
BASINGSTOKE & DEANE BOROUGH
COUNCIL

Manydown and Golf Course Viability Report

**Three Dragons – July
2014**



This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons toolkit and is based on district level data supplied by Basingstoke and Deane Borough Council, consultation and quoted published data sources. The toolkit provides a review of the development economics of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.

No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

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EXECUTIVE SUMMARY

1. The 2013 Basingstoke and Deane Borough Council Viability Study provided the Council with evidence to assist it in preparing affordable housing policies for the emerging local plan and in drawing up a Community Infrastructure Levy (CIL) charging schedule. This July 2014 study has been used to extend this work to take advantage of the further detail that has emerged about the Golf Course and Manydown strategic sites.

Changes since the 2013 study

2. The key changes since the initial work was undertaken in 2013 are:
 - Market values have increased.
 - There is evidence that large scale developments on the periphery of urban areas can achieve a premium over development in adjacent areas.
 - Affordable housing rents have changed.
 - Build costs have increased.
 - Finance costs have decreased, partly as a result of initiatives such as Funding for Lending.
 - There is some further detail on the open space and education infrastructure and costs forming part of the Golf Course development.
 - There is further detail available on the range and costs of infrastructure that is forming part of the Manydown development.
 - There is some further information available on the likely dwelling mixes for both the Golf Course and Manydown and assumptions for both the Golf Course and Manydown have been refreshed. This also reflects Council guidance on need and market demand.
3. These changes have been built into this viability assessment.

Viability Findings

4. Development on the Golf Course site with 40% affordable housing is considered viable with a new primary school provided through s106. The maximum CIL rate with the school provided through s106 is in the region of £70/sq m, rising to £140/sq m if the school is provided through CIL or other sources of funding.
5. Development on the Manydown Strategic site is required to carry substantial additional costs. On the basis of the analysis undertaken, Manydown is not a viable development at 40% affordable housing and with the full package of planning obligations s106 costs modelled. Its viability with the reduced package of s106 costs depends on assumptions about discounting – with only a modest CIL charge at most being feasible.
6. The Council will need to consider what level of planning obligations (including affordable housing) Manydown can afford and remain viable, when a planning application is submitted and detailed infrastructure requirements are better understood. It is noted that the draft Local Plan affordable housing policy (CN1) allows viability to be considered as part of the planning

application process when determining the affordable housing provision. In addition, the land for the scheme is in public sector ownership (the Borough and County councils) and it is open to the owners to accept a lower land value than the benchmark used to provide both 40% affordable housing and the full range of planning obligations modelled.

1 INTRODUCTION

- 1.1 The viability evidence provided in this report is to inform the Basingstoke and Deane Borough Council's proposed Community Infrastructure Levy (CIL) charging schedule for residential uses. This work focuses on the two larger residential development sites and follows on from a 2013 viability study that covered the range of residential and non-residential development.
- 1.2 The viability testing for this report has been designed to assess:
- The amount of CIL that residential development on these two sites can afford.
 - The impact of funding some or all of the infrastructure required to develop these sites through s106 agreements rather than CIL.
- 1.3 This study is explicitly based on the assumptions in the 2013 Three Dragons Basingstoke and Deane Residential and Non-residential Viability Study¹, updated to take into account the policy and guidance changes that have taken place in the interim, along with the additional details emerging from the process of planning for the two sites, and updated development values and costs. The research which has been drawn on for the analysis includes:
- Review of the 2013 Three Dragons Basingstoke and Deane Residential and Non-residential Viability Study².
 - Consultation with the promoters for the Golf Course and Manydown in relation to the values and costs associated with development on these sites.
 - Consultation with officers at Basingstoke and Deane Borough Council to explore the development standards required and to confirm the characteristics of a Local Plan policy compliant development on these sites³. This has included the land budgets for the sites as well as greenspace, community and sports infrastructure costs required. It has also included County Council advice on costs of the schools required on the two sites.
 - Collation and analysis of up to date house values in Basingstoke using price paid data from Land Registry. This has been cross checked using a value per sq m analysis for a sample of recent new build sales in Basingstoke and against the new build properties currently for sale in the area. It has also considered the specific values that a large peripheral development might achieve (using Marnel Park as an example) and has referred to the anticipated values expected by developers for one of the two sites.
 - Refresh of building costs using up to date information from BCIS, cross checked against the build costs expected by developers for one of the two sites.

¹ This included consultation with the development industry and established many of the assumptions used in the viability testing in this new analysis.

² This included consultation with the development industry and established many of the assumptions used in the viability testing in this new analysis.

³ The Basingstoke and Deane Local Plan is in draft form and is expected to be examined and adopted in 2015. The 2013 Viability Study undertook a review of the policies to determine which had viability implications.

Basingstoke & Deane Golf Course and Manydown Viability Study

- Review of detailed infrastructure costs provided by developers for one of the two sites.
- Refreshment of the affordable housing values based on the Council's consultation with a sample of registered providers active in the area.
- A review of the policies in the local plan and central government guidance that may have implications for development viability.
- With agreement of the Council to the assumptions to be used, operation of the Three Dragons residential viability model to undertake the viability testing set out in this report.

2 CONTEXT FOR THE ANALYSIS

2.1 The 2013 viability study provided a review of the national policy and guidance. Since that time there have been some changes, as reviewed below.

National Policy Context

2.2 Since the 2013 study the Planning Practice Guidance⁴ has been published, providing information on the implementation of the National Planning Policy Framework. This guidance states that viability judgements should be evidence based and stem from a collaborative approach between the local authority, business community, developers and landowners. Evidence should be proportionate with more detail where viability may be an issue such as strategic sites.

2.3 The Practice Guidance also states that *“Plan makers should not plan to the margin of viability but should allow for a buffer to respond to changing markets and to avoid the need for frequent plan updating. Current costs and values should be considered when assessing the viability of plan policy”* and that, *“Where any relevant future change to regulation or policy (either national or local) is known, any likely impact on current costs should be considered.”*⁵

The Community Infrastructure Levy (CIL)

2.4 DCLG has provided Guidance for the Community Infrastructure Levy⁶, with a new version of this published in February 2014 (and added to the Planning Practice Guidance website in June 2014 with some further amendments⁷). This guidance re-iterates the importance of balancing the need to provide infrastructure with ensuring that development generally is not made unviable:

“A charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge. The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balancebetween the need to fund infrastructure and the potential implications for the economic viability of development across their area.”(para 23)

2.5 In setting the levy rates, the Guidance explains that charging authorities should not set the rate at the margins of viability. Guidance⁸ has formalised the concept of a viability ‘buffer’ although it is not quantified.

