affordable Rent tenure units as a proportion of the affordable housing requirement on sites with conditions reflecting a 'good' market. Testing is conducted at the baseline CfSH Level 3, in line with current building regulations. Several scenarios are tested:

- A 40/40/20 split between social rented, intermediate and Affordable Rent units.
- A 30/30/40 split between social rented, intermediate and Affordable Rent units.
- A 25/25/50 split between social rented, intermediate and Affordable Rent units.

4.154 The following figure presents the key input assumptions underpinning this element of analysis.

Figure 4.65: Site Viability Assessment Inputs – introduction of Affordable Rent

Scenario Variable	Adopted Input
Market Scenario	Scenario 2 (+20%)
Affordable Housing	0% - 50%
Code for Sustainable Homes	Level 3
Section 106	Base (0% of GDV)
Tenure Split	As set out above – Affordable Rent
Site size threshold	15 units

Source: GVA, 2011

4.155 The following figure tests the impact on development viability of applying a 40:20:20 split in the affordable housing requirement on each site.

Figure 4.66: Site Viability Assessment – 40/40/20 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	16%	13%	8%	2%	0%	0%	0%	0%	0%	0%	0%
	Moderate	88%	80%	78%	71%	66%	61%	51%	49%	39%	27%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.156 When compared to Figure 4.49, the introduction of a 20% Affordable Rent housing component within the affordable units has only a marginal negative impact on viability on sites. The reason for this is that it is anticipated that the loss in value realisable for an intermediate or, potentially, a social rented dwelling is being offset the value the introduction of Affordable Rent dwellings within Copeland once rents are discounted to 80% of the open market rate and capitalised and maintenance fees are accounted for.

4.157 The following figure tests the impact on development viability of applying a 30:30:40 split in the affordable housing requirement on each site.

Figure 4.67: Site Viability Assessment – 30/30/40 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	16%	13%	8%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	88%	80%	78%	71%	66%	61%	51%	49%	39%	10%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.158 Increasing the proportion of Affordable Rent housing within the affordable tenure split to 30% results in a slight negative impact on viability on sites in 'low' and 'moderate' value locations. This indicates that introducing a larger proportion of Affordable Rent units fails to offset the loss in value of intermediate and, potentially, social rented dwellings on sites.

4.159 The following figure tests the impact on development viability of applying a 25:25:50 split in the affordable housing requirement on each site.

Figure 4.68: Site Viability Assessment – 25/25/50 affordable tenure split

		Affordable Housing Provision										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
		Proportion of Sites Economically Viable										
Market Value Location	Low	16%	13%	8%	0%	0%	0%	0%	0%	0%	0%	0%
	Moderate	88%	80%	80%	71%	66%	56%	51%	46%	39%	2%	0%
	High	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: GVA, 2011

4.160 Increasing the proportion of Affordable Rent housing within the affordable tenure split to 50% results in a further slight negative impact on viability.

5. Conclusions

Study Overview

5.1 This paper represents one of a number of outputs associated with updating the LDF evidence base and informing the Economic Blueprint. The report focuses on one key thematic area of analysis -to undertake an update of the Viability Assessments (VA), produced for each of the West Cumbria Authorities in 2010.

5.2 The key objective of this VA (2011) Update is therefore to audit the available viability evidence for the Copeland Authority and apply a consistent approach across both Copeland and Allerdale. This VA report provides the results of viability testing for the Copeland Authority framed by information regarding the study approach and assumptions underpinning the VA (2011) Update.

5.3 To achieve this has required a refinement to the viability evidence underpinning the assessment of the 'deliverability' of potential future sites for housing supply included within the Strategic Housing Land Availability Assessment (SHLAA) in both authorities (Stage 7c of the SHLAA Guidance[9]) to model a range of property market scenarios.

5.4 By adopting a consistent approach to Viability Assessment, this evidence can subsequently be utilised to inform, and be compatible with, emerging and future research and policy development.

[9] Strategic Housing Land Availability Assessments: Practice Guidance (CLG) – July 2007

Findings

5.5 The following sub-sections present an overview of the findings presented in Section 4.

Testing the General Viability of SHLAA Sites

5.6 The VA (2011) Update has included the testing of the general viability of housing sites included within the SHLAA, based upon the appraisal of Stage 2 sites. This approach conforms to the Government requirements to inform the undertaking of Stage 7c of the SHLAA Guidance - 'Assessing Achievability for Housing'[10]

5.7 In summary of the SHLAA sites tested, 2% were classified as 'viable', with a further 23% of sites classed as 'marginal', which when taken together equates to an estimated potential yield of 1,385 dwellings. This indicates that Copeland Borough has 6 years of dwelling supply when required to achieve the RSS annual dwelling target of 230 units when both 'viable' and 'marginal' sites are taken into account. Under current conditions, 76% of sites remain 'unviable'.

