COPELAND BOROUGH COUNCIL

STAGE 2 LOCAL PLAN VIABILITY STUDY

(FINANCIAL VIABILITY ASSESSMENT 2)

Prepared on Behalf of

Copeland Borough Council
The Market Hall
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FINAL OCTOBER | 2022

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NOTE ON FINAL REPORT

The Stage 2 Local Plan Viability Study was published in draft during early 2022 to allow stakeholders a further opportunity to feed into the viability process. This further consultation was to allow stakeholders to review the detailed evidence base supporting the study. Providing a more in depth understanding of how the assumptions and inputs adopted in the viability testing had been formulated and the judgements that had been made. It was expected that any subsequent consultation responses submitted by stakeholders would include full supporting evidence and information relating to any changes that they believed were justified.

A number of consultation responses were received and further details of these responses are contained in the Addendum Report that has been published alongside this final version of the main report. The Addendum Report contains details of our responses to the consultation comments and the changes that have been made to this main report as a result. Where considered appropriate this final version of the main report has been amended and a footnote included to explain the changes made. For ease of reference the table below contains details of the relevant footnotes, the paragraph/table/appendix amended and a comment relating to the change.

Footnote	Paragraph / Appendix/Table	Comments/Changes
1	3.2.9	Updated to reflect Cumbria CC comments.
2	4.4.12/ Appendix 4	With reference to the CWR this analysis has been revised to include full address, decision date and planning application reference. Data from three recent planning consents in Allerdale is also separately included.
3	5.2.40/ Appendix 8	Appendix 8 table updated to include commentary relating to values for HWH1 which had been omitted in draft version.
4	Table 5.21	This site sold at Auction on 16 March 2022 for £131,000. The site area is in fact 1.18 hectares (2.92 acres) and the price paid equates to £110,017 per hectare (£44,863 per acre).
5	6.2.25	This site sold at Auction on 16 March 2022 for £131,000. The site area is in fact 1.18 hectares (2.92 acres) and the price paid equates to £110,017 per hectare (£44,863 per acre).
6	6.2.59	See in particular paragraphs 2.157 to 2.162 of Addendum Report for further details of responses received.
7	6.3.10/ Appendix 11	In response to consultation comments, the table on page 9 of Appendix A in the final version of the Construction Costs Report has been expanded with additional columns to show the component elements of the Base Build Costs. The benchmarking exercise contained in the Construction Costs report has been re-presented to exclude within the Base Build cost any cost associated with garages and part L. The updated table is contained on page 13 of Appendix A and the narrative at para 2.48 has been updated accordingly. The final version of the report includes in Appendix B, BCIS Average Prices for Copeland.

Footnote	Paragraph / Appendix/Table	Comments/Changes
8	6.3.26/ Appendix 12	The table at Appendix 12 (and the associated viability testing) has been amended to include a revised cost of £10,300 for traffic calming measures to HDI2. In addition in relation to HDH2 the costs associated with a bus shelter upgrade (£5,500) are not applicable and have been removed from the table and associated viability testing.
16	6.3.49	Tables 6.9 and 6.10 included for ease of reference, in response to consultation response from CW.
17,18,19	Table 7.1a	Results amended from draft report as a result of adjustment in BLV.
20,21,22	Table 7.2a	Results amended from draft report as a result of adjustment in BLV.
23	Table 7.3a	Increase in traffic calming measures from £5,100 to £10,300 results amended accordingly
24,25,26,27	Table 7.3a	Results amended from draft report as a result of adjustment in BLV.
28, 30, 31	Table 7.4a	Results amended from draft report as a result of adjustment in BLV.
29	Table 7.4a	Cost of bus shelter improvements removed and result amended accordingly.
32	Table 7.6b	Results amended from draft report as a result of adjustment in BLV.
33	Table 7.7b	Results amended from draft report as a result of adjustment in BLV.
34	7.2.88/ Appendix 15	The detailed results sheets are included in response to representation received from CW.

Summary of References and Amendments made to Final Report

The evidence base for this Stage 2 report was collated during the Autumn/Winter of 2021 and the effective date of the report is February 2022.

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1.0 INTRODUCTION

1.1 Overview

1.1.1 Copeland Borough Council is producing a new Local Plan for the period 2021-2038 relating to the parts of Copeland outside the Lake District National Park. The new Local Plan will replace the existing adopted plan, (Copeland Local Plan 2013-2028 Core Strategy and Development Management Polices) and will cover the period to 2038.

1.1.2 The new Local Plan will include a Vision and Strategic Objectives for Copeland in order to achieve a prosperous and diverse economy that capitalises on the Borough's strengths and facilitates growth. Part of the vision will be to create inclusive and resilient communities with access to high quality housing, transport, education and employment opportunities. The Local Plan will set out how much land should be provided to accommodate new homes and jobs and where this should be located, alongside the need for associated infrastructure. In addition there will be detailed policies to guide the form and delivery of development together with site allocations.

1.1.3 Following the Issues and Options Draft, Copeland Borough Council (the Council) produced a Preferred Options Draft of the plan in 2020. This was made available for public consultation between September and December 2020. The consultation responses were then used to inform the Local Plan Publication Draft.

1.1.4 The Publication Draft Local Plan is informed by a number of evidence base documents. A high-level Stage 1 Viability Assessment was produced by Lambert Smith Hampton ("LSH") in 2018 ("FVA1"). This assessed the Local Plan 2013-2028 Site Allocation Preferred Options Draft 2015. This version of the plan was not ultimately carried forward and a new Issues and Options Draft was produced in 2019.

1.1.5 Keppie Massie has been appointed to prepare a viability assessment to inform and support the policies and proposed site allocations to be contained in the new Local Plan. The role is to carry out a review and update, where necessary, to the Stage 1 Viability Assessment and produce a Stage 2 Viability Report which has regard to the policies and allocations contained in the Publication Draft of the Plan.

1.1.6 The National Planning Policy Framework July 2021 (NPPF) states that:

"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan." (Para 34)

1.1.7 A number of the Local Plan policies may impact on the viability of development and in accordance with the NPPF the Council needs to be satisfied that these policies do not undermine the deliverability of the plan. Similarly the Council needs to be satisfied that the site allocations contained within the plan are deliverable and are not subject to such a scale of policy burdens that they are unable to be developed viably.

1.1.8 In order to ensure a robust and realistic Plan a viability evidence base which assesses and tests the policies contained in the emerging Local Plan is required. This Stage 2 Local Plan Financial Viability Assessment ("FVA2") establishes the viability and deliverability implications of the emerging Local Plan policies and allocations. This is to ensure that they are realistic and can deliver sustainable development without putting the delivery of the Plan at risk. The study has been prepared to satisfy the tests of viability and deliverability laid down in the NPPF and the National Planning Practice Guidance (PPG). This report therefore provides an assessment of the overall viability of development in the Borough, considering the viability implications of emerging plan policies. It also provides a viability framework within which to consider the proposed site allocations. Ultimately the study provides conclusions about 'whole plan viability' based on the site allocations and policies within the plan.

1.2 Format of Report

1.2.1 The report is presented to provide an overview of the outcomes of FVA1, brief details of the Local Plan and the key policies with implications for viability, an overview of the study methodology, a property market commentary, the financial appraisal assumptions, the results of the viability testing and conclusions regarding Plan viability and deliverability.

1.2.2 For ease of reference the report is structured based on the following sections:

1.2.3 **SECTION 2 – OVERVIEW OF FVA1**

This section provides an overview of the approach and outcomes of FVA1.

1.2.4 **SECTION 3 – COPELAND LOCAL PLAN 2021-2038 (PUBLICATION DRAFT)**

This section provides details of the strategic policies and the development management policies that could impact on viability and delivery. In addition a summary of the site allocations is provided.

1.2.5 **SECTION 4 – METHODOLOGY**

This section outlines the methodology that has been adopted for the study and the viability assessments, together with the rationale for the development scenarios tested. Information regarding consultation undertaken is also included in this section.

1.2.6 **SECTION 5 – PROPERTY MARKET COMMENTARY**

This section provides general information about the characteristics of Copeland, together with an overview of the residential and commercial property markets.

1.2.7 **SECTION 6 – FINANCIAL APPRAISAL ASSUMPTIONS**

This section outlines the key assumptions used in the financial appraisals including details of how specific Local Plan policies have been addressed. This part of the report also includes an analysis of the assumptions contained in FVA1 and justification for any changes made for the purpose of this part 2 study.

1.2.8 **SECTION 7 – VIABILITY RESULTS AND POLICY IMPACTS**

This section provides an overview of the results of the viability testing together with a commentary on the results and also the impact of the Local Plan policies on viability. This section also contains the results of the sensitivity testing undertaken.

1.2.9 **SECTION 8– PLAN VIABILITY AND DELIVERY**

Within Section 8 conclusions are provided about the key policies that have implications for economic viability and the viability and deliverability of the Local Plan.

1.3 Keppie Massie

1.3.1 Keppie Massie is an established firm of Chartered Surveyors and Property Consultants with offices in Liverpool, Manchester, Glasgow and London and is at the forefront of development economics, regeneration and strategic development. It is regulated by the Royal Institution of Chartered Surveyors (RICS).

1.3.2 The Practice deals with all major aspects of commercial and residential property consultancy including valuation, development, development economics, cost consultancy advice, investment, strategic land assembly, compulsory purchase, investment and development funding, S106 negotiations and affordable housing policy and provision, landlord and tenant advice, regeneration, national and local taxation, insolvency advice, acquisition, disposal and agency.

1.3.3 Keppie Massie has extensive experience in the preparation of Local Plan and CIL Viability Assessments, having provided studies for a number of Local Planning Authorities including the following:

- Knowsley – Local Plan Viability Assessment
- Sefton – Local Plan and Site Allocations Viability Assessment
- High Peak – Local Plan Viability Study (including site allocations)
- Fylde – Local Plan and CIL Viability Study
- Hyndburn – Development Management DPD Viability Study
- Barrow – Local Plan Viability Study (including site allocations)
- Wyre – Local Plan Viability Study (including site allocations)
- Staffordshire Moorlands – Local Plan and CIL Viability Study (including site allocations)
- Cheshire West and Chester – CIL Viability Assessment and then subsequent Local Plan Part Two Viability Assessment
- Allerdale – Site Allocations DPD and CIL Viability Study
- Liverpool City Council – Local Plan Viability Study (including site allocations)
- Rossendale - Local Plan Viability Study (including site allocations)
- Hambleton - Local Plan Viability Study (including site allocations)
- West Lancashire – CIL Viability Assessment
- Cheshire East – CIL Viability Assessment

- Mansfield – Local Plan Viability Assessment Update
- St Helens – Local Plan Viability Assessment (including site allocations)

1.3.4 Aside from this present FVA, Keppie Massie is also currently preparing Local Plan Viability Assessments for Blackburn with Darwen Council and Liverpool City Region.

1.3.5 The Practice has extensive knowledge and experience in dealing with viability in relation to development management matters and provides advice to many Local Planning Authorities across the North and Midlands including neighbouring Allerdale and the Lancashire Authorities of Hyndburn, West Lancashire, Wyre and Fylde.

1.4 Declaration

1.4.1 Keppie Massie is regulated by the RICS and in preparing this FVA the authors have had regard to all relevant RICS Standards and Guidance. Reference is made to these documents at relevant points within this FVA. The principal RICS documents that have been relied upon in preparing this study are:

RICS Professional Statement: Financial Viability in Planning: Conduct and Reporting (1st edition) (May 2019).

RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England (March 2021).

1.4.2 The RICS Professional Statement sets out 14 mandatory requirements on conduct and reporting in relation to FVAs for planning in England to demonstrate how a reasonable, objective and impartial outcome, without interference should be arrived at and so support the statutory planning decision process. This FVA has been prepared in accordance with these mandatory requirements which are set out below.

2.1 - Objectivity, impartiality and reasonableness statement

This FVA has been undertaken by A G Massie BSc (Hons) MRICS IRRV MCIArb and Jenny Adie BSc (Hons) MRICS who are RICS Registered Valuers, in conjunction with Jon Adams BSc (Hons) MRICS who is a Chartered Quantity Surveyor and Director of One2One Construction Solutions Limited. All are RICS Members and suitably qualified practitioners, with sufficient knowledge and skills to undertake the FVA competently. In preparing the assessment they have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

2.2 Confirmation of instructions and absence of conflicts of interest

Keppie Massie's appointment followed a tender exercise and a copy of the tender documentation can be made available on request. Our Terms of Engagement are attached at **Appendix 1**. We are not currently undertaking any other instructions on behalf of the Council nor are we providing professional advice to any landowners, developers or other parties who may have a land or property related interest in the Borough. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing this FVA.

2.3 - A no contingent fee statement

We confirm that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.

2.4 - Transparency of information

We confirm that this viability assessment has been prepared in the full knowledge that it may be made publicly available at some point in the future. Where we believe there to be information, which is commercially sensitive, that we have relied upon in arriving at our opinion we have stated so in our report.

2.5 - Confirmation where the RICS member is acting on area-wide and scheme-specific FVAs

We are not advising any party in relation to site-specific FVAs in Copeland.

We have previously prepared area wide viability assessments to support Local Plans and CIL for those LPAs noted at paragraph 1.3.3 The studies listed are all complete and the Local Plans or CIL charging schedules have in most cases been adopted, or at the very least have been subject to examination.

We are currently preparing Local Plan Viability Assessments for Blackburn with Darwen Council and Liverpool City Region.

We are not currently advising any developers in relation to area wide FVAs.

We do not consider that any conflict of interest, or risk of conflict of interest, arises as a result of the interests which we have disclosed.

2.6 - Justification of evidence and differences of opinion

In this FVA we have set out a full justification of the evidence and this is explained in further detail within the report

2.7 - Benchmark land value and supporting evidence

We have assessed the benchmark land value ('BLV') in accordance with the requirements of the PPG and Section 2.7 of the Professional Statement. In doing so we have reported the following:

- Current Use Value (referred to as Existing Use Value (EUV))
- Premium
- Market evidence (as adjusted in accordance with the Planning Practice Guidance)
- All supporting considerations, assumptions and justifications adopted
- Alternative Use Value (as appropriate)

We have explained how market evidence and other supporting information has been analysed and, as appropriate, adjusted to reflect existing or emerging planning policy and other relevant considerations.

2.8 - FVA origination, reviews and negotiations

We make a clear distinction in our reports between preparation/review of a viability assessment and subsequent negotiations.

2.9 - Sensitivity analysis (all reports)

A range of sensitivity analysis in relation to the appraisal inputs is provided at Section 7 of this report. We have applied a viability judgement in considering both the base results and the results of the sensitivity testing in accordance with the RICS Professional Statement.

2.10 – Engagement

We confirm we have advocated transparent and appropriate engagement between the parties.

2.11 - Non-technical summaries (all reports)

This FVA is accompanied by a non-technical summary which includes key figures and issues that support the conclusions drawn from the assessment and is also consistent with the PPG.

2.12 - Author(s) sign-off (all reports)

This FVA is formally signed off and dated by the authors. Their respective qualifications are included.

2.13 - Inputs to reports supplied by other contributors

All contributors to this report are considered competent and are aware of the RICS requirements and as such understand they must comply with the mandatory requirements.

2.14 - Timeframes for carrying out assessments

We confirm that adequate time has been allowed to prepare this FVA having regard to the scope and scale of this project.

…… ……..

GED MASSIE BSc (Hons) MRICS IRRV MCIArb **JENNY ADIE BSc (Hons) MRICS**

……

JON ADAMS BSc (Hons) MRICS

October 2022

2.0 ECONOMIC VIABILITY ASSESSMENT (STAGE ONE) DECEMBER 2017 (FVA1)

2.1 Overview

2.1.1 FVA1 was prepared by LSH and published in December 2017. The study adopted a generic formula based approach to assess the viability of a representative range of housing, commercial and employment development sites in the Borough. The primary purpose of FVA1 was to provide an information base to enable council officers to make broad brush, early assumptions on whether genres of sites were likely to be deliverable, and hence to support the progression of the Local Plan towards the examination process. The viability testing excluded policy requirements such as affordable housing. It was acknowledged that a further FVA would be required with a more detailed analysis of sites and their deliverability, taking into consideration other aspects such as affordable housing and s106 costs.

2.1.2 FVA1 adopted a residual approach to preparing the financial appraisals. The appraisal assumptions were based on market evidence, site-specific viability audits, and other relevant viability studies for CIL and Local Plans, along with local market knowledge. They were also subject to consultation and had been tested with local house builders, developers and agents, whilst having also been agreed with council officers. The evidence base used to prepare FVA1 was gathered during the first half of 2017.

2.1.3 We have commented on the approach and assumptions adopted in FVA1 at relevant points in the present study. In the light of changes to viability guidance and the property market since 2017, we have identified whether the methodology adopted and the assumptions made remain appropriate and any changes required for the purpose of this current viability assessment.

2.2 Conclusions of FVA1

2.2.1 Based on the results of the viability testing undertaken in FVA1, the conclusions of the study were as follows:

- Large greenfield residential development in Whitehaven is viable and generates a surplus for affordable housing, elevated planning policy requirements and s106 contributions.

- Medium greenfield residential development in Whitehaven and the Key Service Centres is viable and generates a surplus for affordable housing, elevated planning policy requirements and s106 contributions.

- Small and small/medium greenfield residential development in Whitehaven and the high value local centres and villages is viable and generates a surplus for affordable housing, elevated planning policy requirements and s106 contributions.

- Large and medium brownfield residential development in Whitehaven is marginal and generates no surplus for affordable housing, elevated planning policy requirements and s106 contributions.

- Small and small/medium greenfield residential development in the average value local centres and villages is unviable.

- Medium/large retail development on brownfield sites in Whitehaven is viable and generates a significant surplus for elevated planning policy requirements and s106 contributions.

- Mixed use brownfield development is unviable based upon adopted values and build costs.

- Speculative office/employment development is unviable based upon adopted values and build costs.

2.2.2 FVA1 identified a mixed picture in terms of viability. The most viable development locations and scenarios were greenfield residential sites in Whitehaven and the high value local centres and villages together with medium sized sites in the Key Service Centres. Conversely employment development, mixed use development, brownfield residential development across the Borough and greenfield residential development in average value local service centres and villages all had potential viability challenges.

3.0 COPELAND LOCAL PLAN 2021-2038 (PUBLICATION DRAFT)

3.1 Copeland Local Plan 2021 -2038 Publication Draft (at December 2021)

3.1.1 To meet the requirements of the NPPF, the Council is presently preparing a new Local Plan. Once adopted, the new Local Plan will replace the existing adopted plan, (Copeland Local Plan 2013-2028 Core Strategy and Development Management Polices) with a single document containing borough wide policies and land allocations. The new Local Plan will guide development in the Borough to 2038.

3.1.2 The Council produced the first draft of the new Local Plan, the Issues and Options Draft, in November 2019. The Draft identified key issues facing the borough, informed by evidence base documents and an Integrated Assessment Scoping Report. Public consultation on a Preferred Options Draft of Local Plan took place between September 2020 and November 2020, to seek views from key stakeholders and members of the public on the draft policies and allocations.

3.1.3 The Council carried out a focussed public consultation in September/October 2021 on a number of significant changes under consideration in light of responses made to the Preferred Options Draft. The responses received to this and earlier consultations have been used to inform the Publication Draft of the Local Plan.

3.1.4 This report has regard to the Copeland Local Plan 2021-2038 Publication Draft (at December 2021) as the most up to date version of the plan. This section identifies the key policies contained within the Publication Draft that could potentially impact on development viability within the Borough. These impacts may be in terms of location, physical form or the level of planning contributions.

3.1.5 The Local Plan contains strategic policies to help diversify and strengthen the economy, unlock town centres and improve housing quality and choice. It also contains policies that protect and enhance natural spaces and heritage assets, recognising that they are important for the health and well-being residents as well as attracting visitors to Copeland.

3.1.6 The Local Plan contains development management policies that are positively worded and flexible to help to shape development. These policies set out requirements for development to help maximise the benefits of this for communities in the Borough.

3.1.7 With reference to the proposed policies contained in the draft Local Plan, we have provided a short summary of those most relevant to this study in the paragraphs that follow.

3.2 Local Plan Policies

Strategic Policy DS2PU: Reducing the impacts of development on Climate Change

3.2.1 This policy states that the Council will support development proposals that make a positive contribution towards achieving the Cumbria wide goal of net zero carbon by 2037 where they accord with the Development Plan. It encourages developers to consider a number of matters as part of their proposals and of particular relevance to this study these aspects include providing SuDs, making the most efficient use of land by building at appropriate densities, encouraging the sympathetic reuse and refurbishment of the existing building stock and previously developed land, the provision and enhancement of local green spaces and measures to exceed the 10% Biodiversity Net Gain requirement.

Strategic Policy DS3PU: Settlement Hierarchy

3.2.2 Policy DS3PU outlines the settlement hierarchy and directs the majority of development over the plan period to the four towns, namely Whitehaven (Principal Town), Cleator Moor, Egremont and Millom (Key Service Centres). Three tiers of villages - Local Service Centres, Sustainable Rural Villages and Rural Villages are identified as locations where development would be supported in principle. In all cases development must be proportionate in terms of nature and scale to the role and function of the settlement, unless it has been identified within the Plan to meet the strategic growth needs of the Borough.

Strategic Policy DS5PU: Planning Obligations

3.2.3 This Strategic Policy states that the Council will secure infrastructure provision / enhancements through planning obligations where it is reasonable, necessary and directly related to the development. The infrastructure provision / enhancements identified are as follows:

- Transport and Highways improvements (including public transport, sustainable transport solutions, footpaths and cycleways)
- Car parking and Cycle parking/storage
- Electric vehicle charging points
- Travel Plans
- Drainage infrastructure, flood risk mitigation measures and surface water management
- Digital connectivity
- Low carbon energy and renewable energy infrastructure
- Affordable housing
- Education and health facilities
- Community facilities including social care and sports facilities
- Green infrastructure including public open space, play areas, and allotments
- Environmental improvements such as landscaping, tree planting, public art, biodiversity net gain, measures to conserve and enhance heritage assets
- Compensatory habitat

3.2.4 The policy goes on to say that infrastructure delivered through obligations must be provided on site unless specific circumstances make off-site contributions more appropriate. In determining the nature and scale of any planning obligations sought, account will be taken of specific site conditions, the Infrastructure Delivery Plan and other material considerations.

3.2.5 This policy also includes a test of viability in those instances where an applicant considers that provision of appropriate infrastructure would make the development unviable. In such cases a viability assessment must be submitted clearly stating why the applicant thinks particular circumstances justify the need for a viability assessment (e.g. setting out if there have been any changes in site circumstances since the Plan's adoption or why they consider the Local Plan Viability Study to no longer be up to date).

Policy DS6PU: Design and Development Standards

3.2.6 Policy DS6PU addresses a number of points relevant to this study. In particular new developments must contribute towards good health and well-being by incorporating high quality, inclusive and useful open spaces and providing high levels of residential amenity. They must also be built to an appropriate density that enables effective use of land, whilst maintaining suitable levels of amenity

3.2.7 This policy requires applications for major development proposals to include a sustainable construction management plan.

Strategic Policy DS8PU: Reducing Flood Risk
Policy DS9PU: Sustainable Drainage

3.2.8 The two policies address matters in relation to sustainable drainage systems (SuDs). In particular they require the provision of SuDs where appropriate. Development on greenfield sites should seek to achieve pre-development or better levels of surface water drainage and on previously developed sites, a reduction in surface water discharge should be sought.

3.2.9 Policies E1-E7 deal with Copeland's Economy with the aim of supporting the growth and transformation of the Borough. Recognising that in Copeland there are approximately 6,000 [1]people working on the Sellafield site, and many thousands more working in the supply chain.

Strategic Policy E1PU: Economic Growth

3.2.10 The policy seeks to strengthen and broaden the economy and to provide employment and economic opportunities to attract new key industries and provide the flexibility to accommodate existing businesses. Maximising Copeland's expertise and innovation in energy, nuclear decommissioning and clean growth through innovative businesses, and supporting the clustering of such businesses is noted within the policy.

[1] Updated to reflect Cumbria CC comments.

3.2.11 Other aspects relevant to this study include prioritising high-quality office provision within Whitehaven and the Key Service Centres to meet inward investment needs, and supporting the establishment of Small and Medium Enterprises (SMEs) with the inclusion of provision for starter units, start-up businesses, collaborative space for business to grow, live-work units on new and regenerated employment sites and offices.

Strategic Policy E2PU: Location of Employment

3.2.12 This policy addresses the type scale and location of new development and in particular refers to the Economic Development Needs Assessment (EDNA) 2021. This identifies a total employment land need of 39.9 hectares to support economic growth.

3.2.13 This part of the plan also contains specific policies in relation to strategic employment allocations at Westlakes Science and Technology Park (Strategic Policy E3PU) and Cleator Moor Innovation Quarter (Strategic Policy E4PU). Strategic Policy E5PU Employment Sites and Allocations contains details of remaining employment sites across the Borough with an undeveloped allocation totalling 21.5 hectares.

3.2.14 Retail and Leisure related matters are dealt with in Polices R1-R10. Reference is made in the explanation to these policies to recent successful funding bids. Through the Government's Towns Fund Scheme Cleator Moor has been offered £22.5 million of investment and Millom £20.6 million. Egremont is a priority town in Copeland for the Borderlands Places programme and has been allocated £2.6 million in funding.

3.2.15 The Retail Study estimates that between 1,700 and 2,000 sq.m of additional convenience floorspace will be required across the Borough up to 2038. The Study concludes that there isn't any additional requirement for comparison goods floorspace, and there is potential for an oversupply by the end of the plan period. However, opportunities have been identified for the reconfiguration of comparison floorspace to meet future demand, for example, by providing larger sized units with parking for the collection of large goods.

Strategic Policy H1PU: Improving the Housing Offer

3.2.16 The Council's aim is to work with stakeholders, partners and communities to make Copeland a more attractive place to build homes and live. A number of actions are identified within the policy to achieve this. In particular the Council will allocate a range of deliverable and attractive housing sites to meet local needs and aspirations. Ensuring they are built at a high standard, whilst protecting the amenity of existing residents.

Strategic Policy H2PU: Housing Requirement

Strategic Policy H4PU: Distribution of Housing

3.2.17 The Housing requirement is for a minimum of 2,482 net additional dwellings (an average of 146 dwellings per annum) to be provided between 2021 and 2038. This is to be distributed across the Borough on the following basis.

Whitehaven	40% (993 dwellings)
Key Service Centres	30% (745 dwellings)
Local Service Centres	17% (422 dwellings)
Sustainable Rural Villages	10% (248 dwellings)
Other Rural Villages	3% (76 dwellings)

Strategic Policy H5PU: Housing Allocations

3.2.18 The policy contains details of the proposed housing allocations which are summarised in table 3.1.

Settlement	Ref	Address	Capacity
Whitehaven	**HWH1**	Land at West Cumberland Hospital and Snekyeat Rd	127
Whitehaven	**HWH2**	Red Lonning and Harras Moor	370
Whitehaven	**HWH3**	Land at Edgehill Park Phase 4	120
Whitehaven	**HWH4**	Land south and west of St Mary's School	60
Whitehaven	**HWH5**	Former Marchon Site North	532
Whitehaven	**HWH6**	Land South of Waters Edge Close	35
Cleator Moor	**HCM1**	Land at Jacktrees Road	127
Cleator Moor	**HCM2**	Land north of Dent Road	96
Cleator Moor	**HCM3**	Former Ehenside School	40
Cleator Moor	**HCM4**	Land at Mill Hill	81

Table 3.1: Proposed Housing Allocations

Settlement	Ref	Address	Capacity
Egremont	**HEG1**	Land north of Ashlea Road	108
Egremont	**HEG2**	Land at Gulley Flatts	170
Egremont	**HEG3**	Land to south of Daleview Gardens	141
Millom	**HMI1**	Land west of Grammerscroft	107
Millom	**HMI2**	Moor Farm	195
Arlecdon	**HAR1**	Land East of Arlecdon Road	37
Distington	**HDI1**	Land south of Prospect Works	30
Distington	**HDI2**	Land south west of Rectory Place	30
St Bees	**HSB1**	Land adjacent Abbots Court	58
St Bees	**HSB3**	Fairladies extension	30
Seascale	**HSE2**	Fairways Extension	22
Seascale	**HSE3**	Town End Farm East	32
Thornhill	**HTH1**	Land South of Thornhill	20
Beckermet	**HBE1**	Land north of Crofthouse Farm	46
Beckermet	**HBE2**	Land adjacent to Mill Fields	27
Bigrigg	**HBI1**	Land north of Springfield Gardens	65
Bigrigg	**HBI2**	Land west of Jubilee Gardens	35
Drigg	**HDH2**	Wray Head, Station Road	22
Holmrook	**HDH3**	Hill Farm Holmrook	20
Moor Row	**HMR1**	Land to north of social club	37
Moor Row	**HMR2**	Land to south of Scalegill Road	41
Lowca	**HLO1**	Solway Road	22
Summergrove	**HSU1**	Land to South West of Summergrove	80

Table 3.1: Proposed Housing Allocations (cont/d)

3.2.19 Table 3.1 has been colour coded for ease of reference to identify the settlement hierarchy.

3.2.20 An indicative yield is also shown in Policy H5PU. This is an estimation of how many dwellings are likely to be delivered based upon an assumed density of 25 dwellings per hectare of the gross site area. This approach was used to ensure that there was sufficient land allocated to meet the growth aspirations of the Plan while sufficient space on site for good design principles such as SuDS, open space, and landscaping. The supporting text goes on to explain that the densities used to calculate indicative yield will not necessarily be the density which is best suited to the individual site. This will be determined at planning application stage taking into account issues such as viability, the requirement for open space, utilities and infrastructure and the character of the area.

Policy H6PU: New Housing Development

3.2.21 Policy H6PU contains the criteria against which planning permission for new residential development will be assessed. Particular aspects of the policy with implications for viability include requirements for adequate external amenity space and parking to be provided, with preference given to parking spaces behind the building line. The supporting text to the policy also encourages developers to create efficient housing that goes beyond the minimum energy efficiency standards set out within the Building Regulations where possible.

Policy H7PU: Housing Density and Mix

3.2.22 The supporting text to this policy states that the Council is not required to include minimum density standards and it is felt that the most appropriate approach is to allow developers to determine the most appropriate density for the site. The policy itself states that:

3.2.23 *"Developments should make the most effective use of land. When determining appropriate densities development proposals should clearly demonstrate that consideration has been given to the shape and size of the site, the requirement for public open space and landscaping, whether the density would help achieve appropriate housing mix and help regeneration aims, the character of the surrounding area and the setting of the site."*

3.2.24 This policy also deals with housing mix and applications are required to demonstrate to the satisfaction of the Council how their proposals meet location housing needs and aspirations identified in the latest Strategic Housing Market Assessment (SHMA) and the Housing Needs Assessment in terms of house type, size and tenure. It goes on to say that alternative more up to date evidence will be considered only in exceptional circumstances where a developer demonstrates to the Council's satisfaction that the SHMA and Housing Needs Assessment is out of date. Table 3.2 contains a summary of the Housing Needs by Bedrooms table taken from the SHMA Update 2021.

No Beds	1	2	3	4+
Market	5%	35%	40%	20%
Affordable Home Ownership	15%	45%	35%	5%
Affordable Housing (rented)	30%	40%	25%	5%

Table 3.2: Housing Needs by Bedrooms (SHMA Update 2021)

3.2.25 The supporting text to the policy explains that the SHMA Update advises that the focus for new market housing over the plan period should be 2-3 bed properties, which the Housing Need Study also supports. The Housing Needs Study also notes that *"there is a case for continuing to invest in high-end, larger, market homes to appeal to both the highly paid sector mainly involved in the Sellafield supply chain and as a suitable offer for those the authority wants to attract as part of its strategy to develop new high value technical and innovative industries."*

Strategic Policy H8PU: Affordable housing

3.2.26 This policy contains the affordable housing requirements for the Borough. Affordable housing will be required on sites of 10 units or more (or of 0.5ha or more in size), or on sites of 5 units or more within the Whitehaven Rural sub-area.

3.2.27 At least 10% of the homes provided should be affordable unless this would exceed the level of affordable housing required in the area as identified in the Housing Needs Study or the site falls into an exemption category listed in the NPPF.

3.2.28 In establishing the amount of affordable housing on a site, then vacant buildings credit will be applied.

3.2.29 The policy also seeks a tenure split as follows:

- 40% - discounted market sales housing, starter homes or other affordable home ownership routes (25% of these must meet the definition of First Homes);
- 60% - affordable or social rented.

3.2.30 A financial contribution may also be accepted in lieu of onsite provision where this is justified and helps to create mixed and balanced communities.

3.2.31 The policy contains provision for a lower proportion of affordable housing or an alternative tenure split but only in exceptional circumstances. In such cases developers must demonstrate, to the Council's satisfaction, why the current site specific circumstances mean that meeting the requirements of this policy would render the development unviable. This should be in the form of a clear, bespoke viability assessment. Any such viability assessment submitted should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

3.2.32 The supporting text to the policy makes reference to the fact that the Housing Needs Study identifies the Whitehaven Rural sub-area is the most expensive in the borough and this area is a priority for affordable housing development. As a result the threshold for affordable provision is set at 5 units in the Whitehaven Rural area.

3.2.33 In accordance with the NPPF, Policy H8PU does allow developers to provide alternative levels of affordable housing in exceptional circumstances. In such cases, a site specific viability study must be submitted which demonstrates that circumstances have changed following the adoption of the Local Plan rendering the site unviable unless requirements are reduced.

Strategic Policy SC1PU: Health and Well-being

3.2.34 This policy addresses the promotion of health and well-being in the context of new development. Matters of relevance to this study include supporting new development that protects or delivers green infrastructure, open spaces, sports, cultural and community facilities or seeks developer contributions for such facilities. In addition the policy sets out that it will seek developer contributions where appropriate towards new or improved sports, recreational and community facilities.

3.2.35 The supporting text to Policy SC2PU Sporting, Leisure and Cultural Facilities (excluding playing pitches) explains that Local Plan Policy DS5PU, requires developers to make contributions towards additional open spaces and facilities and the impacts of this on development viability will be assessed through the Viability Study.

3.2.36 Prior to the submission of the Local Plan, the Council will consider the findings of the Open Space Assessment and sports evidence, including the PPS, in order to calculate the level of developer contribution that will be required for open spaces and sports provision.

Strategic Policy N1PU: Conserving and Enhancing Biodiversity and Geodiversity

3.2.37 This policy deals with the Council's approach to biodiversity and geodiversity and contains a mitigation hierarchy based on avoidance, mitigation and then finally where these alternatives are not possible compensation. Compensation is identified as a last resort that will only be accepted in exceptional circumstances.

3.2.38 The policy contains requirements for Construction Environmental Management Plans for larger residential and commercial development projects (eg housing development of 20+ units of accommodation, office development of more than 1000sqm).

Strategic Policy N3PU: Biodiversity Net Gain

3.2.39 This policy is linked to N1PU and states that all development must provide a minimum of 10% biodiversity net gain over and above existing levels, following the application of the hierarchy set out in N1PU. Net gain should be delivered on site but where this is not appropriate provision is made for delivery in the following order of preference:

1. Off site in a Local Nature recovery Network
2. Off site on an alternative suitable site
3. Through the purchase of appropriate amount of national biodiversity units/credits.

Strategic Policy N9PU – Green Infrastructure

3.2.40 This policy addresses green infrastructure as part of new development and states that this should be maximised and that developers should take opportunities to create new connections, expand networks and enhance existing green infrastructure to support the movement of plants and animals. Green infrastructure should be multi-functional where possible and should be considered at the start of the design process.

Policy CO7PU: Parking Standards and Electric Vehicle Charging Infrastructure

3.2.41 Policy CO7PU requires new development to make adequate parking provision in accordance with the Cumbria Development Design Guide. The policy also requires new residential development to provide one electric vehicle charging point per dwelling. Where off street parking is not provided a commuted sum will be required in lieu. For non-residential development at least one charging point per 10 spaces is to be provided with infrastructure to enable the future installation of charging points in every parking bay.

