

**For:**

**Havant**  
BOROUGH COUNCIL

**Stage 1 of the Havant Borough Council  
Local Plan Viability Assessment:**

**Initial Viability Analysis for  
Affordable Housing Options**

**October 2024**

(DSP24873)

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# 1. Introduction & Context

- 1.1. Havant Borough Council is in the process of producing a new local plan – the ‘Building a Better Future Plan’ - that will set the development strategy for the Borough to 2040. As part of producing the Plan the Council have concluded that a viability study needs to be undertaken to update evidence on the viability of development and, through the procurement of a of a Local Plan Viability Assessment (LPVA), help inform policy choices and provide assurance that the Plan is deliverable as a whole
- 1.2. The new Local Plan is not at a sufficiently advance stage to know the amount or location of development, although the Council has commenced work on the Infrastructure Delivery Plan (IDP) and site assessment and selection. At this stage it has not reached a point where it would be able to inform a Whole Plan Viability Assessment. The IDP is being progressed to inform the Regulation 18 Local Plan. The Council has therefore commissioned this study as a two stage process with an initial viability analysis on affordable housing options (Stage 1) with the Whole Plan Viability Assessment (Stage 2) to follow.
- 1.3. Given the above, HBC commissioned DSP to provide the viability evidence required to support the emerging local plan. This first stage initial viability analysis provides advice on the viability implications of affordable housing whilst taking into account known or expected costs of other local or nationally set policy requirements (e.g. low carbon design and housing quality standards). This includes providing recommendations on the overall likely viable proportion (%) and tenure mix of affordable housing to be sought from qualifying sites (sites above the affordable housing threshold) whilst taking into consideration both adopted policies and those policies emerging through the new Local Plan process.
- 1.4. Stage 2 of the LPVA will, in due course, provide a whole plan viability assessment of the new, emerging local plan once the Council’s development strategy and infrastructure delivery information is more settled. This will include the consideration of key specific site allocations alongside updates to typology modelling (where necessary). This Stage 1 work took place during Summer 2024 and involved an interim-stage policy review and iterative testing process which informed the scope and parameters of the final assessment phase.



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- 1.5. The requirement to consider viability stems from the National Planning Policy Framework (NPPF)<sup>1</sup> which says on “Preparing and reviewing plans” at para 31: “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.”
- 1.6. NPPF para 34 on “Development contributions” states: “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.”
- 1.7. The updated national Planning Practice Guidance (PPG) on “Viability”, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The Planning Practice Guidance on Viability states:

“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).

These 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. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development... Viability assessment should not compromise sustainable development but should be used to ensure that

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<sup>1</sup> At the time of writing further changes to the NPPF were being proposed by Government.



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policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.”

- 1.8. The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The latest revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the NPPF expectation is that the applicant will need to demonstrate what has changed since the local plan was adopted.
- 1.9. However, the PPG (paragraph 010) is clear in 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.”
- 1.10. Further relevant information is contained in the publication “Viability Testing Local Plans – Advice for planning practitioners” published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the “Harman” report<sup>2</sup>). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the local plan, requirements of SPDs and national policy. It provides some still useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.
- 1.11. Planning and in particular national policy are constantly evolving processes, with the current environment for these being especially uncertain and fluid – potentially now subject to further change with the new Government elected in July 2024. A viability assessment such as this, however, is necessarily carried out at a point in time based on knowledge of the system and policies in place at that time or – to the extent that may be practical – taking into account likely changes to policy moving forward (for example through sensitivity testing or commentary). It needs to be acknowledged however that no study can cover every future eventuality.

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<sup>2</sup>‘Local Housing Delivery Group – Viability Testing Local Plans’ (Harman, June 2012)



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- 1.12. During the course of the assessment, proposed reforms to the NPPF and other changes to the planning system were consulted on. The proposed changes include relating to affordable housing which have been considered so far as possible. The outcome of the consultation is unknown at the time of writing.
- 1.13. The testing of local plans for viability does not require a detailed appraisal of every site anticipated to come forward over the plan period, but rather a proportionate test of a range of appropriate site typologies that reflect the potential nature and mix of sites likely to come forward. This assessment has focused on a range of development typologies selected to explore the likely strength of relationship between development costs and values in different scenarios (e.g. site type (greenfield/PDL), scheme type, location etc.); and therefore the potential ability of schemes to accommodate policy costs. If there are any potential policy compromises or “trade-offs” that may need to be considered, these are likely to relate to striking a balance between policy objectives (including on affordable housing need and type, climate change response or other policy areas, infrastructure funding etc.) set against ensuring continued delivery and growth across the borough.
- 1.14. Overall Stage 1 focuses on testing a range of affordable housing percentages (percentage of affordable housing sought from general residential market-lead development schemes) alongside affordable housing tenure sensitivity tests (testing various affordable housing ‘products’ or tenures as part of the overall affordable housing mix).
- 1.15. Alongside the above, the assessment also considers the scope and opportunity for low carbon design (e.g. net zero) and housing quality standards including the nationally described space standard for new homes and enhanced accessibility and adaptability standards. At this stage, preliminary assumptions have been made on such matters as part of the costs assessed cumulatively, and these may well need to be revisited through Stage 2 work depending on HBC’s further policy development as well as any further costs estimates that become available.
- 1.16. The complete study (comprising work undertaken for Stages 1 and 2) will investigate the potential viability and, therefore deliverability of the local plan and its policies and obligations – including the affordable housing requirements and a review of the