5.8 A further scenario has been run to test viability when a 20% affordable housing contribution is sought on all SHLAA sites. This resulted in a reduced estimated potential yield of 952 dwellings. Under this scenario Copeland Borough has 4 years of dwelling supply when required to achieve the RSS annual dwelling target of 230 units when both 'viable' and 'marginal' sites are taken into account.

Varying Market Conditions

5.9 The results of the VA (2011) Update reveal that variation in property market conditions from 'current' to 'good' has a significant impact on the viability of sites across the borough.

5.10 Within a 'good' improvement in market conditions site viability is dramatically improved, with this effect being particularly acute within the borough's 'low' market locations.

[10] Strategic Housing Land Availability Assessment (SHLAA) Practice Guidance (July 2007) CLG

5.11 In contrast, in the 'current' market the number of economically viable sites is substantially reduced. As a result, no sites located within 'low' value market locations are found to be economically viable despite a 0% requirement for affordable housing provision. As highlighted in the preceding sub-section, this has a substantial impact on the level of potential future dwelling supply deemed as viable within the SHLAA at the current time.

5.12 Importantly, the impact of 'current' market conditions has the most minimal negative impact on those sites situated in the borough's 'high' value market locations, which remain resilient and capable of delivery. Importantly, however, these sites represent only a very small proportion of the overall SHLAA supply and therefore cannot be relied upon to deliver significantly against the borough's market or affordable housing requirements.

Uplifting Build Standards from CfSH Level 3 through to Level 6

5.13 Building regulations now dictate that all new build residential dwellings are to be built to CfSH Level 3 standards.

5.14 As a result, the VA (2011) Update tests viability at CfSH Level 3 as a baseline. Anticipating a future change in building regulations will result in CfSH Level 4 becoming mandatory across all new developments, with scope for further uplifts in build requirements, the VA (2011) Update also tests viability with build costs at CfSH Levels 4 - 6.

5.15 When viability is assessed under 'current' market conditions at CfSH Level 3, the results demonstrate that all of sites in 'high' value market locations can viably deliver up to a 50% affordable housing contribution, yet only 5% of sites in 'moderate' market locations can achieve up to a 15% affordable housing contribution. Moreover, there are no viable sites in 'low' value market locations.

5.16 Increasing build standards to CfSH Level 4 does serve to reduce viability due to the resultant uplift in build costs moving from CfSH Level 3. However, all sites in 'high' value locations can still viably contribute a high proportion of affordable housing. A further increase to CfSH Levels 5 and 6 eradicates any viability in 'moderate' locations, yet the strong levels of viability in the borough's 'high' value market areas remain.

The Impact of Changing Market Conditions

5.17 With a 'moderate' improvement in market conditions, site viability across the borough is considerably improved. As a result 20% of sites in 'moderate' locations can viably contribute up to 25% affordable housing up to CfSH Level 4. Moreover, the majority of sites in 'hot' market locations can viably contribute up to 40% affordable housing at CfSH Level 6.

5.18 With a further improvement ('good') in market conditions, site viability across the borough is further increased. As a result, 2% of sites in 'low' value market locations can now make up to a 15% affordable housing contribution whilst building to CfSH Level 3, although this contribution is severely decreased when build standards are lifted to CfSH Level 4, and are eradicated above this level.

5.19 Nevertheless, up to 29% of sites in 'moderate' locations can viably contribute up to 10% affordable housing up to CfSH Level 5. Moreover, all sites in 'high' market locations can viably contribute up to 50% affordable housing at CfSH Level 6.

5.20 Importantly, however, the results demonstrate that delivering the upper levels of CfSH will be a challenge for the majority of sites within the borough – particularly where these lie outside the 'high' value market locations) despite an improvement in market conditions from the current position.

Application of other S106 Planning Obligations

5.21 The testing of other additional S106 contributions (alongside affordable housing) within current market conditions, indicates that this applies an additional cost on development although the scale of this impact differs across the borough's market areas.

'Heavy touch' (5% of GDV)

5.22 Applying a 'heavy touch' cost to sites has a negative impact on viability – particularly in 'moderate' value locations. This re-affirms the marginal nature of viable sites in 'moderate' value locations within current market conditions.

5.23 In contrast, the impact upon the viability of sites in 'high' value market locations is marginal. This suggests there is greater scope to apply additional S106 costs to sites in these locations.

Open Space Contribution

5.24 Applying an open space contribution has a limited negative impact on site viability, although this is restricted to sites within 'moderate' value market locations. This additional cost can be absorbed by sites within 'high' value market locations without reducing site viability.

Education Provision Contribution

5.25 Applying an education provision contribution has a further negative impact on site viability, although again this is restricted to sites within 'moderate' value market locations. As a result, this reaffirms that additional S106 contributions can be absorbed by sites within 'high' value market locations without reducing site viability.