3.2.42 In formulating the development typologies for viability testing we have had regard to both the strategic and development management policies contained in the Publication Draft of the Local Plan and also the proposed allocations. These policies have informed the location, size, mix and form of development for testing, together with the planning contributions policies that need to be accounted for in the viability modelling. Section 4 explains how the relevant local plan policies have been addressed in our methodology.

4.0 METHODOLOGY

4.1 Viability Guidance Framework

4.1.1 FVA1 was prepared under the National Planning Policy Framework 2012 and associated Planning Practice Guidance. The assessment was undertaken having regard to the best practice guidance at that time namely Viability Testing Local Plans ("the Harman Guidance") and the RICS Guidance Note: Financial Viability in Planning (2012). These documents have been superseded and in preparing FVA2 we have had regard to current guidance. The following paragraphs provide an overview of the present Viability Guidance Framework.

National Planning Policy Framework (July 2021)

4.1.2 The National Planning Policy Framework July 2021 (NPPF) states that:

"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan." (Para 34)

4.1.3 In addition the NPPF requires that:

"*The preparation and review of all policies should be underpinned by relevant and up to date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals."* (Para 31).

4.1.4 The NPPF places the emphasis on establishing viability at plan making stage and at paragraph 58 confirms that:

"Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available."

National Planning Practice Guidance (Sept 2019)

4.1.5 The National Planning Practice Guidance (PPG) has been revised to support the NPPF. It similarly reinforces the role of Viability Assessment at plan making stage by stating the following:

"The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan." (Paragraph: 002 Reference ID:10-002-20190509)

4.1.6 The paragraph goes on to say that:

"*Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage."*

4.1.7 The PPG confirms that:

".....policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106." (Paragraph:001 Reference ID:10-001-20190509)

4.1.8 The PPG places a responsibility on plan makers in collaboration with the Local Community, developers and other stakeholders to create realistic and deliverable policies, whilst advising that it is the responsibility of site promoters to:

"…..engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. ……..It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan." (Paragraph:006 Reference ID:10-006-20190509)

4.1.9 The aim of the Local Plan Viability Assessment in the context of the current framework is to provide a proportionate assessment of viability (satisfying the requirements of the NPPF and PPG) of the future development sites in Copeland, taking into account all relevant policies contained in the Local Plan together with local and national standards.

4.1.10 The PPG provides clarification on the role of viability by stating that:

"In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission." (Paragraph:010 Reference ID:10-010-20180724)

Financial viability in planning: conduct and reporting (May 2019)

4.1.11 This Professional Statement issued by the RICS is effective from 1 September 2019 and sets out mandatory requirements on conduct and reporting in relation to financial viability assessments (FVAs) for planning in England, whether for area-wide or scheme-specific purposes. It recognises the importance of impartiality, objectivity and transparency when reporting on such matters. The professional statement focuses on reporting and process requirements and reflects the changes to the NPPF and PPG. Reference is made to this document at relevant parts of this FVA.

Assessing viability in planning under the National Planning Policy Framework 2019 for England (March 2021) (AVIP)

4.1.12 This guidance note issued by the RICS in March 2021 is effective from 1 July 2021 and replaces the 2012 Financial Viability in Planning guidance note. It provides guidance for carrying out and interpreting the results of viability assessments under the NPPF and the updated PPG. Again reference is made to this document at relevant parts of this FVA.

4.2 Consultation

4.2.1 Stakeholder engagement and consultation are vital components in the process of establishing plan viability. Critical assessment of the Viability Assessment methodology and assumptions supported by appropriate evidence from stakeholders, ensures that sound judgements are made on the viability and deliverability of plan policies and sites.

4.2.2 The PPG places a responsibility on plan makers in collaboration with the Local Community, developers and other stakeholders to create realistic and deliverable policies and states that:

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

4.2.3 An online consultation event took place on 19 October 2021. A total of 42 stakeholders were invited to the event including house builders active in the Borough, landowners and their agents, registered providers and representatives from Homes England and the Home Builders Federation. As part of the consultation event we provided an overview of FVA1 its assumptions and outcomes, details of the guidance changes since FVA1 was published, and then an overview of the FVA2 study, the evidence base and proposed testing typologies and assumptions.

4.2.4 Following the consultation event the detailed presentation document was circulated to all stakeholders invited to the event and they were asked to provide feedback and supporting evidence in relation to the proposed approach and assumptions for FVA2. The presentation document is provided at **Appendix 2**.

4.2.5 A total of two responses were received to the consultation. These responses were from:

- Cushman and Wakefield (CW) on behalf of a Consortium of House Builders
- Persimmon Homes

4.2.6 The responses received are also contained in Appendix 2. In general terms the two respondents both seek the detailed supporting evidence base for the proposed assumptions. Clearly it was not possible to provide full detailed evidence given the limitations of the overview presentation. This evidence is however incorporated in this report (and a draft of this report was also consulted on). Points raised by Persimmon in their response to the consultation event included:

- Gross to net site area ratio (in the context of the Marchon site)
- Housing mix and dwelling sizes
- Values
- Build Costs and future homes standards
- Electric Vehicle Charging points
- Sales rates
- Developers Profit
- Benchmark land values

4.2.7 We have considered the points raised and discussed any consequential adjustments that we have made to the methodology at Section 5 and the appraisal assumptions at Section 7.

4.2.8 In publishing this FVA2 in draft stakeholders have had a further opportunity to feed into the viability process. A number of responses were received to this subsequent consultation and further details are contained in the Addendum Report that has been published alongside this final version of the FVA2. The Addendum Report contains details of our responses to the consultation comments and the changes that have been made to this main report as a result. Where considered appropriate this final version of the FVA2 report has been amended and a footnote included to explain the changes made.

4.3 Appraisal Methodology

4.3.1 The PPG provides a helpful definition of viability assessment which is:

"Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return." (Paragraph:010 Reference ID:10-010-20180724)

4.3.2 The RICS guidance AVIP notes that this is a residual valuation framework. Figure 1 from this document provides an illustration of this framework and is reproduced below.

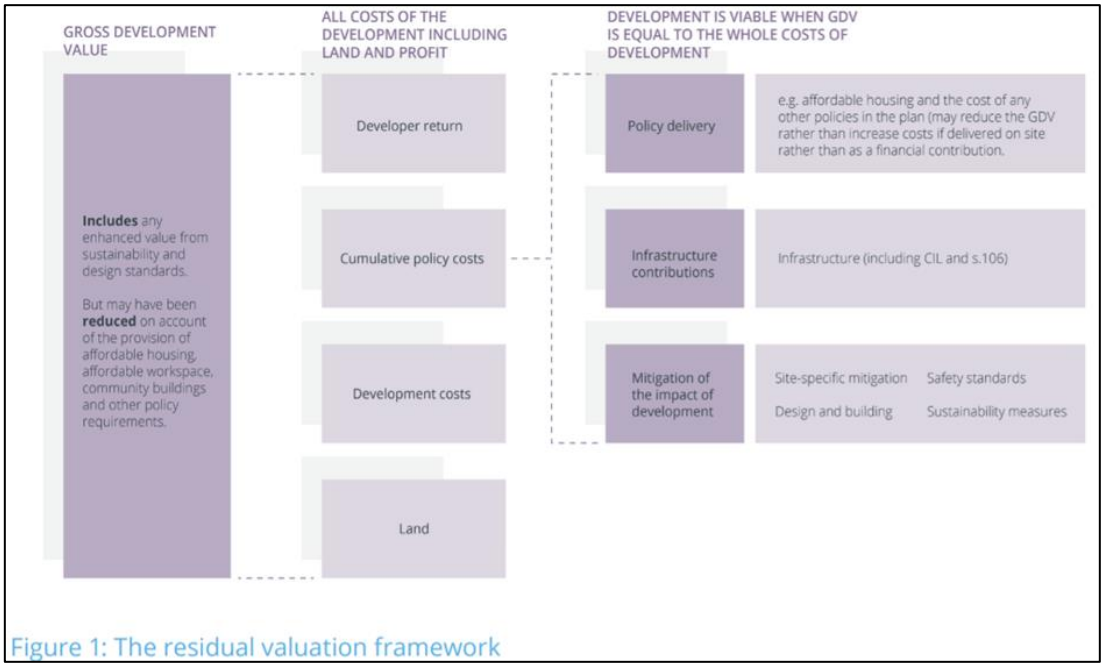


Figure 1: The residual valuation framework

4.3.3 Para 2.4.4 of AVIP explains that:

"An FVA should determine whether developments are capable of providing levels of developer contributions that comply with policy in both emerging and up-to-date plans. More specifically, an FVA estimates whether planned developments with policy-compliant levels of developer contributions are able to provide:

- *a minimum reasonable return to the landowner (defined as the EUV plus a premium), and*
- *a suitable return to the developer (defined in PPG paragraph 018)"*

4.3.4 If these benchmarks are not satisfied the guidance goes on to explain that the development typology is unviable at the level of developer contributions being tested at plan making stage.

4.3.5 FVA1 adopted a residual appraisal methodology which accords to that set out in AVIP. In preparing the financial appraisals in FVA1 the value of the completed development was assessed and then the cost of undertaking the development including a land value and developers profit were deducted. The residual sum that remained was the surplus available for planning contributions such as affordable housing.

4.3.6 The appraisals in FVA2 are based on this same residual methodology. However the appraisals now include any costs associated with the draft local plan policies. The value of the completed development is assessed and then the cost of undertaking the development including emerging plan policies and a developers profit is deducted. The residual sum that remains is the residual land value which is then compared to a benchmark land value (BLV) to determine the surplus or "headroom". Consideration of this then allows an informed decision to be made about the viability of the development in general, and in particular, the ability to fund any further planning policies such as developer contributions policies.

4.3.7 Table 4.1 provides a simple diagram illustrating this approach.

Gross Development Value (value of the completed development)
Less
Cost of Development (inclusive of build costs, fees, finance)
Less
Other Costs (sales and marketing costs, plan policies)
Less
Developers Target Profit
= Residual Land Value
Compare to BLV
= Development Surplus or "Headroom"

Table 4.1: Residual Approach to Viability Testing

4.4 Sites And Typologies

4.4.1 In establishing the sites and typologies to test the PPG suggests that:

4.4.2 *"Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* (Paragraph:003 Reference ID:10-003-20180724)

4.4.3 In this context a typology approach can be used that groups together sites with shared characteristics. However, in terms of strategic sites the PPG is clear that:

"It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan." (Paragraph:005 Reference ID:10-005-20180724)

4.4.4 AVIP at para 3.5.1 suggests that:

"At the plan-making stage, FVAs involve testing representative development typologies and may well involve testing actual key strategic sites. This ensures proper consideration of the financial impact of policy requirements on different locations, types of site (such as greenfield or brownfield), types of development and specific (usually only key strategic) sites."

4.4.5 AVIP also recommends that development typologies should respond to the emerging plan policies and be representative of the expected development, with particular regard to the five-year housing land supply and the forms of development the plan relies on.

Residential Typologies

4.4.6 FVA1 was based on a framework of generic greenfield and brownfield site typologies. Residential typologies assumed densities of between 28 and 31 dwellings per net developable hectare. Table 4.2 contains details of the four sizes of scheme that were tested and the gross to net site area ratios adopted in each case.

Scheme Size (No Dwellings)	Gross to Net Ratio
400	60%
75	75%
50	70%
15	80-86%

Table 4.2: FVA1 Residential Typologies Tested

4.4.7 The viability assessments in this present study are based on the proposed allocations contained in the plan. A financial appraisal has been prepared for each of the housing allocations contained in table 3.1 save for those that are already commitments or form a further phase of existing developments. For each allocation we have adopted the capacity identified in the Local Plan and have applied densities typically at between 30-35 dwellings per net developable hectare. We have then applied a gross to net site area ratios generally in line with those adopted in FVA1. Reductions in gross site area being made to allow for matters such as access requirements, open space and landscaping to achieve a net developable area. These gross and net site areas are then used to inform the land acquisition costs and also the cost of external works and open space requirements. As noted in the response from Persimmon Homes we have adopted a flexible approach that takes into consideration the characteristics and constraints of the particular site. In some cases the gross site area noted in the Local Plan may be larger than required to deliver the capacity identified. Hence in some cases the gross site area that we have assumed may differ slightly from those referred to in the Local Plan.

4.4.8 Full details of the assumptions made for each allocation are contained at **Appendix 3**.

4.4.9 **Policy H7PU** confirms that developments should make the most effective use of land however the Council is not required to include minimum density standards in the Plan. The densities adopted at 30-35 dwellings per net developable hectare are considered to be appropriate to the type and form of new houses expected to be constructed on the allocations.

4.4.10 The allocations tested represent the majority of development sites likely to come forward during the plan period and are considered to be a sufficiently representative sample on which to base a robust assessment of viability. Recognising the fact that smaller windfall sites may come forward during the plan period we have also prepared generic assessments for sites of 5 and 10 dwellings. Sites of this size reflect the affordable housing thresholds in **Strategic Policy H8PU: Affordable housing**.

Form of Development Assumed for Testing (Mix and Dwelling Size)

4.4.11 The typologies in FVA1 were based on a housing mix that included predominantly 2 and 3 bed dwellings, together with a smaller proportion of 4 bed dwellings. In testing the larger typologies an allowance of around 10% was made for bungalows together with a small number of apartments.

4.4.12 To inform the mix and dwelling sizes we have prepared an analysis of recent planning consents in the Borough were sufficient available information exists. This analysis is contained at **Appendix 4**[2]. Table 4.3 contains a summary of the overall dwelling mix taken from this analysis.

No Beds	1 bed	2 bed	3 bed	4 bed	5 bed	6 bed
% Mix	0%	10%	39%	45%	5%	1%

Table 4.3: Dwelling Mix from Planning Application Analysis

4.4.13 This data shows that within the applications analysed the house types have been predominantly 3 and 4 bedroom, with a more limited number of smaller 1 and 2 bed dwellings. Bungalows have also been constructed within the developments analysed.

4.4.14 Policy H7PU requires applicants to demonstrate to the satisfaction of the Council, how their proposals meet the local housing needs and aspirations identified in the SHMA and Housing Needs Assessment. The identified mix is reproduced below at table 4.4.

No Beds	1	2	3	4+
Market	5%	35%	40%	20%
Affordable Home Ownership	15%	45%	35%	5%
Affordable Housing (rented)	30%	40%	25%	5%

Table 4.4: Housing Needs by Bedrooms (SHMA Update 2021)

[2] With reference to the CWR this analysis has been revised to include full address, decision date and planning application reference. Data from three recent planning consents in Allerdale is also separately included.

4.4.15 The mix contained in the SHMA Update includes a higher proportion of 1 and 2 bed dwellings than the planning application mix. In preparing the viability assessments for the various allocations we have adopted a mix that moves towards the requirements of the SHMA (with a relatively high proportion of smaller dwellings), although recognises the analysis from recent planning applications. Table 4.5 contains a summary of the overall mix that has been adopted for the purpose of the viability testing. The comments received through the initial consultation suggest that housing mix assumptions are supported.

No Beds	1 bed	2 bed	2 bed bungalow	3 bed	4 bed	5 bed
% Mix	5%	25%	5%	40%	20%	5%

Table 4.5: Viability Testing Dwelling Mix

4.4.16 To inform the dwelling sizes for testing we have considered the assumptions made in FVA1 together with the analysis of average sizes taken from the planning applications. Table 4.6 contains details of this comparison.

No Beds	1 bed	2 bed	2 bed bungalow	3 bed	4 bed	5 bed
FVA1 (sq.m)		70	65	85	115	
Applications (sq.m)		72	73	83	134	169

Table 4.6: Average Dwelling Sizes – FVA1 and Planning Application Analysis

4.4.17 The Local Plan does not require compliance with the Nationally Described Space Standards. The dwelling sizes contained in FVA1 have been subject to previous consultation and hence we have endeavoured to retain these dwelling size assumptions wherever possible. In the context of the application analysis however, the sizes of the 2 bedroom bungalows and 4 bed houses appear to be small and for the present testing we have applied an increase to these floor areas. One and five bed dwellings were not previously included in the FVA1 testing. In relation to the former and in the absence of evidence as to average sizes from the planning application analysis we have assumed a floor area that accords to the NDSS. For the 5 bed house a floor area that broadly accords to the planning application analysis has been utilised. Table 4.7 contains a summary of the dwelling sizes adopted for the viability testing in FVA2.

No Beds	1 bed	2 bed	2 bed bungalow	3 bed	4 bed	5 bed
Dwelling Size (sq.m)	58	70	70	85	120	170
Dwelling Size (sq.ft)	624	753	753	915	1,292	1,830

Table 4.7: Dwelling Sizes adopted in FVA2

4.4.18 The comments received from Persimmon Homes through the first consultation suggest that the dwelling sizes quoted in most cases are too large, and do not reflect the size of new homes available on the market. They go on to say that the figures quoted are significantly higher than the National Space Standards, which should form the baseline for any future guidance. They also require a breakdown of the recent applications from which these figures have been obtained.

4.4.19 The planning application analysis is provided at Appendix 4. In terms of the size of new dwellings, this is based on those previously consulted and agreed on through FVA1 save were recent planning applications have identified that changes are required. It is only in relation to the 1 bed dwellings that we have adopted a floor area that accords to the NDSS.

4.4.20 At densities of 30 and 35 dwellings per net hectare our experience is that housebuilders target a level of site coverage which is broadly between 13,500 to 15,000 sq.ft per net developable acre. The summary table of the allocations at **Appendix 3** shows that at densities of 30-35 dwellings per hectare, the mix and dwelling sizes that have been adopted produce a site coverage of around 11,600 to 13,900 sq.ft per net developable acre. The level of site coverage particularly at lower densities around 30 dwellings per hectare is conservative and thus represents a suitably cautious approach for the purpose of assessing viability.

4.4.21 In order to test the viability of affordable homes we have adopted the mixes for each affordable tenure based on the SHMA. Given the more limited number of one bed dwellings contained in the housing mix we have slightly increased pro-rata the number of 2 and 3 bed affordable units to account for this.

4.5 Commercial Typologies

4.5.1 In preparing the non-residential development typologies to be tested, we have had regard to the types of development identified in the Local Plan, and have discussed the commercial development that is likely to come forward during the Local Plan period with the Council. We have also considered the likely location of this future development, together with its size, form and specification.

4.5.2 Based on the Local Plan, its evidence base and discussions with Council Officers, we have considered non-residential development scenarios for the Borough based primarily on employment uses. There is some limited potential for new retail development, particularly convenience retail to come forward during the plan period and as a result we have prepared viability assessments for both comparison and convenience retail across a range of sizes.

4.5.3 A summary of the generic commercial typologies is contained in table 4.8.

Development Type	Built Area (sq.m)	Built Area (sq.ft)
Offices	464	5,000
Offices	1,857	20,000
Industrial	464	5,000
Industrial	1,857	20,000
Industrial	4,643	50,000
Industrial	9,287	100,000
Retail (comparison)	929	10,000
Retail (comparison)	2,786	30,000
Retail (convenience)	279	3,000
Retail (convenience)	929	10,000
Retail (convenience)	2,786	30,000

Table 4.8: Commercial Testing Typologies

4.5.4 Employment uses will typically be located on greenfield sites at the edge of the settlement boundary or in existing employment areas. The office uses are also expected to be developed within these areas for example at West Lakes Science Park. There may also be office development on the edge of the town centres particularly Whitehaven. The new office developments would typically be over 2 or 3 floors with some car parking provision.

4.5.5 With reference to the Retail Study it is noted that between 1,700 and 2,000 sq.m of additional convenience floorspace will be required across the Borough. There is no additional requirement for comparison goods floorspace however, with public sector funding for the Key Service Centres of Millon, Egrement and Cleator Moor there is potential for some new development in the town centres. The retail study also identifies opportunities for reconfiguration of comparison floorspace to meet future demand by providing larger sized units with car parking. A range of typologies in terms of size for convenience retail are therefore tested together with more limited testing of comparison retail.

4.6 Publication Draft Local Plan Development Management Policies

4.6.1 For the generic and allocated sites tested, table 4.9 contains a summary of the key polices that impact on viability and how these have been dealt with in the viability testing.

Policy	Requirements	Viability Consideration	Approach to Viability Testing
Strategic Policy H8PU: Affordable housing	Affordable Housing	On sites of 10 units or more (or of 0.5ha or more in size), or on sites of 5 units or more within the Whitehaven Rural sub-area at least 10% of homes provided should be affordable. The policy also seeks a tenure split as follows: 40% - discounted market sales housing, starter homes or other affordable home ownership routes (25% of these must meet the definition of First Homes); 60% - affordable or social rented.	Viability testing undertaken across all allocations and generic typologies inclusive of 10% affordable housing. This is on the basis of 60% affordable rent tenure and 40% discounted market sales housing, starter homes or other affordable home ownership routes. The mix of affordable dwellings in terms of size will be reflective of the mix contained in the SHMA.
Strategic Policy DS2PU: Reducing the impacts of development on Climate Change **Policy H7PU: Housing Density and Mix**	Housing Density and Mix	The Council is not required to include minimum density standards however developments should make effective use of land. Applications are required to demonstrate to the satisfaction of the Council how their proposals meet location housing needs and aspirations identified in the latest Strategic Housing Market Assessment (SHMA) and the Housing Needs Assessment in terms of house type, size and tenure	Viability testing undertaken based on a range of different housing allocations and smaller generic typologies. Dependent on the characteristics of the site testing has been undertaken on the basis of densities in the range of 30 to 35 dwellings per net developable hectare. In a small number of cases the assumed densities are slightly higher. Further details are contained at Appendix 3. The housing typologies assumed adopt a mix that broadly reflects the SHMA with a relatively large number of smaller dwellings.
Policy H6PU: New Housing Development	Future Homes Standards	The supporting text to the policy encourages developers to create efficient housing that goes beyond the minimum energy efficiency standards set out within the Building Regulations where possible.	Requirements to achieve 31% reduction in CO2 are to be introduced in building regulations. The base construction costs and hence the viability testing is inclusive of the costs associated with the new building regulation requirements. In modelling these new nationally set standards the additional costs included range from £6,838 for a detached house to £4,971 for a terraced house.

Table 4.9: Implications of Development Management Policies

Policy	Requirements	Viability Consideration	Approach to Viability Testing
Strategic Policy DS2PU: Reducing the impacts of development on Climate Change **Strategic Policy DS8PU: Reducing Flood Risk** **Policy DS9PU: Sustainable Drainage**	Sustainable urban drainage system (SuDS)	Development on greenfield sites should seek to achieve pre-development or better levels of surface water drainage and on previously developed sites, a reduction in surface water discharge should be sought.	The construction cost assessments include a cost for surface water attenuation. The form of development tested and in particular the inclusion of open spaces addresses the requirement for Sustainable Urban Drainage Systems, and the costs assessed make provision for associated SuDs costs.
Strategic Policy DS2PU: Reducing the impacts of development on Climate Change **Strategic Policy N1PU: Conserving and Enhancing Biodiversity and Geodiversity** **Strategic Policy N3PU: Biodiversity Net Gain**	Biodiversity net gain	All development must provide a minimum of 10% biodiversity net gain over and above existing levels, Net gain should be delivered on site but where this is not appropriate provision is made for delivery in the following order of preference: 1. Off site in a Local Nature recovery Network 2. Off site on an alternative suitable site 3. Through the purchase of appropriate amount of national biodiversity units/credits.	The construction cost assessments include costs associated with requirements for biodiversity net gain. In assessing these costs we have taken into consideration any specific requirements identified in the Housing Allocations Profiles. Open spaces might be multi-functional (ie SuDS, provision for Biodiversity Net Gain and also part of landscaping etc) and in effect so we're considering the 'worst case' scenario from a viability perspective by including additional costs.
Strategic Policy DS5PU: Planning Obligations	Developer Contributions	The Council will secure infrastructure provision/enhancements through planning obligations where it is reasonable, necessary and directly related to the development	The Viability Assessments for each allocation include the costs associated with highways and bus infrastructure identified in the Transport Improvements Study (TIS) and the Site Access Assessment (SAA). It is understood that the Council is still seeking clarification from Cumbria County Council in relation to matters such as education contributions. The viability assessments therefore identify the surplus that is available to fund other potential planning contributions.

Table 4.9: Implications of Development Management Policies

Policy	Requirements	Viability Consideration	Approach to Viability Testing
Policy DS6PU: Design and Development Standards **Strategic Policy N9PU – Green Infrastructure**	Public Open Space	New developments must contribute towards good health and well-being by incorporating high quality, inclusive and useful open spaces. Green infrastructure as part of new development should be maximised and developers should take opportunities to create new connections, expand networks and enhance existing green infrastructure to support the movement of plants and animals. Green infrastructure should be multi-functional where possible and should be considered at the start of the design process.	The development typologies include requirements for onsite public open space and therefore the construction cost assessments are reflective of this. In addition we have included the costs of play provision (i.e. LAP, LEAP etc.) based on certain size thresholds. Until the playing pitch strategy is finalised the Council is not able to identify any contributions that may be required for new pitches. In those cases were the Housing Allocation Profiles identify requirements in relation to new playing pitches, the construction cost assessments include an appropriate cost allowance for new provision.
Policy CO7PU: Parking Standards and Electric Vehicle Charging Infrastructure	Electric Vehicle Charging Points	New residential development is to provide one electric vehicle charging point per dwelling. Where off street parking is not provided a commuted sum will be required in lieu. For non-residential development at least one charging point per 10 spaces is to be provided with infrastructure to enable the future installation of charging points in every parking bay.	We have undertaken viability testing inclusive of the costs associated with the provision of electric vehicle charging points at £581 per point. For commercial developments we have included for the provision of EVCs and associated infrastructure in the construction cost assessments. £2,980 per space has been included for the charging point together with appropriate costs for infrastructure provision to enable future installation.

Table 4.9: Implications of Development Management Policies

5.0 PROPERTY MARKET COMMENTARY

5.1 Overview of Copeland

5.1.1 Copeland is a local authority situated in western Cumbria. Copeland Borough Council was formed 1974 by the merger of the Borough of Whitehaven, Ennerdale Rural District Council and Millom Rural District Council. In July 2021 the Ministry of Housing, Communities and Local Government announced that in April 2023, Cumbria will be reorganised into two unitary authorities. Copeland Borough Council is to be abolished and its functions transferred to a new authority, to be known as Cumberland Council, which will cover the districts of Allerdale, Carlisle, and Copeland.

5.1.2 The mid-2019 population estimate for Copeland is 68,183. In 2018 Copeland had the third highest median income of UK local authorities, however this median hides the wide differences in income between those who work at the Sellafield site and those working elsewhere in the borough.

5.1.3 The main town and administrative centre is Whitehaven. The Borough also includes the market towns of Egremont, Cleator Moor and Millom. Copeland (including the area within the Lake District National Park) covers approximately 731.7 km². There is a distance of 56 km (36 miles) separating Distington to the north and Millom to the south of the Borough.

5.1.4 Copeland is bordered to the north and east by the Borough of Allerdale. South Lakeland and Barrow in Furness form part of the eastern boundary. To the south and west is the Irish Sea. The eastern part of the Borough is within the Lake District National Park, and the National Park splits the Borough in two just south of Holmrook and to the north of Kirksanton. This leaves Millom and Haverigg as a small isolated portion of the Local Plan area in the south of the Borough. Millom/Haverigg often look to Barrow as their principal settlement as much, if not more than, Whitehaven.

5.1.5 The A595 runs north - south through the Borough. It provides a link north to Carlisle and the M6 motorway and to the south to Barrow. The A565 also links to the A66 at Workington and gives access to the M6 to the east at Penrith. The respective distances by road from Whitehaven are Workington 8 miles, Carlisle 36 miles and Penrith 43 miles. From Millom there is access to the M6 36 miles to the east via the A590.

5.1.6 The Cumbrian Coast railway lines runs through the Borough from Carlisle to Barrow in Furness from where is continues to Carnforth and connects with the West Coast Main line. There are 14 railway stations along this line within the authority boundary albeit 3 of the stations are within the national park. The journey time from Millom to Whitehaven by rail is approximately 55 minutes and from Whitehaven to Carlisle is approximately 1 hour and 10 minutes.

5.1.7 The 2019 Indices of Deprivation show Copeland was ranked as the 78th most deprived area out of 317 districts and unitary authorities in England, when measured by the rank of average LSOA rank.

5.1.8 According to Copeland Economic Development Needs Assessment the local economy currently supports around 35,900 jobs, and has seen strong economic growth since 2009 whereby productivity (GVA per head) exceeds the Cumbrian and North West levels. A high proportion of people live and work in Copeland. The majority of businesses are small businesses with between 0 and 9 employees, at 85.49% this is very slightly higher than the Cumbrian, North West, and National levels. Copeland has particularly high proportions of jobs in the Manufacturing sector, accounting for 33.36% of jobs of which 83% are at Sellafield, compared to 7.78% nationally. The Construction sector is strong in Copeland relative to both the region and the national rate. This is strongly driven by specialist construction activities related to Sellafield. The sectors relating to hospitality and tourism all have low representation compared to regional and national rates.

5.1.9 Copeland's economic geography is focussed in the north-west of the borough, with the A595 corridor from Calder Bridge northwards being considered the most attractive locations for commercial activity, and hence the locations in greatest demand for employment space. This is due to the combination of access to existing centres of employment in the borough at Sellafield, Whitehaven, Cleator Moor, and Westlakes Science and Technology Park; and access to the A595 providing transport links. Future economic growth prospects are linked to the development of a Cumbria Clean Energy Park (an energy hub around the Moorside site which is identified to provide a large scale nuclear power station), the development of Woodhouse Colliery and of course the ongoing decommissioning and environmental clean-up of the Sellafield site itself.

5.1.10 Whitehaven town centre is the principal centre in Copeland Borough and provides the main hub of retail and service uses. According to the West Cumbria Retail Study the town centre provides an offer which complements that of nearby Workington. There are a number of supermarkets within the Town Centre including Tescos, Morrisons, Asda and Aldi. The former bus station in the town has recently been redeveloped to provide space for food and drink uses, business incubators, a hotel and offices. The retail study found that the town centre is well served in terms of convenience floor space however is lacking in terms of its overall offer of national multiples which is likely due to the strong commercial representation in Workington town centre.

5.1.11 In terms of the key service centres then the retail study notes that Cleator Moor has the highest vacancy rate. As a result of the limited retail provision in Cleator Moor and the proximity of Whitehaven, residents of Cleator Moor are looking elsewhere to meet many of their convenience and comparison goods shopping needs. The town centre does however provide a key service for local residents, particularly less mobile residents who do not have access to a private vehicle. The town will benefit from the successful Towns fund bid.

5.1.12 Egremont has a diverse mix of uses and a good level of independent traders/retailers, along with a national multiple anchor store in the form of a Co-op Food store. It does however have a vacancy rate higher than the UK national average. The town has been successful in securing Borderlands funding.

5.1.13 Millom has a strong anchor store and secondary convenience offer, however there is a large cluster of vacancies which detract from both the environmental quality and viability of the area. The successful towns fund bid will be important in securing the renovation and reuse of these vacant buildings.

5.1.14 A map of Copeland reproduced from the Publication Draft of the Local Plan contained at Figure 5.1.

Figure 2: Key Diagram

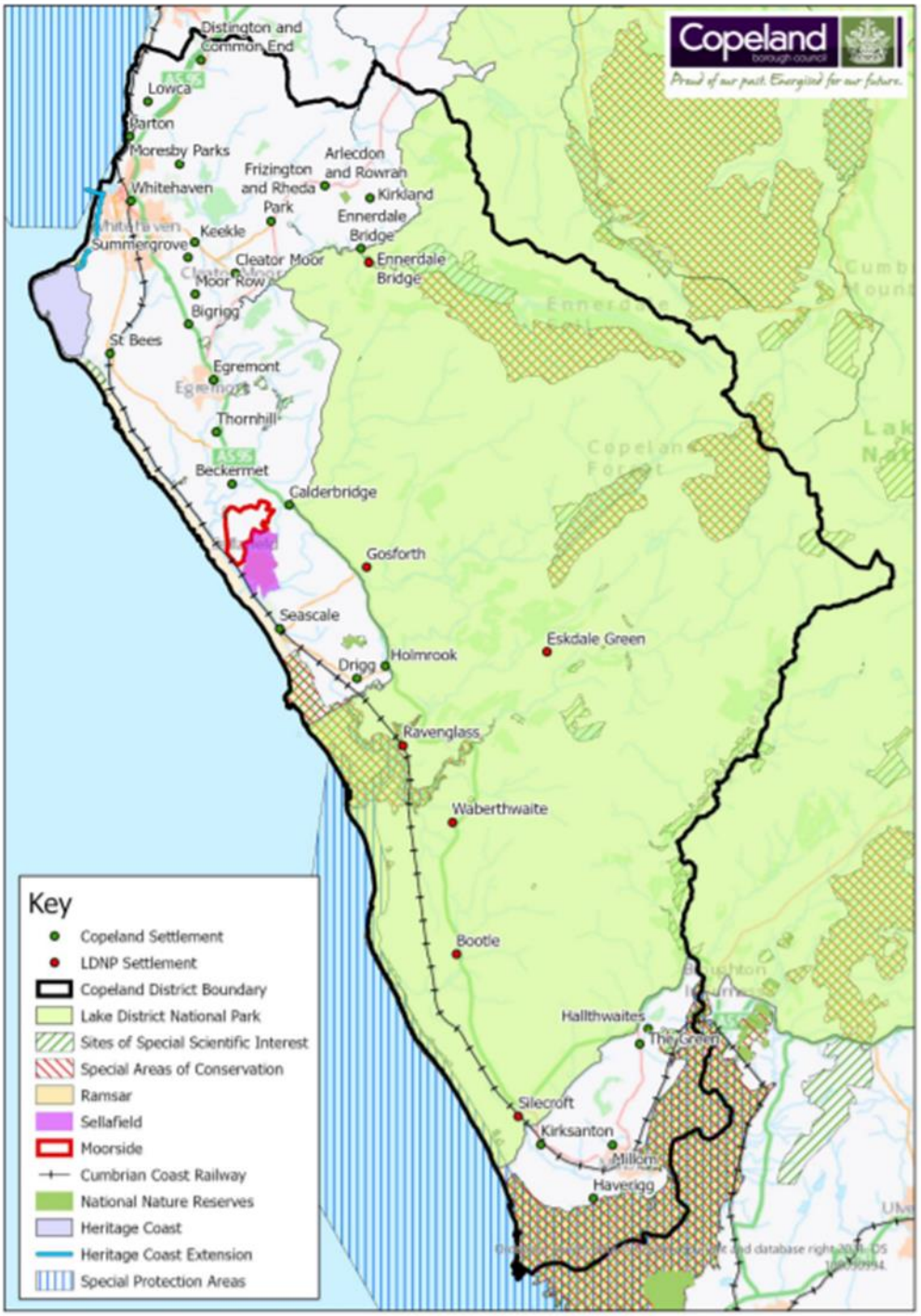


Figure 5.1: Map of Copeland

5.1.15 The Housing Needs Study for Copeland identifies that housing in the Whitehaven Rural sub-area is the most expensive in the Borough, it also identifies this area as a priority for affordable housing development. We have reproduced below figure 9 from the Local Plan that identifies the Housing Needs Study Sub Areas.