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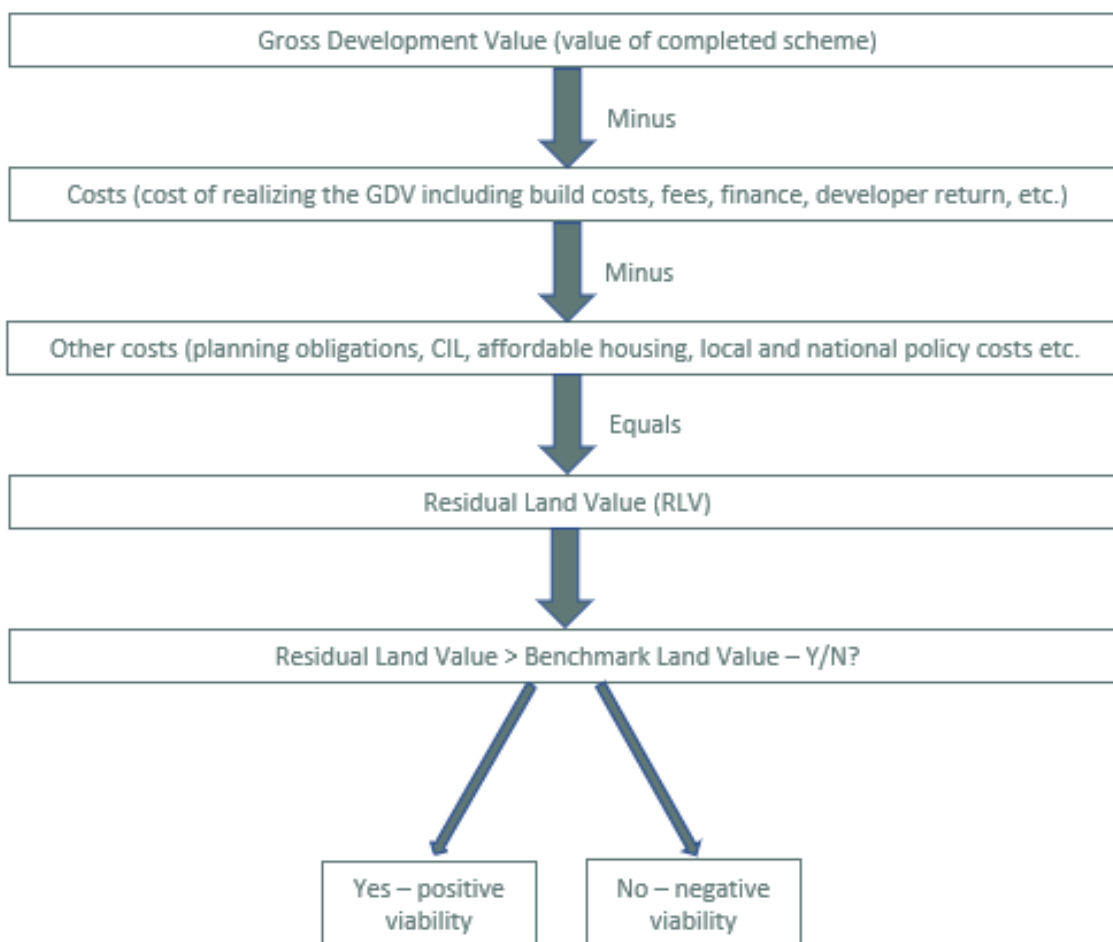
viability prospects for larger scale or strategic development site allocations that are key to the delivery of the local plan housing need overall.

## 1.2. Methodology

- 1.2.1. The study adopts a well-established methodology tested through numerous examinations and consistent with the NPPF and PPG, conducted through initial testing of affordable housing policy on a site typologies basis (representative development scenarios agreed with the council – Stage 1) and where appropriate more specific consideration of site allocation proposals (Stage 2) that are intended to be key in supporting the planned delivery overall.
- 1.2.2. Viability in this context is assessing the “financial health” of development, by considering the strength of the relationship between development values and costs (completed sale value and cost expended to create that value) which varies by development type, location etc. This assessment uses ‘residual valuation’ principles to explore this value/cost relationship, how this varies and therefore how much scope exists to support planning policies locally. Figure 1 below sets out the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and findings for both Stages of the assessment.

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**Figure 1: Simplified residual land valuation principle (diagram below shows the methodology used to calculate residual land value (RLV))**



(DSP 2024)

- 1.2.3. Having allowed for the costs of acquisition, development, finance, profit and sale, the appraisal results show the sum that is potentially available to pay for the land – i.e. the residual land value (RLV). The RLV output can then be compared against our assumed range of Benchmark Land Values (BLVs), based on our high-level assessment of existing-use value (EUV) plus a premium to incentivise release of the site for development (as appropriate) – consistent with the PPG principles.
- 1.2.4. This assessment is consistent with the NPPF alongside the accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a “willing landowner” and “willing developer”. The emphasis has moved away from a market value based approach to land as may have been used or carried greater



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influence in the past. The PPG on Viability has for some time now made it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:

“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 or EUV+.”

- 1.2.5. The assumed BLVs are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.
- 1.2.6. As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies at a strategic level as well as site-specific assessments where available. In addition, we have also had regard to the consultation responses and published Government sources on land values for policy appraisal<sup>3</sup> providing industrial, office, residential and agricultural land value estimates for locations across the country.
- 1.2.7. As set out in the results appendices, we have made indicative comparisons with BLVs in a range between £250,000/ha and £2,500,000/ha+ overall, enabling us to view where the RLV results fall in relation to those levels and to the overall range between them.
- 1.2.8. Reflecting smaller, non-strategic scale development, we would expect an EUV+ of up to £500,000/ha could be applicable for greenfield/amenity land use with larger

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<sup>3</sup> MHCLG: Land value estimates for policy appraisal – most recent version 2019 published August 2020



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scale/strategic development typically not exceeding the £250,000/ha base position. Typically, higher BLVs represent PDL sites that tend to come with higher existing use values. We consider the key range to be between £1m - £2m/hectare. That is not to say PDL sites could not come forward at lower or higher levels, hence the wider range being considered.

- 1.2.9. Matters such as realistic site selection for the particular proposals, allied to realistic landowner's expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing affordable housing and other provision) is not overly squeezed beneath the levels that should be achieved.
- 1.2.10. The NPPF and associated PPG on Viability indicate a greater link than previous between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications) stage. The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.
- 1.2.11. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage and other site-specific viability reviews but that it is:

“Up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage”<sup>4</sup>.

- 1.2.12. An indication of the types of circumstances where viability could be assessed in decision making is also included in the PPG. These include:

“for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular

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<sup>4</sup> <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 006 Reference ID: 10-006-20190509 Revision date: 09.05.2019)

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types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force”<sup>5</sup>.

- 1.2.13. There is the potential for the development of some site typologies or future sites identified by the Council to need to overcome abnormal issues and support added costs. The national approach recognises that within this picture or at certain stages in the economic cycles there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances, as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.
- 1.2.14. The residential typology testing results are set out in Appendix 2 and 3 of the report. The results are displayed on an RLV (£) and RLV (£/ha) basis for each tested typology. In each case the results are reflect the modelling carried out across 6 value levels, applicable indexed CIL rate, multiple affordable housing proportions (10% - 40%) and AH tenure variations. The framework for the testing is also set out in Appendix 1.
- 1.2.15. The RLV £/ha results use shading to help highlight trends and relative differences in results reflecting the greenfield and PDL BLVs. It is important to note that the coloured shading is not intended to depict any strict cut-offs or limits – it merely guides on the strength of the outcomes indicated by the range of tested assumptions combinations.
- 1.2.16. It is important to keep in mind that the findings should be considered in the context of the cumulative impact of policy costs on development. There needs to be an element of judgement so that reliance is not placed on results that are at the margins of viability.