2.6 The CIL Guidance explains that the regulations allow charging authorities to apply differential rates for the Levy by geographic zones, development type and scale of development, provided this is justified by the viability evidence. However, *“Charging authorities that plan to set*

⁴ DCLG, August 2013 onwards

⁵ From Guidance section titled, “How should changes in values and costs be treated in plan-making?”

⁶ Department for Communities and Local Government (DCLG) , February 2014, Community Infrastructure Levy Guidance,

⁷ Including amended guidance for transitional arrangements, differential rates in respect of alternative social housing provision, instalment policies and s106 pooling.

⁸ DCLG, 2014, Planning Practice Guidance

differential levy rates should seek to avoid undue complexity, and limit the permutations of different charges that they set within their area.”

- 2.7 There will still be s106 contributions in order to make the development acceptable in planning terms. These will have to meet the three tests:
- Necessary to make the development acceptable in planning terms
 - Directly related to the development
 - Fairly and reasonably related in scale and kind to the development
- 2.8 An allowance for residual s106 contributions have been included within the viability assessments.

Local Plan Policies

- 2.9 In accordance with the NPPF requirement that viability testing should take into account the costs of any requirements likely to be applied to development (Para 173), this assessment considers the policies in the draft Local Plan. The 2013 viability assessment included a review of local plan policies⁹. Changes since that time have been advised by Basingstoke and Deane Borough Council and have related to the specific policies for the strategic sites being tested in this viability study. Policies SS3.10 and SS3.11 specifically consider Manydown and the Golf Course respectively and provide overall site areas and dwelling numbers, as well as requirements for gypsy and traveller facilities, sports, recreation, education greenspace, highways, energy, noise and sewerage. These policies have been considered in the viability testing, including development of policy-compliant land budgets, dwelling mixes and s106 obligations.

⁹ It is anticipated that the Development Strategy will be formally adopted in summer 2015.

3. VIABILITY APPROACH AND KEY ASSUMPTIONS

Principles and approach

- 3.1 This study has adopted the same principles as the 2013 analysis, based on the Advice for Planning Practitioners¹⁰.

Land Value Benchmarks

- 3.2 The 2013 viability study drew upon published research and consultation with the development industry to estimate the threshold land values suitable for Basingstoke and Deane. For strategic greenfield land for residential development this concluded that £400,000 per gross hectare is a suitable benchmark land value, which is about 20 times agricultural values¹¹. There were representations in response to the PDCS¹² that suggested land values might be higher although it is not clear how representative the limited transactions quoted were. Furthermore, the benchmark land value used for this and the 2013 viability study is an estimate of the lowest value land may transact, rather than being set at best values that may be achieved. For these reasons the benchmark of £400,000 per gross hectare for strategic greenfield sites has been retained. Development at Manydown and the Golf Course is on strategic greenfield land and is therefore tested against this threshold.

Development Profile

- 3.3 Manydown is the Borough's largest strategic site, with 3,310 dwellings planned on a gross site area of 184.49 ha, with net developable area of 110.33 ha at 30 dwellings per hectare (60% gross to net)¹³. Manydown has been allocated for 3400 dwellings overall, but it is assumed that 90 dwellings will come forward as separate applications on sites in and around Worting, hence this testing is based on 3,310 dwellings. The gross area is smaller than the 333ha overall allocation as some other uses are anticipated to come forward (such as a local centre, gypsy and traveller facility and potentially sewage treatment works), as well as space for further development that may take place after the Local Plan period.
- 3.4 The Golf Course has 1,000 dwellings planned on a gross site area of 42.9 ha, with net developable area of 28.6 ha at 35 dwellings per hectare (67% net to gross)¹⁴. The gross area is slightly smaller than the 43.4 ha overall allocation as some other uses are anticipated to come forward (such as a gypsy and traveller facility).

¹⁰ Local Housing Delivery Group, 2012, Viability Testing Local Plans

¹¹ The most up to date national report of land values is from the Valuation Office Agency. Its latest (2011) Property Market Report showed the value of equipped land for Oxfordshire and Kent which varied between the counties and farming type but was at about £20,000 per hectare. Knight Frank in their Rural Report of spring/summer 2013 indicate a maximum average land price again of £20,000 per hectare

¹² Hampshire County Council Property Services band Basingstoke and Deane Borough Council Property Services, 2014

¹³ Land Budget provided by Basingstoke and Deane Borough Council

¹⁴ Land Budget provided by Basingstoke and Deane Borough Council

Assumptions used in the testing

- 3.5 Particular care has been taken to gauge market values for dwellings planned for the Golf Course and Manydown, testing information from different sources. The process used includes an analysis of Land Registry price paid data from 2011 to April 2014; and these values have been cross checked using values per sq m from a sample of 93 2011-2014 new build sales. It is clear that since the market values data was collected in 2013 there has been an increase in house prices in Basingstoke. Values have also been considered against the properties currently for sale in Basingstoke and estimated values from one of the site promoters.
- 3.6 The market values include an allowance for the impact on values of a large scale peripheral development, which can create its own market. On a £/sq m basis, Marnel Park in Basingstoke (a large scale peripheral development) shows a 6% uplift over the average for other recent developments in Basingstoke and this effect has been included as well as the general changes in the market as seen through the price paid data¹⁵. Compared to the 2013 viability testing, the market values used in this study are 12% higher for houses (flats have not seen an increase), which combines conservative approaches to both changes in market values and the large scale peripheral development effect.

Table 3-1: Market values used in testing

	Flat	Detached	Semi	Terraced
1 bed	£150,000			
2 bed	£160,000			£224,000
3 bed			£258,000	£246,000
4 bed		£336,000		£269,000
5 bed		£370,000		

- 3.7 For the affordable housing tested, rental values have been provided by the Council, drawing on information they collected through a mini survey of the key housing associations active in the Borough in 2013, updated in 2014. The rents used are set out below.