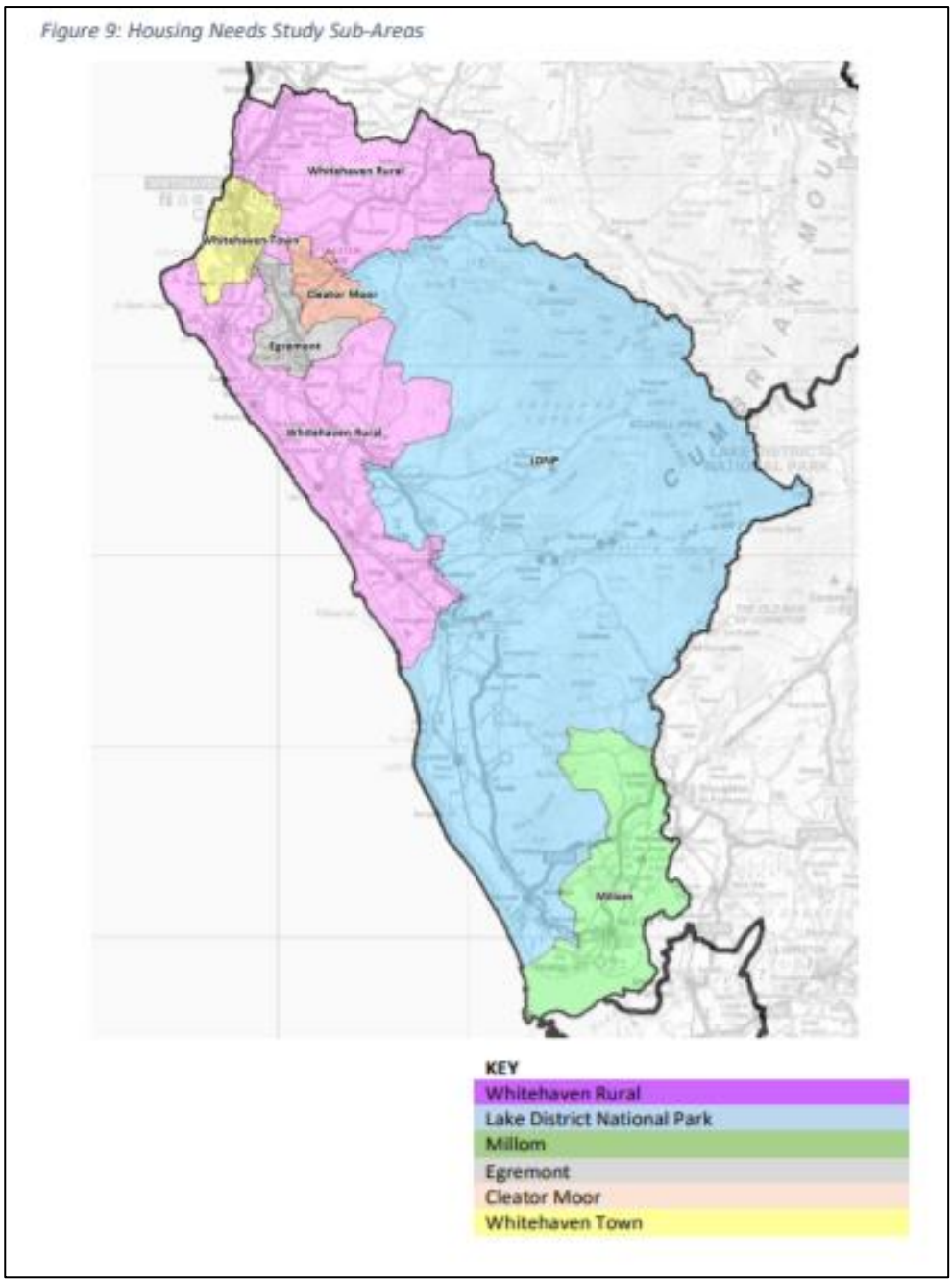


Figure 5.2: Housing Needs Study Sub-Areas

5.2 Residential Property Market

Residential Property Market (December 2021)

5.2.1 FVA1 was principally based on residential property market evidence collated from 2016 and 2017. This evidence included average price paid information from Land Registry together with "Zed-Index" figures from Zoopla. More specific evidence was taken from new build sales in Whitehaven during 2016-2017. In the remainder of the Borough there were fewer new developments and hence new build sales evidence was considered dating back to June 2012. LSH noted that in the key service centres of Millom and Egremont there has been no new build activity during the period since 2012. As a result LSH considered evidence of resales of modern houses built since 1997.

5.2.2 Table 5.1 contains details of the average gross development values (GDVs) per sq.m (and per sq.ft) that were adopted in FVA1 based on the analysis of house prices undertaken by LSH.

Location	2 bed bungalow	2 bed house	3 bed house	4 bed house
Whitehaven	£2,307 (£214)	£1,858 (£173)	£1,882 (£175)	£1,740 (£162)
Key Service Centre	£2,230 (£207)	£1,787 (£166)	£1,765 (£164)	£1,653 (£154)
Local Centre/Village (average value)	£2,230 (£207)	£1,787 (£166)	£1,765 (£164)	£1,653 (£154)
Local Centre/Village (high value)	£2,512 (£233)	£2,144 (£199)	£2,117 (£197)	£2,001 (£186)

Table 5.1: Analysis of FVA1 House Prices

5.2.3 In updating the residential sales evidence we have firstly considered house price trends over the period since FVA1 was published. Following this we have analysed evidence from new housing developments in the Borough. In those instances where limited new build sales evidence exists we have also taken into consideration sales data taken from resales of modern dwellings.

5.2.4 Firstly to put house prices in Copeland into context we have sourced average price data from Land Registry for Copeland and the other Cumbrian authorities. This data is for October 2021, the most recent data set provided by Land Registry (at the time the FVA2 draft was published). Table 5.2 contains details of overall average house prices and by house type for the various local authorities together with Cumbria as a whole. The house price information has been sorted so that the most expensive authority based on the overall average price is shown first and then the remaining authorities are ranked in descending order.

Authority	Overall (£)	Detached (£)	Semi (£)	Terraced (£)	Flat (£)
South Lakeland	£277,487	£432,559	£283,623	£231,970	£163,621
Eden	£241,054	£348,651	£228,656	£186,834	£131,938
Allerdale	£168,092	£255,645	£164,586	£134,301	£102,002
Carlisle	£153,305	£262,151	£156,416	£119,157	£83,897
Copeland	**£137,868**	**£228,136**	**£133,972**	**£108,607**	**£84,453**
Barrow	£133,347	£236,386	£162,844	£111,907	£76,755
Cumbria	£178,976	£300,473	£179,952	£138,132	£118,876
North West	£193,415	£345,619	£206,292	£146,072	£135,418

Table 5.2: Land Registry Average House Prices (Oct 2021)

5.2.5 The data in all cases save for Barrow and Carlisle includes sales within the National Park. The data shows that in comparison with the neighbouring authorities, then based on average prices, Copeland is a relatively inexpensive housing market area. It is ranked in 5th place in terms of average house prices with only Barrow to the south having lower overall average house prices.

5.2.6 The average house price in Copeland at £137,868 is below the average house price for the Cumbria as a whole at £178,976. It is also below the northwest average of £193,415. The overall average house price for Copeland reflects the character of the existing housing stock. In many areas this is dominated by older, small terraced houses and former Local Authority Housing. These homes generally sell for prices less than £100,000. This has a limiting impact on average house prices across the Borough.

5.2.7 The sales evidence collected for FVA1 related to sales that had primarily taken place during 2016-2017. This is now historic given house price changes over the last 4 years. Figure 5.3 is based on data from Land Registry relating to average house prices over the period from December 2017 when FVA1 was published to October 2021.

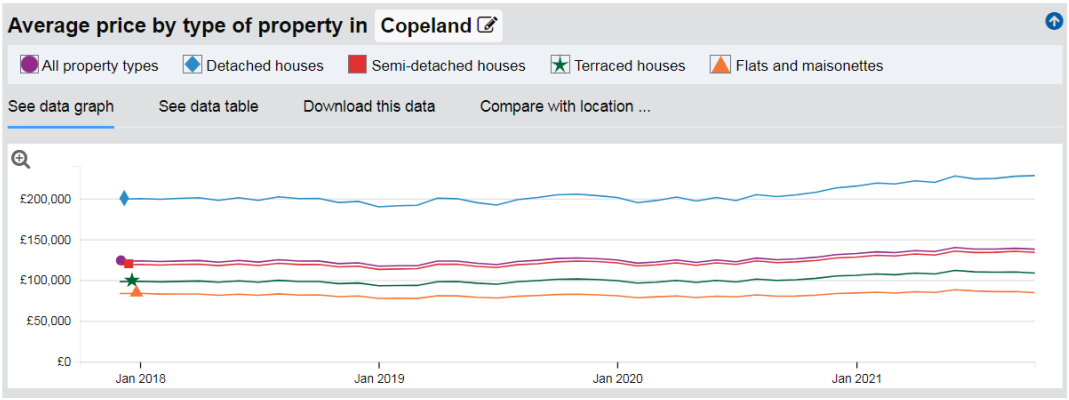


Figure 5.3: Average House Price Increases Dec 2017 to Oct 21 (Source Land Registry)

5.2.8 Table 5.3 contains this average price data in tabular form and compares the December 2017 average prices across the respective house types with those at October 2021. The data shows that over this period the overall average house price has increased by 12.12% in Copeland. The house price growth in relation to detached houses has been particularly strong with an increase of just under 15% over this period. As figure 5.3 shows house prices were relatively stable over the period until the middle of 2020. House price growth has predominately occurred since July 2020. Since then the overall average house price has risen from £122,507 to £137,868 in October 2021. This is an increase of 12.54% over the period.

Type	Dec 2017	Oct 2021	Increase
Detached	£199,142	£228,136	14.56%
Semi	£118,537	£133,972	13.02%
Terrace	£98,074	£108,607	10.74%
Flat	£83,357	£84,453	1.31%
Overall	£122,964	£137,868	12.12%

Table 5.3: Average House Price Increases Dec 17 to Oct 21 (Source Land Registry)

5.2.9 For the purpose of FVA2 the best evidence of house prices is that obtained from newly built dwellings. Hence the sales prices for new homes are particularly relevant here. We have set out in table 5.4 details of the average price of new houses in the Borough in comparison with existing stock over the period since 2017. The latest new build average price information provided by Land Registry relates to September 2021.

Date	New Build	Existing Stock
December 2017	£158,784	£121,506
September 2021	£200,587	£136,325
% Increase	**26.33%**	**12.2%**

Table 5.4: Average House Price Increases– New Build v Existing (Source: Land Registry)

5.2.10 This data from Land Registry shows that the average price of a newly built house has increased by 26% over the period since December 2017. This is twice the level of increase for existing stock. It should be noted however that new build sales represent just 5% of the overall total sales during the period.

5.2.11 Looking forward the latest house price forecast from Savills (at the date of the draft FVA2) suggests that the mainstream markets of Wales, Scotland and the North of England will show the strongest price growth across the Country over the next few years. The November 2021 forecast from Savills predicts that house prices across the northwest will continue to rise over the next 5 years. Table 5.5 contains a summary of the predicted increases.

2022	2023	2024	2025	2026	5 years to 2026
4.5%	4.0%	3.5%	3.0%	2.5%	18.8%

Table 5.5: Savills House Price Forecast (Nov 21)

New Houses

5.2.12 The data contained in the preceding paragraphs is helpful to an understanding of relative house prices in the Borough and underlying house price trends. It demonstrates that there has been house price growth since FVA1 was published and that this house price growth has been particularly strong since July 2020. The data also illustrates the fact that there have been comparatively few new house sales recorded at Land Registry over the last few years with new house sales representing 5% of total sales.

5.2.13 To fully inform this study it is necessary to understand the prices that are likely to be achieved for the sale of newly constructed dwellings at the present time. The best evidence of house prices for this purpose comes from recent sales of new dwellings in the Borough.

5.2.14 To inform the evidence base for FVA2 we have prepared an analysis of sales prices over the period since June 2019. The information is sourced from Land Registry and relates to newly built housing developments in Copeland. **Appendix 5** contains an overview of the research undertaken. The information also includes details of any recent resales on these developments together with current marketing prices both for new dwellings and in some cases resales.

5.2.15 The data has been analysed based on the size of the dwelling to provide for comparative purposes a price per sq.m (and per sq.ft). The floor areas for the dwellings are sourced either from the planning application documents where provided or the Energy Performance Certificates for the respective dwelling.

5.2.16 With reference to this analysis of new build sales it is clear that sales of new houses have taken place over the last 18 months but due to a significant time lag they are still not recorded at Land Registry. In the tables for new build sales at **Appendix 5** we have highlighted the most recent new build sale recorded. There are no sales yet recorded during 2021 and the most recent transactions are from November 2020.

5.2.17 Land Registry house price data demonstrates that there has been house price growth over the last 12-18 months. However much of the available new build sales price information at **Appendix 5** is more historic and this house price growth is not necessarily captured in the data. Hence to further inform an assessment of new house prices we have also considered current asking prices for available dwellings as well as evidence from resales on the respective developments which is often more up to date than the new build sales evidence.

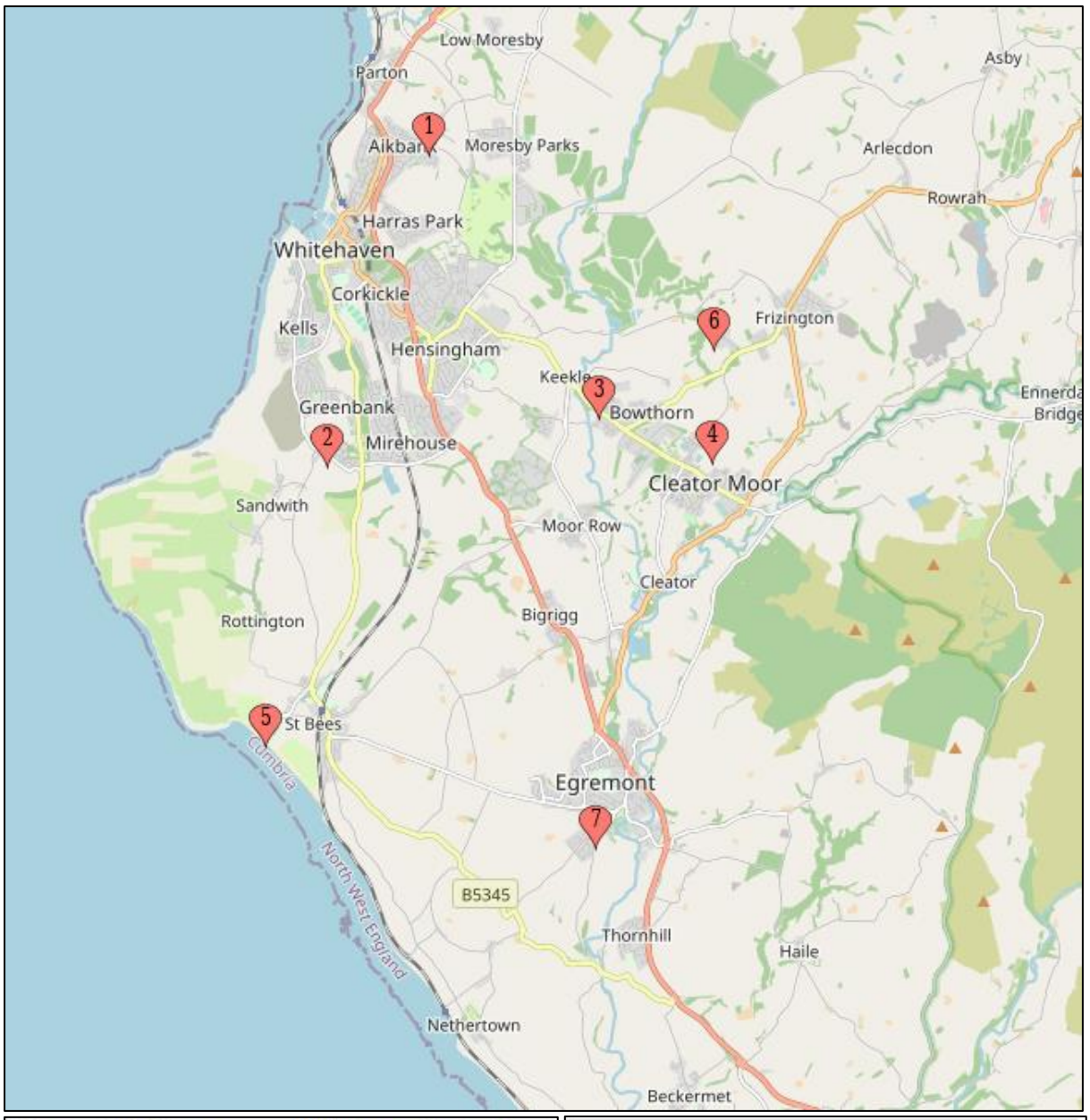
5.2.18 An overall summary of the data contained in **Appendix 5** is provided in table 5.6.

5.2.19 In table 5.6 the average prices per sq.m and per sq.ft have been rounded to the nearest £1 and in the case of the new build sales are presented without any adjustments for incentives that might have been required to secure a sale. At the present time our experience is that such incentives are limited. We have also provided at figure 5.4 a map showing the location of the various developments that are listed.

			Sold Prices		Asking Prices		
Ref	**Development**	**Location**	**Ave per sq.m**	**Ave per sq.ft**	**Ave per sq.m**	**Ave per sq.ft**	**Comments**
1	The Mount	Whitehaven	£2,544	£236			A development of bungalows overlooking Whitehaven. The last new build sale was recorded in Nov 20. One recent resale at £2,802 per sq.m (£260 per sq.ft). Limited current availability asking prices from £2,343 - £2,767 per sq.m (£218 - £257 per sq.ft. The development was considered in FVA1 and at that time no sales had completed. The average asking price was £2,070 per sq.m (£192 per sq.ft).
2	Edgehill Park	Whitehaven	£2,100	£195	£2,174	£202	A large scale development of over 400 houses on the southern edge of Whitehaven. The last new build sale was recorded in Nov 20. Available new build properties are mainly larger 4 and 5 bed detached dwellings. Small number of recent resales have been at an average of £2,127 per sq.m (£198 per sq.ft). Existing properties are currently being marketed with an average price equating to £2,192 per sq.m (£204 per sq.ft). The development was considered in FVA1 and at that time the average sale price was £1,988 (£185 per sq.ft).
3	Keekle Meadows	Cleator Moor	£1,932	£179			A development of relatively large 3, 4 and 5 bed houses to the north west of Cleator Moor. The last new build sale recorded was in Sept 20. There is no current availability. Recent resales evidence shows an average price paid of £2,048 per sq.m (£190 per sq.ft). The development was considered in FVA1 and at that time the average sale price was £1,621 (£151 per sq.ft).

			Sold Prices		Asking Prices		
Ref	**Development**	**Location**	**Ave per sq.m**	**Ave per sq.ft**	**Ave per sq.m**	**Ave per sq.ft**	**Comments**
4	Ennerdale View	Cleator Moor	£1,309	£122			A development of 60 relatively large 3, 4 and 6 bed houses together with 2, 3 and 4 bed bungalows. The development is situated on the north eastern edge of Cleator Moor. The sales listed relate to 2.5 storey dwellings and dormer bungalows with an overall average size of 205 sq.m (2,210 sq.ft).
5	Seacote Gardens	St Bees	£2,042	£190			Small development of predominantly semi-detached and terrace properties located off the seafront car park. The last sale was Nov 2020.
6	Beckstones	Frizington			£2,977	£277	A new development of 55 dwellings including 19 bungalows. The development is located to the west of Frizington on North Park. The developer's website shows that 34 properties are presently sold or reserved. No sales are currently recorded at Land Registry. The average asking price for bungalows on the development is £3,325 per sq.m (£309 per sq.ft) and for houses the average is £2,541 per sq.m (£236 per sq.ft).
7	Florence Drive	Egremont			£2,470	£229	A new development of 28 dwellings including 3 discounted market sale units. The developer's website shows that 23 properties are presently sold or reserved. No sales are currently recorded at Land Registry.

Table 5.6: Summary of New Build Sales and Asking Prices



1	The Mount - John Swift Homes	Whitehaven, Copeland, Cumbria, North West England, England, CA28 6AJ, United Kingdom
2	Edgehill Park - Story Homes	Whitehaven, Copeland, Cumbria, North West England, England, CA28 9BW, United Kingdom
3	Keekle Meadows - High Grange	Cleator Moor, Copeland, Cumbria, North West England, England, CA25 5DF, United Kingdom
4	Ennerdale View	Cleator Moor, Copeland, Cumbria, North West England, England, CA25 5DZ, United Kingdom
5	Seacote Garden	St. Bees, Copeland, Cumbria, North West England, England, CA27 0AT, United Kingdom
6	Beckstones, Rheda North Park - Genisis Homes	Rheda Park, Arlecdon and Frizington, Frizington, Copeland, Cumbria, North West England, England, CA26 3TA, United Kingdom
7	Florence Drive - Glesons	Egremont, Copeland, Cumbria, North West England, England, CA22 2JL, United Kingdom

Figure 5.4: Location of New Housing Developments

5.2.20 With reference to table 5.6 there is a limited available evidence relating to new build sales prices in Copeland. The sales data for Edgehill Park shows that for a typical development of new housing to the south of Whitehaven it is possible to achieve overall average prices of £2,100 per sq.m (£195 per sq.ft). Indeed current asking prices and more recent evidence from resales indicate average values in excess of £2,153 per sq.m (£200 per sq.ft) are realistic.

5.2.21 The Mount development comprises entirely bungalows and it is situated overlooking Whitehaven with extensive sea views. As a result the specific aspect and location of the individual plot has an impact on value. The average price achieved based on recorded sales is £2,544 per sq.m (£236 per sq.ft) and this represents an increase of just under 23% in comparison with the average asking prices for this development recorded in FVA1.

5.2.22 The new build sales evidence for Keekle Meadows in Cleator Moor shows an average price of £1,932 per sq.m (£179 per sq.ft) however the last recorded new build sale was over 15 months ago. The more recent evidence from resales shows an average price paid of £2,048 per sq.m (£190 per sq.ft). We would expect a premium to be paid for a new dwelling in comparison to a resale, and in the circumstances it would be reasonable to assume that new houses on this development would achieve in excess of £2,048 per sq.m (£190 per sq.ft).

5.2.23 Sales evidence is also included for Ennerdale View however the dwellings on this development are significantly larger than the average sizes assumed for the viability testing. As a result of the size of the dwellings and the fact that many of the houses are 2.5 storey, the prices paid are disproportionately low. Purchasers will typically discount the rate paid for the upper floor of a 2.5 storey house, whilst pro-rata as the dwellings become larger the price per sq.m tends to reduce. The evidence from this development is not directly comparable for the purpose of this assessment.

5.2.24 At Seacote Gardens in St Bees recent sales have been at average prices equating to £2,042 per sq.m (£190 per sq.ft), although the detailed data at **Appendix 5** shows that the sales prices vary from £2,479 per sq.m (£230 per sq.ft) for a detached house to £1,791 per sq.m (£166 per sq.ft) for a terraced house.

5.2.25 The new development by Genesis Homes at Beckstones Gardens provides an indication of the values achievable for sites in superior market locations within the Borough. Unfortunately no sales are yet recorded at Land Registry, however current asking prices provide a useful indication of likely values. These asking prices also show the level of premium that could be paid for bungalows in comparison with typical 2 storey houses. The average asking price for bungalows on the development is £3,325 per sq.m (£309 per sq.ft) whilst for houses the average is £2,541 per sq.m (£236 per sq.ft). This is an uplift of just over 30% for a bungalow.

5.2.26 Gleesons have undertaken the new development at Florence Drive in Egremont. Again although dwellings have sold, the sales are not yet recorded at Land Registry. The average asking price for the remaining dwellings is £2,470 per sq.m (£229 per sq.ft). The range of prices are from £2,186 per sq.m (£203 per sq.ft) for the largest available 4 bed dwelling to £2,789 per sq.m (£259 per sq.ft) for a 3 bed detached house.

5.2.27 Due to the limited number of new housing developments in the Borough we have also taken into consideration resales evidence for more modern dwellings. The detailed information relating to these sales is contained in **Appendix 6** whilst table 5.7 contains a summary of this analysis. The analysis of modern resales principally relates to sales in Whitehaven and in the key and local service centres. In the villages and the local service centre of Thornhill there are few modern resales on which to base an analysis. For completeness however we have included at **Appendix 6** details of all sales in those villages together with Thornhill where allocations are proposed. Within this data any more modern dwellings have been identified and are highlighted green.

Location	Average Price (per sq.m)	Average Price (per sq.ft)
Whitehaven		
Harras Moor	£2,340	£217
Moresby Parks	£1,953	£181
Waters Edge	£2,273	£211
Edgehill Park Early Phases	£1,910	£177
Hensingham	£1,800	£167

Table 5.7: Analysis of Modern Resales

Location	Average Price (per sq.m)	Average Price (per sq.ft)
Egremont	£2,108	£196
Millom	£2,150	£200
Cleator Moor	£2,167	£201
Seascale	£2,098	£195
St Bees	£2,229	£207
Arlecdon/Rowah	£2,057	£191
Distington	£2,018	£188

Table 5.7: Analysis of Modern Resales

5.2.28 Newly constructed houses will typically command a premium when compared to existing properties, indeed according to research by Unlatch the average premium across the UK in 2021 was 40.2%. The dwellings considered in the analysis at table 5.7 are all relatively new and in good order. As a result we would not expect to see a new build premium at anything like 40%, it would however be reasonable to expect a modest increase to the average prices in table 5.7 for a new dwelling.

5.2.29 There is little evidence of modern resales in Distington on which to base an assessment. With reference to the sales data at **Appendix 6**, a bungalow constructed in 2014 as part of the Scholars Green development sold in May 2021 for a price equating to £2,208 per sq.m (£205 per sq.ft). This development is referenced in FVA1 and the average sales prices for the new dwellings are identified as being £1,971 per sq.m (£183 per sq.ft). This recent resale demonstrates an increase in prices in comparison with those identified in FVA1.

5.2.30 To further inform an assessment of sales prices in Distington and North Copeland generally we have also considered the prices paid for new and modern dwellings in High Harrington. High Harrington borders Distington although is situated on the other side of the Borough boundary in neighbouring Allerdale. In particular we have considered sales of new houses at the Meadows development and also resales at Whins Close. The latter is a development completed by Story Homes in the last 5 years. Figure 5.5 shows the location of these developments in comparison with Distington.

1	The Meadows	Workington, Allerdale, Cumbria, North West England, England, CA14 5NW, United Kingdom
2	The Whins	Workington, Allerdale, Cumbria, North West England, England, CA14 4AD, United Kingdom

Figure 5.5: Location of the Meadows and Whins Close

5.2.31 The sales evidence from these developments is contained at **Appendix 7**. The average price paid for new houses at the Meadows development over the period from June 2019 is £2,051 per sq.m (£191 per sq.ft) however the last sale recorded was in July 2020. In fact many of the transactions listed are now quite historic as they date back to 2019. A number of the house types are 2.5 storey hence the price paid is lower pro-rata than for typical 2 storey houses.

5.2.32 The resales information from Whins Close is more up to date and does include a number of transactions during 2021. The evidence from this development shows an overall average price paid of £2,222 per sq.m (£206 per sq.ft). In light of this resales evidence it would be reasonable to assume that new build sales values in High Harrington would be at a premium to £2,222 per sq.m (£206 per sq.ft). Even taking into consideration any perceived market difference between Distington and High Harrington average prices for new houses in Distington would be the region of £2,260 per sq.m (£210 per sq.ft).

Assessment of House Prices

5.2.33 There are a number of themes arising from the analysis of new build house prices, namely:

a. A relatively significant rise in house prices, as evidenced by Land Registry average house price data, has taken place over the last 18 months;

b. House prices have now increased to levels above those tested in FVA1;

c. There are relatively few new housing developments in Copeland at the present time;

d. There is also a lack of available recent sales data across these new developments due to the backlog in registrations at Land Registry;

e. The assessment of house prices in many parts of Copeland is reliant on evidence of resales of modern houses;

f. There are variations in prices between new houses and bungalows, with bungalows generally selling for a higher price per sq.m than a typical two storey house.

5.2.34 Having evaluated the available house price evidence (both new build and existing stock) and taking these themes into consideration, we have used our judgement and experience to assess a reasonable range of values against which to test the viability of new housing development in the Borough.

5.2.35 The construction cost assessments used in this FVA are based on the cost position during the fourth quarter of 2021. Much of the available sales evidence is now over 18 months old so it is relatively historic and does not necessarily reflect recent price increases as evidenced by Land Registry data. In the absence of more up to date sales evidence there is a danger that costs and values will not be aligned. The consequence of this is that viability will be understated. Hence we have sought, based on available evidence to adopt an assessment of values that represents a reasonable and realistic up to date position.

5.2.36 The evidence of new build and modern resales around Whitehaven supports a range of values at £2,153 to £2,476 per sq.m (£200 to £230 per sq.ft). There will be instances where the specific location of the site or nature of the developer means that the values achieved will be towards the lower end of this range. Conversely for the best sites with extensive views values closer to £2,476 per sq.m (£230 per sq.ft) would be realistic.

5.2.37 Based on the available evidence we believe that values in the Key Service Centres of Cleator Moor, Egremont and Millom will be similar to those in Whitehaven, albeit it is not expected that values here will exceed £2,368 per sq.m (£220 per sq.ft).

5.2.38 In the Local Service Centres and Villages the sales evidence also supports a similar range of values at £2,153 to £2,368 per sq.m (£200 to £220 per sq.ft). There are instances where prospects exist to achieve higher values for example St Bees and Beckermet. In these locations we consider that values in the range of £2,368 to £2,583 per sq.m (£220 to £240 per sq.ft) would be realistic.

5.2.39 Table 5.8 contains a summary of the range of values that have been adopted for the purpose of FVA2. The values per sq.ft are included in brackets. These values are broadly similar to those previously consulted on. The differences are a slight uplift to the values for Cleator Moor and also an adjustment to the minimum sales price for Whitehaven from £2,099 per sq.m to £2,153 per sq.m (£195 to £200 per sq.ft).

Location	Min	Max
Whitehaven	£2,153 (£200)	£2,476 (£230)
Key Service Centres	£2,153 (£200)	£2,368 (£220)
Local Service Centres/Villages (average)	£2,099 (£195)	£2,368 (£220)
Local Service Centres/Villages (high)	£2,368 (£220)	£2,583 (£240)

Table 5.8: Summary of Residential Sales Prices Adopted for FVA2

5.2.40 Ultimately the values that are achieved for houses in Copeland will reflect the specific location and characteristics of a site. It is likely that slightly higher or conversely slightly lower values may be appropriate to the particular location. This is relevant to the testing of the proposed allocations where the location is known and the values adopted can be adjusted to reflect the circumstances of the site. We have provided at Section 6 and **Appendix 8**[3] details of the specific value assumptions made for each of the allocations tested.

5.3 Commercial Property Market

Offices

Northwest Region

5.3.1 Although Copeland and Cumbria in general is relatively distinct from the wider North West Office market, we have nevertheless provided a brief overview of the latter for context.

5.3.2 Manchester dominates the supply and take up of office accommodation in the North West. Approximately 1m sq.ft was let in Manchester during 2021. The highest rental achieved is £414.41 per sq.m (£38.50 per sq.ft) per annum (pa) (Grant Thornton at Landmark). This is significantly higher than other North West Centres including Liverpool at £263 per sq.m (£24.50 per sq.ft) and Warrington at £215 per sq.m (£19.97 sq.ft).

5.3.3 Cumbria remains one of the cheapest markets in which to rent office property in the North West. Rents here are on average more than 50% lower than the highest rents seen in Manchester.

5.3.4 Rental growth in the region has and will continue to ease into 2022 as the impact of reduced demand due to the Covid pandemic takes effect. According to CoStar's latest forecast, the outlook is for an easing back of growth over the next couple of years, as the impact of reduced occupier demand takes effect on rental gains.

[3] Appendix 8 table updated to include commentary relating to values for HWH1 which had been omitted in draft version.

5.3.5 Demand from buyers has also been reduced by the impact of the Covid pandemic. Investor appetite for well let prime assets remains healthy, while secondary and less modern space faces being redeveloped or repurposed. There has also been limited stock coming on to the market due to Covid conditions. Sales volumes at the beginning of 2021 achieved a two-year quarterly high, although overall during the last 12 months sales volumes remain suppressed.

5.3.6 The majority of deals in the Cumbrian office market have been at the small end of the scale and limited in number.

Cumbria

5.3.7 Cumbria is one of the UK's smallest office markets and ranks low in the North West Region as a whole. There is only small sporadic office centres throughout the region. The key industries include tourism, advanced manufacturing and logistics, none of which provides large or consistent office demand. Inward investment from private sector office-using industries is scarce with the professional and business services, finance and information sectors all under-represented.

5.3.8 Cumbria's vacancy rate (according to Costar) is currently 3.9% and this is relatively low due to a lack of supply pressure. Most of the market's larger office buildings are occupied on long-term leases by public sector organisations whilst smaller properties are typically home to small and medium-sized local businesses. It unusual for new lettings to exceed 279 sq.m (3,000 sq.ft). There have been no noteworthy lettings in excess of this figure since the Covid pandemic began.

5.3.9 Construction activity is limited due to a lack of demand. Harding Rise House is the most noteworthy recent delivery providing 1,486 sq.m (16,000 sq.ft). It was developed at Waterfront Business Park in Barrow-in-Furness and provides managed business space aimed at SMEs looking to expand. The scheme was funded by Barrow Borough Council and the European Regional Development Fund.

5.3.10 Rental growth fluctuates mainly due to the disparate nature of office accommodation across the region. According to Costar rental growth has been positive during 2021 at 2.1%, but the longer term 10 year growth rate is at 0.2% per year.

5.3.11 Cumbria is one of the UK's least expensive office markets. Rent tends to range from £97 to £172 per sq.m (£9 to £16 per sq.ft) pa, with the bulk of transactions achieving rents at the lower end of this range.

5.3.12 The sales market is equally muted. According to Costar the last 3 years has shown an average 12 month sale volumes of just £4.6 million and Cumbria's average office yields are among the highest in the UK at 9.4%. This reflects weak long-term rental growth and relatively few investors active in the market.

5.3.13 The Nuclear Decommissioning Authority purchased two buildings at Westlakes Science and Technology Park for £7.2 million or £1,023 per sq.m (£95 per sq.ft) in 2019. This represents the largest transaction for the region in recent times.

5.3.14 The Cumbrian office market comprises 6 sub markets. Table 5.9 contains details of the respective market size together with headline rents, values and vacancy rates.

Submarket	Total Asset Value/ Market Size	Headline Rent (per sq.ft pa)	Headline Value (per sq.ft)	Vacancy Rate
Carlisle	£182m 1.7m sq.ft	£10.41	£104	4.7%
South Lakeland	£131m 958,000 sq.ft	£10.09	£137	3.0%
Copeland	£113m 640,000 sq.ft	£11.89	£176	3.6%
Barrow-in-Furness	£61.9m 539,000 sq.ft	£9.39	£115	3.8%
Allerdale	£53.8m 446,000 sq.ft	£9.35	£121	3.2%
Eden	£34.9m 292,000 sq.ft	£9.13	£119	3.7%

Table 5.9: Cumbrian Office Market Sub Market Analysis (Source CoStar)

5.3.15 The Copeland submarket ranks third in the Cumbria region in terms of overall size and asset value. Apart from Barrow-in–Furness CoStar reports that all submarkets have observed negative net absorption in the last 12 months, although in all cases this is relatively minor and should be considered in context of the overall size of the market. Vacancy rates are low throughout. Carlisle has the highest rate but this is still less than 5%.

5.3.16 Copeland has the highest rental values showing an average of £128 per sq.m (£11.89 per sq.ft) pa. In contrast Eden is the lowest at £98 per sq.m (£9.13 per sq.ft) pa. Copeland also has the highest capital values achieved at £1,894 per sq.m (£176 per sq.ft). Again Eden with the lowest at £1,281 per sq.m (£119 per sq.ft).

5.3.17 Pro-rata Copeland has the most valuable office market reflecting the relatively new stock in comparison with the wider Cumbrian market and also the high quality of the buildings and uses associated with science, technology and the energy industry.