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<sup>5</sup> <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 007 Reference ID: 10-006-20190509 Revision date: 09.05.2019)

## 2. Key appraisal assumptions and approach

- 2.1. As part of developing this study, Stage 1 of the assessment included an interim phase of sensitivity testing and analysis to assist the Council in beginning to understand the likely viability scope and potential differentials for affordable housing proportion (percentage) and tenure. This process enabled a two-way dialogue leading to an early discussion around policy options and potential compromises or “trade-offs” that may be required to balance viability whilst also going as far as practically possible to meet housing needs.
- 2.2. The assessment is based on monetising those potential local or national policies that may add cost to development to understand the impact on viability of those when considered cumulatively alongside the affordable housing testing and usual costs of development. We need to consider how the strength of the relationship between development values and costs varies across the range of development typologies tested. The initial interim testing focused on a smaller sample set of typologies which then expanded across a wider typology set with a refined approach to affordable housing tenure. Stage 2 of the assessment will add the consideration of key specifically tested / regeneration / strategic sites or similar and some potential updated typology testing. There will be other policies that have indirect implications for development but which fall within the scope of achieving sustainable development and meeting normal planning criteria, and as such do not need to be specifically reflected in the development appraisal assumptions.
- 2.3. The assumptions and evidence that feed into this assessment are set out in Appendix 1 (Assumptions Summary) and Appendix 2 and 3 to the rear of this report. A summary of the key elements is discussed below.
- 2.4. A number of the assumptions evolved during the course of the assessment and to some degree will remain under review pending further discussion with the Council at Stage 2 as further or newer information becomes available (and indeed all of this is subject to potential market movements, changes to national policy etc. too). As noted in Chapter 1, the Government has recently conducted a consultation on the new NPPF the influence of which is not yet known but an area the Council will want to consider as we continue the assessment exercise.

## 2.2 Development Revenue – property sales values/market values analysis

- 2.2.1. One of the key early research elements of the assessment included conducting market values research and analysis to get an overview of house prices across the borough, with the data collected by both ward and settlement area. This included collecting data for both new build and re-sale properties. The data for new build properties allows us to consider current pricing trends for new developments (where typically a premium exists over the second-hand market). The data for re-sale property sales allows us to consider overall values patterns across the local plan area using larger sample sizes).
- 2.2.2. This approach utilised web-based resources including HM Land Registry, Rightmove, Housemetric and Zoopla. It must be acknowledged that in some instances, data samples are small (e.g. relating to a particular period or geography, particularly in small settlements) and this is not unusual.
- 2.2.3. During the course of the assessment, the economic and housing market has been relatively unsettled. Since 2022 we have seen a period of rapid increases in construction cost inflation which began to slow mid-2023 with recent reporting indicating this is now stabilising. Alongside this, the most recent (national) reporting suggests that the housing market is also showing signs of improvement. Knight Frank has revised their assessment of the housing market in early 2024 stating “We now expect UK mainstream prices to rise by 3% in 2024, which compares to a decline of 4% predicted in October. With low-level single digit growth in subsequent years, we expect cumulative growth of 20.5% in the five years to 2028”. In addition, we note the Land Registry HPI house prices in Havant borough have for the most part remained relatively static since 2023 albeit with the most recent data indicating a more positive picture beginning to emerge. At the point of finalising the assessment, Nationwide reported September as recording the “fastest annual house price growth in two years” with UK house prices having increased 3.2% year-on-year.
- 2.2.4. For the purposes of this assessment, we need to consider the longer term of the emerging Local Plan and the likelihood that development will be delivered through



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various economic cycles and other changing conditions. Therefore, in our view it would not be appropriate or reflective of the assessment context for assumptions to be set based only on a 'worst or best-case' scenario or similar – instead, a longer term, high-level view is appropriate.

- 2.2.5. Overall, our research indicates a reasonably narrow range of residential property sales values across the borough, with values overall covering a range of around £4,000 to £5,250/m<sup>2</sup>. We have then split these into 6 'value levels' in order to reflect values variance in different parts of the borough. Within the overall range of values, our analysis suggests that typically, new build values in Emsworth (and to a more variable extent in Hayling island) are typically at around £4,750 to £5,250/m<sup>2</sup> compared to £4,000 to £4,500/m<sup>2</sup> in Havant, Leigh Park and Waterlooville.
- 2.2.6. We consider the above values are reasonably representative of likely new build pricing and provide a suitable basis for reviewing and interpreting the appraisal testing results. It is important to note that there is normally (but not always) an inverse correlation between dwelling floor area and values expressed by unit area – so that smaller dwellings will often indicate higher £/m<sup>2</sup> pricing with the reverse also often being true. Some flatted development will typically achieve sales values towards or at the upper end of the above value levels and potential influences of wider regeneration projects/schemes could become more relevant and lead to values that exceed the typical market; particularly in the context of town centre locations (e.g. Havant, Waterlooville and Leigh Park). However, as is normal in any area, there are exceptions whereby higher and lower values can be seen within an area, between nearby sites and even within a site (depending on siting and orientation, etc.); an overview is needed at plan-making stage.
- 2.2.7. As above, the relationship between the local property market (and the available viability scope) across the borough and the emerging planned site supply overall will be a key consideration as the assessment evolves - particularly into Stage 2. At this strategic level, there is no single policy response that covers all individual site variables. Although the emerging site supply remains under review (particularly in light of the new NPPF proposals), we understand it is likely town centre/urban areas regeneration/development on PDL will be relevant to housing supply moving forward.

## 2.3 Affordable housing

2.3.1. An interim phase of testing focused on modelling a range of affordable housing proportions from 10% to 40% on three key selected development typologies – 50 residential units on a greenfield site (including a mix of flats and houses), 50 Mixed (flats/houses) on PDL and 50 Flats on PDL. This approach enabled us to explore the proportion of affordable housing that may viably be sought from market-lead residential schemes whilst sensitivity testing varying affordable housing tenure mixes in order to provide a basis to discuss early results with the Council. Following the interim testing, the residential development typologies were expanded and are discussed in more detail in Chapter 3.

2.3.2. As mentioned briefly, on the 30<sup>th</sup> July 2024, a consultation on the revised NPPF was released which set out a number of proposed changes to the current system including for affordable housing. Under the new NPPF, the Council will be required to undertake a new assessment of housing needs based on a new standard method. Specifically and linked to this, an important element for this assessment moving forward, the Government is looking to boost the delivery of social rented housing by “*setting an expectation that housing needs assessments explicitly consider the needs of those requiring Social Rent and the authorities specify their expectation on Social Rent delivery as part of broader affordable housing policies*”. Essentially, there will be an expectation to give priority to Social Rent in the affordable housing mix. This will be subject to (but likely in line with) most local needs, although we note overall control will be with LPAs to “*determine the balance that meets the needs of their communities*”<sup>6</sup>. In addition, the requirement to deliver at least 10% of the total number of homes as affordable home ownership together with a minimum of 25% of affordable homes to be First Homes is proposed to be removed. However, we note First Homes as a model will remain an option for delivery where it is based on local needs.