Table 3-2: Rental values used in testing (£s per week excluding service charges)

Type	Social Rent	Affordable Rent
1 bedroom flat	£97	£117
2 bedroom flat	£111	£142
2 bedroom terrace	£119	£151
3 bedroom terrace	£142	£172
4 bedroom terrace	£164	£205

¹⁵ Other locations such as Cranbrook in East Devon also show uplifts on values in adjacent urban areas

3.8 Other key assumptions used in the testing are:

- All affordable housing comprises 70% rented and 30% shared ownership – with the rented component as 75% affordable rent and 25% social rent.
- Basic build costs are derived from the most recent Building Cost Information Service (BCIS) data, are adjusted to take into account the location factor for the borough and include an allowance of 15% for external works. This equates to over £400,000/ha for an ‘average’ of 30 dph scheme.
- Future increase in costs are £100 per dwelling¹⁶ to achieve Code for Sustainable Homes (CfSH) 4 for water (as required in the emerging local plan); and 15% of dwellings are built to Lifetime Homes standards – and that the standard costs £2,100 per dwelling where it is achieved.¹⁷
- Both the Golf Course and Manydown are large scale strategic sites and are assumed to incur additional costs of £200,000 per net hectare for opening up the sites and providing serviced parcels of land for development. These are in addition to the external works allowance of 15% of construction costs. This figure has been tested against detailed cost estimates for Manydown¹⁸ and found to be generously adequate.
- Discounted cash flows have used a discount rate of 3.5%, along with a 7% debit and 2% credit rate. The debit rate has changed from 7.5% in the 2013 study reflecting the changes in the cost of finance including the Funding for Lending initiative; and the credit rate has changed from 1.5% to 2% reflecting recent evidence from other development workshops¹⁹.
- A notional allowance of 3% of residual value is used as an estimate of holding costs for the period from purchase to permission.
- It has been assumed that from the start of development there will be a year to the first sale and 220 dwellings per year thereafter, which is the same as the 2013 study.

3.9 We assume development will still have to meet a base residual s106 and s278 cost²⁰ and, on advice from the Council, we have used a figure of £1,500 per dwelling to cover on site provision for recreation, local open space and local transport improvements. This is the same assumption as in the 2013 viability study and applies across all dwellings in the borough. We have assumed that the base residual s106 cost of £1,500 will be incurred as dwellings are built.

¹⁶ The figure of £100 per dwelling is a rounded estimate taken from the Impact Assessment undertaken by EC Harris for the Department for Communities and Local Government as part of the 2013 Housing Standards Review Consultation.

¹⁷ The figure of £2,100 per dwelling is a broad average taken from the Impact Assessment undertaken by EC Harris for the Department for Communities and Local Government as part of the 2013 Housing Standards Review Consultation.

¹⁸ Gleeds, 2013, Manydown Masterplan to 2029 Order of Cost Estimate NR 04

¹⁹ e.g. the 2014 GLA SHLAA viability study

²⁰ Section 278 agreements allow developers to either pay for or undertake works relating to public highways. Typically this will relate to the works necessary to connect development to the highway network but it may also include offsite works. S278 may also include a bond to ensure works are undertaken.

3.10 The two sites have various specific infrastructure requirements, listed in table 3-3 below.

Table 3-3: Other Development Costs

Item	Cost	Source
Manydown		
Spine Road	£10.4m	Manydown Masterplan to 2029 Order of Cost Estimate NR 04, 2013
Sports facilities	£2.1m	Basingstoke & Deane Borough Council
Primary Schools	£17m	Hampshire County Council
Open space	£6.1m	Basingstoke & Deane Borough Council
Allotments	£0.6m	Basingstoke & Deane Borough Council
Library	£0.6m	Basingstoke & Deane Borough Council
Bus service	£2.2m	Basingstoke & Deane Borough Council
Total	£39m	
Golf Course		
Open space	£0.9m	Basingstoke & Deane Borough Council
School	£7m	Hampshire County Council
Strategic Transport	£2m	Basingstoke & Deane Borough Council
Total	£10m	

3.11 For the Golf Course we have assumed that the site specific s106 costs are spread through the development, while for Manydown we have assumed that bus service costs start with first set of houses and are incurred all within first 5 years; the spine road will be built to service development from either end and completed at year 8 (halfway through the expected development period); opening up costs of £200,000 per net ha will be at the start of development and at year 8; and the remainder of the costs are spread through the period of development. There have been discussions about frontage development on the Manydown spine road and if this were the case then infrastructure costs would be reduced.

3.12 The table below shows how different requirements associated with the two sites will either be provided as part of the base residual s106 (i.e. within the £1,500/dwelling allowance), site specific s106 or funded either through s106 or CIL, subject to finalisation of the R123 list²¹.

²¹ Refers to the list specified in CIL regulation 123, where charging authorities are obliged to list infrastructure to be funded through CIL.

Table 3-4 Infrastructure Provision Categories

	Part of the base residual s106/278 (£1,500/dwelling)	Site Specific s106	S106/CIL – subject to final r123 list
Manydown			
Children’s play	✓		
Local open space e.g. kickabout	✓		
Local transport improvements	✓		
Spine Road			✓
Sports facilities		✓	
Primary schools			✓
Open space		✓	
Allotments		✓	
Library		✓	
Bus service			✓
Golf Course			
Children’s play	✓		
Local open space e.g. kickabout	✓		
Local transport improvements	✓		
Open space		✓	
Primary school			✓
Strategic Transport		✓	

Note that the items in the last column are those considered in the two different scenarios for testing.

- 3.13 There is potential in the long term to deliver more housing at Manydown on other parts of the site. The initial allocation of 3400 does not justify a new secondary school, but in the future, if more development is planned, a secondary school may be needed. As such, the emerging Local Plan policy requires a site to be reserved (and therefore included in the land budget), but the costs for the school are being met outside the site specific arrangements above.