Copeland

5.3.18 Copeland as a submarket contains a sizable percentage of the wider Cumbria inventory, however at around 640,000 sq.ft, it is a small submarket relative to the national average.

5.3.19 The vacancy rate has risen moderately over the past 12 months, but at 3.7% in January 2022, the rate is below the 10-year average. In the context of the wider North West region the vacancy rate is low.

5.3.20 Over a longer timeframe, the market has been static with net absorption rate for offices showing negligible change over the past five years. Rents have grown by 2.5% over the past 12 months, exceeding the 0.7% average annual change over the past decade.

5.3.21 There are currently no supply pressures affecting vacancy rates or rents with no substantive new offices under construction. No sales appear to have taken place over the past 12 months, and in any event only a handful of properties generally trade here in an average year.

5.3.22 As noted previously the largest office transaction in recent years is at Westlakes Science and Technology Park were The Nuclear Decommissioning Authority purchased two buildings for £7.2 million (£95 per sq.ft) in 2019.

5.3.23 Westlakes is a key hub for the region and provides a cluster of nuclear and energy related organisations. Specialisms focus on decommissioning and environmental restoration together with nuclear and renewable power generation.

5.3.24 The Park has over 24,155 sq.m (260,000 sq. ft) of office accommodation in 11 main buildings. Westlakes Properties Limited provides office accommodation from 200 to 4,000 sq. ft for lease on easy in/easy out or longer lease arrangements. Occupiers on the Park have the benefit of a full range of support services and facilities including conference rooms, broadband, video conferencing, a restaurant, two delicatessen bars, security and reception services.

5.3.25 The other key area is within Cleator Moor. Here the Leconfield Industrial Estate has recently been acquired by the Council using grant funding and capital investment. The council intends to redevelop the site to create the Industrial Solutions Hub (ISH). The redevelopment of the site will bring the existing buildings back into use as office space anchored by Sellafield and is seen as more economical option to Westlakes Science Park.

5.3.26 Within Whitehaven town centre Albion Square was developed by Britain's Energy Coast (BEC) in partnership with Nuclear Management Partners - the owners of Sellafield Ltd who provided funding. The project was brought forward in 2013 to accommodate staff relocated from Sellafield and provides 9,290 sq.m (100,000 sq.ft) of accommodation to a BREEAM excellent standard.

5.3.27 Whilst little activity has taken place since there are now further office developments in the pipeline in Whitehaven. The redevelopment of the former bus station site – called the Buzz Station – has recently been completed. This will supply a range of flexible workspaces aimed at supporting SME businesses. Further plans for the North Shore redevelopment of Whitehaven's harbourside will create a new leisure, employment, and hospitality destination comprising 6,968 sq.m (75,000 sq.ft) of office space.

5.3.28 We have provided at table 5.10 details of key organisations owning offices in Copeland where the total ownership exceeds 929 sq.m (10,000 sq.ft). The two major owners/ occupiers in the Borough are nuclear/energy focussed underlining the importance of this sector to both the office market and local economy.

Organisation	Total Stock (sq.m)	Total Stock (sq.ft)
Energy Coast West Cumbria (Properties)	10,188	109,667
Department for Business, Energy & Industrial Strategy (BEIS)	7,044	75,823
Whitehaven Harbour Commissioners	5,489	59,083
Cardinal Lysander Ltd	5,376	57,865
Praedia Investments Ltd	5,376	57,865
Copeland Borough Council	2,629	28,298
Charles Street Buildings Group	1,550	16,685

Table 5.10: Office Ownership in excess of 929 sq.m (10,000 sq.ft)

5.3.29 The data at table 5.11 contains details of the volume of offices sales in the Borough along with market price trends data based on the estimated price movement of all office properties in the market. This is sourced from CoStar data.

Completed Transactions				Market Trends	
Year	No Deals	Avg Price	Avg Price (per sq.ft)	Price/ sq.ft	Yield
2021				£175.42	8.2%
2020	1	£85,000	£38.83	£177.94	8.0%
2019	6	£1,506,800	£87.07	£177.59	7.9%
2018	1	£45,000	£19.45	£171.62	8.0%
2017	2	£85,000	£36.36	£165.15	8.0%
2016				£147.56	8.6%
2015				£142.43	8.6%
2014	2	£60,000	£13.74	£131.94	9.0%
2013	3	£112,500	£28.46	£121.82	9.6%
2012	1			£117.55	10.0%
2011	1	£195,000	£40.21	£123.71	9.6%

Table 5.11: Office Transactions and Market Trends (Source CoStar)

5.3.30 There is little significant transactional evidence apart from at Westlakes Science Park, otherwise the remainder is poorer quality low value transactions. Typically one or two transactions occur each year and tend to be limited in size. Yields for the highest quality offices are forecast to be at around 8% over the next 5 years.

5.3.31 Included in table 5.12 are details of average headline office rents in Copeland over the last 10 years and associated rental growth.

Year	Rent (per sq.m)	Rent (per sq.ft)	% Annual Growth
2021	£127.34	£11.83	3.6%
2020	£122.82	£11.41	8.7%
2019	£113.02	£10.50	-7.0%
2018	£121.52	£11.29	7.7%
2017	£112.81	£10.48	-11.2%
2016	£127.01	£11.80	4.7%
2015	£121.31	£11.27	17.0%
2014	£103.66	£9.63	2.3%
2013	£101.29	£9.41	-10.3%
2012	£113.02	£10.50	-7.9%

Table 5.12: Headline Office Rents Copeland (Source CoStar)

5.3.32 The figures in table 5.12 make some assumptions based on the data available and the limited nature of comparable evidence. The rents noted reflect what is realistically achievable based upon wider market activity. There has been little overall growth in rents in the last 10 years. Office rents are generally low, and not at a level to encourage new speculative office development.

5.3.33 The rents payable at Westlakes Science Park reflect higher overall headline rents but this tends to reflect the additional services on offer to occupiers at the Park. We have provided at table 5.13 details of current availability at Westlakes Science Park.

Building	Floor Area (sq.m)	Floor Area (sq.ft)	Rent (per sq.m)	Rent (per sq.ft)
Fleswick Court	36	388	£194	£18.04
Ingwell Hall	63	677	£194	£18.00
	41	440	£194	£18.00
	82	882	£194	£18.00
Robinson House	331	3,560	£192	£17.85
	326	3,508	£192	£17.85
	329	3,545	£192	£17.85

Table 5.13: Current Availability Westlakes Science Park

Industrial

North West Region

5.3.34 The wider North West region has been dominated by the growth of new build large distribution sheds. Whilst this sector has seen some activity in the wider Cumbrian region, geographically it is not conducive to this type of occupier, more so when considering the Copeland district.

5.3.35 It is nevertheless relevant to refer to this activity to contextualise wider market trends that might influence the local market. Furthermore the growth of last mile delivery hubs continues with pace throughout the region and this might be a sector that could expand into the district.

5.3.36 The Covid pandemic has accelerated demand for warehouse space with "e-tailers" and 3rd party logistics continuing to dominate the share of take up. Amazon alone accounting for 111,484 sq.m (1.20m sq.ft) in 2021. According to the B8RE H1 2021 market report a further 341,883 sq.m (3.68m sq.ft) is in solicitors' hands and they expect take up levels to eclipse last year's total figure of 483,096 sq.m (5.2m sq.ft) with a number of high-profile requirements still unsatisfied. 47% of take up, equivalent to 195,096 sq.m (2.10m sq.ft), involved speculative new build units or pre-lets. All other available new build or modern /refurbished units above 200,000 sq.ft are currently under offer.

5.3.37 Throughout the North West there has been some speculative development for smaller multi let schemes between 465 – 1,394 sq.m (5,000 – 15,000 sq.ft) including at Magazine Point, Bromborough (Redsun) and Gemini, Warrington (Chancerygate).

5.3.38 Smaller new build units of less than 465 sq.m (5000 sq.ft) are now achieving £107-£129 per sq.ft (£10 – 12 per sq.ft) pa, demonstrating 80 – 100% rental growth over the last 5 years. Rents also continue to rise in the 'mid box' sector with prime rents now established at £75 - £78 per sq.m (£7.00psf - £7.25 per sq.ft) pa and with further growth expected in 2022.

5.3.39 Record low levels of vacancies on second hand estates across the North West have led to strong rental growth with rents in excess of £86.11 per sq.m (£8 per sq.ft) pa for the better units. This is equivalent to new build rents in 2019.

5.3.40 The smaller owner occupier markets have seen sales achieved upward of £984 per sq.m (£91.43 per sq.ft) and as high as £1,292 sq.m (£120 per sq.ft) for the smallest units. New pipeline data indicates values creeping up to £1,507 per sq.m (£140 per sq.ft).

5.3.41 Regional Industrial Investment Sales have seen yields achieved range from 7% to as low as 3% for the most prime investments. The mid-small "box" sectors are seeing forward sales offered to the market with pre-let agreements in place to national last mile operators, at rents in excess of £70 per sq.m (£6.50 per sq.ft) and reflecting net initial yields of 4.5%.

Cumbria

5.3.42 Cumbria is the third largest county in England by area, however, it is one of the most sparsely populated counties in the UK. The local economy is traditionally dependent on tourism, leisure and agriculture. The Sellafield nuclear site is the single most important employer with 12,000 workers. Manufacturing is also relatively important and notable employers include Eastman Chemicals, Kimberly-Clark, Pirelli, Nestle and BAE Systems.

5.3.43 According to CoStar data industrial rents in the Cumbria Market are rising at an annual rate of 8.1%, and have posted an average annual gain of 5.8% over the past three years. There is 15,794 sq.m (170,000 sq.ft) currently under construction, representing the largest delivery pipeline in over three years. In total during the past three years, 9,197 sq.m (99,000 sq.ft) has been delivered in Cumbria.

5.3.44 Vacancies in the market are below the 10-year average but essentially show little change over the past 12 months. Table 5.14 contains details of industrial rents and values over the last 5 years within Cumbria as a whole.

Period	Market Rent (per sq.ft)	Annual Growth	Market Price (per sq.ft)	Yield
Q4 2021	£5.58	8.8%	£78	6.3%
Q4 2020	£5.13	4.9%	£70	6.5%
Q4 2019	£4.89	4.7%	£60	7.2%
Q4 2018	£4.67	3.6%	£58	7.1%
Q4 2017	£4.51	4.2%	£54	7.3%

Table 5.14: Cumbria Industrial Rent and Values (Source CoStar)

5.3.45 The general trend is of rental and yield growth with annual rent increases typically 4-5% save for the last 12 months when rents have grown by nearly 9%.

Copeland

5.3.46 Copeland is a very small submarket, containing just 76,180 sq.m (820,000 sq.ft) of traditional industrial accommodation. The vacancy rate in Copeland is only 1.1%, and this has remained relatively stable over the last 5 years. According to CoStar data industrial rents in Copeland grew by 7.3% over the past 12 months, exceeding the 3.3% average annual change over the past decade.

5.3.47 There is currently 1,301 sq.m (14,000 sq.ft) of industrial accommodation under construction in Copeland, this is the most floorspace under construction in more than a decade.

5.3.48 Table 5.15 contains details of recent industrial lettings of modern industrial accommodation together with details of current availability. Given the limited available information we have also included details of a number of lettings in nearby Lillyhall. This letting have tended to be in relation to significantly larger units.

Location	Floor Area (sq.ft)	Asking Rent (per sq.m)	Asking Rent (per sq.ft)	Comments
Haig Enterprise Park, Whitehaven	1,441	£74	£6.89	May 2021
Ennerdale Mill, Egremont	3,191	£118	£10.97	May 2021
Cross Lanes, Seascale	765	£73	£6.75	Oct 2020
Hallwood Rd, Lillyhall	4,155	£65	£6.00	Jul 2021
Jubilee Rd, Lillyhall	46,500	£45	£4.20	Jun 2019
Branthwaite Road, Lillyhall	155,000	£43	£4.03	Mar 2018
Sneckyeat Road Industrial Estate, Whitehaven	3,565	£59	£5.47	Asking rent inc service charge
Duke Street, Whitehaven	2,582	£72	£6.65	Asking new storage unit

Table 5.15: Industrial Rents Copeland (and Lillyhall) (Source – CoStar, Rightmove)

5.3.49 As with the wider region demand for small industrial and hybrid units is strong. It is currently difficult to find smaller workshop space in Copeland which cater for the smaller local business needs. There is currently an undersupply of industrial space and as a result businesses are looking towards Lillyhall in nearby Workington to meet their requirements. Demand is strong from traditional industrial users such as manufacturing, and construction, but also creative arts and printing. There is a lack of larger space throughout the size sectors.

5.3.50 Generally investors in industrial are not active in Copeland with just two properties trading in the past three years. CoStar estimate that market prices in Copeland for industrial accommodation are currently at £1,141 per sq.m (£106 per sq.ft) and yields at 6.9%.

5.3.51 Having regard to the above, rents within the Borough for modern premises will typically range from between £65 to £81 per sq.m (£6.00 and £7.50 per sq.ft). In terms of capital values there is limited sales evidence however it is anticipated that for new well located units values will range from £969 to £1,238 per sq.m (£90 to £115 per sq.ft).

Retail

5.3.52 Retail sales have recovered to some extent since the easing of Covid 19 restrictions in the summer, however the picture remains mixed. Food and essential stores are performing strongly while fashion and department stores suffer from reduced footfall and the increased shift to online shopping.

5.3.53 The sector has reduced demand for high street and shopping centre space and there is a rise in tenants requesting turnover or profits-based rents. Retailer failures are likely to continue as occupiers' running costs increase with staff no longer on furlough and the business rates holiday ends. Out of town and retail park locations continue to out-perform the high street in part due to continued home based working.

5.3.54 Top achievable prime retail rents across the majority of UK towns and cities have been marked down significantly in recent years. Initially this reflected the wider markets with both the diversion of retail sales to online and the combined impact of rising costs and the pressure to discount on retailer profitability. The Covid-19 pandemic accelerated these structural changes and has had a particularly strong impact on retailers that were unable diversify to online, as well as the burden of large store portfolios, often financed through high debt levels. This is evidenced through the scale of store closures resulting from corporate failures, CVAs and rationalisation programmes that are severely impacting the retail and leisure sectors.

5.3.55 According to latest Property Market Analysis (PMA) retail report, despite a dearth of open market evidence, and based on the views of local and national agents, it is estimated that prime town centre Zone A rents across the top 200 towns have been marked down by close to 18% in the period from the end of 2019 to mid-2021.

5.3.56 Prior to the Covid-19 pandemic this sector was already performing weakly. Further rental decline during the second half of 2021 and into 2022 is likely, given ongoing online growth and the apparent weakness of occupier demand.

Town Centre Retail

5.3.57 According to PMA's Property Information Service (PROMIS) report at Q2 2021 the average vacancy rate was at 19.7% of all town centre units, reflecting a particularly marked increase since 2019. Corporate failures and store rationalisation programmes amongst both retailers and food and beverage operators are cited as key reasons.

5.3.58 The Covid-19 pandemic has been a key influence, but vacancy rates across UK high streets and shopping centres had in any event been high and rising prior to this due to the growth of sales online and competition from out of town retail centres.

5.3.59 Key high street retailers that have fallen into administration or announced plans for permanent store closures or store rationalisation programmes since the start of the Covid-19 crisis include Debenhams, Arcadia Group, Edinburgh Woollen Mill Group, Laura Ashley, Oasis, Warehouse, Cath Kidston, TM Lewin, Ann Summers, Office Shoes, Clarks, Quiz and Monsoon. A number of food and beverage operators are also in financial distress, with some, such as The Restaurant Group, Pizza Express and Prezzo, announcing widespread closures.

Out of Town Retail Warehouse, Leisure and Superstores

5.3.60 During the Covid 19 pandemic there were widespread permanent closures by key operators in the out of town sectors including Carphone Warehouse, Outfit, Mothercare, Laura Ashley and Argos, alongside food and beverage operators such as Frankie & Benny's and Chiquitos. Whilst take-up was very subdued across the out of town retail and leisure sectors in 2020 there was some demand from value convenience retailers, such as Aldi, Lidl and The Food Warehouse, as well as discounters including B&M Bargains and Home Bargains or expansionist specialists such as Wren Kitchens.

Retail Investments

5.3.61 Retail investment activity has generally been weighted towards supermarket investments with little evidence in other sectors. Investment transaction volumes are expected to remain reduced, but development projects and repurposing of space could drive activity. The negative sentiment towards much of the town centre retail market will continue to push yields outwards and values down.

5.3.62 Significant stock is expected to come to the market in 2022 and this supply could impact on investor demand in some areas of the town centre markets. In contrast the stabilising occupational market and low levels of stock will put downwards pressure on Out-of-Town yields.

5.3.63 A reduction in values will continue to drive bank-led sales of Shopping Centre and High Street assets. It is however expected that there will be an increasing number of investors considering retail as they search for value in the market place.

5.3.64 According to the Knight Frank latest retail investment update, average prime retail yields reflect the following net initial yields:

- Shopping centres: 8.5%
- Retail warehousing: 5.6%
- High Street: 6.5%
- Food Stores: 3.5%

Cumbria Retail

5.3.65 Retail rents in the Cumbria Market have decreased by 3.6% over the year to the first quarter of 2022. The average annual reduction has been 2.5% over the past three years.

5.3.66 During the past 3 years 14,865 sq.m (160,000 sq.ft) has been delivered, a cumulative inventory expansion of 1.5%. Only 278 sq.m (3,000 sq.ft) is currently underway, representing a fractional expansion of the existing inventory. Vacancies in the market were above the 10-year average at the beginning of 2022, and trends indicate further increases in the vacancy rate are likely to follow.

5.3.67 Employment in retail has shown little change over the past five years. During that timeframe, retail jobs have posted an average annual change of 0.3%, compared to a -0.6% average annual change nationally.

Copeland Retail

5.3.68 According to CoStar retail vacancies in Copeland are above the 5 year average at 5.9%. Retail rents have also fallen by 1.9% over the last 12 months and are currently at £110 per sq.m (£10.22 per sq.ft). Market yields over the last 12 months have also increased from 8.2% to 8.7%. Rents are forecast to increase slightly over the next 2-3 years whilst yields will remain relatively steady.

5.3.69 CoStar estimate that average retail park rents are around £86 per sq.m (£8 per sq.ft) and they are forecast to increase with vacancy rates currently at less than 1%.

5.3.70 We have provided at table 5.16 details of lettings and renewals that have taken place in the Borough over the last few years. There is limited evidence of lettings post June 2020.

Address	Location	Size (sq.m)	Rent (per sq.m)	Rent (per sq.ft)	Date
Pears House, Millennium Way	Whitehaven	87	£149	£13.83	Jun 2020
Pears House, Millennium Way	Whitehaven	130	£100	£9.29	Jun 2020
Units 4+5, Flatt Walks (Shoe Zone)	Whitehaven	374	£108	£10.00	Feb 2020
Flatt Walks (Greggs)	Whitehaven	187	£160	£14.87	Nov 2019
22-23 King Street (Santander)	Whitehaven	168	£143	£13.29	Jun 2019
24 King Street	Whitehaven	76	£192	£17.79	Jun 2019
62-63 King Street (Costa)	Whitehaven	183	£145	£13.43	Mar 2019
78 Lowther Street	Whitehaven	66	£128	£11.86	Jan 2019
Asda Preston Street	Whitehaven	1319	£76	£7.04	Jun 2018
Former Barclays, St Georges Road	Millom	103	£82	£7.64	Jan 2020

Table 5.16: Retail Lettings and Lease Renewals

5.3.71 The information includes a number of lettings at Pears House. The ground floor retail investment in this building is in fact currently for sale and the total rent payable across the 5 ground floor units is £68,000 per annum. This equates to £124 per sq.m (£11.53 per sq.ft).

5.3.72 There is also information relating to lettings at the Flatt Walks retail park. The letting to Shoe Zone was at £108 per sq.m (£10 per sq.ft). Reflecting the hot food provision the letting to Greggs was at a higher rent of £160 per sq.m (£14.87 per sq.ft). Also included in table 5.16 are details of the lease renewal of the Asda supermarket in June 2018 at a rent equating to £76 per sq.m (£7.04 per sq.ft).

5.3.73 The main high street shopping area in Whitehaven is centred on Lowther Street and Kings Street and the information provided lists some lettings and lease renewals on these streets. It is notable that this evidence relates to 2019 as there have been few transactions since. On an overall basis the rents payable in these locations range from £128 per sq.m (£11.86 per sq.ft) up to £192 (£17.79 per sq.ft). The rent payable will obviously reflect the footfall and position of the unit with the town centre.

5.3.74 There are presently a significant number of town centre units available to let and we have provided details of a sample of the available units at **Appendix 9**. Included within this information is the former Spar and petrol station in Hensingham which is available at a rent equating to £106 per sq.m (£9.86 per sq.ft).

5.3.75 Recent investment sales include the Asda supermarket on Preston Street in Whitehaven which sold in July 2021 for £1,254,000. The sale price reflected a yield of 7.53%. A McColls convenience store in Seacliffe, Whitehaven sold in August 2020 for £280,000 which equates to a yield of 6.8%. The long leasehold interest is also currently for sale in the ground floor of the relatively recently constructed Pears House on Millennium Promenade. The interest comprises 5 fully let retail units and is being offered for sale at a yield of 10%. It is understood that this investment interest is currently under offer.

5.4 Land Sales

5.4.1 To inform an assessment of benchmark land value for the purpose of this study we have obtained details of recent land transactions and current asking prices for land from a number of sources including CoStar, Land Registry, Rightmove and through agent's websites. We have categorised this land sale and price information across differing types of use, namely agricultural, commercial and residential.

Agricultural

5.4.2 The RICS and RAU Farmland Market Directory of Land Sales is generated from land transaction information provided by land agents across the Country. The data for the first half of 2021 (the most recently published report) shows an average price for bare land in England of £8,718 per acre (£21,533 per hectare).

5.4.3 The data analysis carried out on a regional basis uses a reduced data set. Those properties where the residential value represents more than 50% of the sale price are removed. The average prices for the North West contained in the survey are summarised in table 5.17.

Small < 50 acres		Medium 50-200 acres		Large 200+ acres	
£/ha	£/acre	£/ha	£/acre	£/ha	£/acre
24,577	9,946	23,020	9,316	32,401	13,112

Table 5.17: RICS and RAU Farmland Market Directory of Land Sales North West Prices

5.4.4 In comparison the last RICS/RAU Rural Land Market Survey published in 2018 identified arable land prices in the North West at £9,375 per acre (£23,156 per hectare) and pasture land at £6,375 per acre (£15,746 per hectare).

5.4.5 We have provided in table 5.18 details of agricultural land either sold or currently being marketed for sale in Cumbria as a whole. We have highlighted those entries relating to land in Copeland, or just across the Local Authority boundary in neighbouring Allerdale.

Address	Location	Size (ha)	Sold / Asking Price	Price (per ha)	Price (per acre)	Status	Comments
Lamplugh Fell	Workington	16.86	£120,000	£7,118	£2,882	Sold stc	Permanent pasture road side access Grade 4/5.
Lords Lot	Crosthwaite	8.10	£100,000	£12,346	£4,950	Available	Pasture and amenity land.
Kiln Brow	Cleator	2.02	£25,000	£12,375	£5,010	Sold stc	Grazing land bisected by river.
A597	Distington	12.90	£350,000	£27,132	£6,459	Sold stc	Grassland suitable for ploughing, grazing or mowing Grade 3.
Land at Rowrah	Frizington	14.48	£220,000	£15,193	£6,474	Sold Nov 21	Equestrian property with permanent pasture and yard. Grade 4
Whitbeck	Millom	17.15	£280,000	£16,331	£6,612	Sold stc	Grazing land.
North of Moresdale Cottage	Lambrigg	5.20	£91,000	£17,500	£7,082	Sold Aug 21	Pasture Grade 4.
Land at Bootle Station	Bootle	5.26	£100,000	£19,011	£7,692	Sold stc	Grassland suitable for ploughing grazing or mowing Grade 3.
Lyth Valley	Kendal	22.27	£450,000	£20,209	£8,182	Available	Laid to grass.
Kirkbride	Wigton	3.65	£75,000	£20,548	£8,306	Available	Grazing/mowing road access.
Threlkeld	Keswick	4.71	£100,000	£21,222	£8,591	Sold stc	Permanent pasture road side access Grade 4.
Swallow Hill	Distington	1.12	£30,000	£26,786	£9,934	Available	Grazing land two paddocks suitable for agricultural or equine use Grade 3.
Mountain View Farm	Kirkby in Furness	23.42	£575,000	£24,552	£9,936	Available	Grazing and mowing consent for 4 bed house with agricultural occupancy.
Blackbeck	Beckermet	1.69	£45,000	£26,627	£10,766	Sold Nov 21	Grazing land with water supply.
Carlisle	Carlisle	9.26	£49,000	£32,275	£13,067	Sold stc	Suitable for equestrian or livestock grazing.
Beckside Farm	Distington	0.71	£30,000	£42,254	£17,143	Sold stc	Grazing land sold with development clawback.

Table 5.18: Agricultural Land Values

5.4.6 The agricultural land classification map for the North West shows that agricultural land in Copeland is predominantly either grade 3 (good to moderate) or grade 4 (poor). With reference to table 5.18, the data shows that for grazing land in Copeland and Allerdale values are typically in the region of £12,350 up to £20,995 per hectare (£5,000 up to £8,500 per acre). There are entries for two sites, one in Distington (1.12 ha) and the other at Beckermet (1.69 ha) where the lot size is comparatively small. In these cases the land is suitable for use as a pony paddock and this is reflected in the prices which are around £24,700 to £27,170 per hectare (£10,000 to £11,000 per acre). The final site in Distington is 0.71 ha and this is for sale at a price equating to £42,254 per hectare (£17,143 per acre). This is significantly in excess of prevailing values and as the site is being sold with the benefit of a development clawback arrangement, this suggests that the price may reflect an element of hope value.

5.4.7 The MHCLG (2019) figure for agricultural land values in Cumbria is £26,000 per ha (c. £10,526 per acre). This figure excludes any uplift from the 'pony paddock' market or hope value and is a figure representing a typical location in the region.

5.4.8 The Carter Jonas Farmland Market Update Q3 2021 reports the values at table 5.19 for the North West region as a whole.

Type	Low (price per acre)	Average (price per acre)	Prime (price per acre)
Arable	£7,750	£9,500	£11,000
Pasture	£5,500	£7,000	£8,500
Hill	£250	£1,000	£1,750

Table 5.19: Carter Jonas Farmland Market Update (Q3 2021) North West Prices

5.4.9 Taking the above into consideration it would be reasonable to assume prevailing values in Copeland for grade 3 and 4 agricultural land ranging from £12,350 to £20,995 per hectare (£5,000 to £8,500 per acre) dependent on the size and quality of the land. In some instances the potential for "pony paddocks" or the presence of buildings may lead to prices being paid slightly in excess of this range as is evidenced by the land sale at Beckermet. The price for land at Beckside Farm in Distington is significantly higher than prevailing agricultural land values. Given the circumstances of this site it is likely that the sale price may reflect some element of hope value as well as an uplift for pony paddock use.

Commercial

5.4.10 The most up to date land value estimates prepared by MHCLG for the purpose of policy appraisal are for 2019. The industrial land value assessed for Copeland at that time were £150,000 per hectare (£60,728 per acre). In reviewing FVA1 we have noted that it did not contain any information regarding employment land transactions in Copeland. In preparing the FVA for the Allerdale Local Plan we also found limited available evidence in relation to employment land sales. We were able to source details of two land sales at Lillyhall which is on the boundary with Copeland and details of these sales are provided below.

Location	Date	Site Area (acres)	Price Paid	Price Paid (per acre)	Comments
Lillyhall Industrial Estate	30/10/2014	2.9	£175,000	£60,345	Sale to Arnold Clark
Lillyhall Business park	01/12/2013	4.09	£188,000	£45,966	Sale to Energy Coast UTC

Table 5.20: Allerdale Local Plan Commercial Land Sales

5.4.11 These sales are now historic however the prices paid are broadly in line with the MHCLG assessment for Copeland at £150,000 per hectare (£60,728 per acre). There is limited available evidence in Copeland relating to sales of land for industrial and other commercial uses. We have however identified a small number of employment development opportunities within west Cumbria and details are contained in table 5.21.

Address	Size (ha)	Asking Price (per ha)	Asking Price (per acre)	Comments
Clay Flatts Industrial Estate, Workington	1.19	£63,025	£25,424[4]	Guide Price for Auction on 16/3/22
Nelson Street, Carlisle	1.72	£465,116	£188,235	Former Mill demolished to slab. Historic residential consent
Risehowe Industrial Estate, Maryport	1.36	£202,206	£81,845	99 year long leasehold interest
Former Troutbeck Auction Market, Nr Keswick	0.54	£416,667	£167,910	On A66 potential for Mixed use development.

Table 5.21: Commercial Land Availability Cumbria

[4] This site sold at Auction on 16 March 2022 for £131,000. The site area is in fact 1.18 hectares (2.92 acres) and the price paid equates to £110,017 per hectare (£44,863 per acre).

5.4.12 We would expect any brownfield land brought forward for residential development during the plan period to be of a poor quality and normally obsolete for employment purposes. The land values on this basis would therefore be limited and significantly below the prices paid for well located, serviced employment sites. There is limited available evidence on which to base an assessment of the likely value of redundant brownfield employment land, however our judgement is that values on this basis in the Borough are unlikely to exceed £247,000 per hectare (£100,000 per acre).

Residential

5.4.13 We have provided at table 5.22 details of recent residential land transactions and further information is contained at **Appendix 10**. The residential land transactions that have taken place in Copeland are reflective of the current policy position with no specific requirements for affordable housing. In the majority of cases the purchase of these sites will have been subject to first obtaining planning consent. We have also included details of a small number of land transactions in neighbouring Allerdale and information about the amount of affordable housing secured on these sites is also contained in the table. For ease of reference the transactions are presented in ascending order based on the price paid per net developable hectare. It should be noted that the analysis of the price paid for the site at Rannerdale Drive is based on the gross site area as a larger area of land was acquired beyond the immediate development site.

Land Type	Address	Net Area (Ha)	Net Area (Acres)	Price Paid	Date	Price per net ha	Price per net acre	Comments
BF	Land r/o Frizington Veterans Club			£17,000	27/10/2021			Site with consent for 5 houses.
GF	Land at Mill Hill, Cleator Moor	1.82	4.50	£150,000	18/02/2021	£82,333	£33,333	Residential potential subject to planning.
GF	Rannerdale Drive, Whitehaven*	3.67	9.06	£700,000	11/12/2018	£190,782	£77,240	Phase 3 of the Mount development plus additional land.
GF/BF	Salterbeck Road, Salterbeck (Allerdale)	0.7	1.73	£150,000	17/09/2019	£214,162	£86,705	Consent for 12 houses inc 2 affordable.
BF	Land at East Road, Egremont	0.44	1.08	£130,000	24/03/2017	£298,645	£120,909	Consent for 34 dwellings inc apartments.
GF	Mill Howe, Millfields, Lamplugh	1.61	3.97	£500,000	22/06/2018	£311,410	£126,077	Consent for 27 dwellings
GF	Land Adjacent To Fell View Drive, Egremont	0.85	2.09	£307,000	19/03/2020	£362,818	£146,890	Consent for 28 dwellings inc 3 DMV units
BF	Royal British Legion Club, Hill Top Road, Kells, Whitehaven	0.22	0.57	£90,000	11/12/2019	£409,091	£157,895	Consent for 10 dwellings
GF	Main Road, High Harrington (Allerdale)	4.13	10.19	£1,700,000	03/03/2021	£412,071	£166,830	Application for 123 dwellings provided 10% affordable housing
GF	Stainburn Hall Farm, Stainburn (Allerdale)	2.89	7.13	£1,220,000	24/03/2021	£422,637	£171,108	Application for 81 dwellings provided 5% affordable housing
GF	Land at North Park, Rheda, Frizington	2.84	7.02	£1,500,000	21/07/2020	£527,778	£213,675	Consent for 55 dwellings
BF	Mirehouse Service Station, Meadow Road, Whitehaven	0.49	1.22	£270,000	18/02/2019	£546,639	£221,311	Consent for 18 dwellings

Table 5.22: Residential Land Transactions

* Analysis based on gross site area

5.4.14 The available information regarding the sales of land for residential development, show a range of prices paid from £82,333 per net developable hectare (£33,333 per net developable acre) for a greenfield site in Cleator Moor without planning consent to £546,639 per net developable hectare (£221,311 per net developable acre) for a small former garage site with consent for 18 dwellings. Excluding the sites at Rannerdale Drive and Frizington Veterans Club, the overall average price paid across these transactions is £358,758 per net developable hectare (£144,473 per net developable acre).

5.4.15 Only two of the transactions listed are at prices in excess of £422,637 per net developable hectare (£171,108 per net developable acre).

5.4.16 For reference purposes we have also included at **Appendix 10** details of a number of smaller plots that are currently for sale. Many of these sites already have consent for residential development or at the very least have a lapsed consent. Noting the earlier comments regarding the lack of information relating to the value of redundant employment sites, the information includes the site of a former railway goods yard at Rowrah. According to the sales particulars the site has been disused since the 1960s. The site is 0.79 hectare (1.95 acres) and is currently on the market at a price equating to £189,873 per hectare (£76,923 per acre). Reference is made in the sales particulars to the site having potential for residential development.

5.4.17 We consider at Section 6 an appropriate 'Benchmark Land Value' for the purpose of the viability testing. It should be noted that the prices paid for the land in the transactions listed at table 5.22 are not the same as a 'Benchmark Land Value'. The assessment of a benchmark land value must take into account the effect of future planning policy in the emerging Local Plan. In accordance with the PPG it should be based on the existing use value of the land as a starting point together with a premium to incentivise the landowner to sell.

6.0 FINANCIAL APPRAISAL ASSUMPTIONS

6.1.1 In this section, we have outlined the assumptions that have been adopted in the financial appraisals for both the Residential and Commercial Development Scenarios.

6.2 Benchmark Land Value (BLV)

6.2.1 In establishing the BLV for the purpose of FVA1 an approach using "market values" was adopted. This was based on the guidance contained in the 2012 RICS Guidance Note Financial Viability in Planning. LSH did also consider the Harman Guidance and the recommendation in this to adopt a "threshold land value" based on current use values plus an uplift to incentivise the owner to sell. However they chose to base the BLVs that were adopted on market evidence of residential land values. Table 6.1 contains details of the residential BLVs per net developable acre that were adopted in FVA 1.

Location	Greenfield (per ND acre)	Brownfield (per ND acre)
Whitehaven	£200,000	£150,000
Key Service Centre	£190,000	£140,000
Local Centre/village (ave)	£190,000	
Local Centre/village (high)	£225,000	

Table 6.1: FVA1 residential BLVs

6.2.2 In addition FVA1 adopted the following BLVs for the purpose of testing commercial typologies:

- Whitehaven Mixed Use (Brownfield) - £1,235,000 per hectare (£500,000 per acre)
- Whitehaven Medium / Large Employment (Greenfield) - £308,750 per hectare (£125,000 per acre)
- Whitehaven Medium / Large Retail (Brownfield) - £1,605,500 per hectare (£650,000 per acre)

6.2.3 In the period since the preparation of FVA1 there has been a significant amount of new guidance both from Government in the form of the PPG and also the RICS dealing with the approach to assessing a BLV. This guidance contains a fundamental shift in the methodology to assess a BLV from that used in FVA1. We have provided an overview of the key aspects of this new guidance in the paragraphs that follow.