2.3.3. Although the new NPPF is subject to consultation, we assume the Council will be considering a review of the current housing needs assessment in due course.

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<sup>6</sup> Proposed reforms to the National Planning Policy Framework and other changes to the planning system (2024)

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2.3.4. Alongside the overall affordable housing proportions, a range of tenure mix scenarios with variable proportions of social rent, affordable rent and affordable home ownership (including First Homes and Shared Ownership) have been considered, as shown in Figure 2 below.

Figure 2: Affordable housing tenure sensitivity tests

<b>AH Tenure Scenario (1)</b>	<b>75% Social Rent</b> <b>25% First Homes (30% baseline discount)</b>
<b>AH Tenure Scenario (2)</b>	<b>75% Affordable Rent</b> <b>25% First Homes (30% baseline discount)</b>
<b>AH Tenure Scenario (3)</b>	<b>75% Social Rent</b> <b>25% Shared Ownership</b>
<b>AH Tenure Scenario (4)</b>	<b>75% Affordable Rent</b> <b>25% Shared Ownership</b>
<b>AH Tenure Scenario (5)</b>	<b>50% Social Rent</b> <b>25% First Homes (30% baseline discount)</b> <b>25% Shared Ownership</b>
<b>AH Tenure Scenario (6)</b>	<b>50% Affordable Rent</b> <b>25% First Homes (30% baseline discount)</b> <b>25% Shared Ownership</b>

2.3.5. Following discussions with HBC, a further two tenure options were added to the testing scope, as shown in Figure 3 below.

Figure 3: Additional affordable housing tenure sensitivity tests

<b>Additional AH Tenure Option 1</b>	<b>31.25% Affordable rent</b> <b>31.25% Social Rent</b> <b>37.5% Affordable Home Ownership</b> <i>(assuming Shared Ownership)</i>
<b>Additional AH Tenure Option 2</b>	<b>20% Affordable rent</b> <b>42.5% Social Rent</b> <b>37.5% Affordable Home Ownership</b> <i>(assuming Shared Ownership)</i>





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2.3.6. The results of the initial testing led to the final phase of assessment following discussion with HBC. This assumed a single approach to tenure applying 'Option 2' above. The reasoning for this approach is discussed in more detail in Chapter 3.

2.3.7. Overall, we have assumed the following revenue assumptions for affordable housing tenure (also set out in Appendix 1):-

- Affordable Rent homes – based on Local Housing Allowance Rates, assuming 55% of market value.
- Social Rent homes – assuming 45% of market value.
- Shared Ownership – based on 65% of market value.
- First Homes – initial testing assuming 30% discount (subject to value cap at £250,000, after discount), see further indications below.

2.3.8. At the time of this initial appraisal modelling, we have also looked to ensure the overall mix assumptions reflected the requirements of the NPPF to require a minimum of 10% of all homes on major sites to be affordable home ownership tenure. However as above, the proposed revised NPPF is likely to remove this requirement and therefore the next stage of the study will potentially need to reflect any new approach accordingly.

2.3.9. With our wider experience, we have undertaken a number of studies that include consideration of the impact of First Homes on viability. Results tend to indicate that at the minimum discount (30% from market value) there may be no or only a little improvement in viability compared with shared ownership/intermediate provision, dependent on the assumed tenure mix and local values. With higher discounts, at either 40% or 50% of market value, the First Homes model appears generally to reduce viability compared to previous tenure mix positions. At 50% of market value, the First Homes sale revenue (receipt by the developer) is broadly similar to that provided by affordable rented homes, as an example of potential relative impact of First Homes compared to other tenures.



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2.3.10. On this basis, the Stage 1 testing has assumed a 30% discount for First Homes as the baseline position. As above, higher levels of discount will reduce viability overall and likely impact the overall affordable housing proportion.

## 2.4 Developer's return for risk and profit

2.4.1. Alongside other policy and general development costs (set out in full in Appendix 1), an allowance has been made for a developer return in accordance with the PPG on Viability which states:

'Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan'. It goes on to state: '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. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. 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. Alternative figures may also be appropriate for different development types'.

2.4.2. For market housing we assume 15% - 20% on GDV (market sales) reflecting the higher risk associated with developing and selling those properties. The PPG on plan making also indicates this range as being suitable and in our view a reasonable assessment base would be a mid-point of 17.5% GDV reflecting development across varying market cycles. At this stage we are working on the basis that First Homes falls somewhere between the two in terms of its risk profile and therefore we assume a profit of 12% of GDV.



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2.4.3. Typically, we assume a return of 6% for affordable housing that is sold to an AH provider - Registered Provider (RP). This reflects more of a contracting model allied with a lower level of risk associated with off-plan purchases. It is important to note that the potentially improved revenue that may be generated by First Homes compared to other tenures may be offset by the additional market related risk associated with this model; reflected by our assumed profit level for this element.

## 2.5 Assumed key emerging policy areas tested *(also see Appendix 1 Assumptions Summary)*

2.5.1. Nationally Described Space Standard (NDSS)– Dwelling size assumptions are set out in Appendix 1 and reflect the application of NDSS.

2.5.2. Water efficiency – consumption assumed to be restricted to not more than 110 litres per person per day (lpppd), on the basis the Council can appropriately demonstrate that the borough is within an areas of water stress. As with all optional enhanced standards, the need has to be established as well as the viability impact reviewed as part of this assessment. The overall cost impact for this requirement (compared to the current Building Regulations baseline of 125lpppd) is nominal and reflected within the overall development cost allowances. No additional explicit cost assumption is required at this level.

2.5.3. Parking standards – Electric vehicle charging points (EVCP) – now a base requirement as set out in Approved Document S of the Building Regulations. Although we assume provision of EVCPs will be included within the general build cost allowances within BICS in time, or at least the extra over cost of these will reduce, we have applied an additional cost allowance of £865/dwelling (houses) and £1,961/dwelling (flats)<sup>7</sup>, with 1x EVCP per dwelling assumed. This reflects experience and is advised for viability testing for this purpose.