4 VIABILITY TESTING – GOLF COURSE

Introduction

- 4.1 This section of the report sets out the viability assessments for the Golf Course site of 1,000 dwellings. This includes policy compliant 40% affordable housing and has two scenarios:
- A planning obligation package of £9.9 m made up of a commuted sum for the open space provision of £0.9m, £2m for strategic transport requirements and £7m for a 2 FE primary School.
 - As above but with the school paid for by CIL (leaving a planning obligation package of £2.9m).
- 4.2 A similar but not identical scheme was presented in the earlier viability study. We include commentary on key differences between the two, where appropriate.

Presentation of Results

- 4.3 The viability assessment findings are presented as static results and using discounted cash flows. The static results use a straightforward presentation of values and costs to arrive at a residual value, while the discounted cashflow results take account of the estimated profile of values and cost over time and include credit and debit interest as well as the HM Treasury time preference discount rate²².
- 4.4 The impact of discounted cash flows can be positive or negative depending on the timing of values and costs.
- 4.5 The assumptions used to model development on the Golf Course indicate that development will be complete 6 years after commencement and it is assumed that:
- Opening up, open space and strategic transport costs start in year 1 (first legal completion is in year 2) and are spread evenly over the course of development.
 - The costs of providing the primary school are in year 4 (at 500 dwellings).
- 4.6 The opening up and strategic transport costs are more evenly spread than the 2013 modelling, which set all of these costs all in years 1 and 2. The 2013 modelling had no allowance for open space costs.

Viability Findings

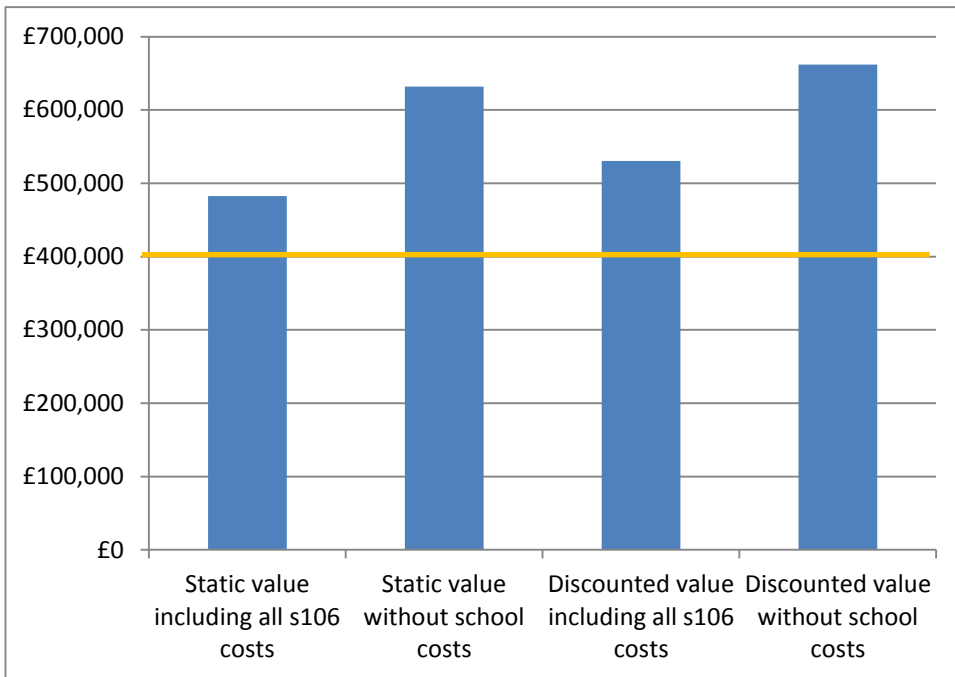
- 4.7 The estimated residual value of development of the Golf Course scheme is between £27.1 million and £20.7 million when modelled on a static basis, depending on whether the cost of the primary school is directly paid for by the development as a s106 obligation or paid by CIL. This is equivalent to £632,000 per gross ha (school paid for by CIL) or £482,000 per gross ha (school paid for through s106). Both of these are above the benchmark land value of £400,000 per gross ha, indicating that on a static assessment basis the development is viable.

²² See section 3 for the details of these rates.

4.8 On a discounted cash flow basis the estimated residual value is higher and stands between £28.4 million (school paid for by CIL) and £22.8 million (school paid for through s106). This is equivalent to £662,000 per gross ha or £530,000 per gross ha depending on the school funding arrangements. Both of these are above the benchmark land value of £400,000 per gross ha, indicating that the development is viable.

4.9 Figure 4-1 below illustrates the relative value per gross hectare compared to the threshold land value of £400,000 per ha for the four modelling scenarios set out.

Figure 4-1 Residual Land Value / Gross ha



Implications for CIL

4.10 Taking into account the need for a ‘viability buffer’ (we use 30%²³) the maximum potential CIL charge is:

- With the school funded via s106 – between £45/ sq m (static assessment) and £71 /sq m (discounted cash flow);
- With the school funded by CIL – between £127 /sq m (static assessment) and £143/sq m (discounted cash flow)

Summary

4.11 The Golf Course strategic site is considered to be viable and capable of providing CIL, although the level of CIL will be limited if the development is also providing a primary school through

²³ There is no guidance on what proportion to use as a buffer. A figure of 30% has been found acceptable elsewhere.

s106. The maximum CIL rate with the school provided through s106 is in the region of £70/sq m, rising to £140/sq m if the school is provided through CIL or other sources of funding.

Table 4-1 Golf Course Viability Summary

	Residual value/gross ha	Residual value/gross ha over the threshold land value	Potential maximum/sq m	With 30% buffer/sq m
Static value including all s106 costs	£482,490	£82,490	£65	£45
Static value without school costs	£631,766	£231,766	£181	£127
Discounted value including all s106 costs	£530,328	£130,328	£102	£71
Discounted value without school costs	£661,783	£261,783	£205	£143

5 VIABILITY TESTING – MANYDOWN

Introduction

5.1 This section of the report sets out the viability assessments for the Manydown site of 3,310 dwellings. This includes policy compliant 40% affordable housing and has two scenarios:

- A planning obligations package of £39m, including the costs of sports facilities (£2.1m), open space (£6.1m), allotments (£0.6m) library (£0.6m), spine road (10.4m), primary schools (£17.0m) and bus service (£2.2m) as s106 obligations.
- As above but with the spine road, schools and bus service paid for by CIL or other funding, leaving a planning obligations package of £9.4m

5.2 A similar but not identical scheme was presented in the earlier viability study.

Presentation of Results

5.3 As per the Golf Course section above, the viability assessment findings are presented as static results and using discounted cash flows.