6.2.4 In undertaking a viability assessment for planning purposes, the PPG is very clear about how land value should be assessed. It specifies a framework for undertaking the land valuation and includes specific guidance on how to assess what is termed a "benchmark land value" (BLV). In particular the PPG states that:

"To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)." (Paragraph: 013 Reference ID: 10-013-20190509)

6.2.5 Paragraph: 014 Reference ID: 10-014-20190509 then provides details of the factors that should be considered in establishing a BLV. Specifically it states that a benchmark land value should:

- be based upon existing use value;
- allow for a premium to landowners (including equity resulting from those building their own homes);
- reflect the implications of abnormal costs, site-specific infrastructure costs and professional site fees

6.2.6 Paragraph 014 explains that existing use value should be informed by market evidence of current uses, costs and values and that market evidence can be used as a cross check of BLV but should not be used in place of BLV. It also notes that there may be a divergence between BLVs and market evidence but cautions that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners. Any market evidence that is used to cross check the BLV should be from developments which are fully compliant with emerging or up to date plan policies, including for affordable housing requirements at the relevant levels set out in the plan. This paragraph goes on to say that in plan making, the landowner premium should be tested and balanced against emerging policies.

6.2.7 The RICS Guidance AVIP provides further guidance to support the application of the principles contained in the PPG. In particular at paragraph 5.1.3 there is reference to the fact that a BLV is *"not a price to be paid in the marketplace; it is a mechanism by which the viability of the site to provide developers' contributions can be assessed. It should be set at a level that provides the minimum return at which a reasonable landowner would be willing to sell."*

6.2.8 AVIP at paragraph 5.1.4 acknowledges that the PPG reduces the status of comparable land transactions to that of a cross-check of the BLV and that in assessing the BLV the primary approach is the EUV plus a premium.

6.2.9 The relevant guidance is therefore every clear that an assessment of BLV should be based on the EUV plus a premium. The market value approach taken in FVA1 should be used only as a cross-check of BLV. Taking into consideration this new guidance we have therefore prepared an assessment of BLVs for FVA2 based on the EUV+ approach required by the guidance.

Existing Use Value

6.2.10 The PPG at paragraph: 015 contains a definition of existing use value (EUV).

"EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value." (Paragraph: 015 Reference ID: 10-015-20190509)

6.2.11 The PPG acknowledges that EUVs will vary depending on the type of site and development types. It suggests that an EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

6.2.12 AVIP indicates that where possible the EUV should be based on a market comparison approach, and that assessors should make LPAs aware of any limitations of data sources particularly where full knowledge surrounding the terms of the transaction are not available.

6.2.13 Based on the proposed allocations contained in the publication draft of the Local Plan the residential sites likely to come forward during the plan period will be predominantly greenfield sites. There are also a small number of relatively large brownfield sites principally in Whitehaven and Cleator Moor. The greenfield sites are normally in agricultural use and to inform the EUV of these sites we have had regard to agricultural land values. For the brownfield sites we have considered industrial land values.

Greenfield Land

6.2.14 At paras 5.4.2 – 5.4.9 we have provided data relating to agricultural land values. In particular we have considered high level market data provided by the RICS/RAU and Carter Jonas, whilst table 5.18 provides data relating to sales and asking prices for agricultural land in Copeland, neighbouring Allerdale and Cumbria generally.

6.2.15 As noted at para 5.4.6 agricultural land in Borough is either grade 3 or 4. It is predominantly pasture land. The Carter Jonas Market Update for Q3 shows that prices for pasture land are at an average of £17,290 per hectare (£7,000 per acre) with prime pasture land at £20,995 per hectare (£8,500 per acre).

6.2.16 Table 5.18 shows that typically the prices paid for agricultural land in Copeland and Allerdale are in the region of £12,350 up to £20,995 per hectare (£5,000 up to £8,500 per acre). There are some instances of higher prices, and we would expect that land suitable for equestrian use in smaller lot sizes would command a premium above these more typical prices.

6.2.17 We do not have full details of all of the entries listed in table 5.18 and have assumed that there is no hope value included. It is probable however that in some cases, i.e. Beckside Farm, the price may reflect the prospect of future development.

6.2.18 A number of FVAs have also been taken into consideration. In Copeland itself only one FVA has been submitted in relation to a planning application for a greenfield site. This was in 2019. The FVA included details of three agricultural land sales all around Kendal. Based on these sales the FVA concluded that agricultural land values would be between £10,000 and £20,000 per acre (£24,700 and £49,400 per hectare).

6.2.19 Keppie Massie undertook reviews during 2020 and 2021 of three FVAs submitted for planning applications in neighbouring Allerdale. The applications all related to greenfield sites. In each case an EUV based on £24,700 per hectare (£10,000 per acre) was used to inform the BLV. The applicant's agent in one case assessed the EUV to be between £19,760 and £24,700 per hectare (£8,000 and £10,000 per acre).

6.2.20 Furthermore it is also our experience in the North West that for area wide viability assessments an EUV at around £24,700 per hectare (£10,000 per acre) is widely adopted for greenfield sites. Recently we have seen one local plan viability assessment (for Warrington) that adopts a lower EUV at £22,230 per hectare (£9,000 per acre).

6.2.21 It is probable during the local plan period that greenfield sites of differing quality and size will come forward for development. Some will have more limited existing use values as evidenced by the data in table 5.18, whilst others, particularly those of a smaller lot size, will be suitable for use as "pony paddocks" and will consequently command a higher existing use value. In light of this and to ensure that this FVA is robust we have adopted an EUV for greenfield sites at £24,700 per hectare (£10,000 per acre). This is consistent with FVAs that have been undertaken locally and accords with our experience of EUVs adopted in the region as a whole for area wide FVAs.

Brownfield Land

6.2.22 The assessment of an appropriate EUV for brownfield development sites is less straightforward in the absence of evidence relating to the prices paid for industrial and employment land in the Borough.

6.2.23 The types of brownfield site that will be developed during the plan period will generally be in locations less suitable for continuing industrial use either due to access restrictions or proximity to residential areas. It is probable that they will have been in industrial use for many years possibly the site of former mills, factories or chemical works. The key factor to bear in mind when establishing the EUV for these sites is that they will normally be obsolete for industrial use and as a consequence the value for such use will be limited. If there was a realistic prospect that these sites could sell for their existing use then they would do so and they would not be taken forward for residential use during the plan period.

6.2.24 It is often difficult to source evidence of commercial land transactions in these situations as invariably the type of older industrial site that we are seeking to value will be sold with an expectation of redevelopment for other purposes such as residential. The price paid will therefore reflect an element of "hope value". In addition where transactional evidence does exist full information is not generally available about the extent of abnormal costs that might be applicable to a site.

6.2.25 In the present case there is very little evidence available relating to industrial and other brownfield land sales in Copeland. MHCLG in 2019 assessed industrial land values in the Borough to be £150,000 per hectare (£60,728 per acre). There is more historic evidence of land sales at neighbouring Lillyhall for prices up to £149,000 per hectare (£60,345 per acre). This evidence is contained in table 5.20. As noted in table 5.21 a site at Clay Flatts Industrial Estate in Workington is available in a forthcoming auction with a guide price equating to £63,045 per hectare (£25,424 per acre)[5]. A further site in Maryport is available for a price equating to £202,206 per hectare (£81,845 per acre) although this is for a 99 year leasehold interest. We have also identified previously developed sites available in Carlisle and Keswick at prices of £465,116 and £416,667 per hectare (£188,235 and £167,910 per acre) respectively although these sites are well located and in the case of Carlisle have residential potential.

6.2.26 We are advised that there have been no recent FVAs submitted in relation to planning applications on brownfield sites in Copeland. More generally across the North West of England it is our experience that area wide viability assessments will typically adopt EUVs for brownfield sites in the range of £247,000 to £494,000 per hectare (£100,000 to £200,000 per acre).

[5] This site sold at Auction on 16 March 2022 for £131,000. The site area is in fact 1.18 hectares (2.92 acres) and the price paid equates to £110,017 per hectare (£44,863 per acre).

6.2.27 At the present time EUVs at the higher end of this range are normally assumed for brownfield sites in locations that are close to major motorway connections for example in relation to the area wide FVAs prepared for St Helens and Warrington.

6.2.28 When considering the types of employment sites likely to be the subject of future residential development in Copeland then based on the available evidence, and taking into consideration the Borough's relatively poor road communications, we would expect to see EUVs at the lowest end of this range. In assessing the brownfield allocations in Copeland it is our judgement that an EUV in the order of £247,500 per hectare (£100,000 per acre) would be more realistic. This is broadly in line with the EUVs that were adopted for brownfield sites in Workington and Maryport in the Allerdale Local Plan Viability Assessment. It also accords to the EUVs adopted in the more recent FVA for the Rossendale Local Plan which was undertaken in accordance with the current NPPF. The FVAs in both cases have been subject to examination and found sound.

Landowner Premium

6.2.29 The premium (or the 'plus' in EUV+), is the amount above existing use value (EUV) that goes to the landowner. The PPG states that:

"The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements." (Paragraph: 016 Reference ID: 10-016-20190509)

6.2.30 Paragraph 5.3.3 of AVIP recognises that there is no standard amount for the premium. The setting of realistic policy requirements that satisfy the reasonable incentive test behind the setting of the premium is a very difficult judgement.

6.2.31 Ultimately assessors should advise on the amount of BLV that would incentivise reasonable landowners to release their land for development. However, AVIP makes it clear that *"it is for the plan-maker to assess the BLV and resulting policy requirements in the plan from the advice and evidence provided by the assessor."* (Paragraph 5.8.4)

6.2.32 The PPG at paragraph: 016 references different sources of information that can be used to inform the landowner premium. This information can include BLVs from other FVAs. There is no restriction on the use of FVAs from outside the immediate locality or LPA area.

6.2.33 For brownfield sites, the EUV element of the BLV is normally a substantial part of the overall assessed value. In these cases the premium is usually stated as a percentage increase of the EUV. Greenfield sites in comparison normally have a low EUV which is a small proportion of the BLV. In these cases the premium is more likely to be stated as a multiplier of the EUV.

6.2.34 To establish an appropriate landowner premium, then in accordance with the PPG and AVIP we have firstly considered the available evidence from recent FVAs submitted alongside planning applications in the Borough. Only one FVA has been submitted in Copeland. This was for a substantial greenfield site. As noted in para 6.2.18 the FVA stated that agricultural land values were between £10,000 and £20,000 per acre (£24,700 and £49,400 per hectare). The FVA went on to conclude that a reasonable EUV in that case would be at the midpoint of this range. A landowner premium of 10 times EUV was then applied to give a BLV of £150,000 per acre. The landowner premium was stated to be based on the uplift applied to lower value locations in the Cheshire East CIL Viability Assessment.

6.2.35 Keppie Massie prepared the Cheshire East CIL Viability Assessment. The testing did adopt a benchmark land value of £370,500 per net developable hectare (£150,000 per net developable acre) for greenfield sites in lower value locations, however this was based on an existing use value for these sites of £24,700 per hectare (£10,000 per acre) and a landowner premium of 15 times agricultural values.

6.2.36 To further inform the assessment of a landowner premium we have considered BLVs that have been adopted in other Local Plan Viability Assessments for neighbouring Authorities, and other recent Local Plan FVAs particularly those prepared under the new NPPF and PPG in the North West.

6.2.37 Table 6.2 contains a summary of the BLVs taken from the relevant Local Plan FVAs. To enable a direct comparison with the sales prices today in Copeland as outlined in Section 5, we have rebased the sales prices assumed in the respective FVAs. This has been carried out with reference to Land Registry data and is based on the increase in average new build prices over the period from publication of the particular FVA. The adjusted value figure on a per sq.ft basis is shown in the first column. For St Helens the value figures are taken from the August 21 Update Report prepared following the examination hearings. The Warrington values are the unadjusted values taken from the August 21 FVA.

6.2.38 The various FVAs listed adopt a number of value zones. With reference to the rebased values we have detailed below the respective BLVs taken from the value zones that are most comparable with those identified for Copeland. The table also includes details of the respective affordable housing requirement for each of the LPAs listed.

	Brownfield			Greenfield		
Adj Value (psf)	**EUV (per acre)**	**Premium**	**BLV (per acre)**	**EUV (per acre)**	**Premium**	**BLV (per acre)**
Allerdale (Sept 2018) 10%,20% and 40%AH						
£199	£100,000	25%	£125,000	£10,000	X12.5	£125,000
£211	£100,000	50%	£150,000	£10,000	X15	£150,000
£228	£100,000	75%	£175,000	£10,000	X17.5	£175,000
Rossendale (Mar 2019) 30% AH						
£236	£100,000	50%	£150,000	£10,000	X15	£150,000
Pendle (Dec 19) 10% AH						
£224			£100,000			£150,000
£234			£150,000			£200,000
St Helens (Aug 21) 0%, 10%, 30% AH						
£180	£100,000	50%	£150,000	£10,000	X15	£150,000
£215	£200,000	25%	£250,000	£10,000	X15	£150,000
Warrington (Aug 21) 20%, 30% AH						
£230	£200,000	20%	£240,000	£9,000	X16.67	£150,000
£240	£200,000	20%	£240,000	£9,000	X16.67	£150,000

Table 6.2: Local Plan FVA Benchmark Lane Value Summary

6.2.39 Keppie Massie prepared the FVA for the neighbouring Borough of Allerdale. This was prepared prior to the introduction of the new NPPF and PPG, nevertheless the approach to assessing the BLV was based on EUV plus a premium to the landowner in accordance with the then current "Harman Guidance". In that case the BLVs adopted for greenfield and brownfield sites around Workington and Maryport with similar house prices to those assumed for Copeland were £308,750 to £370,500 per net developable hectare (£125,000 to £150,000 per net developable acre). For the comparable higher value locations in Allerdale BLVs of £432,250 per net developable hectare (£175,000 per net developable acre) were assumed. The Allerdale Local Plan has now been adopted.

6.2.40 The FVA for Rossendale was prepared under the new NPPF and PPG. The FVA adopted EUVs for the brownfield sites in comparable value areas of £247,000 per hectare (£100,000 per acre). A premium was then applied of 50% producing a BLV of £370,500 per net developable hectare (£150,000 per net developable acre). For greenfield sites an EUV of £24,700 per hectare (£10,000 per acre) was adopted. This was uplifted by a landowner premium of 15 times EUV resulting in a BLV of £370,500 per net developable hectare (£150,000 per net developable acre). The Rossendale Local Plan was adopted in December 2021. The Inspector's report concluded that *"the Council's viability assessment robustly demonstrates based on reasonable and available information that the cumulative impact of the policies in the Plan will not compromise development viability. The Council's approach is consistent with the advice contained in the Viability PPG".*

6.2.41 The Local Plan FVA for Pendle in Lancashire was prepared by Lambert Smith Hampton. Following stakeholder consultation BLVs for brownfield sites in locations comparable in value to Copeland were adopted at £247,500 to £370,500 per net developable hectare (£100,000 to £150,000 per net developable acre). For greenfield sites the range of BLVs is £370,500 to £494,000 per hectare (£150,000 to £200,000 per net developable acre). The FVA doesn't provide full details of the EUV or premium that is assumed in each case.

6.2.42 The original St Helens Local Plan FVA was prepared by Keppie Massie in 2018. The Local Plan was subject to examination in summer 2021. Given the passage of time an update to the original assessment was prepared for the benefit of the examination hearings. The update increased the original sales values to the figures contained in table 6.2. These are the value zones most comparable with Copeland. The BLVs remained unaltered.

6.2.43 EUVs for brownfield sites of £247,000 per hectare (£100,000 per acre) were adopted in the lowest value parts of St Helens and a figure of £494,000 per hectare (£200,000 per acre) was adopted in the medium value areas with sites typically closer to strategic motorway connections. Landowner premiums of between 25% and 50% where then applied. For greenfield sites an EUV of £24,700 per hectare (£10,000 per acre) was adopted and a land owner premium equivalent to 15 times EUV was applied resulting in a BLV of £370,500 per net developable hectare (£150,000 per net developable acre).

6.2.44 The Local Plan FVA for Warrington was prepared by Cushman and Wakefield and published in August 2021. Given the characteristics of Warrington a wide range of residential values were considered. Those values at the lowest end of this range are comparable to the highest house prices likely to be achieved in Copeland. As shown in table 6.2 an EUV of £494,000 per hectare (£200,000 per acre) is adopted for brownfield sites to which a landowner premium of 20% is applied. The EUV adopted reflects the strategic location of Warrington in the context of the national motorway network. For greenfield sites a BLV of £370,500 per net developable hectare (£150,000 per net developable acre) is adopted. This is based on an EUV of £22,230 per hectare (£9,000 per acre) and a landowner premium equivalent to 16.67 times EUV.

6.2.45 To establish appropriate landowner premiums and ultimately BLVs for the purpose of this study then in accordance with the PPG we have considered the limited evidence from planning application FVAs specific to the Borough. We have also taken into consideration evidence from other FVAs and in particular Local Plan viability assessments.

6.2.46 The one FVA submitted for a greenfield site in the Borough, demonstrates a landowner premium of 10 times EUV however this appears to have been based on an incorrect interpretation of the Cheshire East CIL Viability Assessment. The premium adopted in this particular CIL Viability Assessment was in fact 15 rather than 10 times EUV. The evidence from recent plan wide FVAs for greenfield sites indicates a landowner premium of between 12.5 and 17.5 times EUV, although there are some variances in the assumptions made regarding abnormal costs.

6.2.47 In preparing a study of this nature is it important not to test to the margins of viability. A reasonably cautious approach to assessing a minimum landowner premium should therefore be taken. In these circumstances we would recommend that based on the evidence, a landowner premium equivalent to 15 times EUV would be realistic for most greenfield sites. Applying this landowner premium to the EUV of £24,700 per hectare (£10,000 per acre) results in a BLV for greenfield sites of £370,500 per net developable hectare (£150,000 per net developable acre). This is considered to be a robust position and is consistent with other Local Plan Viability Assessments including for neighbouring Allerdale. To fully inform the Council's decision regarding plan viability, then as part of the sensitivity testing we have also considered variations to the greenfield BLV based on +/-£50,000 per net developable acre adjustments.

6.2.48 There is no evidence from FVAs submitted in Copeland relating to brownfield sites. Evidence from Local Plan FVAs shows landowner premiums ranging from 20% to 75%, although it is our experience that landowner premiums are reducing across the North West as the viability requirements and guidance in the PPG start to take effect. This is certainly evident from the assumed premiums in the Warrington FVA which are at 20%.

6.2.49 As noted above we would recommend a conservative approach is adopted to the application of the landowner premium for the purpose of this high level assessment. At the present time there is still relatively little information about the extent of potential abnormal costs applicable to these brownfield sites. For the limited number of brownfield allocations we have adopted a landowner premium of 50%. This produces a BLV of £370,500 per net developable hectare (£150,000 per net developable acre). In the circumstances this is considered to be a very robust position against which to test the viability of brownfield allocations. If significant abnormal costs are identified then we would expect downward adjustments to these figures. As with the greenfield typologies we have also prepared sensitivity testing with +/- £50,000 per net acre adjustments to the BLV.

6.2.50 The brownfield BLV is in fact similar to those consulted on and agreed for the purpose of FVA1. The greenfield BLV represents a reduction from those previously adopted in FVA1. However the greenfield BLVs are now assessed based on EUV+ in accordance with the requirements contained in the current PPG. They are also consistent with FVAs carried out locally and with other area wide viability assessments in the North West where similar house prices exist.

Cross Checking the BLV/Premium

6.2.51 The PPG states that market evidence can be used as a cross-check of the BLV but should not be used in place of the BLV. Any market evidence used should be based on developments that are fully compliant with emerging or up to date plan policies. AVIP at 5.2.2 notes that *"Where the evidence allows, land transactions adjusted for policy compliance can be used. Outliers should be disregarded."*

6.2.52 AVIP at para 5.7.7. goes on to say that *"Land transaction evidence may be easier to source but may also suffer from the individuality of location, typology and site characteristics, and adjustments for not-up-to-date actual or emerging policy compliance could be virtually impossible if there is a lack of detail concerning the transaction."*

6.2.53 Provided at table 5.22 are details of recent residential land transactions in Copeland and Allerdale. The overall average price paid across these transactions is £358,758 per net developable hectare (£144,473 per net developable acre) which is in fact less than the recommended BLVs at £370,500 per net developable hectare (£150,000 per net developable acre). Many of these sites have transacted with the benefit of planning consent. Furthermore, the transactions listed that are in Copeland, are based on pre-existing policy requirements. The emerging local plan contains additional policy requirements for example in relation to affordable housing and EVCs. National policy requirements are also being introduced with additional requirements for biodiversity net gain and part L which also result in additional costs for development. A downward adjustment to these transacted land values would be expected once emerging policy and new national standards are taken into consideration. Hence there is some justification for the use of BLVs that are lower than the figures that we are proposing to adopt.

6.2.54 The market evidence that is to be used as a cross check should be based on developments that are fully compliant with emerging or up to date plan policies. Three of the transactions listed are in Allerdale. Here applications are subject to affordable housing requirements. The transaction at Salterbeck involves a site that has consent for 12 houses of which 2 are affordable, and the price paid equates to £214,162 per net developable hectare (£86,705 per net developable acre). The other two sites in High Harrington and Stainburn are larger. They have provided 10% and 5% affordable housing respectively and were acquired for prices equating to £412,071 per net developable hectare (£166,830 per net developable acre) and £422,637 per net developable hectare (£171,108 per net developable acre).

6.2.55 Further information in relation to the land transactions listed in Copeland is not publically available. We do not have information in relation to the cost and revenue assumptions that were made at the point of sale nor do we have any information about the extent of abnormal development costs. In the absence of this information meaningful adjustments for abnormal costs and emerging plan policy requirements are very difficult and any attempt to do so introduces a level of subjectivity that would make the exercise of limited value evidentially. If these transactions were adjusted to take into account policy requirements then lower land prices would in theory almost certainly apply.

6.2.56 The PPG and RICS guidance recommends that transactional evidence should only be used as a cross check. There is a lack of detailed available information relating to these transactions, and hence there are limitations to this exercise. However it is worth noting that the prices paid for the sites listed are in many cases lower than the BLVs that we have assessed.

6.2.57 One of the responses to the initial consultation exercise requested that evidence should be provided on the existing use values as well as on the assumed land owner premiums. Recent market evidence of sales transactions that have taken place should also be provided.

6.2.58 Given the limitations of the consultation exercise it was not possible to include all relevant evidence. The preceding commentary and associated tables and appendices contain full information and explanation to address the point's made by the respondent and to support the BLVs that are recommended.

6.2.59 Responses were received as part of the consultation on the draft version of this report relating to the impact on the BLV of abnormal/site specific infrastructure costs. In particular comments were made that the use of a fixed BLV did not reflect the differing levels of abnormal costs across the allocations tested. Further details are contained in the accompanying Addendum Report[6]. On reflection we are persuaded that some adjustment is required to the BLV to reflect the relative levels of abnormal and site specific infrastructure costs across the allocations. A BLV of £150,000 per net acre remains appropriate for the majority of allocations where abnormal/site specific infrastructure costs are equivalent to £150,000 per acre or less. For those sites where such costs are greater, a reasonable adjustment to the landowner premium has been applied in line with table 6.3.

Abnormal Cost Range (per net acre)	Premium Adjustment
£150,000 - £199,999	-20%
£200,000 - £249,999	-40%
£250,000 plus	-50%

Table 6.3: Adjustments to Land Owner Premium for Abnormal Costs

6.2.60 A new **Appendix 14** has been added to this report which contains full details of the BLVs that have been adopted for each of the allocations.

[6] See in particular paragraphs 2.157 to 2.162 of Addendum Report.

Commercial

6.2.61 Potential commercial development sites are most likely to be vacant, previously developed land, opportunity sites within or adjacent to existing industrial areas, or alternatively the extension of current industrial estates into the surrounding greenfield areas.

6.2.62 Consideration of existing use values has also been applied to the sites for non-residential development to assess the BLVs. It is assumed that in assessing an appropriate BLV the sites will not have planning consent for the intended use and as a result the EUV will be limited particularly for those sites in agricultural use.

6.2.63 In arriving at an assessment of BLV, the likely characteristics of each form of development has been taken into account. For example, larger consolidated plots in highly accessible locations are likely to command a premium given their suitability for supermarket development or for retail warehouse development.

6.2.64 The assessment of office and industrial uses has been undertaken on the basis of a BLV at £308,750 per hectare (£125,000 per acre), this accords to the BLV adopted in FVA1. For comparison retail a BLV of £741,000 (£300,000) per acre has been adopted whilst convenience retail has been assessed against a BLV of £864,500 (£350,000 per acre). This represents a significant reduction to the assumptions made in FVA1 which is reflective of present market circumstances for retail development.

Land Acquisition Costs

6.2.65 Land acquisition costs based on agent's fees and legal fees at 1.8% of the land value have been included in the assessments. This is in line with normal market practice and rates. We have also assumed payment of stamp duty in accordance with current HMRC thresholds and rates which are summarised in table 6.4.

Property or lease premium or transfer value	SDLT rate
Up to £150,000	Zero
The next £100,000 (the portion from £150,001 to £250,000)	2%
The remaining amount (the portion above £250,000)	5%

Table 6.4: HMRC Stamp Duty Rates

Timing of Land Acquisition

6.2.66 Save for the largest allocation the financial appraisals assume that the land is acquired on day 1 of the development programme and hence the purchase carries finance costs from the outset. For the larger residential developments it would be unusual for a developer to acquire the entirety of such a large site from day 1. A large development site would normally be the subject of a phased acquisition programme, with the land only being drawn down by the developer as required. For the largest allocation HWH5 we have assumed the land will be acquired in 3 phases.

6.3 Residential Appraisal Assumptions

Programme

6.3.1 FVA1 adopted sales rates of between 2 and 4 per month dependent on site size. The first sale was assumed to take place 9 months after the start of works on site. In our experience a developer would seek to construct and sell around 30-40 dwellings per annum. For the purpose of the assessments we have in most cases applied an average sales rate for each site of 3 per month, with the first sales taking place between 9 and 11 months after a start on site. The sales rate relates to the total market and affordable dwellings.

6.3.2 Sales rates tend to increase in respect of larger sites as developers seek to 'double up' and develop out a site in tandem. This may take the form of affiliated developers (such as Barratt and David Wilson Homes) or separate house builders. We have factored this into the sales rates assumed for the two largest allocations tested in Whitehaven (HWH2 and HWH5), with sales rates of 4 and 5 per month respectively.

6.3.3 For a number of the allocations in the local service centres and villages we would expect a slower sales rate. In assessing the viability of these allocations we have adopted a sales rate of 2 per month. These assumptions as to programme are in line with those utilised in FVA1.

6.3.4 It is probable that for some of the allocations, the sales rates may be higher than those assumed. We would expect the sales rates that have been adopted to apply to the market dwellings only and this will drive the programme. Hence in reality the length of the sales programme would be based on the market disposals only with the affordable dwellings being sold to keep pace with the market houses. If the sales programme is reduced from that assumed there would be consequent reductions in finance and other costs. In undertaking this high level assessment however, it is considered that the sales rates that have been adopted represent a cautiously robust position.

Sales Values

Market Houses

6.3.5 With reference to paragraphs 5.2.1 to 5.2.40 and to the range of sales prices contained in table 5.8, we have provided at table 6.5 a summary of the average sale price (GDV) that has been adopted for each allocation tested. The table also includes details of the assumed sales rate. Further explanation is contained in **Appendix 8**. In the absence of direct evidence of new build values in some areas, it has been necessary to use our judgement using the limited sales evidence that is available. The sales prices that have been adopted therefore represent our assessment of a realistic position based on the available evidence.

6.3.6 We have assumed that bungalows will sell for a price reflecting an uplift of 15% to the average values in table 6.5.

Settlement	Ref	Address	Capacity	Price (per sq.m)	Price (per sq.ft)	Sales Rate (per month)
Whitehaven	**HWH1**	Land at West Cumberland Hospital and Snekyeat Rd	127	£2,314	£215	3
Whitehaven	**HWH2**	Red Lonning and Harras Moor	370	£2,476	£230	4
Whitehaven	**HWH4**	Land south and west of St Mary's School	60	£2,368	£220	3
Whitehaven	**HWH5**	Former Marchon Site North	532	£2,260	£210	5
Cleator Moor	**HCM1**	Land at Jacktrees Road	127	£2,314	£215	3
Cleator Moor	**HCM2**	Land north of Dent Road	96	£2,368	£220	3
Cleator Moor	**HCM3**	Former Ehenside School	40	£2,153	£200	3
Egremont	**HEG1**	Land north of Ashlea Road	108	£2,368	£220	3
Egremont	**HEG2**	Land at Gulley Flatts	170	£2,368	£220	3
Egremont	**HEG3**	Land to south of Daleview Gardens	141	£2,368	£220	3
Millom	**HMI1**	Land west of Grammerscroft	107	£2,314	£215	3
Millom	**HMI2**	Moor Farm	195	£2,314	£215	3
Arlecdon	**HAR1**	Land East of Arlecdon Road	37	£2,368	£220	2
Distington	**HDI1**	Land south of Prospect Works	30	£2,260	£210	2
Distington	**HDI2**	Land south west of Rectory Place	30	£2,099	£195	2
St Bees	**HSB1**	Land adjacent Abbots Court	58	£2,422	£225	2
St Bees	**HSB3**	Fairladies extension	30	£2,476	£230	2
Seascale	**HSE2**	Fairways Extension	22	£2,314	£215	2
Seascale	**HSE3**	Town End Farm East	32	£2,314	£215	2
Thornhill	**HTH1**	Land South of Thornhill	20	£2,153	£200	2

Table 6.5: FVA2 Average Sale Prices Adopted

Settlement	Ref	Address	Capacity	Price (per sq.m)	Price (per sq.ft)	Sales Rate (per month)
Beckermet	**HBE1**	Land north of Crofthouse Farm	46	£2,476	£230	2
Beckermet	**HBE2**	Land adjacent to Mill Fields	27	£2,476	£230	2
Bigrigg	**HBI1**	Land north of Springfield Gardens	65	£2,368	£220	3
Bigrigg	**HBI2**	Land west of Jubilee Gardens	35	£2,368	£220	3
Drigg	**HDH2**	Wray Head, Station Road	22	£2,368	£220	2
Holmrook	**HDH3**	Hill Farm Holmrook	20	£2,368	£220	2
Moor Row	**HMR1**	Land to north of social club	37	£2,314	£215	2
Moor Row	**HMR2**	Land to south of Scalegill Road	41	£2,314	£215	2
Lowca	**HLO1**	Solway Road	22	£2,260	£210	2
Summergrove	**HSU1**	Land to South West of Summergrove	80	£2,422	£225	3

Table 6.5: FVA2 Average Sales Prices Adopted

Affordable Houses

6.3.7 In the absence of direct evidence of affordable housing transfer values in Copeland, we have had regard to evidence provided to us by house builders and registered providers (RPs) in reviewing and preparing FVAs in other similar market areas in the North West region. We have also considered the transfer values adopted in other area wide FVAs which have been found sound at Examination. The transfer values have also been subject to consultation. Based on this assessment we have adopted the following affordable values as a percentage of market value:

- Affordable Rent – 45%
- Shared Ownership – 70%
- First Homes – 70%

6.3.8 The appraisals assume a zero grant position for the affordable dwellings which are assumed to be provided through a S106 Agreement.

Construction Costs

6.3.9 FVA1 adopted construction costs based on BCIS lower quartile rates with allowances of between 10% and 20% for external works. A contingency was then added at between 3% and 5% of the costs with a further addition of 7%-9% for professional fees dependent on the scale of the development. No abnormal costs were included in the assessments. It is understood that consultees were content with this approach to construction costs.

6.3.10 The construction costs adopted for FVA2 have been prepared by a Quantity Surveyor. A report containing their methodology and the site-specific cost assessments is contained at **Appendix 11**[7] of this Report.

[7] In response to consultation comments, the table on page 9 of Appendix A in the final version of the Construction Costs Report has been expanded with additional columns to show the component elements of the Base Build Costs.

The benchmarking exercise contained in the Construction Costs report has been re-presented to exclude within the Base Build cost any cost associated with garages and part L. The updated table is contained on page 13 of Appendix A and the narrative at para 2.48 has been updated accordingly.

The final version of the report includes in Appendix B, BCIS Average Prices for Copeland.

6.3.11 The construction costs are inclusive of the additional costs of compliance with changes in Building Regulations to Part L that come into force in June 2022. The construction costs include provision for substructures, superstructures, all external works, garages, incoming services and drainage, preliminaries, fees and a contingency.

6.3.12 The construction costs take into account the costs associated with the provision of SuDs and on-site public open space (including play provision).

6.3.13 At the present time there is no substantive information about the quantum of abnormal costs across the various allocations. Given the absence of this information an informed judgement has been made by our QS about the likely amount of such abnormal costs. This is based on the information contained in the Housing Allocation Profiles. Allowances have been included where appropriate for matters such as additional highway infrastructure requirements with specific reference to the Site Access Assessment 2021 (SAA), additional utilities, drainage and services costs, site development abnormals including remediation and abnormal foundations. Details are contained at Appendix F of the QS report.

6.3.14 For the 5 and 10 dwellings generic typologies appropriate allowances have also been included which result in abnormal costs of around £10,000 per dwelling for greenfield sites and an average at around £24,000 per dwelling for brownfield sites.

6.3.15 The QS report also contains at Appendix D full details of the cost allowance for an EV charging point at £581 per dwelling which is an increase from the figure of £482 per dwelling previously consulted on. For the avoidance of doubt this cost does not include any allowance for the cost of infrastructure upgrades that may in the future be needed if the chargers are used on a large scale. One of the consultation responses suggested a cost for EVCs of £750 per dwelling our QS experience is that this is relatively expensive and a cost at £581 per dwelling is realistic and supported by quotations.

6.3.16 The QS report contains a detailed commentary relating to the costs and approach adopted. This is supported by detailed calculation sheets at Appendix A of the report and a benchmarking exercise against BCIS. Table 6.6 below summarises the rate per sq.m total cost that has been assessed for each allocation exclusive of abnormal costs and EVCs but inclusive of fees, contingencies and onsite open space and play provision. Also included is a column showing the amount per dwelling assumed for abnormal costs.

Settlement	Ref	Address	Build Cost (per sq.m)	Abnormals (per dwelling)
Whitehaven	**HWH1**	Land at West Cumberland Hospital and Snekyeat Rd	£1,513.47	£27,958
Whitehaven	**HWH2**	Red Lonning and Harras Moor	£1,464.65	£6,794
Whitehaven	**HWH4**	Land south and west of St Mary's School	£1,500.94	£12,918
Whitehaven	**HWH5**	Former Marchon Site North*	£1,404.27	£27,369
Cleator Moor	**HCM1**	Land at Jacktrees Road	£1,511.49	£12,736
Cleator Moor	**HCM2**	Land north of Dent Road	£1,502.35	£7,086
Cleator Moor	**HCM3**	Former Ehenside School	£1,495.66	£11,716
Egremont	**HEG1**	Land north of Ashlea Road	£1,530.50	£14,320
Egremont	**HEG2**	Land at Gulley Flatts	£1,502.68	£7,368
Egremont	**HEG3**	Land to south of Daleview Gardens	£1,530.70	£7,486
Millom	**HMI1**	Land west of Grammerscroft	£1,519.03	£8,551
Millom	**HMI2**	Moor Farm	£1,499.99	£9,916
Arlecdon	**HAR1**	Land East of Arlecdon Road	£1,565.14	£9,888
Distington	**HDI1**	Land south of Prospect Works	£1,567.53	£9,488
Distington	**HDI2**	Land south west of Rectory Place	£1,563.59	£7,129
St Bees	**HSB1**	Land adjacent Abbots Court	£1,557.86	£8,936
St Bees	**HSB3**	Fairladies extension	£1,560.71	£30,105
Seascale	**HSE2**	Fairways Extension	£1,557.39	£13,892
Seascale	**HSE3**	Town End Farm East	£1,561.68	£16,857
Thornhill	**HTH1**	Land South of Thornhill	£1,560.83	£14,678
Beckermet	**HBE1**	Land north of Crofthouse Farm	£1,554.66	£12,284
Beckermet	**HBE2**	Land adjacent to Mill Fields	£1,592.92	£6,485
Bigrigg	**HBI1**	Land north of Springfield Gardens	£1,499.52	£6,403
Bigrigg	**HBI2**	Land west of Jubilee Gardens	£1,515.57	£7,887
Drigg	**HDH2**	Wray Head, Station Road	£1,555.92	£7,086
Holmrook	**HDH3**	Hill Farm Holmrook	£1,569.49	£24,000
Moor Row	**HMR1**	Land to north of social club	£1,551.59	£9,281
Moor Row	**HMR2**	Land to south of Scalegill Road	£1,557.99	£7,486
Lowca	**HLO1**	Solway Road	£1,560.94	£18,195
Summergrove	**HSU1**	Land to South West of Summergrove	£1,501.19	£7,686

Table 6.6: Dwelling Construction Cost Rates per sq.m

6.3.17 The QS report contains the detailed construction cost calculation sheets to enable full and transparent scrutiny of the costs assessed. This is supported by a benchmarking exercise against BCIS. The QS report also contains justification, evidence and calculations to support policy costs in relation to EVCs.