2.5.4. Biodiversity Net Gain (BNG) – We have assumed an explicit allowance for BNG – assumed at the 10% minimum national baseline requirement. The cost assumptions

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<sup>7</sup> Residential Charging infrastructure provision – Final Impact Assessment (2021) - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1040255/residential-charging-infrastructure-provision-final-impact-assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040255/residential-charging-infrastructure-provision-final-impact-assessment.pdf)

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vary by type of site (PDL/greenfield) and geographic location, based on the data contained in the DEFRA/Natural England BNG Impact Assessment approach (specifically Tables 19 and 20) and assumes a 90% pass-through cost to the land.<sup>8</sup> On this basis, we have applied an additional percentage uplift to the base build cost as a proxy to reflect the cost of achieving this requirement – at 2.4% greenfield and 0.5% PDL on base build. These figures are based on ‘Scenario C’ of the Impact Assessment, representing a worst-case scenario, assuming delivery via 100% off-site credits. BNG will typically be delivered on most schemes via a combination of credits and on-site solutions with a lower overall cost to development.

2.5.5. Bird Aware Solent (Solent Recreation Special Protection Area (SPA)) – in accordance with the Solent Recreation Mitigation Strategy, all residential development within 5.6km of the SPAs resulting in a net increase in dwellings must make a contribution towards mitigation projects. The assumed contribution is based on current rates as provided by the Council and is set out in Appendix 1.

2.5.6. Nutrient Neutrality – we understand the borough is within the East Hampshire Catchment Area. In order for schemes to be considered ‘nitrate neutral’, nitrate mitigation is required. We understand the Council has developed its own bespoke solution so future developments can pay a contribution towards off-site mitigation located on a 60-hectare nature reserve in Warblington. Following discussion with the Council, we have for now assumed a cost of £2,000 per dwelling within our current testing. From our wider experience, we understand the costs for mitigation measures are expected to reduce over time and so the longer-term viability impact will become less significant. However, from one area to another, and within areas, we are finding these to be highly variable – this assumption may need further review as part of Stage 2 of this assessment.

2.5.7. Accessible and adaptable homes (Building Regulations Part M) – The previous Government confirmed its intention to raise the minimum standard for all new homes to be built to M4(2) following consultation in July 2022, although this is yet to be implemented. The requirement for M4(3) Wheelchair user dwellings remains an

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<sup>8</sup> Biodiversity and net gain and local nature recovery strategies – Final Impact Assessment (2019) - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/839610/net-gain-ia.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf)

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optional standard through LPA policy according to need and viability. For the current stage assessment we have assumed the following approach:-

- 30% of all new market homes to be built to wheelchair adaptable standards M4(2), and
- 2% of all new affordable homes to be built to wheelchair accessible standards M4(3). The costs for meeting these standards are shown in Appendix 1 table 1b.

2.5.8. Climate change response - The previous government set out plans to implement a Future Homes Standard (FHS) in 2025. This stated that new homes will need to be “zero carbon ready” (i.e. no further retrofitting for energy efficiency will be required to achieve ‘zero carbon’ status, as the electricity grid continues to decarbonise). The current Part L Building Regulations (2021) implemented the first phase of this, coming into effect in June 2022. Our assessment assumes a Part L 2021 baseline. We understand the Council is considering two potential policy approaches as follows:-

- Net zero operational energy compliance - assuming detailed specification requirements aligning with the Low Energy Transformation Institute (LETI) based on energy use intensity (EUI) targets (space heating demand target of <math><15\text{kWh}/\text{M}^2/\text{year}</math> and an operational energy use target of <math><35\text{kWh}/\text{M}^2/\text{year}</math>).
- Carbon reduction approach (non-LETI) towards net zero development – we assume this approach is intended to go beyond the forthcoming FHS 2025 but is intended to retain a carbon reduction metric.

2.5.9. The current stage assessment assumes a fixed extra-over cost assumption of +5% on base build costs to meet either of the above policy options, or equivalent. This approach is based on our wider experience.

2.5.10. We are aware of a number of LPAs seeking to implement similar policies and some already having implemented this approach following a successful examination process e.g. Central Lincolnshire Council, Cornwall Council. In addition, there now appears to be a consensus between specialist consultancies that the costs to

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achieve the above standards will reduce over time as construction teams become more experienced and as new build methods and offsite manufactured systems become more widespread.

- 2.5.11. On the 13<sup>th</sup> December 2023 a Written Ministerial Statement (WMS) was published indicating the (now former) Government does not expect LPAs to set their own targets on energy efficiency in buildings and seeks the use of a specific metric if such targets are sought in the local plan. The background to this is purported to be concern over an increasing lack of consistency in how energy efficiency policies are applied to development, in as much as this might conceivably slow down the supply of new housing. The WMS therefore promotes the use of a specific metric from the national Building Regulations – a percentage uplift of a dwelling’s Target Emission Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP). This is based on a view that this would offer clarity and consistency for those investing and preparing to build net-zero ready homes.
- 2.5.12. It is not the role of a strategic-level viability assessment to debate the applicability of the WMS in the context of the relevant legislation on energy efficiency and climate mitigation duties (e.g. Planning & Energy Act 2008 and Planning & Compulsory Purchase Act). Should the Council be required to align with FHS 2025 the cost implication would be reduced to around +1-1.5% on base build, indicatively at this stage. In our view, this would improve the viability prospects a little but not significantly so to the point where additional notable policy requirements could likely be supported (e.g. additional affordable housing).
- 2.5.13. Community Infrastructure Levy (CIL) and residual s.106 contributions – CIL has been allowed for at the current indexed charging rates as follows below. Overall, CIL has a much lower impact on overall viability compared to some other policy requirements and particularly relative to affordable housing. Any variation (reduction) to the CIL level(s) would again likely not be sufficient in isolation to support greater AH provision, as an indication at this stage.
- Residential Area A: Emsworth and Hayling Island - £170.09m<sup>2</sup> (indexed)/(Adopted Rate £100)



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- Residential Area B: Rest of borough - £136.07/m<sup>2</sup> (indexed)/(Adopted Rate £80)

2.5.14. The adopted CIL operates alongside other s106 obligation requirements. For the purposes of our assessment, a residual allowance / contingency for s106 has been made. Following a review of the Council's monitoring data and discussion with officers, an assumption of an additional £3,000/dwelling for residual s106 contributions has been used. This is included to allow for requirements generated by development but that isn't covered by CIL. We note that some of these contributions will vary at a site-specific level, and some would not be required in all circumstances.