5.4 The assumptions used to model development on Manydown indicate that development will be complete 16 years after commencement and it is assumed that:

- Opening up and spine road costs are incurred in year 1 and year 9.
- Sports facilities, open space and allotments costs start in year 1 (first legal completion is in year 2) and are spread evenly over the course of development.
- Library costs are incurred in years 4-7.
- The costs of providing the primary school places are spread in line with the development as phasing of the two schools is unknown and development may start from both ends of the site.
- Bus service costs are incurred in years 1-5.

5.5 By comparison the 2013 modelling only included a smaller cost allowance for strategic transport (£5m) with no allowances for the other cost items identified above.

Viability Findings

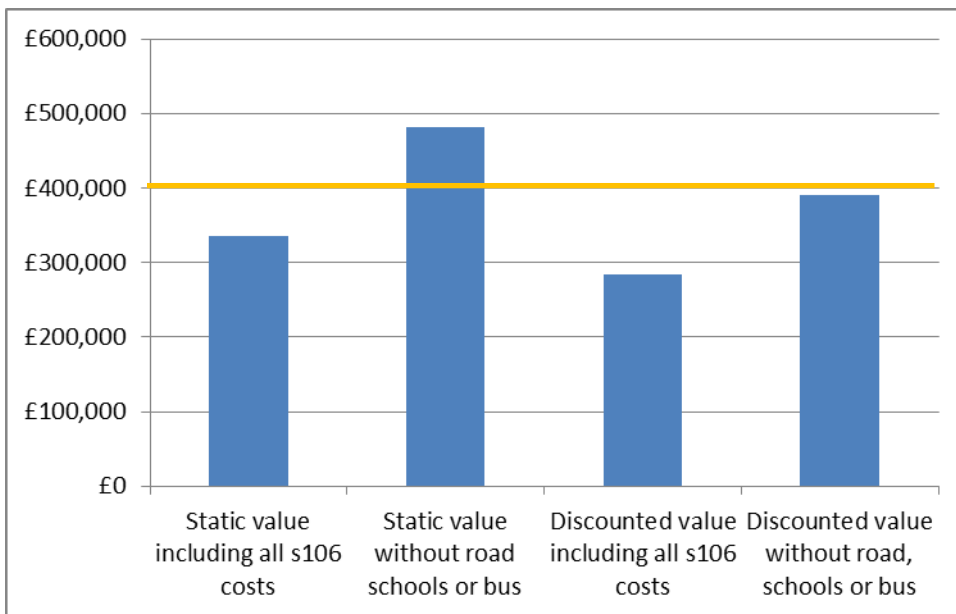
5.6 The estimated residual value of development on Manydown is between £61.8 million and £88.9 million when modelled on a static basis, depending on whether the cost of the road, schools and bus are directly paid for by the development as a s106 obligation or paid by CIL. This is equivalent to £482,000 per gross ha (using CIL) or £335,000 per gross ha (costs met through s106). If CIL is used for the road, schools and bus then the value is above the threshold, indicating that the development is viable. However if costs are to be met through s106 then the value is below the threshold, indicating development is not viable.

5.7 On a discounted cash flow basis the estimated residual value of policy compliant development on Manydown is between £52.4 million and £71.9 million. This is equivalent to £284,000 per

gross ha or £390,000 per gross ha depending on whether the road, schools and bus are funded through s106 or costs are shared with other arrangements through CIL. Both of these are below the benchmark land value of £400,000 per gross ha, although this is marginal for the scenario where CIL etc. is used to fund the road, school and bus. This indicates that on a discounted cash flow basis the development is not viable if required to carry the full infrastructure costs identified for this development and may be marginally viable if some of the costs are paid for through other means.

5.8 Figure 5-1 below illustrates the relative value per gross hectare compared to the threshold land value of £400,000 per ha for each of the four modelling scenarios.

Figure 5-1 Residual land value per gross ha



Implications for CIL

- 5.9 Based on the static analysis the maximum potential viability headroom that might be used for a CIL charge varies between £0/sq m and £82/sq m (static assessment), with no opportunity for CIL based on the discounted cash flow.
- 5.10 However as guidance requires a viability buffer, a potential CIL rate with a 30% buffer would be in the order of £57/sq m based on the static assessment and dependent on the road, schools and bus being provided through CIL. There is no opportunity for CIL if time discounting is taken into account.

Summary

- 5.11 On the basis of the analysis undertaken, Manydown is not a viable development at 40% affordable housing and with the higher level of planning obligations modelled – it is only viable with the lesser package of obligations but even then not when the impact of discounting is taken into account.

- 5.12 The Council will need to consider what level of planning obligations (including affordable housing) Manydown can afford and remain viable, when a planning application is submitted and detailed infrastructure requirements are better understood. It is noted that the affordable housing policy (CN1) states “In seeking affordable housing provision the council will have regard to the current viability of developments including land values and other development costs.”
- 5.13 However, the land for the scheme is in public sector ownership (the Borough and County councils) and it is open to the owners to accept a lower land value than the benchmark used to provide both 40% affordable housing and the full range of planning obligations modelled. If this option is taken, it should not affect the benchmark land value used in our reports for assessing viability of other strategic schemes.
- 5.14 There is the possibility of a small CIL charge (no more than £50 /sq m) if the spine road, schools and bus service are provided through CIL, although the discounted analysis suggests that it should be £0/sq m.