Local Plan Policy Costs

6.3.18 FVA1 did not include any costs associated with Local Plan policies. The appraisals were prepared to provide an indication of relative viability in the Borough, to assist the Council to identify allocations. It was acknowledged that the Stage 2 FVA would need to include the costs of Local Plan policies such as affordable housing. We have outlined below the assumptions made in FVA2 in relation to the various policy requirements.

Affordable Housing

6.3.19 **Strategic Policy H8PU: Affordable housing** contains the Local Plan requirements in relation to affordable housing. In accordance with the requirements of this policy, the viability testing for each of the allocations assumes the policy requirement for 10% on site affordable housing for developments of 10 or more dwellings. This is on the basis of 60% affordable rent tenure and 40% affordable home ownership. The mix of affordable dwellings in terms of size is reflective of the need identified in the Strategic Housing Market Assessment (SHMA). On smaller schemes single affordable units are unlikely to taken on by RPs and therefore the Council would be willing to accept discounted sale on smaller sites.

6.3.20 The transfer values that have been adopted for the affordable dwellings are contained at para 6.3.7.

Housing Mix and Density

6.3.21 **Policy H7PU: Housing Density and Mix** contains a number of aspects that inform the viability testing. The policy does not contain requirements in relation to minimum densities however it does require developments to make effective use of land. In addition the policy requires applicants to demonstrate how their proposals meet the latest SHMA requirements in terms of house type and size. In testing the proposed allocations we have adopted a range of different housing types and densities typically at 30 to 35 per net developable hectare and higher in some cases. The housing mix assumed broadly accords to the requirements of the SHMA with a relatively high number of smaller 1 and 2 bed dwellings.

Climate Change

6.3.22 **Policy H6PU: New Housing Development** encourages developers to create housing that goes beyond minimum energy efficiency standards in Building Regulations where possible.

6.3.23 In preparing the viability testing we have taken into consideration new building regulation requirements to achieve 31% reduction in CO2. The base construction costs are therefore inclusive of the costs of meeting this requirement. The viability testing therefore assumes compliance with the new Part L building regulation requirements. The additional costs range from £6,838 for a detached house to £4,971 for a terraced house. Further details of the associated costs are contained in the QS report at **Appendix 11**. The costs adopted for Part L represent a slight increase to those previously consulted on. The consultation response received from Persimmon Homes confirmed that the level of increase to build costs for Part L is in line with their current experience.

Flood Risk

6.3.24 **Strategic Policy DS8PU: Reducing Flood Risk and Policy DS9PU: Sustainable Drainage** deal with requirements in relation to SuDs. The construction cost assessments include a cost for surface water attenuation. The form of development tested and in particular the inclusion of open spaces addresses the requirement for Sustainable Urban Drainage Systems, and the costs assessed make provision for associated SuDs works.

6.3.25 **Strategic Policy N3PU: Biodiversity Net Gain** contains the Local Plan requirements in relation to biodiversity net gain. A biodiversity net gain of no less than 10% is to be provided. The construction costs for the various allocations make provision for requirements to achieve biodiversity net gain. In particular where opportunities for biodiversity enhancement are identified in the Housing Allocation Profiles, then the costs associated with these opportunities are included in the construction cost totals. These costs may be lower in practice depending on how open space/landscaping, SuDS etc. are provided, as they might double up as improved biodiversity habitats.

Developer Contributions

6.3.26 **Strategic Policy DS5PU: Planning Obligations** addresses requirements in relation to developer contributions which will be provided by means of a S106 contribution. At **Appendix 12**[8] we have included a schedule of Transport Improvement Study 2021 (TIS) contributions that have been identified for each site. These contributions have been included in the respective financial appraisals.

6.3.27 The viability testing is already inclusive of the costs of providing on site open space and affordable housing. It is possible that other contributions may be required for matters such as education or health. At this stage the Council do not have sufficient information to identify requirements for or the likely amount of such contributions. In the absence of this information we have considered the surplus sum generated by each appraisal as an indication of the level of further financial contribution that the respective allocation could support towards such requirements.

Open Space and Play Pitch Provision

6.3.28 **Policy DS6PU: Design and Development Standards** and **Strategic Policy N9PU – Green Infrastructure** contain the local plan requirements relating to the provision of public open space. The development typologies include requirements for onsite public open space and therefore the construction cost assessments are reflective of this. In addition we have included the costs of play provision (i.e. LAP, LEAP etc) based on certain size thresholds. Table 6.7 contains details of the assumptions made as to the type of play provision required, scheme size and the associated costs. These costs are then contained in the construction cost assessment for each site and hence the overall rates contained in table 6.6.

Type of Play Provision	Scheme Size	Total Cost
Local Area Play (LAP)	50-99 dwellings	£35,000
Local Equipped Play (LEAP)	100-499 dwellings	£80,000
Neighbourhood Equipped Play (NEAP)	500+ dwellings	£140,000

Table 6.7: Costs of Play Provision

[8] This table (and the associated viability testing) has been amended to include a revised cost of £10,300 for traffic calming measures to HDI2. In addition in relation to HDH2 the costs associated with a bus shelter upgrade (£5,500) are not applicable and have been removed from the table and associated viability testing.

6.3.29 The playing pitch strategy has not yet been completed and as a result the Council have not been able to calculate the playing pitch contributions that may be required from each site. With reference to the Housing Application Profiles, if requirements are identified for the provision of new and improved playing pitches, then the associated cost is included in QS cost assessment for the particular site. Otherwise reference is again made to any surplus available to meet requirements for specific contributions.

Electric Vehicle Charging Points

6.3.30 **Policy CO7PU: Parking Standards and Electric Vehicle Charging Infrastructure** requires new residential development is to provide one electric vehicle charging point per dwelling. We have prepared viability testing inclusive of the costs associated with the provision of electric vehicle charging points at £581 per point. Further details are contained in the QS report at **Appendix 11**. For non-residential development at least one charging point per 10 spaces is to be provided with infrastructure to enable the future installation of charging points in every parking bay. For commercial developments we have included a cost of £2,980 per space for the charging point together with appropriate costs for infrastructure provision to enable future installation.

Sales and Marketing

6.3.31 The FVA1 report states that marketing and disposal costs would fall within the range of 1.5% to 3% of GDV and that for the purpose of the assessment a flat rate of 3% of GDV was used for all development scenarios. It was acknowledged that stakeholders raised no objection to this proposed marketing and disposal cost assumption. In reviewing the appraisals contained in FVA1 we have noted that in fact these appraisals include total marketing and disposal costs of 4.5% of GDV. It is not clear why this difference in the stated rates has occurred.

6.3.32 In our experience marketing and disposal costs at 3% of GDV would be slightly low for the purpose of this high level assessment. Conversely an allowance at 4.5% of GDV is too high. For the purpose of FVA2 the disposal costs, including sales and marketing expenses, have been included at a more realistic rate of 3.5% of the GDV of the market housing. This is in line with typical development industry standards for housing development. We have included an allowance of £650 per unit for the costs associated with the transfer of the affordable homes to a registered provider.

Finance

6.3.33 FVA1 adopted an interest rate at 7% inclusive of all associated fees and monitoring charges. In undertaking assessments of viability both for Local Planning Authorities and house builders over the last 24 months we have typically seen interest rates reducing in the appraisals that have been submitted to us. Interest rates of between 6% and 6.5% are normally assumed. For all of the residential viability testing we have assumed a finance rate of 6.5% inclusive of arrangement and monitoring fees. This is towards the higher end of the range of interest rates currently available in the market for residential developments of the type contained in our viability assessments. It is therefore considered robust for the purpose of this assessment.

Developers Profit

6.3.34 FVA1 adopted a developers profit based on 20% of GDV for market housing. Since the publication of FVA1 there have been significant changes to the guidance contained in the PPG relating to the assessment of profit. Paragraph:018 Reference ID: 10-018-20190509 of the PPG deals with how a return to developers (developer's profit) should be defined for the purpose of viability assessment. In particular it notes that potential risk is accounted for in the assumed return for developers at the plan making stage and it is the role of developers, not plan makers or decision makers, to mitigate these risks.

6.3.35 The PPG goes on to say that for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. In addition it suggests that a lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk.

6.3.36 In assessing the appropriate level of developer's profit, we have had regard to both the size and form of the proposed development and the likely risk associated with the development as a result. The level of profit requirement will principally reflect the risk of constructing a particular development site and as a result a developer may require different levels of profit as reward for risk across different sites.

6.3.37 Many factors will govern risk in relation to a development site; these include location, the local property market, the size and scale of the development, potential contamination and other abnormal costs and the type of accommodation being provided. Other considerations affecting risk could include the planning status of the site, and specifically whether a planning consent is in place for the proposed scheme.

6.3.38 In terms of residential development, a smaller residential development would be considered less risky than a large scale strategic residential development site. On a larger site it may take many years for the developer to build out and complete the sale of all of the houses. There could be significant changes (for better or worse) in the property market during the lifetime of the development. Therefore, the risk associated with having capital tied up in the development is carried for many years. As a result, a developer may require a higher profit return than on the smaller development site.

6.3.39 The industry standard measure of profit return is typically based on a percentage of either Gross Development Value (GDV) or cost. In certain instances developers may use an internal rate of return as an additional check measure. In our experience profit based on GDV is more commonly used for residential developments although not exclusively, whilst a return based on cost is more typical for commercial development.

6.3.40 From our development market experience, and as also noted in the PPG, residential developments would tend to command a profit return of 15-20% GDV, inclusive of a developer's overhead.

6.3.41 Looking at planning decisions, Planning Inspectors in certain instances have made reference in decisions to the level of profit adopted and what is typical, including the following examples:

Flambard Way, Godalming[9] (a mixed development of 225 flats and commercial accommodation): the Inspector refers to an industry norm of 15-20% profit and although not explicitly stated this seems to be based on cost.

[9] Planning Inspectorate Decision in relation to 'Waverley Borough Council appeal by Flambard Development Limited' APP/R3650/A/08/2063055 (Planning Inspectorate 2008).

Flemingate, Beverly [10] (a mixed use development): Here the Inspector accepted 15% of cost.

Clay Farm[11] (2,300 dwellings and retail, health centre, education): Here the Local Planning Authority suggested a profit return based on 20% of cost or 16% of GDV. 16% GDV was considered by the Council to be consistent with the profit based on GDV in the HCA document detailed above. The Inspector appears to accept the LPA's approach albeit the key point at issue related to whether the scheme should be assessed on a residual land value basis, or based on the actual historic purchase price.

Former Royal Hotel, Newbury[12] (35 sheltered apartments): The Inspector here decided that the profit range of 17.5%-20% of GDV detailed in the HCA EAT user manual was the correct level of profit for this development.

Shinfield, Reading[13] (residential development comprising 126 dwellings and a sports pavilion): The Inspector determined that a figure of 20% profit on GDV was appropriate for this development based on the evidence that was presented to him.

Land adjacent to Policemans Lane, Poole, Dorset [14] (a development comprising 70 dwellings). The Inspector in reaching a decision regarding the viability of the development adopted a blended profit across the market and affordable units of 16.53% of GDV. This reflected 20% of GDV for the market units and 8% of cost for the affordable dwellings.

[10] Planning Inspectorate Decision in relation to Application by CP Group, Wykeland Group and Quintain Estates & Development PLC, LPA: East Riding of Yorkshire' APP/E2001/V/08/1203215 (Planning Inspectorate 2008).

[11] Planning Inspectorate Decision in relation to 'Applications by Countryside Properties PLC & Countryside Properties (UK) Ltd to Cambridge City Council' APP/Q0505/A/09/2103599 and APP/ Q0505/A/09/2103592 (Planning Inspectorate, 2009).

[12] Planning Inspectorate Decision in relation to 'Former Royal Hotel, Newbury, Gillingham, Dorset SP8 4QJ' APP/N1215/A/09/2117195.

[13] Planning Inspectorate Decision in relation to 'Land at the Manor, Shinfield, Reading RG2 9BX and bordered by Brookers Hill to the North, Hollow Lane to the east and Church Lane to the west' APP/X0360/A/12/2179141 (Planning Inspectorate 2013).

[14] Planning Inspectorate Decision in relation to 'Land adjacent to Policemans Lane and the A35, Upton, Poole, Dorset BH16 5NE.' APP/B1225/W/15/3049345 (20 November 2015).

Lowfield Road, Bolton upon Dearne, Barnsley[15] (a development comprising 97 houses). Based on the evidence before him the Inspector concluded that the development could reasonably operate at a profit margin of 17.5% GDV for the market dwellings.

6.3.42 As the above demonstrates, the profit return requirement is not at a fixed level and will vary from site to site, depending upon the risk profile, which is driven by many factors.

6.3.43 On the basis of the above and having regard to the nature of the site typologies, and associated risk profile we have adopted a developer's profit at 18% of GDV for the market housing contained in the allocations.

6.3.44 FVA1 adopted a profit return at 20% of GDV which is at the very highest end of the range identified by the PPG. In our experience it is only those sites with the very highest risk profile that are assessed against this level of return. This may include those sites that have significant constraints such as heavily contaminated brownfield sites. In undertaking an FVA such as this it is expected that the number of sites that would fall into this category would be limited. It would therefore be wrong to assess the viability of all sites against what is in effect a very worst case scenario that could be relevant to very few sites in Copeland.

6.3.45 It is acknowledged that in the past we have prepared area wide viability assessments against this 20% target however there is now very clear guidance in the PPG about the range of profit return that is appropriate at 15%-20% of GDV. In the context of this guidance we do not consider it would be appropriate to test all sites against a profit set at the highest end of this range. A profit at 18% of GDV is considered proportionate and more appropriate in the circumstances.

6.3.46 In addition for the smaller windfall sites that may come forward over the plan period the risk profile is lower. The type of local builder likely to take forward the development of such sites may in many cases seek a relatively modest return sufficient to cover overheads and recover a small profit. In circumstances such as this it is considered that a profit of 15% of GDV would be appropriate and is within the range identified in the PPG.

[15] Planning Inspectorate Decision in relation to 'Land off Lowfield Road, Bolton upon Dearne, Barnsley S63 2TF'. APP/R4408/W/17/3170851 (23 October 2017).

6.3.47 To assist the Council in making decisions regarding plan viability we have also undertaken sensitivity testing based on the range of developers profits identified in the PPG. With a sensitivity test at both the higher level of developer profit at 20% of GDV for the market housing and also at 15% of GDV.

6.3.48 For the affordable housing reflecting the lower risk noted in the PPG we have adopted a profit at 6% of GDV in all viability testing.

6.3.49 Table 6.8 contains a summary of the appraisal inputs and assumptions used in the viability testing of the residential typologies. For completeness we have also provided tables 6.9 and 6.10 which are based on the construction cost summary contained at Appendix A of the Construction Costs Report[16]. Table 6.9 contains details of the actual construction cost totals for each allocation under the respective cost heading. Table 6.10 shows the respective total measured either in £ sq.m, as a percentage or a rate per unit in accordance with normal market practice.

6.3.50 With reference to table 6.10, the total external works including garages are shown as a percentage of the base build cost including preliminaries. Professional fees are expressed as a percentage of the total build costs including preliminaries, part L and external works. The contingency is expressed as a percentage of the overall total of these costs including professional fees. For ease of reference the tables of rates also include the assumptions on a per dwelling basis for electric vehicle charging points and abnormal costs.

[16] Tables 6.9 and 6.10 included for ease of reference, in response to consultation response from CW.

Item	Assumption
GDV	
Whitehaven	£2,153 - £2,476 per sq.m (£200 - £230 per sq.ft)
Key Service Centres	£2,153 - £2,368 per sq.m (£200 - £220 per sq.ft)
Local Service Centres/Villages (average)	£2,099 - £2,368 per sq.m (£195 - £220 per sq.ft)
Local Service Centres/Villages (high)	£2,368 - £2,583 per sq.m (£220 - £240 per sq.ft)
Affordable Values (% MV)	Affordable Rent – 45% Shared Ownership – 70% First Homes – 70%
Benchmark Lane Value (net hectare)	
Greenfield	£370,500 (£150,000 / net acre)
Brownfield	£370,500 (£150,000 /net acre)
Other Assumptions	
Sales Rate	2 or 3 per month 4 per month – HWH2 5 per month – HWH5
Sales and marketing costs (market housing)	3.5% of GDV
Affordable Housing Transfer Fee	£650 per dwelling
Finance Rate (inc all fees)	6.5%
Stamp Duty	Based on HMRC rates
Agents fee on acquisition	1%
Legal fee on acquisition	0.8%
Developers Profit (% GDV)	
Market (10 or less) Market (more than 10) Affordable Housing	15% 18% (Sensitivity 20% and 15%) 6% GDV
Construction Costs	
Base Construction Costs	See QS report at Appendix 11 and tables 6.9-6.10.
Part L (per dwelling)	Detached - £6,838 Semi - £5,087 Terrace - £4,971
Professional Fees	8% to 6.5%
Contingency	5%
Overall Construction Cost inc Part L, POS, fees and contingency	Refer to table 6.6 and 6.9-6.10. Range is £1,404.27 to £1,592 per sq.m for allocations. The range for the Generic sites is £1,534.66 to £1,629.19 per sq.m.

Item	Assumption
Abnormal Costs (per dwelling)	Refer to table 6.6. Greenfield range is £6,794 to £30,105 per dwelling Brownfield range is £7,129 to £27,958 per dwelling
Electric Vehicle Charging Point (per dwelling)	£581
Other Policy Costs	
Biodiversity Net Gain	Included in overall construction cost assessment including costs for specific site opportunities identified in Allocations Profiles
S106/S278 Contribution (per dwelling)	See **Appendix 12** for schedule of TIS contributions
Playing Pitch Contribution (per dwelling)	Not currently included pending completion of playing pitch strategy

Table 6.8: Residential Typologies Appraisal Inputs and Assumptions

Ref	No Units	Area (sq.m)	Base Build Cost	Prelims	Part L	Garages	External Works	Professional Fees	Contingency	POS	Total
HWH1	127	11,448	£9,205,097	£1,843,193	£745,138	£438,102	£2,663,716	£1,042,667	£796,896	£591,438	**£17,326,247**
HWH2	370	33,392	£26,298,503	£4,222,214	£2,170,588	£1,259,596	£7,772,411	£2,712,015	£2,221,766	£2,250,405	**£48,907,498**
HWH4	60	5,424	£4,495,306	£664,373	£352,139	£216,204	£1,259,762	£524,084	£375,593	£253,650	**£8,141,111**
HWH5	532	48,096	£37,865,818	£4,815,499	£3,121,548	£1,821,318	£10,978,237	£3,809,157	£3,120,579	£2,007,600	**£67,539,756**
HCM1	127	11,448	£9,205,097	£1,843,193	£745,138	£438,102	£2,655,488	£1,042,091	£796,455	£578,021	**£17,303,585**
HCM2	96	8,680	£7,193,041	£970,102	£563,048	£346,009	£2,026,219	£832,381	£596,540	£513,069	**£13,040,409**
HCM3	40	3,616	£2,996,907	£493,870	£234,759	£144,136	£832,986	£352,699	£252,768	£100,179	**£5,408,304**
HEG1	108	9,760	£7,847,522	£1,605,077	£634,596	£377,334	£2,284,224	£892,413	£682,058	£614,476	**£14,937,700**
HEG2	170	15,397	£12,380,560	£2,398,797	£998,544	£601,352	£3,543,356	£1,394,583	£1,065,860	£753,700	**£23,136,752**
HEG3	141	12,741	£10,235,182	£2,028,394	£826,743	£489,343	£2,974,095	£1,158,763	£885,626	£904,473	**£19,502,619**
HMI1	107	9,640	£7,751,650	£1,596,258	£627,758	£368,195	£2,239,624	£880,844	£673,217	£505,878	**£14,643,424**
HMI2	195	17,635	£14,183,537	£2,716,285	£1,144,859	£685,159	£4,063,989	£1,595,568	£1,219,470	£843,495	**£26,452,362**
HAR01	37	3,341	£2,760,677	£623,217	£215,996	£129,805	£788,043	£338,830	£242,828	£129,719	**£5,229,115**
HDI1	30	2,741	£2,274,671	£535,026	£176,887	£115,473	£638,529	£280,544	£201,057	£74,410	**£4,296,597**
HDI2	30	2,741	£2,274,671	£535,026	£176,887	£115,473	£628,755	£279,811	£200,531	£74,642	**£4,285,796**
HSB1	58	5,254	£4,356,357	£893,669	£340,214	£211,294	£1,209,525	£525,829	£376,844	£271,248	**£8,184,980**
HSB3	30	2,741	£2,274,671	£535,026	£176,887	£115,473	£638,529	£280,544	£201,057	£55,733	**£4,277,920**
HSE2	22	1,963	£1,703,749	£276,866	£127,553	£75,672	£473,839	£205,970	£143,182	£50,322	**£3,057,153**
HSE3	32	2,896	£2,398,782	£558,543	£187,060	£115,473	£680,188	£295,503	£211,777	£75,307	**£4,522,633**
HTH1	20	1,808	£1,573,433	£258,159	£117,380	£75,672	£425,665	£189,899	£132,010	£49,762	**£2,821,980**
HBE1	46	4,131	£3,420,079	£740,805	£268,781	£158,468	£973,295	£417,107	£298,927	£144,851	**£6,422,313**
HBE2	27	2,408	£1,997,796	£499,749	£158,240	£91,310	£581,767	£249,665	£178,926	£78,374	**£3,835,827**
HBI1	65	5,869	£4,857,201	£705,528	£381,074	£230,536	£1,358,880	£564,992	£404,911	£297,576	**£8,800,698**

Table 6.9: Total Construction Related Costs (Appendix A Construction Costs Report)

Ref	No Units	Area (sq.m)	Base Build Cost	Prelims	Part L	Garages	External Works	Professional Fees	Contingency	POS	Total
HBI2	35	3,171	£2,635,012	£452,714	£205,823	£129,805	£744,335	£312,577	£224,013	£101,597	**£4,805,876**
HDH2	22	1,963	£1,703,749	£276,866	£127,553	£75,672	£473,839	£205,970	£143,182	£47,435	**£3,054,266**
HDH3	20	1,808	£1,573,433	£258,159	£117,380	£75,672	£432,180	£190,404	£132,361	£58,055	**£2,837,644**
HMR1	37	3,341	£2,760,677	£623,217	£215,996	£129,805	£782,770	£338,435	£242,545	£90,406	**£5,183,851**
HMR2	41	3,701	£3,059,739	£676,131	£239,846	£144,136	£874,045	£374,542	£268,422	£129,259	**£5,766,120**
HLO1	22	1,963	£1,703,749	£276,866	£127,553	£75,672	£473,839	£205,970	£143,182	£57,297	**£3,064,128**
HSU1	80	7,232	£5,993,705	£834,875	£469,518	£288,273	£1,692,211	£695,894	£498,725	£383,437	**£10,856,638**
Generic	5	530	£453,954	£79,105	£30,687	£30,383	£123,130	£57,381	£38,732	£0	**£813,372**
Generic	10	925	£811,845	£179,589	£61,375	£45,145	£225,258	£102,549	£71,288	£9,952	**£1,507,001**

Table 6.9: Total Construction Related Costs (Appendix A Construction Costs Report)

Ref	No Units	Area (sq.m)	Base Build / prelims (per sq.m)	Part L (per unit)	Ext Works /garages	Professional Fees	Contingency	POS (per unit)	EVC (per unit)	GF Abnormal (per unit)	BF Abnormal (per unit)
HWH1	127	11,448	£965	£5,867	28.08%	7.00%	5.00%	£4,657	£581		£27,958
HWH2	370	33,392	£914	£5,866	29.59%	6.50%	5.00%	£6,082	£581	£6,794	
HWH4	60	5,424	£951	£5,869	28.61%	7.50%	5.00%	£4,228	£581	£12,918	
HWH5	532	48,096	£887	£5,868	29.99%	6.50%	5.00%	£3,774	£581		£27,369
HCM1	127	11,448	£965	£5,867	28.00%	7.00%	5.00%	£4,551	£581	£12,736	
HCM2	96	8,680	£940	£5,865	29.06%	7.50%	5.00%	£5,344	£581	£7,086	
HCM3	40	3,616	£965	£5,869	27.99%	7.50%	5.00%	£2,504	£581		£11,716
HEG1	108	9,760	£969	£5,876	28.16%	7.00%	5.00%	£5,690	£581	£14,320	
HEG2	170	15,397	£960	£5,874	28.04%	7.00%	5.00%	£4,434	£581	£7,368	
HEG3	141	12,741	£963	£5,863	28.24%	7.00%	5.00%	£6,415	£581	£7,486	
HMI1	107	9,640	£970	£5,867	27.90%	7.00%	5.00%	£4,728	£581	£8,551	
HMI2	195	17,635	£958	£5,871	28.10%	7.00%	5.00%	£4,326	£581	£9,916	
HAR01	37	3,341	£1,013	£5,838	27.12%	7.50%	5.00%	£3,506	£581		£9,888
HDI1	30	2,741	£1,025	£5,896	26.84%	7.50%	5.00%	£2,480	£581	£9,488	
HDI2	30	2,741	£1,025	£5,896	26.49%	7.50%	5.00%	£2,488	£581		£7,129
HSB1	58	5,254	£999	£5,866	27.06%	7.50%	5.00%	£4,677	£581	£8,936	
HSB3	30	2,741	£1,025	£5,896	26.84%	7.50%	5.00%	£1,858	£581	£30,105	
HSE2	22	1,963	£1,009	£5,798	27.74%	7.75%	5.00%	£2,287	£581	£13,892	
HSE3	32	2,896	£1,021	£5,846	26.90%	7.50%	5.00%	£2,353	£581	£16,857	
HTH1	20	1,808	£1,013	£5,869	27.37%	7.75%	5.00%	£2,488	£581	£14,678	
HBE1	46	4,131	£1,007	£5,843	27.20%	7.50%	5.00%	£3,149	£581	£12,284	
HBE2	27	2,408	£1,037	£5,861	26.95%	7.50%	5.00%	£2,903	£581	£6,485	

Table 6.10: Construction Costs Rates Summary (Appendix A Construction Costs Report)

Ref	No Units	Area (sq.m)	Base Build / prelims (per sq.m)	Part L (per unit)	Ext Works /garages	Professional Fees	Contingency	POS (per unit)	EVC (per unit)	GF Abnormal (per unit)	BF Abnormal (per unit)
HBI1	65	5,869	£948	£5,863	28.57%	7.50%	5.00%	£4,578	£581	£6,403	
HBI2	35	3,171	£974	£5,881	28.31%	7.50%	5.00%	£2,903	£581	£7,887	
HDH2	22	1,963	£1,009	£5,798	27.74%	7.75%	5.00%	£2,156	£581	£7,086	
HDH3	20	1,808	£1,013	£5,869	27.73%	7.75%	5.00%	£2,903	£581		£24,000
HMR1	37	3,341	£1,013	£5,838	26.97%	7.50%	5.00%	£2,443	£581	£9,281	
HMR2	41	3,701	£1,009	£5,850	27.25%	7.50%	5.00%	£3,153	£581	£7,486	
HLO1	22	1,963	£1,009	£5,798	27.74%	7.75%	5.00%	£2,604	£581	£18,195	
HSU1	80	7,232	£944	£5,869	29.00%	7.50%	5.00%	£4,793	£581	£7,686	
Generic	5	530	£1,006	£6,137	28.80%	8.00%	5.00%	£0	£581	£11,389	£25,801
Generic	10	925	£1,072	£6,138	27.27%	7.75%	5.00%	£995	£581	£9,960	£23,312

Table 6.10: Construction Costs Rates Summary (Appendix A Construction Costs Report)

6.4 Commercial Appraisal Assumptions

Programme

6.4.1 The development programme for commercial sites will vary depending on the specific characteristics of each scheme. Table 6.11 contains details of the development programmes that have been assumed for each generic typology.

Use	Gross Internal Area (sq.m)	Gross Internal Area (sq.ft)	Programme (months)
Offices	464	5,000	8
Offices	1,857	20,000	14
Industrial	464	5,000	6
Industrial	1,857	20,000	10
Industrial	4,643	50,000	12
Industrial	9,287	100,000	15
Retail (comparison)	929	10,000	10
Retail (comparison)	2,786	30,000	12
Retail (convenience)	279	3,000	7
Retail (convenience)	929	10,000	10
Retail (convenience)	2,786	30,000	12
Retail (convenience)	4,643	50,000	14

Table 6.11: Development Programmes – Commercial

Sales Values

6.4.2 Having regard to the comparable evidence contained in the market commentary at Section 5, table 6.12 contains details of the sales values that have been adopted for the commercial uses forming the hypothetical development scenarios.

Use	Rent (per sq.m)	Rent (per sq.ft)	Yield
Office	£162	£15.00	8%
Industrial	£70-£81	£6.50-£7.50	6.5-7%
Retail (comparison)	£129	£12.00	8.5%
Retail (convenience)	£162	£15.00	6.5%

Table 6.12: Rents and Yields for Commercial Generic Testing

6.4.3 In comparison with FVA1 we have retained the rents for offices at £162 per sq.m (£15 per sq.ft) however we have adopted a slightly more favourable yield of 8% rather than 9%.

6.4.4 As a result of the improving market for B2/B8 we have increased the rents up from £65 per sq.m (£6 per sq.ft) and have significantly adjusted the yields down from the figure of 9% used FVA1.

6.4.5 The retail property market has experienced a decline since FVA1 was prepared. As a result FVA2 adopts lower rents which are reduced down from £167 per sq.m (£15.50 per sq.ft) adopted in FVA1. Similarly the yields adopted reflect this worsening position and have been increased from the figure of 5.25% adopted in FVA1.

6.4.6 The appraisals are also inclusive of the following average rent free allowances:

- Offices – Average 12 months
- Industrial – Average 6 months
- Retail - Average 12 months, save for smaller forms of retail at 6 months.

Construction Costs

6.4.7 The construction costs that have been adopted in the viability appraisals have been prepared by our Quantity Surveyor and their methodology is included in their report at **Appendix 11**. These costs are calculated on a cost per sq.m basis, and are inclusive of substructures, super structures, all external works, incoming services and drainage, preliminaries, fees and a contingency.

Sales and Marketing

6.4.8 We have assumed agents and legal fees on lettings of the units based on 15% of rental value. This is the same as the assumption made in FVA1. Sales disposal fees have been included at a rate of 1.5% (1% agent's fees and 0.5% legal fees). Again this is in line with FVA1. Such fees are considered reasonable at the present time and comprise the standard market charges. Stamp Duty Land Tax has been included as appropriate at current HMRC rates as detailed in table 6.4.

6.4.9 FVA1 also included an allowance for marketing based on 3% of GDV. This is very generous. We have included a more typical allowance of 5% of rent.

Finance

6.4.10 An interest rate of 6% has been applied across all commercial development typologies tested, which is inclusive of arrangement and monitoring fees. This reflects the profile of commercial developers and the characteristics of the development. An interest rate at this level is consistent with our recent experience in reviewing commercial development appraisals for the purposes of grant awards and valuation. This represents a reduction from an interest rate of 7% used in FVA1.

Developers Profit

6.4.11 FVA1 adopted a developers profit at 20% of cost for the commercial typologies that were tested. In assessing the appropriate level of developer's profit, we have had regard to both the size and form of the proposed development and the likely risk associated with the development as a result. The level of profit requirement will principally reflect the risk associated with a particular development site and as a result a developer will typically require different levels of profit as reward for risk across different sites.

6.4.12 In the context of most forms of commercial development, a developer at the present time will typically seek a profit requirement of approximately 15% on cost for speculative development. The figure is widely used, and has been applied to all forms of commercial development that we have tested.

6.4.13 A much lower profit return would in our experience be appropriate to developments were there is a pre-let or pre-sale in place. This reduces the risk to the developer and as a result an appropriate profit on this basis is typically around 6% of cost.

Benchmark Lane Value

6.4.14 Details of the BLVs adopted are outlined in para 6.2.64. These are the BLVs previously consulted on for employment and convenience retail. No responses were received suggesting any changes to these assumptions and they have been carried forward for the purpose of FVA2 viability testing. For comparison retail we have made a reduction in the BLV from the consulted on down to £741,000 per hectare (£300,000 per acre).

Summary Assumptions Table

6.4.15 Table 6.13 contains a summary of the appraisal inputs used for viability testing of commercial uses.

Use	Rent (per sq.m)	Rent (per sq.ft)	Rent Free (months)	Yield
Rents and Yields				
Office	£162	£15.00	12	8%
Industrial	£70-£81	£6.50-£7.50	6	6.5-7%
Retail (comparison)	£129	£12.00	12	8.5%
Retail (convenience)	£162	£15.00	6-12	6.5%
Benchmark Land Values				
Use	**Brownfield**		**Greenfield**	
	per ha	**per acre**	**per ha**	**per acre**
Office	£308,750	£125,000	£308,750	£125,000
Industrial	£308,750	£125,000	£308,750	£125,000
Retail (comparison)	£741,000	£300,000	£741,000	£300,000
Retail (convenience)	£864,500	£350,000	£864,500	£350,000
Other Costs				
Construction Costs	Refer to QS construction cost assessment			
Letting Agents Fees (inc marketing)	15%			
Letting Legal Fees	5%			
Sales Agent Fees	1%			
Sales Legal Fees	0.5%			
Finance Rate	6%			
Developers Profit	15% Cost			

Table 6.13: Commercial Testing Assumptions

7.0 VIABILITY RESULTS AND POLICY IMPACTS

This section sets out the results and findings from the viability assessments for the housing allocations and also the generic typologies, both residential and commercial.

7.1 Format of Results

Housing Typologies

7.1.1 We have firstly considered the viability of the housing allocations. The first suite of results tables deal with the viability testing of these allocations. The results tables and associated commentary have been presented with reference to the settlement hierarchy.

7.1.2 The relevant results tables are as follows:

- Table 7.1a Whitehaven
- Table 7.2a Key Service Centres
- Table 7.3a Local Service Centres
- Table 7.4a Sustainable/Other Rural Villages

7.1.3 For ease of reference we have also provided an overall summary table (table 7.5) that also includes details of the site density, capacity and site coverage (sq.ft per net developable acre).

7.1.4 In preparing the financial appraisals, it has been necessary to make certain assumptions, both in relation to the form of development and also the variables adopted, based upon a significant quantity of data. Inevitably, given the characteristics of the property market in Copeland and the relatively high level nature of this assessment, the data does not necessarily fit all eventualities and every development site will be unique. It has therefore been necessary to draw upon our development experience and use our professional knowledge and judgement to derive a data set that best fits the typical characteristics of these future allocations and can be considered reasonable.

7.1.5 It should be noted that when adopting the residual appraisal approach, the end result is sensitive to even the smallest of changes in any of the assumptions which feed into the appraisal process. The assumptions that we have made are appropriate to the property market characteristics within the Borough and represent the most reasonable and proportionate approach given the available evidence at the time of preparing this study.