## 3. Findings Review

### 3.1 Interim sensitivity testing findings

- 3.1.1. The results of the interim testing indicated that with a larger rented tenure proportion (particularly social rent), a lower level of scheme revenue is generated and therefore scheme viability is squeezed. Conversely, a greater proportion of affordable home ownership properties included within the mix leads to a more positive viability picture overall unless greater levels of discount (for local affordability) are applied. This is of course common to all areas. Although some of the effects seen or differences between test outcomes are quite subtle and gradual, it is the combination of variables that need to be considered.
- 3.1.2. On this basis, as would be expected, the initial modelling indicated that the affordable housing tenure scenarios with a larger proportion of affordable home ownership produced the most positive results set (i.e. greatest viability scope). However, this should be balanced against the current housing needs evidence alongside proposed changes to the NPPF placing a greater emphasis on social rent. The key is therefore to find an appropriate balance between affordable housing proportion (overall level of affordable housing requested from market-lead schemes) and tenure mix included within that overall proportion.
- 3.1.3. Overall, tenure scenarios 5, 6 and additional tenure options 1 and 2 all produced similar results illustrating that small changes to tenure proportions do not directly translate into significant improvements in overall viability prospects – see Figure 4 below. Following discussion with the Council and further review of the housing needs evidence, it was agreed ‘additional tenure option 2’ (assuming 20% affordable rent, 42.5% social rent and 37.5% affordable home ownership) would be taken forward as the preferred approach for full testing.



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**Figure 4: Appendix 2 Results extract of tenure scenarios**

50 Mixed PDL	Indexed Rate £170.09 [Residential Area A - Emsworth and Hayling Island]	Indexed Rate £136.07 [Residential Area B - Rest of borough]
	20% AH	
	Value Level 3	Value Level 3
	Residual Land Value (£ per hectare)	
<b>AH Tenure Scenario 5</b> 50% Social Rent 25% First Homes (30% baseline discount) 25% Shared Ownership	<b>£1,896,815</b>	<b>£2,006,456</b>
<b>AH Tenure Scenario 6</b> 50% Affordable Rent 25% First Homes (30% baseline discount) 25% Shared Ownership	<b>£2,015,895</b>	<b>£2,125,536</b>
<b>Additional AH Tenure Option 1</b> 31.25% Affordable Rent 31.25% Social Rent 37.5% Shared Ownership	<b>£2,156,460</b>	<b>£2,266,101</b>
<b>Additional AH Tenure Option 2</b> 20% Affordable Rent 42.5% Social Rent 37.5% Shared Ownership	<b>£2,069,160</b>	<b>£2,178,801</b>

3.1.4. The interim results also indicated an emerging trend whereby greenfield test scenarios (non-strategic) presented greater viability prospects in comparison to PDL-based development sites. Typically this is due to higher existing use values on PDL representing existing industrial/commercial use where relatively valuable uses could be continued. The PDL-based typologies need to exceed a higher BLV threshold than comparative results on a greenfield site. This appears particularly challenging for flatted development scenarios unless relatively high sales values are available to support the higher associated development costs in particular cases.



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- 3.1.5. The initial testing indicated that flatted development in the main urban areas of Havant, Waterlooville and Leigh Park was not likely to support the level of sales values needed to support sufficiently viable development generally, and especially when supporting any significant affordable housing content. At this stage, the site supply picture is still under consideration including whether wholly flatted development is likely to be a significant source of future housing supply in these locations.
- 3.1.6. The interim sensitivity testing therefore led to a conclusion that there may need to be a differential approach to affordable housing on greenfield and PDL sites with initial results suggesting 30% affordable housing on greenfield sites, and 20% on previously developed land. The more challenging viability prospects for flatted development indicated that a further differential of 10% affordable housing should be considered for PDL sites.
- 3.1.7. Overall, the interim sensitivity testing phase sought to assist the Council in beginning to understand the likely viability scope and potential differentials for affordable housing proportion and tenure. This process enabled a two-way dialogue which led to early discussions around policy options and potential compromises or “trade-offs” to balance viability whilst also going as far as possible to meet housing needs. The results of the full testing phase build on and develop the above findings and are discussed below.

## 3.2 Full testing results – findings summary

- 3.2.1. Following the interim sensitivity testing, the range of development typologies were expanded as set out in Figure 5 below. These were modelled assuming the agreed (and fixed) tenure mix approach as follows. Appendix 3 sets out the full result set:
- 20% (of the overall affordable housing) as affordable rent,
  - 42.5% (of the overall affordable housing) as social rent and;
  - 37.5% (of the overall affordable housing) as affordable home ownership,

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**Figure 5: Full set of development typologies**

Scheme Size Appraised	Type	Site Type
10	Houses	PDL
15	Houses	PDL
15	Flats	PDL
20	Houses	GF
50	Mixed (Houses/Flats)	GF
50	Mixed (Houses/Flats)	PDL
50	Flats	PDL - Town Centre
100	Flats	PDL - Town Centre
100	Mixed (Houses/Flats)	GF

3.2.2. The above residential typologies can broadly be grouped into three scheme types – houses only, mixed houses and flats and flatted only development, representing both greenfield and PDL site types.

### 3.3 Greenfield typologies

3.3.1. The greenfield test scenarios reflect smaller-scale (non-strategic) development and continue to show similar results trends as presented for the interim findings phase (discussed above), with greater viability prospects presented compared to PDL-based development, as would be expected. These housing-led typology results (20 houses, 50 and 100 Mixed (houses/flats)) are assumed to come forward on sites with lower BLVs of £500,000/ha compared to PDL sites with BLV tests up to £2.5m/ha.

3.3.2. The results with 30% affordable housing present consistently positive viability scope, exceeding the BLV tests in a majority of cases. The exception to this is where the lowest value level sensitivity test is applied. We understand at this stage greenfield sites have the potential to come forward in locations surrounding the main settlement areas, broadly coming with values in the range of £4,250 to £4,750/m<sup>2</sup> (VL2 – VL4). Reviewing the result outcomes at VL2 for both CIL Zones indicates positive results over the assumed BLV of £500,000/ha. However, these tend to fall away, becoming marginal to unviable in some cases with 40% affordable housing applied. Although higher values may be achieved in some circumstances



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and potentially supporting a greater level of affordable housing, we do not consider this would be met on a consistent basis to support levels above 30%.

- 3.3.3. Overall, therefore, the results set for greenfield-based sites indicate that with the cumulative set of policies applied (e.g. national and local policy requirements), 30% affordable housing is likely to be generally viable.
- 3.3.4. Strategic-scale and potential site specific testing of regeneration sites development will be considered as part of bespoke site testing for Stage 2 of the assessment, once further sites detail and policy positions have been developed. At this stage, subject to detailed modelling, we consider the above affordable housing indications would apply to uncomplicated greenfield sites but very much dependent on the level of site infrastructure and other s106 requirements.