Table 5-1 Manydown Viability Summary

	Residual value/gross ha	Residual value/gross ha over the threshold land value	Potential maximum/sq m	With 30% buffer/sq m
Static value including all s106 costs	£334,776	-£65,224	-£65	£0
Static value without road schools or bus	£481,730	£81,730	£82	£57
Discounted value including all s106 costs	£284,192	-£115,808	-£116	£0
Discounted value without road, schools or bus	£389,854	-£10,146	-£10	£0

- 5.15 We have modelled the two primary schools at a cost of £17m on the advice of the Education Authority. This is a higher figure than is shown as ceiling for central government funding in the recently published DfE guidance for its Targeted Basic Need Programme. It is not the purpose of this report to amend the Infrastructure Delivery Plan but any savings on costs that can be made on infrastructure provision will potentially feed through to a CIL charge. By way of illustration, a saving of £1m on costs very roughly translates into a £5 CIL charge.

ANNEX 1

Golf Course and Manydown Local Plan Policies

Policy SS3.10 – Manydown, Basingstoke

This 333 hectare site lies to the west of Basingstoke and will deliver a high quality mixed-use development that will:

- a) Provide for the phased delivery of approximately 3,400 dwellings;
- b) In addition to the mix of dwelling sizes and types, make provision for a proportion of self-build units and also, in conjunction with other sites, a permanent, pitch / plot provision to meet identified accommodation needs of Gypsies, Travellers and Travelling Showpeople in the borough, such needs being identified in the council's Gypsy and Traveller Accommodation Assessment (and any updates);
- c) Include the provision of social and physical infrastructure, including community facilities, local shopping facilities, and sports and leisure facilities including playing pitches;
- d) Reserve land for the phased provision of two primary schools (a two form entry and a three form entry) and also reserve land for the phased provision of a secondary school, if required;
- e) Include appropriate green space/green infrastructure, including allotments, to meet local needs in line with the council's adopted standards, ensuring that all green space is provided on site, and provide links to assist in the delivery of green infrastructure networks within and adjoining the site;
- f) Make contributions towards a country park, as identified on the Policies Map, which is accessible to existing nearby residential areas; and
- g) Respond positively to the special characteristics and sensitivities of the landscape, including the setting of the North Wessex Downs Area of Outstanding Natural Beauty, and also the setting and form of existing development. Visual intrusion into the wider landscape should be limited; the design of outward facing edges of development should respect and enhance the adjacent countryside and opportunities should be taken to provide linkages to the existing landscape framework;
- h) Conserve and enhance the architectural and historic significance of the Worting Conservation Area with its listed buildings including Worting House, respecting their setting, and ensuring sufficient mitigation is put in place when required;
- i) Retain the separate identity and character of Worting and Wootton St Lawrence, and restrict coalescence between these villages and the new development and retain the separate identity and character of Winklebury, including conserving the ancient boundary of the Roman Road as a green boundary
- j) Provide for the retention and careful management of any important archaeological remains, within and adjacent to the site, in a manner appropriate to their significance;
- k) Limit the direct and indirect impacts on key species and habitats, including rare arable flora and Sites of Importance for Nature Conservation within and adjacent to the site, and seek to ensure that there is a positive improvement in the conservation status of these species. Where this is proved not to be possible, mitigation and compensation for the loss will be required. Opportunities will be taken to secure the creation and management of linkages between existing woodlands;
- l) Include measures to mitigate the impact of development on the local road network including improvements to the A339, Roman Road (and associated road junctions), the

- B3400 and Pack Lane, with appropriate measures to maintain accessibility for existing residents and ensure safe and convenient access for all road-users;
- m) Include the provision of a road through the land allocated for housing, from the A339 to the B3400, linking the proposed housing to the existing communities and to provide the ability to connect to potential future sites to the south, with the location of the road being determined through the master planning process. Regard shall be had to the optimum location for this road to cross the railway line(s).
 - n) In undertaking the master planning process, regard shall be had to the potential requirement for a Basingstoke western by-pass that would link the A339 to Junction 7 of the M3 motorway. Such a western by-pass would be to the outside of the land currently allocated for housing but the master planning process should have regard to the optimum point for such a western by-pass to cross the railway line(s) without prejudicing the delivery of the current proposed housing or the construction of the road connecting that housing.
 - o) Provide vehicular access to and from the site with the implementation of appropriate traffic management measures to prevent rat-running through existing communities. In addition, there should be safe and convenient access from Winklebury by means of footpaths and cycle paths connecting to the Country Park.
 - p) Include measures to improve accessibility by non-car transport modes including the provision of internal walking and cycle routes linked to existing external routes and the provision of public transport from the outset;
 - q) Incorporate and/or promote renewable and low-carbon energy technologies;
 - r) Ensure acceptable noise standards can be met within homes and amenity areas through suitable mitigation measures in light of the adjacent main roads and railway line;
 - s) Ensure adequate infrastructure is provided for sewerage (on and off site) and surface water drainage and produce a drainage strategy;
 - t) Ensure that it does not prejudice the integration of future development at Manydown beyond the plan period. The policy map indicates the area subject to wider masterplanning.
 - u) On the land south of the railway line and north of Pack Lane, development will be limited to a yield of approximately 300 units, unless workable transport mitigation measures can be demonstrated to support a higher yield.

Development of this site will deliver homes and infrastructure in the period 2017/18 to 2028/29, in accordance with the requirement to maintain a five year supply of deliverable housing sites. Development will be informed through the preparation of a masterplan.

Policy SS3.11 – Basingstoke Golf Course

This 43.4 hectare site lies to the south west of Basingstoke will deliver a high quality development that will:

- a) Make provision for approximately 1,000 dwellings;
- b) In addition to the mix of dwelling sizes and types, make provision for a proportion of self-build units and also, in conjunction with other sites, a permanent, pitch /plot provision to meet identified accommodation needs of Gypsies, Travellers and Travelling Showpeople in the borough, such needs being identified in the council's Gypsy and Traveller Accommodation Assessment (and any updates);