7.1.6 AVIP at paragraph 2.3.14 states that:

"The outcome of an FVA should not be viewed as a financial certainty. Plan-makers and decision-takers will need to exercise judgement over the level of uncertainty, informed by the sensitivity analysis, attached to each FVA and make their judgements bearing in mind the two major policy imperatives of ensuring maximum development contributions and the delivery of land for development."

7.1.7 The guidance goes onto say that:

"The level of uncertainty regarding both valuations and market cyclicality, the use of generic typologies and less fine-grained data in plan making, and the number of other factors that drive development values make it particularly important to treat the FVA as indicative rather than definitive in terms of the viability of development when assessing the level of contributions across a plan area." (Para 2.3.15)

7.1.8 Paragraph 4.1.5 of AVIP notes that market prices cannot be analysed or interpreted in a static environment, specifically it states that:

"While the prospect of future value and cost change may be reflected in current market pricing, there is always some uncertainty and therefore market prices cannot be analysed or interpreted in a static environment. Simply using current costs and values, and ignoring changes over the life of a development, can distort the analysis in all but the simplest of cases. For example, where residual development values are positive, equal growth in both values and costs will always increase current residual land values, and the use of current values and costs in FVAs in a rising market has been shown in peer-reviewed academic research (e.g. Town Planning Review, (2019), 90, (4), 407–428) to have been instrumental in reducing the level of developer contributions over time."

7.1.9 With reference to this point table 5.5 contains the Savills House Price Forecast which identifies an 18.8% increase in house prices in the North West over the period from the beginning of 2022 to the end of 2026. Over the same period the tender price index is forecast to rise from 350 to 412 (the latest available forecast figure for 3Q26), this equates to 17.71%. Based on present estimates, costs may be very slightly below values over the next 5 years. As noted above using current costs and values today, may then result in an under estimate of the viability position over this next 5 year period.

7.1.10 The coronavirus (COVID – 19) pandemic has given rise to an unprecedented set of circumstances. There remains a degree of uncertainty in terms of the ultimate impact of the pandemic on the property market. A significant number of house sales have taken place over the last 12 months however this sales evidence is not yet publically available. As a result there is also a lack of available current market evidence on which to base an assessment notwithstanding the rise in house prices identified by Land Registry in their published house price index data. The appraisal inputs that we have adopted as outlined in table 6.8 are considered to represent a reasonable average position. This will allow the decision maker to form a judgement as to an appropriate level of planning contributions that can be supported by new development in the Borough.

7.1.11 To ensure that in reaching this judgement, the decision maker is fully informed about the range of possible viability outcomes we have sought to "stress test" the FVA results. This has been carried out using sensitivity testing to understand the impact on viability of changes in various appraisal assumptions.

7.1.12 This further sensitivity testing demonstrates the impact of changes in landowner and developer returns and also changes to normal construction costs (inclusive of fees and contingencies) and sales prices.

7.1.13 In sensitivity testing the changes to landowner return we have modelled +/- £50,000 per net developable acre (£123,500 per net hectare) changes to the BLV, subject to a minimum BLV of £50,000 per net developable acre (£123,500 per net developable hectare). We have also prepared a sensitivity test adopting a developers profit for market housing in line with the range contained in the PPG at 15% and 20% of GDV respectively.

7.1.14 The results of this sensitivity testing are contained in following tables:

- Table 7.1b Whitehaven
- Table 7.2b Key Service Centres
- Table 7.3b Local Service Centres
- Table 7.4b Sustainable/Other Rural Villages

7.1.15 Sensitivity analysis has also been prepared based on +/-2.5% incremental changes to the construction costs and sales prices. This sensitivity testing produces a significant number of results which are contained in the tables at **Appendix 13**. We have made reference to these sensitivity results at appropriate points within the commentary.

7.1.16 In all cases the sensitivity testing and analysis is based on the policy compliant appraisals inclusive of 10% affordable housing.

7.1.17 This sensitivity testing is not intended to predict a particular position, instead it is intended to consider variations to key variables and how this could impact on the viability position. The variations are those which one could foresee happening in certain circumstances albeit not necessarily all at the same time. As noted in AVIP viability assessment is not a financial certainty. An FVA should be treated as indicative rather than definitive in terms of the viability of development. It is a judgement based on a range of outcomes.

7.1.18 The results for the viability testing of the small generic housing sites are contained in tables 7.6 and 7.7.

Commercial Typologies

7.1.19 The results for the viability testing of the generic commercial typologies are contained in table 7.8.

7.2 Residential Results

7.2.1 In each case the results tables are presented to show the allocation reference and capacity. The 'surplus' (or deficit) is the difference between the residual land value and the BLV. To put this figure into context and enable understanding of the further sums of money that may be available to fund planning contributions, the surplus (or deficit) is presented as an amount per dwelling based on the capacity of the allocation. In simple terms it is the residual sum, expressed as a rate per dwelling that is left once the gross costs (inclusive of developers profit and benchmark land value) are deducted from gross revenues.

7.2.2 For each allocation the results show the surplus per dwelling based a policy compliant position with 10% affordable housing, and also with no affordable housing.

7.2.3 The results are based on a cost position inclusive of the following matters:

- Abnormal costs;
- Provision of onsite open space and play equipment;
- Sustainable Drainage Systems;
- Biodiversity Net Gain requirements;
- Electric Vehicle Charging Points;
- New Building Regulation Part L requirements ranging from £4,971 per dwelling for a terraced house to £6,838 per dwelling for a detached house
- Highways requirements and infrastructure based on the Site Access Assessment and the Transport Improvements Study (TIS).

7.2.4 For completeness and context we have included in each of the main results tables details of the amount per dwelling included in the respective financial appraisal for abnormal costs, public open space and TIS requirements.

7.2.5 Within the tables outcomes with a surplus are shaded green. Results that are marginal i.e. were the level of deficit is less than 2.5% of GDV are shaded amber. Those results that are not viable are shaded red.

7.2.6 The development surplus (or deficit) per dwelling has in all cases been rounded to the nearest £.

7.2.7 Any surplus that is identified could be used to support further planning contributions such as education or playing pitch contributions should they be required on certain sites.

Whitehaven

7.2.8 Table 7.1a contains the results for the four allocations that were tested in Whitehaven. The results show that inclusive of all national standards and plan requirements, the two greenfield allocations (HWH2 and HWH3) are viable and able to support 10% affordable housing.

7.2.9 Conversely the two brownfield allocations (HWH1 and HWH5) are not viable. This is the case even if affordable housing is excluded from the testing, albeit the result for HWH5 is marginal on this basis. The principal reason for this lack of viability arises as a result of the abnormal costs that have been included in the assessments. In each case the abnormal costs are in excess of £27,000 per dwelling. By comparison the deficit with 10% affordable housing is equivalent to £16,271 and £7,494 per dwelling respectively.

		Surplus/deficit (per dwelling)		Cost per dwelling		
Ref	**CPTY**	**0% AH**	**10% AH**	**Ab'mals**	**POS**	**TIS**
HWH1[17]	127	-£12,176	-£16,271	£27,958	£4,657	£107
HWH2	370	£12,540	£8,607	£6,794	£6,082	£4,583
HWH4[18]	60	£10,610	£5,510	£12,918	£4,228	£128
HWH5[19]	532	-£3,619	-£7,494	£27,369	£3,774	£14

Table 7.1a: Whitehaven Allocations

7.2.10 The results of the sensitivity testing based on changes to profit and BLV are contained in table 7.1b. With a reduction in the developers profit to 15% or a reduction in the BLV of £123,500 per net developable hectare (£50,000 per net developable acre), the results show that HWH1 remains unviable. Similarly HWH4 remains unviable albeit the result at 15% profit becomes more marginal as does that with a reduced BLV.

[17] Results amended from draft report as a result of adjustment in BLV.

[18] Results amended from draft report as a result of adjustment in BLV.

[19] Results amended from draft report as a result of adjustment in BLV.

7.2.11 The sensitivity testing for the two greenfield sites (HWH2 and HWH4) demonstrates that in each case an increase in profit or BLV does not make the allocation unviable.

		Profit % GDV		BLV	
Ref	**CPTY**	**15%**	**20%**	**-£50,000**	**+£50,000**
HWH1	127	-£11,402	-£19,631	-£12,411	-£20,130
HWH2	370	£12,993	£5,424	£13,003	£4,210
HWH4	60	£10,955	£1,843	£9,507	£1,513
HWH5	532	-£2,787	-£10,466	-£4,129	-£10,951

Table 7.1b: Whitehaven Allocations Sensitivity Testing Profit and BLV

7.2.12 The further sensitivity testing undertaken for HWH1 (Appendix 13) shows that under all modelled scenarios the allocation remains unviable. A 5% increase in sales prices combined with a 5% reduction in the normal construction costs produces the most viable result which is still a deficit equivalent to -£3,276 per dwelling.

7.2.13 There are a significant number of vacant buildings across the site at present. The buildings comprise a mix of residential accommodation and administrative buildings previously used in connection with the hospital. The viability test that has been prepared assumes that all of these buildings will be demolished and the site cleared to provide new housing. As a result there are significant abnormal costs included for the demolition of the buildings, removal of asbestos etc together with abnormal foundation requirements.

7.2.14 In estimating the demolition costs a "worst case" scenario has also effectively been assumed with no allowance made for any salvage value arising from the demolition materials. In reality some of this material is likely to be crushed, recycled and re-used on site resulting in savings both in terms of the disposal of the materials but also the cost of bringing other material on to site to deal with levels, cut and fill etc.

7.2.15 It is also understood that delivery of this allocation may in fact involve the refurbishment and re-use of some of the buildings on the site. Options are being explored by the Health Trust to provide residential accommodation for hospital staff in these refurbished buildings. Clearly this is a very different form of development to that tested both in terms of the physical works involved and the method of delivery. Such a strategy would be based on a business case and would not normally require a speculative developer's profit, unlike the form of development that has been tested here.

7.2.16 HWH5 the former Marchon Chemical Works also produces unviable results. The sensitivity testing at Appendix 13 does however show that with a 2.5% increase in sales prices and a reduction in normal construction costs of 5% the allocation starts to produce viable results with a surplus equivalent to £1,238 per dwelling. Similarly a 5% increase in sales prices and 2.5% reduction in construction costs produces a surplus equivalent to £1,822 per dwelling. Given the significant size of this site it is probable that as the development proceeds it will lead to step change in the immediate area and a consequent improvement in values during later phases. It is not therefore inconceivable to assume that there will be an increase in sales values relative to construction costs during the period of delivery for this allocation.

7.2.17 The principal influence on the viability outcome for HWH5 is again the amount of abnormal costs. The appraisal includes the equivalent of £27,369 per dwelling. In this case such costs principally relate to dealing with remediation arising from the site's former use as a chemical works, together with the works necessary to address the mining legacy in the immediate area.

7.2.18 It is understood that a hybrid planning application has recently been submitted which includes the proposed allocation. It is likely that further site investigations will be undertaken over time, and as a result, with a greater degree of knowledge about the extent of abnormal cost requirements it is possible that there could be changes to the level of abnormal costs from that included in the testing. This could be for better or worse in terms of the viability outcome.

7.2.19 Ultimately this site may require some form of public sector support to offset the anticipated abnormal costs and ensure delivery of the site. It is expected that due to the circumstances of this site a financial viability assessment will be required at planning application stage.

7.2.20 HWH2 and HWH4 are viable. The sensitivity testing undertaken for these allocations shows that in almost all modelled scenarios they remain viable. For HWH2 the sensitivity analysis based on changes to construction costs and sales revenues produces three unviable results from the 25 scenarios tested. For HWH4 the sensitivity analysis produces six unviable results from the 25 scenarios tested.

Key Service Centres

7.2.21 Table 7.2a contains the results for the eight allocations that were tested in the Key Service Centres of Cleator Moor, Egremont and Millom. The results of the sensitivity testing based on changes to profit and BLV are contained in table 7.2b.

		Surplus/deficit (per dwelling)		Cost per dwelling		
Ref	**CPTY**	**0% AH**	**10% AH**	**Ab'mals**	**POS**	**TIS**
HCM1[20]	127	£2,673	-£3,117	£12,736	£4,551	£1,569
HCM2	96	£2,959	-£1,386	£7,086	£5,344	£6,285
HCM3[21]	40	-£5,693	-£8,947	£11,716	£2,504	£65
HEG1[22]	108	£3,298	-£1,803	£14,320	£5,690	£202
HEG2	170	£9,165	£5,149	£7,368	£4,434	£134
HEG3	141	£5,611	£1,709	£7,486	£6,415	£189
HMI1	107	£348	-£3,569	£8,551	£4,728	£3,666
HMI2	195	-£589	-£4,569	£9,916	£4,326	£5,099

Table 7.2a: Key Service Centre Allocations

		Profit % GDV		BLV	
Ref	**CPTY**	**15%**	**20%**	**-£50,000**	**+£50,000**
HCM1	127	£1,800	-£6,457	£880	-£7,114
HCM2	96	£3,778	-£4,876	£3,011	-£5,782
HCM3	40	-£4,153	-£12,282	-£5,799	-£12,194
HEG1	108	£3,331	-£5,284	£2,593	-£6,200
HEG2	170	£9,993	£1,842	£9,146	£1,153
HEG3	141	£6,683	-£1,673	£6,106	-£2,687
HMI1	107	£1,482	-£6,987	£428	-£7,566
HMI2	195	£197	-£7,853	-£572	-£8,566

Table 7.2b: Key Service Centre Allocations Sensitivity Testing Profit and BLV

[20] Results amended from draft report as a result of adjustment in BLV.

[21] Results amended from draft report as a result of adjustment in BLV.

[22] Results amended from draft report as a result of adjustment in BLV.

Cleator Moor

7.2.22 The allocations within Cleator Moor have been tested based on differing values reflecting the characteristics of the immediate area. The brownfield allocation HCM3 is located in a lower value area characterised by older terraced properties. HCM1 and HCM2 are greenfield sites situated on the edge of the settlement and HCM2 in particular has an attractive outlook across to the mountains.

7.2.23 The low values that have been adopted to test HCM3 produce unviable results both for a scheme with 10% affordable housing and also on the assumption of an entirely market development. Even with the modelled reductions in profit and BLV (table 7.2b) used in the sensitivity testing, the outcome of the appraisal is still unviable, albeit assuming a profit at 15% the result becomes marginal. The results of the sensitivity testing with modelled adjustments to values and costs, do start to produce a small number of viable results with an increase in sales prices of 5% combined with a reduction in normal construction costs of 2.5%. Alternatively a 2.5% increase in sales prices combined with a 5% reduction in construction costs also produces a viable outcome.

7.2.24 The results for HCM1 and HCM2 at table 7.2a show that based on a scheme of market housing these sites are viable. With 10% affordable housing however the results for both allocations become marginal with the deficits equivalent to 1.55% and 0.64% respectively of GDV.

7.2.25 The two allocations include a relatively high level of abnormal costs and TIS requirements. With reference to table 7.2a the total of these costs for HCM1 is £14,305 per dwelling. For HCM2 it is a total of £13,371 per dwelling. In the case of HCM1 the abnormal costs are also relatively high for a greenfield site, a result of costs associated with addressing mining legacy requirements, and also access and levels across the site. With further investigations undertaken and better information about site constraints it may be possible to reduce some of these costs and so improve the viability position.

7.2.26 In the case of HCM2 the cost of matters identified in the TIS have a significant impact on viability. The total cost of these items is equivalent to £6,285 per dwelling compared to the deficit based on a policy compliant scheme of -£1,386 per dwelling. The TIS requirements summarised at **Appendix 12** include £332,400 for the provision of a shared use path and £193,000 for the provision of 2no bus shelters and laybys. If alternative funding could be secured for all or part of the cost of these items then this would address the small viability gap generated by the policy compliant appraisal.

7.2.27 With reference to summary at table 7.5 HCM2 also has a relatively low level of site coverage per net developable acre at 11,821 sq.ft. This also has an impact on viability as the site is not being developed to its optimum capacity typically in excess of 13,500 sq.ft per net developable acre. This factor arises due to the application of a housing mix with a relatively high number of smaller dwellings to a lower density of 30 dwellings per net hectare. If the mix is adjusted to include a greater number of larger houses or alternatively the density increased, then this would improve the site coverage and efficiency and so aid viability. In applying a housing mix based on the SHMA the Council will need to ensure that at lower densities this doesn't impact on viability, and also limit the most efficient and effective use of the land in conflict with plan policies.

7.2.28 The sensitivity testing undertaken for these two allocations with adjustments to profit and BLV is contained at table 7.2b. The results show that with a reduction in profit or land value both HCM1 and HCM2 produce viable results based on a policy compliant position. If profit or land value is increased then the results become unviable for HCM1. For HCM2 the results are marginal in the case of a profit increase and unviable with a greater BLV.

7.2.29 The sensitivity testing modelling changes to normal construction costs and revenues is contained at **Appendix 13**. For HCM1 this shows that for a policy compliant scheme to achieve viability, it would require an increase in sales prices of around 2.5% if the normal construction costs remained the same. Alternatively if sales prices remained the sale then a reduction in normal construction costs of just over 2.5% would also produce a viable result.

7.2.30 The sensitivity testing for HCM2 shows that more limited changes to costs and revenues are required to achieve a viable outcome. A 2.5% increase in sales prices alone produces a surplus of £2,338 per dwelling. This demonstrates that the uplift in sales prices required to achieve viability would be closer to 1%. A reduction in normal construction costs of 2.5% produces a surplus of £1,726 per dwelling. This indicates that a construction cost reduction of around 1.5% would be sufficient to achieve a viable scheme.

7.2.31 The outcome of the sensitivity testing for these two allocations is that viability in relation to a policy compliant scheme is finely balanced. Small changes to the modelled costs and sales revenues will produce a viable result although under a number of the scenarios modelled the results were unviable. We have identified requirements in relation to abnormal costs and highway infrastructure as having significant implications for the viability of these two sites. If savings can be made or alternative sources of funding secured for highways matters then these sites could deliver a policy compliant level of affordable housing.

7.2.32 Given the limited amount of information currently available relating to abnormal costs across these sites, particularly HCM1, we would expect any future planning application to be accompanied by an FVA to support any reduction in the required level of affordable housing.

Egremont

7.2.33 The results in table 7.2a show that the sites in Egremont are viable and HEG2 and HEG3 can support the 10% affordable housing requirement. The result for HEG1 on this basis is marginal with a loss equivalent to 0.87% of GDV.

7.2.34 The reason for this relative lack of viability for HEG1 in comparison with the other two allocations is largely due to the abnormal costs that are included in the assessment, and the extent of POS requirements arising from requirements to provide replacement playing pitches. The abnormal costs also include footpath provision. The total of abnormal costs and POS requirements is £20,000 per dwelling compared to a deficit equivalent to -£1,803 per dwelling. Clearly any savings that could be made to these costs would assist in achieving a viable position inclusive of 10% affordable housing.

7.2.35 With reference to table 7.5 the site coverage on which the testing is based is also relatively low at 11,815 sq.ft per net developable acre. If the housing mix is adjusted to increase the level of site coverage or alternatively the density increased, then this would ensure the site was used more efficiently and would also improve viability.

7.2.36 The sensitivity testing in table 7.2b shows that with the modelled reductions in the BLV and also profit, all sites Egremont are viable inclusive of 10% affordable housing.

7.2.37 The sensitivity testing with increases to profit and land value shows that under all scenarios HEG2 remains viable. HEG3 produces marginal results on this basis, whilst HEG1 is unviable.

7.2.38 The sensitivity testing at **Appendix 13** based on changes to sales prices and normal construction costs demonstrates that HEG2 and HEG3 remain viable in the majority of modelled scenarios. The percentage of viable results being 76% and 60% respectively.

7.2.39 HEG1 however returns a greater number of unviable sensitivity results this is largely a result of the quantum of abnormal and POS costs. The site however is arguably the best of the three sites in terms of position and aspect. It is situated overlooking the town with views across to the mountains. It is likely that as a result HEG1 may achieve higher values than the other two allocations. The sensitivity testing at Appendix 13 shows that if this is the case, an increase in sales prices of around 1.25% would be sufficient to achieve a viable result if all other costs remained the same.

Millom

7.2.40 There has been little new housing development in Millom in recent years and in the absence of direct evidence we have taken a reasonably cautious view of values. The sales prices tested are below those in Egremont. The results of the appraisals show that as a consequence of these lower values viability is more limited in Millom. In addition there are also relatively high costs associated with TIS requirements and in particular funding for a new bus service and associated bus laybys and shelters.

7.2.41 The results in table 7.2a show that with no affordable housing HMI1 is viable and HMI2 is marginal. If 10% affordable housing is included then both results are marginal with the deficit equivalent to 1.76% and 2.25% respectively of GDV. In both cases the cost of TIS requirements are greater than the losses produced by the appraisals.

7.2.42 Table 7.2b shows that with the modelled reduction in developers profit both of these allocations are viable and able to support 10% affordable housing. A reduction in the BLV produces a viable result for HMI1 although HMI2 remains marginal. In all cases the modelled increase in profit and BLV produce unviable results.

7.2.43 Based on the findings of the TIS it is expected that funding will be provided over 5 years for a new bus service. It is anticipated that these two allocations will contribute most of the annual cost of this service at £105,000 per annum. The viability assessment currently pro-ratas this annual cost across the two sites. It may be possible to secure alternative funding for all or part of this bus service cost. To assist the Council in understanding the impact of this we have prepared two further appraisals for each site. These have been undertaken on the assumption that the cost of the bus service is removed entirely and then on the basis that the annual cost is only payable for the first two years. The outcome of this additional viability testing is contained in table 7.2c.

Ref	Full Cost	No Cost	2 years only
HMI1	-£3,569	-£2,008	-£2,638
HMI2	-£4,569	-£3,076	-£3,703

Table 7.2c: Reductions to Bus Service Costs

7.2.44 The additional viability testing shows that a reduction in the cost associated with the bus service does improve the viability position, however the outcomes of the various assessments are still marginal. To achieve a viable outcome there would also need to be a reduction in the costs associated with providing the bus lay-bys and shelters. With reference to **Appendix 12** HMI2 also contains significant costs (£462,300) associated with works to bridleways and the provision of a toucan crossing. If alternative means to fund these requirements could be sourced then this would also assist in achieving a viable outcome.

7.2.45 As a consequence of the lower sales values tested and the extent of TIS costs, the sensitivity testing at **Appendix 13** shows that in the majority of modelled scenarios these two allocations are not viable with 10% affordable housing. In a number of instances the outcomes are relatively marginal.

7.2.46 With reference to the sensitivity results for HMI1 a relatively modest sales price increase of 2.5% would be required to achieve a viable outcome if all costs remained the same. Whilst for HMI2 this level of increase is greater at closer to 3.5%. As noted previously there is a degree of subjectivity in assessing likely prices in Millom due to a lack of new development in recent years. It is likely that in the absence of new development there will be some pent up demand and as a result it is possible these allocations could achieve higher values than those that we have modelled.

Local Service Centres

7.2.47 Table 7.3a contains the results for the eight allocations that were tested in the Local Service Centres of Arlecdon, Distington, St Bees, Seascale and Thornhill. The results of the sensitivity testing based on changes to profit and BLV are contained in table 7.3b.

		Surplus/deficit (per dwelling)		Cost per dwelling		
Ref	**CPTY**	**0% AH**	**10% AH**	**Ab'mals**	**POS**	**TIS**
HAR1	37	£256	-£3,782	£9,888	£3,506	£1,608
HDI1	30	-£5,748	-£9,722	£9,488	£2,480	£170
HDI2	30	-£18,710	-£22,425	£7,129	£2,488	£7,423[23]
HSB1	58	£6,813	£2,073	£8,936	£4,677	£1,229
HSB3[24]	30	-£3,348	-£7,585	£30,105	£1,858	£0
HSE2[25]	22	-£8,443	-£11,441	£13,892	£2,287	£5,355
HSE3[26]	32	-£3,383	-£7,069	£16,857	£2,353	£0
HTH1[27]	20	-£17,164	-£20,302	£14,678	£2,488	£6,030

Table 7.3a: Local Service Centre Allocations

[23] Increase in traffic calming measures from £5,100 to £10,300 results amended accordingly.

[24] Results amended from draft report as a result of adjustment in BLV.

[25] Results amended from draft report as a result of adjustment in BLV.

[26] Results amended from draft report as a result of adjustment in BLV.

[27] Results amended from draft report as a result of adjustment in BLV.

		Profit % GDV		BLV	
Ref	**CPTY**	**15%**	**20%**	**-£50,000**	**+£50,000**
HAR1	37	£1,071	-£7,391	£615	-£8,178
HDI1	30	-£4,437	-£12,776	-£5,329	-£14,119
HDI2	30	-£17,475	-£25,747	-£18,896	-£25,953
HSB1	58	£7,388	-£1,516	£5,841	-£1,696
HSB3	30	-£1,930	-£11,467	-£5,527	-£11,702
HSE2	22	-£6,247	-£15,038	-£7,324	-£15,558
HSE3	32	-£1,823	-£10,596	-£3,789	-£11,333
HTH1	20	-£15,218	-£23,698	-£17,488	-£23,831

Table 7.3b: Local Service Centre Allocations Sensitivity Testing Profit and BLV

7.2.48 The results of the viability testing for the various allocations in the Local Service Centres show that a high proportion of these sites are not currently viable. Indeed of these unviable sites many remain unviable in all of the alternative sensitivity scenarios modelled. The reasons for this lack of viability generally relate to 3 main factors namely a low level of site coverage, abnormal costs and in particular those relating to site access/highways infrastructure and low sales values.

Arlecdon

7.2.49 The result for HAR1 is viable based on a scheme of market housing and marginal once 10% affordable housing is included. With the modelled reduction in profit and BLV the site is viable with 10% affordable housing. Conversely with increases to profit and BLV the results become unviable. The sensitivity testing based on changes to sales prices and normal construction costs **(Appendix 13)** shows that inclusive of 10% affordable housing and assuming all other costs remained the same, it would require an increase of just under 2.5% in sales prices to achieve a viable scheme.

7.2.50 The viability test of this allocation has been undertaken at 30 dwellings per hectare as a result the housing mix assumed produces a site coverage of 11,805 sq.ft per acre. This has a limiting effect on viability. An alternative mix with a greater number of larger dwellings or a higher density would improve the viability outcomes for this allocation and also ensure a more efficient use of the land.

7.2.51 The abnormal costs also include relatively expensive access arrangements and requirements for footpaths which also have an impact on the viability of this site. In particular care will be needed to protect the route of the new UU water pipeline that runs through the entrance of the site.

Distington

7.2.52 With reference to table 7.3a the results for the two Distington allocations (HDI1 and HDI2) are unviable. This is due to the relatively low sales prices that have been adopted for these two viability assessments. Lower sales prices are adopted as a result of the characteristics of the areas immediately surrounding the two sites ie one is within and the other overlooked by former Local Authority Housing Estates. HDI1 also has a low level of site coverage at 11,945 sq.ft per acre whilst HDI2 has significant TIS costs equivalent to £7,423 per dwelling.

7.2.53 It is anticipated that the circumstances of HDI2 mean that any future development is more likely to be undertaken by a registered provider rather than being a speculative scheme undertaken by a traditional housebuilder. It may be delivered as a result of Local Authority intervention.

St Bees

7.2.54 In St Bees HSB1 is viable with 10% affordable housing provision. With reference to the sensitivity testing results in table 7.3b it is also viable with the modelled reductions in profit and BLV, however with the modelled increases the results become more marginal with the deficit in both cases equivalent to less than 0.8% of GDV. The sensitivity testing in **Appendix 13** shows that the allocation remains viable in 60% of the scenarios modelled.

7.2.55 HSB3 is considered to be a better site than HSB1 in terms of situation and outlook and hence higher sales values have been adopted. Notwithstanding this, the site is unviable or at best marginal based on the results at tables 7.3a and 7.3b. The sensitivity testing identifies four scenarios were the allocation is viable with 10% affordable housing. These results show that as a minimum a 5% increase in sales prices over normal construction costs would be sufficient to produce a positive outcome.

7.2.56 The reason for the lack of viability is in part due the low site coverage (11,945 sq.ft per net acre), however the overriding reason is a consequence of the abnormal development costs associated with this site. In total the appraisal for the site includes abnormal costs equivalent to £30,105 per dwelling. The key costs relate to providing a satisfactory access into the site and dealing with levels given the gradient of the site. The assessment of site access costs is based on the Phase 2 SAA. The costs involved in dealing with these aspects are disproportionate in comparison with the proposed capacity at 30 dwellings. In order to offset these costs then provision for a greater number of dwellings would be required. This could then achieve a more viable outcome.

Seascale

7.2.57 The proposed allocations in Seascale (HSE2 and HSE3) are also unviable at the present time. Albeit with no affordable housing or a profit at 15% of GDV, HSE3 produces a marginal result. For HSE2 all of the modelled outcomes produce unviable results, except with reference to the sensitivity testing, a 5% increase in sales prices combined with a 5% reduction in normal construction costs produces a viable result. The sensitivity testing for HSE3 is more positive and produces four viable results.

7.2.58 The reasons for this lack of viability across the two allocations are similar to those affecting HSB3. In each case the amount of site coverage at 11,665 and 11,832 sq.ft per acre is relatively low. An increase in the number of larger houses or development at greater density would improve the position.

7.2.59 The main cause of the lack of viability is again the abnormal costs and in particular the costs of providing access into the respective sites. For HSE2 the abnormal costs are £13,892 per dwelling together with a further £5,355 per dwelling in TIS costs for footpath works. HSE3 has £16,857 per dwelling in abnormal costs with the site access costs based on the Phase 2 SAA. The two sites have relatively expensive access arrangements, the cost of which is disproportionate to the proposed site capacities.

Thornhill

7.2.60 The results for HTH1 at table 7.3a show that this site is unviable even in the absence of affordable housing. All of the modelled sensitivity scenarios also produce unviable results.

7.2.61 The reasons for this lack of viability are twofold. Firstly relatively low sales prices have been modelled due to the fact the site would effectively form an extension to a former Local Authority Housing Estate. The access into the site would need to follow a route through this estate. The second reason for the lack of viability arises due to site abnormal costs at £14,678 per dwelling, and TIS requirements which based on the reduced capacity of 20 dwellings are relatively expensive at just over £6,000 per dwelling.

7.2.62 It is probable that with further surveys and investigations completed, the cost of abnormal requirements may reduce. It is also possible that alternative funding could be secured for TIS requirements. It is anticipated that given the access route into the site, future development of the site could be undertaken by a registered provider rather than by a traditional house builder seeking a profit requirement.

Sustainable/Other Rural Villages

7.2.63 Table 7.4a contains the results for the ten allocations that were tested in the Sustainable and other Rural Villages of Beckermet, Bigrigg, Drigg/Holmrook, Moor Row, Lowca and Summergrove. The results of the sensitivity testing based on changes to profit and BLV are contained in table 7.4b.

		Surplus/deficit (per dwelling)		Cost per dwelling		
Ref	**CPTY**	**0% AH**	**10% AH**	**Ab'mals**	**POS**	**TIS**
HBE1[28]	46	£8,499	£3,587	£12,284	£3,149	£1,309
HBE2	27	£5,853	£830	£6,485	£2,903	£3,170
HBI1	65	£9,951	£5,490	£6,403	£4,578	£1,635
HBI2	35	£5,698	£1,400	£7,887	£2,903	£1,635
HDH2	22	-£3,717	-£7,028	£7,086	£2,156	£8,386[29]
HDH3[30]	20	-£10,489	-£13,916	£24,000	£2,903	
HMR1	37	£11	-£3,928	£9,281	£2,443	
HMR2	41	£210	-£3,336	£7,486	£3,153	
HLO1[31]	22	-£8,806	-£11,773	£18,195	£2,604	
HSU1	80	£11,820	£7,565	£7,686	£4,793	

Table 7.4a: Sustainable/Other Rural Villages Allocations

[28] Results amended from draft report as a result of adjustment in BLV.

[29] Cost of bus shelter improvements removed and result amended accordingly.

[30] Results amended from draft report as a result of adjustment in BLV.

[31] Results amended from draft report as a result of adjustment in BLV.

		Profit % GDV		BLV	
Ref	**Capacity**	**15%**	**20%**	**-£50,000**	**+£50,000**
HBE1	46	£9,031	-£49	£7,708	-£535
HBE2	27	£6,453	-£2,932	£5,196	-£3,566
HBI1	65	£10,765	£1,962	£9,259	£1,722
HBI2	35	£6,834	-£2,228	£8,682	-£2,997
HDH2	22	-£1,534	-£10,710	-£2,726	-£11,425
HDH3	20	-£8,537	-£17,622	-£9,800	-£18,033
HMR1	37	£1,282	-£7,405	£194	-£8,050
HMR2	41	£1,891	-£6,849	£1,060	-£7,733
HLO1	22	-£6,660	-£15,287	-£8,840	-£15,890
HSU1	80	£12,918	£3,952	£11,962	£3,168

Table 7.4b: Sustainable/Other Rural Villages Allocations Sensitivity Testing Profit and BLV

7.2.64 The results in table 7.4a demonstrate that in the higher values villages of Beckermet, Bigrigg and Summergrove new housing development is viable and able to support 10% affordable housing. Drigg and Holmrook are also higher value villages however abnormal and TIS costs associated with these two sites have an impact on viability. In Moor Row and Lowca which are lower value villages the viability position is more mixed.

Beckermet

7.2.65 The results in table 7.4a show that the two allocations tested in Beckermet (HBE1 and HBE2) are viable and able to support 10% affordable housing. The sensitivity testing based on changes to BLV and profit (table 7.4b) shows that with reductions in profit and BLV the level of surplus increases. The modelling with an increased profit and BLV produces more marginal results for both allocations with small deficits that are equivalent to between 0.02% and 1.67% of GDV.

7.2.66 With reference to the sensitivity testing contained at **Appendix 13** based on changes to normal construction costs and sales revenues, 68% of the outcomes are viable for HBE1 and 56% for HBE2.

7.2.67 Although Beckermet is a high value village the sensitivity testing does produce some more marginal outcomes. This is due to a number of factors. In relation to HBE1 the abnormal costs are equivalent to £12,284 per dwelling. Abnormal costs have been included relating to possible splays required to the site access, whilst the foundation costs include for the provision of a gas membrane. This is because the site is identified as being with the influence of landfill with possible ground gas.

7.2.68 Once further investigation is undertaken regarding these matters it may be that such requirements are not necessary or alternative solutions may be available. For the purpose of the present assessment however we have included suitable allowances to address these matters.

7.2.69 The testing for HBE2 is based on a density of 30 dwelling per net developable hectare and again based on the assumed housing mix, this produces a low level of site coverage at 11,660 sq.ft. As noted previously this has a limiting effect on viability which is evident in some of the outcomes of the sensitivity testing.

Bigrigg

7.2.70 The results of the viability testing for the two allocations in Bigrigg (HBI1 and HBI2) show that they are both viable and able to support 10% affordable housing. With the modelled increases to profit and BLV (table 7.4b) then HBI1 remains viable and HBI2 produces more marginal results. In these cases the extent of the deficit is equivalent to 1.07% and 1.44% of GDV.

7.2.71 The sensitivity testing based on changes to sales prices and normal construction costs at **Appendix 13** shows that in 76% of the modelled scenarios HBI1 remains viable with 10% affordable housing. In the case of HBI2 60% of the modelled scenarios are viable.

7.2.72 The reason for the higher incidence of more marginal and unviable results for HBI2 is again due to the site coverage. At 30 dwellings per net hectare the site coverage equates to 11,845 sq.ft per net developable acre. In comparison the more viable HBI1 which has been tested at 35 dwelling per net developable hectare has a site coverage of 13,722 sq.ft. This is more typical of the level of site coverage we would expect for a development of this nature.

Drigg/Holmrook

7.2.73 These villages are higher value and as a result we would expect the results from the financial appraisals to demonstrate that these allocations are viable. With reference to the results at table 7.4a however the allocations are not viable. Without affordable housing HDH3 is unviable whilst the result for HDH2 is marginal.