## 3.4 PDL typologies

- 3.4.1 The PDL typologies can be grouped into two categories, housing-led (including mixed houses/flats) and flatted only schemes. As discussed above, PDL sites typically come with higher existing use values. Essentially these typologies need to exceed a higher BLV threshold before indicating viability scope. The level of BLV will vary based on site specific circumstances, however for the purposes of a strategic-level viability assessment, we have considered a range of BLVs from £500,000 to £2.5m/ha. These reflect a range of possible scenarios from garden/amenity land, low-grade PDL (e.g. former community uses, workshops, car parks etc.), industrial/commercial and existing residential land. Following review of the emerging site supply picture, overall, we consider the key range of BLVs to be within the £1m/ha to £2m/ha range.
- 3.4.2 As with the interim results, the results for housing-led PDL typologies (e.g. 10 houses, 15 houses and 50 mixed houses/flats) show more challenging viability prospects compared to greenfield sites. In urban areas of Havant, Waterlooville and Leigh Park, assuming VL2 at £4,250/m<sup>2</sup> in CIL Zone B (rest of borough), the results meet and exceed key BLVs in the range of £1m to £2m/ha with 20% affordable housing. In Emsworth and Hayling Island assuming VL4 at £4,750/m<sup>2</sup> the results exceed BLVs from £1.5m/ha at 20% AH. In both CIL Zones, with 30% affordable housing the results appear broadly more marginal, particularly so in the above



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urban areas in and around Havant, Waterlooville and Leigh Park at VL1 £4,000/m<sup>2</sup> to VL2 £4,250/m<sup>2</sup>.

- 3.4.3 Subject to the site supply context being settled, we consider PDL sites are likely to come forward in the main settlement areas of the borough, albeit with a potential focus in town centre locations of Havant, Leigh Park and Waterlooville which typically come with values in the range of VL1 to VL3. Given this potential supply context alongside the higher existing use values of such sites, the testing results indicate a lower differential for affordable housing on PDL sites is appropriate overall. Although we consider there are some scenarios whereby a higher proportion of affordable housing could be viably supported, we must take a high-level overview of development in the borough.
- 3.4.4 Building on the above, flatted development in isolation has also been considered in more detail as a key development typology. We understand this type of development is expected to come forward on PDL sites across the borough with town centre regeneration being a key aspiration for the Council. On this basis, three flatted typologies have been assessed (15 flats, 50 flats and 100 flats) reflecting both potential town centre and non-town centre scenarios.
- 3.4.5 Potentially with the exception of some areas of Emsworth and Hayling Island, the relevant locations for this type of development (town centre areas of Havant, Leigh Park and Waterlooville for example), are not likely to support the level of values needed for flatted schemes of this nature to come forward clearly viably in the majority of circumstances and especially when supporting any significant level of affordable housing. This is a common theme across all viability assessments and is not a finding isolated the Havant borough. Aligning with the earlier interim findings, our results indicate up to 10% affordable housing appears to be the more positive end of what could likely be viably supported.
- 3.4.6 Acting as a counterbalance to this is the Council's overall housing need requirement and although viability is likely to be challenging, the prospects of this type of development coming forward viably should not be ruled out.
- 3.4.7 It is worth noting that this is not an unusual finding and we often observe reduced viability scope for flatted development owing to a number of factors including higher

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existing use values (reflecting higher BLVs) and higher associated development costs. Town centre locations, particularly those with wider regeneration aspirations are often at the most challenging end of these types of schemes. However, subject to the potential delivery strategy/options and specific regeneration proposals and in the context of “place-making” principles, it would be reasonable to expect a corresponding positive influence on demand and achievable values compared with some current sales values over the longer-term.

3.4.8 Allied to this, there is also the potential role that external funding may play in supporting affordable housing in this context, particularly noting the Government’s desire to make grant funding more available and accessible to LPAs. With this in mind, the Council should seek to strike a balance between viability, needs evidence and other policy priorities (e.g. sustainable development), to not underplay or restrict the level of affordable housing that may be achieved from development both with and without external funding opportunities.

3.4.9 In addition, although viability can be fluid over a plan period with varying economic cycles, it should be acknowledged that over time sites may come forward in locations or with characteristics supporting an improved viability picture. Essentially, we do not consider affordable housing policy should be set in the context of a worst-case scenario – a high-level overview is required in the context of need and other key priorities, all contributing to achieving sustainable development.

## 3.5 Older persons housing (retirement/sheltered/extra-care)

3.5.1 Older person’s housing / retirement schemes and extra-care development tend to come forward on a similar basis to general needs market housing but there are differences in some assumptions when building up a model for this type of development. Most notably, we tend to see increased communal areas within such development (at 25% to 35% of non-saleable floorspace), apartments can be larger, and overall sales rates can be slower than for general needs market housing.

3.5.2 Retirement and extra care developments do, however, typically support premium sales values which tend to go some way to counteracting the often higher than standard development costs. Alongside our own research into values for sheltered



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/extra care housing locally we have also had regard to the RHG Briefing Note<sup>9</sup> on viability in setting assumptions for these development typologies.

- 3.5.3 Our assumed typologies at 30 and 60 flats reflect development at around the minimum scale that might typically be pursued commercially in our experience. Although both scheme types could come forward on PDL or greenfield sites, we tend to see these schemes coming forward on a range of former commercial or existing residential sites.
- 3.5.4 These typologies have been tested at a higher range of values from £4,750/m<sup>2</sup> to £6,250/m<sup>2</sup> based on research of similar schemes in the borough alongside consideration of the Retirement Housing Group methodology for analysing sales values. Within this range, we consider sheltered values are broadly in the region of £5,250 to £5,750/m<sup>2</sup> with extra care values around £5,750 to £6,250/m<sup>2</sup>, albeit highly dependent on the scheme specifics and location. Although similar to general flatted development, the results for both the sheltered and extra care typologies indicate a challenging viability picture overall unless, a lower level of affordable housing at 10% is applied. At this level, the results exceed the key BLVs of £1m to £2m/ha for both typologies, assuming £5,750/m<sup>2</sup> for sheltered and £6,000/m<sup>2</sup> for extra care. On this basis, an affordable housing proportion in line with general flatted development at 10% should not be ruled out.
- 3.5.5 Typically, these schemes often come with varying levels of associated care depending on where each individual scheme sits between or combining care services and housing. For example, retirement living/sheltered schemes tend to exclude direct care provision whereas extra care schemes tend to include an element of care, albeit highly variable with scheme specifics but generally not the type of full care provision expected from full care or nursing homes.
- 3.5.6 In our experience, these schemes can come forward on a range of existing uses and locations with highly variable scheme characteristics. Generally, retirement/sheltered schemes with no or limited care related elements tend to be able to support affordable housing provision in line with typical market housing.