- c) Include the provision of social and physical infrastructure, including the provision of a community centre, local shopping facilities, sports facilities including playing pitches, and the reservation of land for a two form entry primary school;
- d) Respond positively to the special characteristics and sensitivities of the landscape and respect its location, providing for integration with nearby residential areas;
- e) Limit the direct and indirect impacts on local species and habitats, including the adjacent Peak Copse Site of Importance for Nature Conservation and ensure that there is a positive improvement in the conservation status of these species within the designation, providing an appropriate buffer and ensuring the retention of key woodland areas and less managed grasslands;
- f) Include measures to mitigate the impact of development on the local road network including improvements to the A30 corridor;
- g) Provide all-purpose vehicular accesses from both Winchester Road (A30) and Beggarwood Lane supported by emergency accesses;
- h) Prevent rat-running through the site between Beggarwood Lane and Winchester Road (A30) by including measures and/or designing the road layout to discourage the passage of through traffic;
- i) Include measures to improve accessibility by non-car transport modes, the ability to service the site by public transport and ensuring the external and internal connection of the site with existing cycle and pedestrian routes and Public Rights of Way network, including the upgrading of the cycle link to Dummer and improving the links to the existing Winchester Road bus stops;
- j) Ensure adequate infrastructure is provided for sewerage (on and off site) and surface water drainage and produce a drainage strategy;
- k) Avoid development and points of access in the small area of the site within flood zone 2
- l) Include appropriate open space/green infrastructure, including allotments, to meet local needs in line with the council's adopted standards, providing links to the existing green network;
- m) Ensure acceptable noise standards can be met within homes and amenity areas through suitable noise mitigation measures in light of the proximity of the site to the A30 and M3;
- n) Incorporate and/or promote renewable energy technologies.
- o) Development on site will deliver homes in the period 2020/21 to 2028/29, in accordance with the requirement to maintain a five year supply of deliverable housing sites. Development will be informed through the preparation of a masterplan.

ANNEX 2

Testing Assumptions

Market Values

	Flat	Detached	Semi	Terraced
1 bed	£150,000			
2 bed	£160,000			£224,000
3 bed			£258,000	£246,000
4 bed		£336,000		£269,000
5 bed		£370,000		

Market Housing Development Mixes

	Golf Course	Manydown
DPH	35	30
1 bed flat	5%	5%
2 bed flat	10%	10%
2 bed terrace	25%	25%
3 bed terrace	10%	10%
4 bed terrace	0%	0%
3 bed semi/detached	20%	15%
4 bed detached	25%	30%
5 bed detached	5%	5%

Affordable Housing Development Mix

1 bed flat	25%
2 bed flat	25%
2 bed terrace	30%
3 bed terrace	15%
4 bed terrace	5%

Affordable Housing Rents		
Type	Social Rent	Affordable Rent
1 bedroom flat	£97	£117
2 bedroom flat	£111	£142
2 bedroom terrace	£119	£151
3 bedroom terrace	£142	£172
4 bedroom terrace	£164	£205

Service charges – no service charges apply to Social rent. Service charges of £10 per week for flats and £3 per week for houses apply to Affordable rents.

Shared Ownership –average share size of 50% is purchased and 2.75% rental charged on the unbought share.

Affordable housing - other costs

Social/Affordable Rent

Management /Maintenance	£950 per annum
Voids/ Bad Debt	3% gross rent
Repairs	£500 per annum
Capitalisation	6.5% per annum

Shared Ownership

Average share size	50%
Rental Factor	2.75% rental charged on the unbought share
Capitalisation	6.5% per annum

Development costs

Professional Fees	12%
Internal Overheads	0%
Interest rate (market & affordable)	7.00%
Marketing	4%
Developers return	20%
Contractors return	6%

Build Costs (per BCIS)

BCIS Median Build costs last 5 years	Net	With external works
Flats (1-2 storeys)	£1,092	£1,256
Houses (2 & 3 storey)	£993	£1,142

Other General Development Costs

Allow £100 per dwelling for compliance with Code for Sustainable Homes level 4 water requirements.

Allow £2,100 per dwelling for Lifetime homes, applied to 15% of the dwellings.

Opening up costs

Manydown	£200,000	Per net hectare
Golf Course	£200,000	Per net hectare

Basingstoke & Deane Golf Course and Manydown Viability Study

Residual s106

Residual s106 payment - £1,500 per dwelling (all tenures)

Dwelling Sizes

House Type	Affordable Floor Area (sq.m)	Market Floor Area (sq.m)
1 bedroom flat	45	51
2 bedroom flat	62	56
2 bedroom terrace	73	65
3 bedroom terrace	85	80
4 bedroom terrace	95	95
3 bed semi detached	85	95
4 bed detached	95	125
5 bed detached		150

For flats, an additional 15% is added to the floor area to allow for circulation space/ common areas

Site Area	Manydown	Golf Course
Gross	184.49	42.9
Net developable	110.33	28.6
Gross to net	60%	67%
Dwellings*	3,310	1,000

*Manydown has been allocated for 3400 dwellings but it is assumed that 90 dwellings will come forward as separate applications on sites in and around Worting

Threshold Land Value

£400,000 per gross ha for strategic greenfield site

Other development costs -

Manydown

Spine Road	£10,433,799
Sports facilities	£2,128,000
Primary School	£17,000,000
Open space	£6,106,414
Allotments	£554,880
Library	£568,845
Bus service	£2,200,000
Total	£38,991,938

Other development costs - Golf Course

Open space	£941,744
School	£7,000,000
Strategic Transport	£2,000,000
Total	£9,941,744

ANNEX 3
Gleeds Cost Breakdown (Manydown)

Use of Gleeds Cost Estimates for Manydown.

Planning for the development of Manydown has included preparation of cost estimates by Gleeds²⁴ in 2013 to cover the specific infrastructure required to develop the site. This information has been used to replace the relatively simple high level cost estimates used to inform the 2013 viability testing. The objective of the review of the 2013 cost estimates is to refine/confirm the following inputs into the viability modelling:

- ‘Opening up costs’ – for works required to allow development on large residential sites (for items such as ground remodelling and bringing utilities to the site’ etc.) in order to provide serviced parcels of land for development.
- ‘External works’ – for costs directly associated with a dwelling such as fencing, driveway, connection to estate utilities, garages, immediate landscaping and the section of estate road serving the dwelling. Individual dwellings will bear different costs but an allowance of 15% on top of build costs has been found to cover this in the round²⁵.
- Contribution to strategic infrastructure:
 - Manydown is required to provide a ‘Spine Road’ which will carry traffic through the development as part of the wider highway network. It has been assumed that this will not have any building frontage and therefore it will be a cost item that is not covered by other parts of the modelling.
 - Manydown may also include a new sewerage treatment works. This is considered as a commercial facility and it has been assumed that the facility has a neutral financial impact.
- Other facilities which are assumed to serve Manydown alone and will be delivered through a s106 agreement. These facilities have been identified by the council and are listed below (along with a summary of main facilities that are assumed to be funded by CIL).