5.26 In summary, the results indicates that flexibility in setting policy to enable prioritisation of specific contributions on a site-by-site or area basis would be an appropriate mechanism in order to enable specific types of contribution to be given precedence where necessary.

Varying the Site Size Threshold

5.27 The application of variant site size thresholds below 15 units (before applying an affordable housing requirement) has a negative impact on site viability across the borough's 'low' and 'moderate' value locations within current market and improving conditions. This indicates that it may not be appropriate to introduce a reduced size threshold for applying an affordable housing contribution on sites within these locations.

5.28 Importantly, viability remains strong on sites within the borough's 'high' value market locations – even when smaller sites are also required to contribute. This suggests that there is potential to capitalise on the viability of smaller sites in 'high' value locations to a greater extent in order to boost affordable housing supply.

Varying the Affordable Housing Tenure Split

5.29 The results demonstrate that viability is not improved in 'moderate' or 'low' value market locations by altering the tenure split from 50:50 in favour of social rented dwellings. In fact, due to the reduced receipt on each social unit (when compared to an intermediate sale)

GDV is decreased as the proportion of social rented dwellings increases with a resultant slight decline in site viability.

5.30 The negative impact of varying the affordable housing tenure split in favour of social rented dwellings is most negligible within the borough's 'high' value market locations, which have the necessary viability to absorb the associated decline in GDV. As a result, there is greater scope to introduce a higher proportion of social rented dwellings within an affordable housing contribution on sites within these locations.

Introduction of Affordable Rent

5.31 The introduction of Affordable Rent housing units within the affordable tenure component on sites within Copeland has a mixed impact on viability – albeit only impacting on sites in 'moderate' value locations in the current market (as viability is already negligible on sites in 'low' market areas). When 20% Affordable Rent is introduced to the affordable tenure component there is no significant impqct on viability on sites in 'moderate' and 'high' value locations. The reason for this is that it is anticipated that the loss in value realisable for an intermediate or, potentially, a social rented dwelling is being offset the value the introduction of Affordable Rent dwellings within Copeland once rents are discounted to 80% of the open market rate and capitalised and maintenance fees are accounted for.

5.32 However, Increasing the proportion of Affordable Rent housing within the affordable tenure split to 30% results in a slight negative impqct on viability on sites in 'moderate' value locations. This indicates that introducing a larger proportion of Affordable Rent units fails to offset the loss in value of intermediate and, potentially, social rented dwellings on sites. This trend is maintained within changing market conditions.

Policy Recommendations

5.33 The VA (2011) Update highlights the following implications for setting affordable housing policy, and negotiating S106 contributions, within Copeland:

- **Flexibility in prioritising outcomes:** Site and development viability is strongly influenced by the application of planning obligations including affordable housing requirements, and other S106 contributions, as well as the introduction of increasing build standards through CfSH. It is therefore important that policy remains flexible to enable Copeland Borough Council to maximise potential planning gains from development whilst

allowing for a balance to be struck between recognising the parameters of site viability, whilst ensuring local community and infrastructure requirements are met. Undertaking open-book negotiations on a site specific basis will remain important if these competing objectives are to be reconciled.

- **Variable area-based affordable housing requirements:** Viability is not represented in a uniform way across the borough and therefore there is an opportunity, through policy, to introduce a variable approach to setting an affordable housing requirement in order to reflect the disparities in viability. Doing so will both maximise the opportunities for achieving affordable housing delivery, whilst avoiding punitively limiting development across the borough. The VA (2011) Update indicates that an affordable housing of up to 30% in 'high' value market locations would not present an unreasonable burden on development viability – with scope to increase this further if market conditions improve. In areas of 'moderate' market value, a 10% affordable housing target would be appropriate within current market conditions, albeit with scope for this to be lifted to as much as 30% as market conditions improve. In 'low' value market areas it would be realistic to apply up to a 10% affordable housing requirement – recognising that this is likely to be ambitious for most sites in such areas.
- **Size thresholds for applying affordable housing requirements:** It is not recommended that policy seeks to reduce the threshold for applying an affordable housing requirement below 15 units within the borough's 'low' and 'moderate' value areas given the reduction in viability associated with smaller sites in these locations. There is, however, a more limited impact on viability of reducing the size threshold in the borough's 'high' value areas. As a result, there is scope for policy to introduce a reduced threshold in these areas to maximise the potential for delivering planning obligations. It should be recognised, however, that the level of potential dwelling supply from sites in these locations represents only a very small proportion of the borough's overall potential dwelling supply.
- **Monitoring:** Copeland Borough Council should continue to monitor the relative health of the housing market, and the implications for each of the sub-market areas, in taking forward the recommendations of the study for consideration in applying policy.