7.2.74 The results in table 7.4b show that even based on the modelled reductions to profit and BLV HDH3 remains unviable and the results for HDH2 are marginal. The further sensitivity testing at **Appendix 13** shows that with changes to costs and revenues all but one of the modelled outcomes for HDH3 are unviable. For HDH2 there are five viable results.

7.2.75 These sites have been tested at a density of 30 dwellings per hectare so in part the low level of site coverage is contributing to the viability outcome. However the main contributory factor in both cases arises from the extent of highways and abnormal works costs.

7.2.76 The assessment of HDH2 contains £8,386 per dwelling in TIS costs relating to the provision of a footway connection at £184,500. Given the capacity of the allocation at 22 dwellings, then these costs are disproportionately high and are consequently impacting on the viability of the site.

7.2.77 HDH3 is a brownfield site and the associated abnormal development costs are equivalent to £24,000 per dwelling. The abnormal costs relate to two main aspects, the first being demolition and site development abnormals. The second element is the access cost. This site was subject to a Phase 2 SAA and the costs associated with the works necessary to achieve a new access are disproportionally high given the capacity of the site.

Moor Row

7.2.78 Moor Row has been assessed as being an average value village. As a result of the lower sales prices that have been adopted, then viability is more limited. The results at table 7.4a for HMR1 and HMR2 show that based on a scheme of market housing the allocations are viable. With 10% affordable housing the results become marginal with the deficits equivalent to 1.94% and 1.64% of GDV respectively.

7.2.79 The sensitivity testing at table 7.4b shows that with the modelled reductions to profit and BLV then both allocations are viable. Conversely with increases to profit and BLV the results are unviable. The sensitivity testing at **Appendix 13** based on changes to normal construction costs and sales prices shows that for HMR1 an increase in sales prices of just over 2.5% would be required to achieve a viable outcome if construction costs remained the same. For HMR2 the required sales price uplift is just under 2.5%.

7.2.80 The viability testing for both sites assumes a relatively low level of site coverage and for HMR2 in particular this is 11,801 sq.ft per net acre. An increase in density or the number of larger houses assumed would serve to improve the viability outcome for both allocations.

Lowca

7.2.81 Lowca is also an average value village. The viability results in table 7.4a and all of the sensitivity testing outcomes at table 7.4b are unviable. The sensitivity testing results at **Appendix 13** contain one viable outcome from 25 scenarios tested. The lack of viability in this case arises due to the abnormal costs included in the assessment at £18,195 per dwelling. In particular the costs associated with upgrading Solway Road, which is unadopted, and providing the necessary footpath connections are prohibitively expensive given the proposed capacity of the site for only 22 dwellings.

Summergrove

7.2.82 Summergrove is a high value village. The results at table 7.4a show that HSU1 is viable and able to support 10% affordable housing. The modelled sensitivity scenarios at table 7.4b show that with increases in profit and BLV the allocation remains viable. The further sensitivity testing at **Appendix 13** produces 21 out of 25 viable outcomes.

Summary Table

7.2.83 For ease of reference we have provided table 7.5 which includes a summary of the viability testing results from tables 7.1a-7.4a together with details of density and site coverage. We have also included the information taken from tables 7.1a-7.4a showing the amount per dwelling included for abnormal costs, POS and TIS requirements.

						Per Dwelling		Per Dwelling		
Settlement	**Ref**	**Address**	**Capacity**	**Density**	**Site Coverage (sf/acre)**	**No Affordable**	**10% Affordable**	**Abnormal Costs**	**POS**	**TIS**
Whitehaven	HWH1	Land at West Cumberland Hospital	**127**	32	12,570	-£12,176	-£16,271	£27,958	£4,657	£107
Whitehaven	HWH2	Red Lonning and Harras Moor	**370**	30	11,799	£12,540	£8,607	£6,794	£6,082	£4,583
Whitehaven	HWH4	Land south and west of St Mary's School	**60**	33	13,000	£10,610	£5,510	£12,918	£4,228	£128
Whitehaven	HWH5	Former Marchon Site North	**532**	36	14,183	-£3,619	-£7,494	£27,369	£3,774	£14
Cleator Moor	HCM1	Land at Jacktrees Road	**127**	33	12,963	£2,673	-£3,117	£12,736	£4,551	£1,569
Cleator Moor	HCM2	Land north of Dent Road	**96**	30	11,821	£2,959	-£1,386	£7,086	£5,344	£6,285
Cleator Moor	HCM3	Former Ehenside School	**40**	38	14,970	-£5,693	-£8,947	£11,716	£2,504	£65
Egremont	HEG1	Land north of Ashlea Road	**108**	30	11,815	£3,298	-£1,803	£14,320	£5,690	£202
Egremont	HEG2	Land at Gulley Flatts	**170**	33	13,025	£9,165	£5,149	£7,368	£4,434	£134
Egremont	HEG3	Land to south of Daleview Gardens	**141**	30	11,814	£5,611	£1,709	£7,486	£6,415	£189
Millom	HMI1	Land west of Grammerscroft	**107**	33	12,956	£348	-£3,569	£8,551	£4,728	£3,666
Millom	HMI2	Moor Farm	**195**	33	13,006	-£589	-£4,569	£9,916	£4,326	£5,099
Arlecdon	HAR1	Land East of Arlecdon Road	**37**	30	11,805	£256	-£3,782	£9,888	£3,506	£1,608
Distington	HDI1	Land south of Prospect Works	**30**	30	11,945	-£5,748	-£9,722	£9,488	£2,480	£170
Distington	HDI2	Land south west of Rectory Place	**30**	35	13,936	-£18,710	-£22,425	£7,129	£2,488	£7,423

Table 7.5: Overall Summary of Viability Testing Results Housing Allocations

						Per Dwelling		Per Dwelling		
Settlement	**Ref**	**Address**	**Capacity**	**Density**	**Site Coverage (sf/acre)**	**No Affordable**	**10% Affordable**	**Abnormal Costs**	**POS**	**TIS**
St Bees	HSB1	Land adjacent Abbots Court	**58**	35	13,817	£6,813	£2,073	£8,936	£4,677	£1,229
St Bees	HSB3	Fairladies Extension	**30**	30	11,945	-£3,348	-£7,585	£30,105	£1,858	£0
Seascale	HSE2	Fairways Extension	**22**	30	11,665	-£8,443	-£11,441	£13,892	£2,287	£5,355
Seascale	HSE3	Town End Farm East	**32**	30	11,832	-£3,383	-£7,069	£16,857	£2,353	
Thornhill	HTH1	Land South of Thornhill	**20**	35	13,788	-£17,164	-£20,302	£14,678	£2,488	£6,030
Beckermet	HBE1	Land north of Crofthouse Farm	**46**	32	12,523	£8,499	£3,587	£12,284	£3,149	£1,309
Beckermet	HBE2	Land adjacent to Mill Fields	**27**	30	11,660	£5,853	£830	£6,485	£2,903	£3,170
Bigrigg	HBI1	Land north of Springfield Gardens	**65**	35	13,772	£9,951	£5,490	£6,403	£4,578	£1,635
Bigrigg	HBI2	Land west of Jubilee Gardens	**35**	30	11,845	£5,698	£1,400	£7,887	£2,903	£1,635
Drigg	HDH2	Wray Head, Station Road	**22**	30	11,665	-£3,717	-£7,028	£7,086	£2,156	£8,386
Holmrook	HDH3	Hill Farm Holmrook	**20**	30	11,819	-£10,489	-£13,916	£24,000	£2,903	
Moor Row	HMR1	North of social club	**37**	32	12,592	£11	-£3,928	£9,281	£2,443	
Moor Row	HMR2	South of Scalegill Road	**41**	30	11,801	£210	-£3,336	£7,486	£3,153	
Lowca	HLO1	Solway Road	**22**	30	11,665	-£8,806	-£11,773	£18,195	£2,604	
Summergrove	HSU1	South West of Summergrove	**80**	30	11,819	£11,820	£7,565	£7,686	£4,793	

Table 7.5: Overall Summary of Viability Testing Results Housing Allocations

Generic Results

7.2.84 Windfall sites have been viability tested on the basis of generic typologies of 5 and 10 dwellings. The respective sizes have been chosen to test the proposed affordable housing thresholds of 5 dwellings in the Whitehaven Rural market area and 10 dwellings elsewhere. For each typology a hypothetical greenfield and a brownfield site have been tested. The test of viability assumes the range of values identified in Copeland from £2,153 per sq.m (£200 per sq.ft) up to £2,583 per sq.m (£240 per sq.ft). For each appraisal based on 10% affordable housing, there is a sensitivity test assuming +/-2.5% changes to the normal construction costs.

7.2.85 The results are again presented to show the surplus or deficit per dwelling. A column is also included with details of the abnormal cost per dwelling that has been included in the respective financial appraisal. The results tables are as follows:

Table 7.6a – 5 Dwellings Greenfield
Table 7.6b – 5 Dwellings Brownfield
Table 7.7a – 10 Dwellings Greenfield
Table 7.7b – 10 Dwellings Brownfield

			Sensitivity Test		
Value	**0%AH**	**10% AH**	**-2.5%**	**+2.5%**	**Abnormal Cost**
£2,153	-£4,120	-£10,732	-£6,792	-£14,461	£11,389
£2,260	£4,709	-£2,226	£1,714	-£6,166	£11,389
£2,368	£13,619	£6,360	£10,300	£2,419	£11,389
£2,476	£22,530	£14,945	£18,885	£11,005	£11,389
£2,583	£31,359	£23,451	£27,391	£19,511	£11,389

Table 7.6a: 5 Dwellings Greenfield

			Sensitivity Test		
Value	**0%AH**	**10% AH**	**-2.5%**	**+2.5%**	**Abnormal Cost**
£2,153	-£15,807	-£22,455	-£18,493	-£26,418	£25,801
£2,260	-£7,135	-£13,903	-£10,129	-£17,865	£25,801
£2,368	£1,776	-£5,484	-£1,543	-£9,424	£25,801
£2,476	£10,687	£3,102	£7,042	-£838	£25,801
£2,583	£19,516	£11,608	£15,548	£7,668	£25,801

Table 7.6b: 5 Dwellings Brownfield[32]

[32] Results amended from draft report as a result of adjustment in BLV.

			Sensitivity Test		
Value	**0%AH**	**10% AH**	**-2.5%**	**+2.5%**	**Abnormal Cost**
£2,153	-£11,527	-£14,178	-£10,585	-£17,805	£9,960
£2,260	-£4,088	-£6,853	-£3,245	-£10,460	£9,960
£2,368	£3,608	£713	£4,317	-£2,893	£9,960
£2,476	£11,298	£8,273	£11,877	£4,669	£9,960
£2,583	£18,916	£15,763	£19,367	£12,159	£9,960

Table 7.7a: 10 Dwellings Greenfield

			Sensitivity Test		
Value	**0%AH**	**10% AH**	**-2.5%**	**+2.5%**	**Abnormal Cost**
£2,153	-£22,695	-£25,361	-£21,715	-£29,006	£22,312
£2,260	-£15,013	-£17,792	-£14,166	-£21,428	£22,312
£2,368	-£7,467	-£10,185	-£6,754	-£13,812	£22,312
£2,476	£229	-£2,794	£810	-£6,401	£22,312
£2,583	£7,849	£4,696	£8,300	£1,092	£22,312

Table 7.7b: 10 Dwellings Brownfield[33]

7.2.86 The results of the viability testing for the smaller greenfield windfall sites (tables 7.6a and 7.7a) demonstrate that 10% affordable housing can be provided but this would only be on those sites that achieve sales prices in excess of £2,260 per sq.m (£220 per sq.ft). At prices of £2,260 per sq.m (£220 per sq.ft) or less these small greenfield sites are not sufficiently viable to support affordable housing.

7.2.87 The viability testing of brownfield windfall sites (tables 7.6b and 7.7b) shows a reduced viability position due to the greater abnormal costs included in the appraisals. In these cases sales prices would need to be at £2,476 per sq.m (£230 per sq.ft or more to support affordable housing.

7.2.88 **Appendix 15** contains further detailed information in relation to the viability testing results for the site allocations and generic testing.[34]

[33] Results amended from draft report as a result of adjustment in BLV.

[34] The detailed results sheets are included in response to representation received from CW.

Observations

7.2.89 At this stage of the plan making process viability testing has been undertaken at a relatively high level based on the available evidence and adopting reasonable and typical assumptions. These assumptions have been informed by the evidence base which includes FVAs undertaken both area wide and site specific. We have also drawn on our development knowledge and experience in preparing realistic assumptions against which to test.

7.2.90 It is not possible to model every eventuality and inevitably some sites will perform better than the results suggest conversely others will be less viable. It is probable that the brownfield sites given their characteristics may attract lower existing use values, than those adopted in our testing. In addition, given the extent of potential abnormal developments costs that we have identified for these sites, it would be reasonable to assume a reduced landowner premium. The sensitivity testing adopting lower BLVs demonstrates the impact that further reduced BLVs could have on the viability outcome.

7.2.91 It is also possible that some sites will prove to be more complex to deliver and carry a greater risk to develop than the average position assumed in the viability testing. Inevitably in these situations a developer is likely to require a profit return at the highest end of the range identified in the PPG at 20%. The sensitivity testing at this level of profit demonstrates the impact that this higher profit return is likely to have on the viability position.

7.2.92 The construction costs used in the viability testing are conservative. They have been prepared by a Quantity Surveyor having regard to local market evidence. They have also been benchmarked against BCIS and against this measure are cautious. They assume a 5% contingency applied to all costs, there is a relatively generous allowance for professional fees and the costs for achieving part L requirements are included based on full current estimates of these costs. In practice the costs of developing in the Borough will in many cases be lower. The sensitivity testing (Appendix 13) shows that even a 5% reduction in normal construction costs leads to a fairly significant improvement in viability in many cases.

7.2.93 It is also acknowledged that there may be instances where there are greater technical issues to overcome in developing a site which in turn will lead to additional costs. It is expected that such sites will be more limited, however the sensitivity testing does provide give an indication of what could occur in viability terms should these circumstances arise.

7.2.94 It also needs to be borne in mind that at this stage it is not possible to provide a definitive assessment of abnormal costs for each site. The estimates used in the appraisals are based on reasonable allowances however with further investigation the engineering solutions and design requirements will be refined to achieve the most cost effective options for each site. The abnormal costs can only be accurately determined once detailed site investigations have been carried out. The abnormal costs will inevitably vary for some sites. These costs could be higher or lower than those assumed in this study. If sites do come forward with lower abnormal costs then development viability may improve which would in turn provide greater scope to support policy requirements. Clearly the converse is also true although we would expect that in such cases, the BLV (as advocated in the PPG) would be adjusted further to take into consideration these additional abnormal costs.

7.2.95 Evidence of new dwellings constructed in the Borough demonstrates that delivery at lower levels of value does take place. We have taken an average position in terms of pricing point and build costs. If a housebuilder is moving towards a lower quality and associated value then we would expect a consequent reduction in construction costs. An improvement in viability based on lower construction costs is evident from the outcomes of the sensitivity testing.

7.2.96 In the very lowest value locations new development is likely to take place. However this new development may be a scheme undertaken by a registered provider, it may be delivered as a result of Local Authority intervention, or a regeneration initiative could result in a step change in values. There are many other routes to delivery in these locations which are not necessarily down to the form of market scheme tested in this study. A trigger of some sort is often required to make development achievable at these values often this is through initial public sector support "kick starting" a change in the local housing market and a consequent uplift in values over time.

7.3 Commercial Results

7.3.1 The results of the testing in respect of the commercial development scenarios are listed in table 7.8. The viability assessments have been prepared on the basis of both brownfield and greenfield development scenarios assuming typical hypothetical developments. The results are presented to show the development surplus or loss per sq.m once all development costs (including land and developer's profit) are deducted from the GDV of the completed development. The construction cost assessments are inclusive of all costs associated with providing EVCs to the developments.

			Surplus (per sq.m)	
Development Type	**Built Area (sq.m)**	**Built Area (sq.ft)**	**Brownfield**	**Greenfield**
Offices	464	5,000	-£816	-£771
Offices	1,857	20,000	-£824	-£780
Industrial	464	5,000	-£323	-£248
Industrial	1,857	20,000	-£318	-£244
Industrial	4,643	50,000	-£270	-£197
Industrial	9,287	100,000	-£138	-£66
Retail (comparison)	929	10,000	-£324	-£276
Retail (comparison)	2,786	30,000	-£172	-£119
Retail (convenience)	279	3,000	£422	£474
Retail (convenience)	929	10,000	-£80	-£28
Retail (convenience)	2,786	30,000	£34	£84
Retail (convenience)	4,643	50,000	£26	£76

Table 7.8: Commercial Appraisal Results

7.3.2 The viability testing for the commercial typologies assumes that development is undertaken speculatively and hence includes a market risk adjusted developer's profit return at 15% of cost. With reference to table 7.8 the results indicate that at present, standalone speculative office and industrial development is unviable on this basis.

7.3.3 The results of the retail testing are mixed. The development of new convenience retail is generally viable however comparison retail is generally not viable at the present time inclusive of a full speculative developer's profit.

7.3.4 The results of the viability testing for speculative commercial developments in the Borough align with our experiences elsewhere in the North West. Speculative employment development is generally not viable save for locations such as Manchester City Centre and around key transport hubs i.e. Manchester Airport where values are significantly higher. Despite the fact that certain forms of commercial development are not considered to be financially viable on a speculative basis at this point, new employment development has recently come forward in the Borough and will continue to do so in the future.

7.3.5 This new employment development is likely to be motivated by specific circumstances such as an existing owner wishing to expand or other business requirements necessitating development of that type in that location, for example to be near a specific piece of existing infrastructure or for business agglomeration reasons. Development of this type may take place with owner occupiers acquiring a site for development themselves, or alternatively procuring new premises through a design and build project which carries a lower profit requirement based on a contractors return. Alternatively such forms of development may be delivered with pre-lets or pre-sales in place which significantly reduce the risk and hence the level of developers profit that is required.

7.3.6 If such forms of development are to come forward on a purely speculative basis, it is likely that they may require support from enabling development in the form of more viable forms of development such as certain types of retail. Alternatively, as has been the case in the past, with the aid of public sector funding support such forms of development may also be delivered.

7.3.7 With reference to the employment sites identified in the Local Plan there is likely to be a range of different types of employment development including offices, industrial and possibly some warehousing. Development may be brought forward using a variety of different mechanisms or the landowners may simply service the sites and seek to sell plots for owner occupation or design and build.

7.3.8 When applying normal development viability criteria including a speculative developer's profit, office and industrial developments are unviable and as such substantive speculative market development is unlikely to take place on this basis. We do however expect new employment development to come forward in the Borough with development likely to be in the form of expansion space for existing companies or secured through pre-lets/sales or higher value enabling development. New employment development may also come forward with the benefit of public sector funding support or possibly as part of a wider mixed use scheme.

8.0 PLAN VIABILITY AND DELIVERY

8.1 Conclusions

8.1.1 As outlined in Section 4 the NPPF requires that the Local Plan should be deliverable and the policies contained within the plan should not undermine the deliverability of the plan. The PPG indicates that a viability assessment should be used to ensure that the policies contained within the plan are realistic and that the total cumulative cost of all relevant polices in the plan will not undermine its deliverability.

8.1.2 In accordance with the NPPF and PPG we have considered the spatial and strategic policies of the Local Plan, the proposed housing and employment allocations on which new development will be based, the development management policies that will guide the form, design and quality of development and the associated planning obligations.

8.1.3 At para 7.1.5 we noted the sensitivity of residual appraisals to small changes in any of the assumptions which feed into the appraisal process. We have ensured that a robust and a rigorous approach has been taken based on the appropriate property market evidence available at the time of preparing this study. In accordance with the PPG this evidence is considered to be adequate and proportionate for the purpose of the viability assessment.

8.1.4 This FVA has been prepared having regard to the requirements of the NPPF and PPG and the RICS documents relating to Conduct and Reporting and AVIP. References are contained at Section 4. The study contains viability assessments for many of the housing allocations together with a series of appraisals based on generic typologies for smaller housing and also commercial sites. The appraisals adopt the recommended residual approach to assess the viability of sites and plan polices and establish the amount of any surplus monies that may be available to fund any other potential developer contributions.

8.2 Housing

8.2.1 We have prepared a viability test for the majority of proposed Housing Allocations. These range in size from 20 dwellings to 532 dwellings. We have also prepared an assessment of smaller windfall sites based on generic typologies of 5 and 10 dwellings.

8.2.2 The Development Management Policies contained in the Local Plan vary in terms of their impact on development. Not all will have direct implications for development viability. A summary of the key policies and their effect on development is contained at Section 3 of this report, whilst table 4.9 contains details of the implications of these policies and the approach taken to viability testing as a consequence.

8.2.3 Of the policies assessed a number will impact on the form and design of development such as those that require provision for SuDs or for open space. Others such as Affordable Housing will place an obligation on the developer which will have a cost implication. Requirements for local infrastructure provision may require a monetary payment either through a S106/S278 contribution.

8.2.4 In preparing the viability assessments we have considered those policies which guide the form and design of development. **Policy H7PU** addresses amongst other matters housing mix. We have undertaken viability testing adopting a housing mix that moves towards the conclusions of the SHMA and includes a relatively high proportion of smaller dwellings but also recognises past delivery. The Local Plan does not include minimum density standards. Based on the allocation size, characteristics and capacity we have assessed a reasonable density for the respective allocation typically at 30 to 35 dwellings per net developable hectare.

8.2.5 The construction cost assessments have been prepared assuming a development which meets the new National Standards relating to Part L Building Regulation requirements and is also reflective of policy requirements in relation to matters such as SuDs and open space.

8.2.6 We have included costs associated with provision of onsite Biodiversity Net Gain requirements and provision for electric vehicle charging points. We have then considered the impact of **Policy H8PU** and included the requirement for 10% affordable housing in the viability testing.

8.2.7 In summary the viability testing incorporates all relevant national standards and emerging plan policies including the following:

- Provision of onsite open space and play equipment;
- Replacement playing pitches (where identified);
- Sustainable Drainage Systems;
- Building Regulation Part L requirements ranging from £4,783 per dwelling for a terraced house to £6,580 per dwelling for a detached house;
- 10% Biodiversity Net Gain;
- Electric Vehicle Charging Points at a cost of £581 per point;
- 10% onsite Affordable Housing (60% affordable rent, 40% low cost home ownership);
- Highway infrastructure requirements based on the TIS and SAA.

8.2.8 Pending completion of the playing pitch strategy we have not modelled any requirements for playing pitch contributions. It is understood that the Council is still seeking clarification from Cumbria County Council regarding education contributions. Pending the outcome of these discussions we have not included any specific education contributions in the testing. The results of the viability testing do however identify the surplus that is available to fund these additional contributions should they be required.

8.2.9 Tables 7.1 – 7.5 contain the results of the viability testing undertaken for the allocations and tables 7.6-7.7 contain the results for the generic typologies.

8.2.10 FVA1 adopted a generic approach to assess the viability of a representative sample of sites across the Borough with no policy costs included. The study acknowledged that a further FVA would be required with a more detailed analysis of sites and their delivery. FVA1 contained a series of conclusions relating to the viability of housing sites. The outcome of the further viability testing carried out in FVA2 which is based on a more detailed analysis of sites, plan policies and national standards largely accords to the conclusions reached in FVA1. We have considered these conclusions in so far as they relate to new housing development below.

8.2.11 FVA1 concluded that large greenfield residential development in Whitehaven was viable and generated a surplus for affordable housing, elevated planning policy requirements and S106 contributions. The results for HWH2 which is a large greenfield allocation in Whitehaven demonstrates that it is viable with 10% affordable housing and in addition produces a surplus which could be used to fund other plan policies.

8.2.12 FVA1 also concluded that medium greenfield residential development in Whitehaven and the Key Service Centres is viable and generates a surplus for affordable housing, elevated planning policy requirements and S106 contributions. The results from FV2 show that HWH4 (a medium greenfield site in Whitehaven) and HEG2 and HEG3 (medium greenfield sites in Egremont) are viable with 10% affordable housing and produce a surplus that could be used to fund other plan policies.

8.2.13 The other greenfield sites in the Key Services namely HCM1, HCM2, HEG1, HMI1 and HMI2 produce marginal results. In some cases the TIS and SAA contain significant requirements for highways and access measures for these sites, the sum of which is greater than the deficit produced by the appraisals. In the case of HCM1 and HEG1 we have identified the potential for significant abnormal development costs. It would be expected that if these costs cannot be mitigated at application stage, then in accordance with the PPG, they would need to be taken into consideration in any future assessment of the benchmark land value, with a consequent downward adjustment.

8.2.14 We have also noted in relation to a number of these marginal sites, that the amount of site coverage per net developable acre is relatively low at 13,000 sq.ft or significantly less in some cases. With an increase in density or an adjustment to the housing mix to include a greater number of larger dwellings then this would improve the site coverage to the optimum range of 13,500 to 15,000 sq.ft per acre and so improve the viability outcome. The sensitivity testing also shows that in many cases a relatively small increase in sales prices or reduction in normal construction costs would be sufficient to achieve a viable development.

8.2.15 FVA1 concluded that small and small/medium greenfield residential development in Whitehaven and the high value local centres and villages is viable and generates a surplus for affordable housing, elevated planning policy requirements and S106 contributions. This outcome is also confirmed in the results of the present study. The viability testing for the allocations in St Bees (HSB1), Beckermet (HBE1, HB2), Bigrigg (HBI1, HB12) and Summergrove (HSU1) are all viable with 10% affordable housing and produce surpluses for other planning contributions should they be required. This outcome is also supported by the generic testing which shows that greenfield sites achieving sales prices in excess of £2,260 per sq.m (£210 per sq.ft) are viable.

8.2.16 There are two exceptions to this conclusion, namely HSB3 in St Bees and HDH2 in Drigg. In the case of the former the cost of achieving a satisfactory access into the site is disproportionately expensive given the size of the allocation at 30 units and makes the site unviable. For HDH2 it is the cost of dealing with the TIS requirements (at £8,386 per dwelling) that are disproportionately expensive and undermine the viability of the site.

8.2.17 In relation to small and small/medium greenfield residential development in the average value local centres and villages, FVA1 concluded that this was unviable. The results from the viability testing that we have carried out largely support the conclusion that residential sites in these locations are not sufficiently viable to support affordable housing. In some cases this is due to the lower values that have been assumed i.e. in Distington and Thornhill. For a number of the other proposed allocations the disproportionately high cost of access arrangements in comparison with the capacity of the site are of greater significance for example the allocations in Seascale (HSE2, HSE3) and in Lowca (HL1).

8.2.18 The remaining allocations in the lower value local centres and villages namely Arlecdon (HAR1) and Moor Row (HMR1, HMR2) are viable in the absence of affordable housing however with 10% affordable housing included they become marginal. It is notable that the testing for these 3 sites is again based on relatively low site coverage and if this is increased, it will improve the viability outcome. The sensitivity testing shows that for all three allocations a relatively modest uplift to the sales prices of around 2.5% would be sufficient to achieve viability inclusive of 10% affordable housing.

8.2.19 The results from the viability testing of small generic greenfield sites demonstrated that at values of £2,260 per sq.m (£210 per sq.ft) or less, development is not currently sufficiently viable to support affordable housing.

8.2.20 In relation to previously developed sites FVA1 concluded that large and medium brownfield residential development in Whitehaven is marginal and generates no surplus for affordable housing, elevated planning policy requirements and S106 contributions. The results from FVA2 are that the two brownfield allocations (HWH1 and HWH5) are not currently viable either with or without affordable housing, although absent of affordable housing the result for HWH5 is marginal. The other brownfield allocations tested namely in Cleator Moor (HCM3), Distington (HDI2) and Holmrook (HDH3) are also unviable at the present time. The viability testing for the small brownfield sites shows that sales prices would need to be at least £2,476 per sq.m (£230 per sq.ft) to support 10% affordable housing.

8.2.21 The results for the Housing Allocations demonstrate that at the present time not all sites across the Borough will be able to support affordable housing requirements. There is however only limited information regarding the ultimate extent of abnormal costs appropriate to these sites, on which to base an assessment. This will only become apparent once site investigations are undertaken and engineering solutions are finalised.

8.2.22 Strategic Policy DS5PU: Planning Obligations and Strategic Policy H8PU: Affordable Housing both contain a test of viability. If a relaxation in these policies is to be considered then developers must demonstrate, to the Council's satisfaction, why the current site specific circumstances mean that meeting the requirements of these policies would render the development unviable. Any FVA submitted in these circumstances should be in the form of a clear, bespoke viability assessment reflecting the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available. The applicant must justify the need for a viability assessment setting out for example changes in site circumstances since the plans adoption.

8.2.23 The proposed drafting for Strategic Policy H8PU: Affordable Housing would provide sufficient flexibility to address circumstances were affordable housing or planning contributions do have a material impact on viability and enable a lower percentage or potentially a different tenure mix to be agreed.

8.2.24 Similarly Strategic Policy DS5PU: Planning Obligations introduces a level of flexibility to enable requirements in relation to a range of infrastructure and other contributions to be relaxed, were it can be demonstrated through a financial viability assessment that development would not be viable with these policy requirements.

8.2.25 As is apparent from the viability testing, the housing mix contained in the SHMA contains a relatively high number of smaller dwellings, and as a result at lower densities this produces a relatively low level of site coverage. This has an impact on viability particularly in low value areas. The Council should be mindful of this and may wish to adopt a more flexible approach in seeking the SHMA mix which takes into consideration density and development viability.

8.2.26 The Housing Needs Study does refer to a case for continuing to invest in high-end, larger market homes, whilst policies DS6PU and H7PU make reference to the fact that developments should make the most effective use of the land. At low densities the application of the SHMA mix with a high number of smaller dwellings will produce an ineffective use of the land. This should be taken into consideration in assessing future applications, and the Council will need to strike a balance between these policy requirements to ensure an optimum position is achieved, which addresses housing need whilst at the same time achieving an effective use of land and in turn the best viability position.

8.2.27 The Council may wish to standardise the wording in the various viability test clauses contained in the plan to avoid confusion regarding the requirements. In addition it would be preferable to strengthen the wording of the text in relation to the form and quality of the information submitted to ensure that this accords to the requirements of the PPG and all relevant RICS guidance (as appropriate) as referred to in Section 4. This is to make clear to applicants that any relaxation in policy requirements will only be permitted where it can be clearly demonstrated through a robust site specific viability assessment that development would not be financially viable.

8.2.28 Should circumstances arise, were based on a robust assessment of viability, policy obligations are reduced, then particularly in relation to larger sites, the Council should also consider the introduction of a viability review mechanism in any S106 Agreement. The PPG at para 009 states that:

"Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles."

8.2.29 Such review mechanisms are intended to strengthen the local authority's ability to seek compliance with relevant policies during the lifetime of a project. A small number of large sites are likely to come forward during the plan period and it would be appropriate to consider introducing requirements in relation to a review mechanism. This would ensure there is clarity about the Council's approach to viability reviews in the event that contributions are relaxed for any sites.

8.2.30 The viability testing shows that it may be more difficult to achieve policy compliant development on brownfield sites. It should however be remembered that in the context of any unviable results for the brownfield typologies, national policy provides an incentive for brownfield development on sites containing vacant buildings. Where a vacant building is brought back into lawful use, or is demolished to be replaced by a new building, the developer should be offered a financial credit equivalent to the existing gross floor space of relevant vacant buildings when the local planning authority calculates the affordable housing contribution. Affordable housing contributions may be required for any increase in floor space. In some cases the development of brownfield sites may involve the demolition and replacement of existing buildings. As a result of vacant buildings credit these sites will in any event be required to deliver a lower level of affordable housing than the 10% threshold.

8.2.31 The sensitivity testing shows that relatively limited adjustments to the normal construction cost assumptions produce viable results based on full plan policies. As noted previously the construction costs on which the viability testing is based are conservative. They assume a 5% contingency applied to all costs, there is a relatively generous allowance for professional fees and the costs for achieving part L requirements are included based on full current estimates of these costs. In addition there is likely to be some overlap of the costs that have been included for public open space, biodiversity net gain and landscaping.

8.2.32 In practice the costs of developing in the Borough will in many cases be lower. Given the limited site specific information available at the present time it is also not possible to accurately estimate the abnormal costs for each site. For the purpose of FVA2 such costs have been based on typical, likely requirements. Ultimately the actual costs could be higher or lower than those assumed in this study. If sites do come forward with lower abnormal costs then development viability may improve which would in turn provide greater scope to support policy requirements.

8.2.33 For the testing at lower values there may need a greater reduction to the construction costs or alternatively a combination of changes to variables to achieve viability based on full policy requirements. As noted previously we have taken an average position in terms of the pricing point and build costs. If a housebuilder is moving towards a lower quality and associated value then we would expect a consequent reduction in construction costs in any event.

8.3 Non-Residential Developments

8.3.1 The conclusions in FVA1 regarding non-residential development were that:

- Medium/large retail development on brownfield sites in Whitehaven is viable and generates a significant surplus for elevated planning policy requirements and s106 contributions.
- Mixed use brownfield development is unviable based upon adopted values and build costs.
- Speculative office/employment development is unviable based upon adopted values and build costs.

8.3.2 The results from the viability testing in FVA2 are not materially different to these outcomes save for some changes in relation to retail development. With reference to table 7.8 the results for offices and industrial suggest that employment development is not currently viable on a speculative basis.

8.3.3 The Local Plan Policy obligations, as drafted, do not place such a burden on new employment development so as to prejudice its future delivery. Issues in relation to viability are common across other parts of the North West, and arise because rents and capital values for employment uses, although increasing, are generally lower than build costs. Traditionally this gap has been met by public sector funding support or in the case of mixed use schemes cross-subsidised by other more viable forms of development.

8.3.4 Notwithstanding the results of the viability testing it is likely that office and industrial development will come forward in Copeland motivated by specific circumstances such as an owner occupier wishing to expand or alternatively with the benefit of public sector funding support.

8.3.5 There are a number of different routes to delivery of employment development aside from the speculative form of development included in our testing. This could include pre-lets, pre-sales or development by owner occupiers of serviced plots. It may be that higher value uses are used to cross fund employment development.

8.3.6 The results of the viability testing for retail show that new convenience retail development is viable in most cases. Comparison retail is however currently unviable with a full speculative profit. In part these results are due to the higher BLVs assumed for these uses and also the fact that construction cost increases in recent times have not necessarily been matched by increases in values for these type of uses. The impact of Local Plan policies on these forms of development are fairly limited in comparison with these market factors.

8.4 Overall Conclusions

8.4.1 Subject to the comments made above, the overall scale of obligations, standards and policy burdens contained in the Local Plan are not of such a scale that cumulatively they threaten the ability of the sites and scale of development identified in the Plan to be developed viably. In certain circumstances there may need to be a balance achieved between any requirements for affordable housing and S106 contributions, however there is sufficient flexibility in the Plan policies as currently drafted to allow a relaxation of policy requirements if appropriate to ensure that the delivery of the plan is not undermined.

8.4.2 The sensitivity testing demonstrates that for those typologies that are not viable based on full plan policy requirements, then in some cases only limited adjustments to appraisal inputs may be required to achieve a viable position.

8.4.3 The results of the viability testing for speculative commercial developments in Copeland align with our experiences elsewhere in the North West where speculative employment development is generally not viable save for high value, strategic locations.

8.4.4 When applying normal development viability criteria including a speculative developer's profit, office and industrial developments are unviable and as such substantive speculative market development is unlikely to take place on this basis. However new employment development is likely to be brought forward using a variety of different mechanisms including the sale of serviced sites for owner occupation or design and build. New employment development does occur in the Borough and will continue to do so during the plan period. This may be a result of existing occupiers wishing to expand or with the benefit of public sector funding support or possibly as part of a wider mixed use scheme. Viability issues do arise in relation to certain forms of commercial development however this is as a result of market factors rather than Local Plan policy obligations.