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<sup>9</sup> Community Infrastructure Levy and Sheltered Housing/Extra Care Developments – A briefing note on viability prepared for the retirement housing group by Three Dragons (May 2013, amended February 2016)

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Although highly site-specific, on-site affordable housing provision is not always suitable and commuted sums are often secured in lieu, in our experience. Extra care schemes tend to produce more mixed viability results, owing largely to potential enhanced levels of associated care provision although again, this can be variable depending on site-specific detail.

- 3.5.7 Overall, we consider due to the highly variable and site-specific nature of these schemes, it would not be appropriate for the Council to differentiate for affordable housing. The Council should consider a policy approach that can accommodate any necessary site-specific discussions in such scenarios.

### 3.6 Affordable Housing – summary

- 3.6.1 Reviewing the results set out in Appendix 3 and as discussed above, to strike an appropriate viability balance, a differential approach to affordable housing should be considered varied by both site type (PDL/greenfield) and by property type – specifically for flatted development in isolation.

- 3.6.2 We consider that mixed PDL schemes (i.e. housing-led with a proportion of flats) indicate a more positive viability scenario with 20% affordable housing, compared to flatted only schemes. Flatted development in isolation continues to show a more challenging viability picture with results indicating up to 10% affordable housing being the more positive end of what could likely be viably supported.

- 3.6.3 In contrast to PDL, the results clearly show more positive viability prospects for smaller-scale greenfield sites (i.e. non-strategic without large on-site infrastructure requirements) having the ability to support an improved and more consistent level of affordable housing provision at 30%, alongside other policies and costs.

- 3.6.4 Overall, our assessment indicated the Council should consider the following approach to affordable housing headlines based on the preferred tenure scenario alongside other national and local policy requirements:-

- 30% affordable housing (greenfield – general non-strategic development scale)
- 20% affordable housing (PDL)
- 10% affordable housing (PDL) – flatted only development



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- 3.6.5 We understand PDL sites will play a key role in housing delivery, both in a town centre regeneration context and elsewhere in the borough, alongside suitable greenfield sites. Accordingly, we consider a differential approach to affordable housing (including for flatted development in isolation) is appropriate. We consider this approach reflects both the varying characteristics and context (relevance of supply), whilst also responding to the more positive viability scenario presented for greenfield sites. Overall, in the context of HBC's housing need and town centre regeneration aspirations, it is important for affordable housing provision to be maximised so far as possible on these types of sites and, therefore, should not be ruled out at this stage.
- 3.6.6 During Stage 2 of the assessment, building on the review to date, DSP expects that further consideration will be given to any refinements or other potential differentials/adjustments on affordable housing. The relatively limited scope of higher and lower than typical value areas may warrant further review, for example. Development in areas such as Emsworth and Leigh Park may be found to show more variance, either way – depending on site and scheme type. However, with more information settled in due course, understanding the relevance of particular locations such as these to the overall site supply (and any significance in regard to specific/strategic allocation proposals) will be key in developing further potential scenarios with HBC during Stage 2. Allied to this, however, the complexity of the approach ultimately settled upon is another aspect to consider in terms of the practicalities of operating policy potentially with multiple differentials e.g. by site type, property type (with reference to flatted development) as well as potentially by geographical location.
- 3.6.7 The purpose and scope of the Stage 1 part of the assessment has been to develop an updated understanding of the likely viable parameters for affordable housing in various circumstances in the borough. Overall, we consider the above findings and suggestions form a suitable platform for informing the emerging policy headlines on affordable housing. To be considered further as HBC progresses its Local Plan development and subject to further consideration and review during the next assessment phase which will similarly both be informed by and inform the Council's further evidence building and plan making processes.



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- 3.6.8 As a general point, typically in any area there are some sites that are likely to have inherent viability issues, regardless of the level of affordable housing or other policy. However, it is usually the affordable housing policy expectations that are the most significant in influencing viability, when looking at Local Plan policy impact. They tend to be key in considering viability prospects, because they are the most expensive to support. These are not factors isolated to Havant borough, rather they are common threads throughout our wide experience of both strategic and also experienced through site-specific (decision taking stage) viability assessments.

### 3.7 Other policy requirements

- 3.7.1 Although affordable housing has the greatest impact, other policies play a key part by contributing in varying measures to the cumulative viability impact.
- 3.7.2 We understand responding to the climate emergency is a policy area the Council wishes to explore further. The appraisal modelling for the current Stage 1 work applies a cost assumption reflecting an approach that goes beyond the Future Homes Standard due to come into effect in 2025. In our experience the relative cost difference in isolation is not likely to be sufficient to move a scheme from a negative to positive viability scenario or vice versa. In addition, it is now frequently reported that the cost to achieve net zero operational carbon standards will reduce over time and the same is expected to be true of other extra over costs relating to recently increased standards. The above affordable housing indications assume this approach as a baseline. Other additional factors to consider, however, may include embodied carbon/circular economy initiatives. Subject to the direction of the emerging plan policies, this may be an element to consider further for the Stage 2 assessment.
- 3.7.3 There is also another emerging dimension to zero carbon construction in relation to a potential positive impact on sales values. Anecdotal indications suggest there may be some potential values uplift or premium attached to zero carbon homes, certainty in the context of desirability owing to lower running costs. However, this is difficult to weigh up in the broader viability context with confidence.

## 3.8 Summary

- 3.8.1 Overall, this Stage 1 assessment has considered the viability scope of key emerging plan policies with a particular focus on affordable housing and tenure, supported by ongoing discussion and liaison with the HBC team. At this stage, we consider the recommendations discussed above reflect a viable policy position for the Council to take forward for the next stage of plan development.
- 3.8.2 The Stage 2 assessment will build on the above once the Local Plan strategy and policies are more refined/settled, including in relation to the consideration of specific or strategic sites.
- 3.8.3 Although we have acknowledged some sites will face some viability challenges regardless of emerging policy requirements (particularly in town centre regeneration areas), overall development on greenfield sites and housing-led schemes on PDL have good viability prospects with affordable housing set at an appropriate level.
- 3.8.4 In all of this, it is important to reiterate the purpose of viability in planning is to inform and not constrain sustainable development; and in doing so enable the optimising of planning obligations as far as is practicable – a balance must be struck.
- 3.8.5 This has been a relatively challenging time over which to consider development viability. Although generally conditions appear to be stabilising, uncertainty continues in regard to the economic situation and planning system. However, it is important to note that while the assessment has been undertaken at a point in time, it is appropriate to aim to look across the overall plan period.

**Stage 1 of the Havant Borough Council Local Plan Viability Assessment: Initial Viability Analysis for Affordable Housing Options**

**(October 2024)**