In order to form suitable inputs for the current testing, the presentation of the 2013 cost estimates has been changed and this text sets out how this has been done and why.

As well as the cost categories above, both the Three Dragons modelling and the Gleeds costs estimates handle other costs (such as profit, contingency and professional fees) in different ways. These costs have been carefully considered to ensure that they are included in the viability testing, but without being double counted.

Costs Estimate Summary

Table 1 below summarises the costs estimated to provide the site specific infrastructure for Manydown. Note that these are net of profit, locality and professional fees, which are added in table 7.

²⁴ Gleeds, 2013, Manydown Masterplan to 2029 Order of Cost Estimate NR 04

²⁵ See the Testing Assumptions note for the source of this and other model inputs.

Table 2 Costs Summary

Item	Cost
Facilitating and External Works	£43,110,900
Preliminaries, Overhead and Profit @ 20%	£8,622,180
Contingency @ 10%	£5,173,308
Locality Adjustment at 5%	£2,845,319
Professional Fees at 12%	£7,170,205
Total	£66,921,912

The discussion below considers how the Facilitating and External Works costs are split into the opening up costs, external works, strategic infrastructure and other infrastructure required as inputs to the viability testing. This breakdown sums back to the £43.1m noted in the table above.

Opening Up Costs

Within the Facilitating and External Works noted in the table above it is possible to identify cost items that the viability testing process commonly includes as opening up costs.

Table 3 Opening Up Costs

Item	Cost
Facilitating works	
Site preparation	
Earthworks	
External services*	
Total	£13,150,720

*Reinforcement of utilities networks

External Works

Within the Facilitating and External Works noted in the table above it is possible to identify cost items that the viability testing process commonly includes as external works.

Table 4 External Works

Item	Cost
Onsite roads	
Soft landscaping	
Fencing etc.	
External fixtures	
External drainage	
External services*	
Total	£17,344,268

*Connection to estate utilities

While this breakdown is useful as a cross check, it does not include some of the cost items that are commonly included in external works, including driveways etc. Therefore it is not able to substitute for the 15% on dwelling build costs.

Contribution to Strategic Infrastructure – Spine Road

Within the Facilitating and External Works noted in the table above it is possible to identify cost items that the viability testing process commonly includes as strategic infrastructure.

Table 5 Strategic Infrastructure – Spine Road

Item	Cost
Facilitating Works	
Site preparation	
Earthworks	
Onsite roads etc.	
Soft landscaping	
External drainage	
External services	
Total	£7,615,912

Other Infrastructure – Sewerage Treatment Works

Within the Facilitating and External Works noted in the table above it is possible to identify cost items that the viability testing process commonly includes as other infrastructure.

Table 0-6 Other Infrastructure

Item	Cost
External Drainage (Sewerage Treatment Works)	£5,000,000

Other Cost Items

The 2013 costs include allowance for other development costs, totalling £23.8m. Some of these can be added to the cost breakdown identified above while others are already accounted for within the testing assumptions used in the viability modelling.

- Prelims, overheads and profit – The viability testing assumptions already include these for external works so not taken forward here. However they need to be included for the opening up costs, spine road and sewerage treatment works.
- Contingency – The viability testing includes a buffer so not taken forward here
- Locality adjustment – to factor in local cost characteristics, so included for external works opening up costs, spine road and sewerage treatment works.
- Professional fees - The testing assumptions already include these for external works so not taken forward here. However they need to be included for the opening up costs, spine road and sewerage treatment works.

Taking this adjustment into account, net £13.4m of the gross £23.8m other costs are added to the base figures, bringing the total costs to £53.5m. The balance is added to the costs within the viability modelling through other testing assumptions.

Table 7 Other Cost Items – Uplift on Facilitating and External Works costs and subsequent subtotals

	Opening up	External works	Spine Road	Other	Total
Prelims, overheads and profit	20%	0%	20%	20%	
Contingency	0%	0%	0%	0%	
Locality adjustment	5%	5%	5%	5%	
Professional fees	12%	0%	12%	12%	
Grand Total costs	£18,016,486	£18,211,481	£10,433,799	£6,850,000	£53,511,767

In addition to the infrastructure noted above, Basingstoke and Deane Bough Council has identified further infrastructure required as part of the Manydown site. This is set out in Table 7 below.

Table 8 Other Infrastructure Items

Item	Cost	Source
Sports facilities	£2,128,000	Basingstoke & Deane Borough Council
Primary Schools	£17,000,000	Hampshire County Council
Open space	£6,106,414	Basingstoke & Deane Borough Council
Allotments	£554,880	Basingstoke & Deane Borough Council
Library	£568,845	Basingstoke & Deane Borough Council
Bus service	£2,200,000	Basingstoke & Deane Borough Council
Total	£28,558,139	

ANNEX 4

Residual values

Basingstoke & Deane Golf Course and Manydown Viability Study

Golf Course				
	Residual value/gross ha	Residual value/gross ha over the threshold land value	Potential maximum/sq m	With 30% buffer/sq m
Static value including all s106 costs	£482,490	£82,490	£65	£45
Static value without school costs	£631,766	£231,766	£181	£127
Discounted value including all s106 costs	£530,328	£130,328	£102	£71
Discounted value without school costs	£661,783	£261,783	£205	£143

Manydown				
	Residual value/gross ha	Residual value/gross ha over the threshold land value	Potential maximum/sq m	With 30% buffer/sq m
Static value including all s106 costs	£334,776	-£65,224	-£65	£0
Static value without road schools or bus	£481,730	£81,730	£82	£57
Discounted value including all s106 costs	£284,192	-£115,808	-£116	£0
Discounted value without road, schools or bus	£389,854	-£10,146	-£10	£0