

Barnsley MBC Affordable Housing and CIL Viability Summary Update Study – November 2014

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1 Introduction and background to this summary updating report

1.1 Overview

This is a summary update study which draws on previous viability assessment work carried out for the Council. This work is as follows:

The Affordable Housing Viability Report (August 2010)

The CIL (Community Infrastructure Levy) Viability Report of February 2012.

The key findings were as follows:

1.2 The Affordable Housing Viability Report (2010):

This report provided two key options in terms of setting an Affordable Housing policy:

- 1) Adopt a dual target broadly splitting the Borough east and west. This would involve the Rural West, Darton, Barugh, Penistone and Dodworth with one target and the rest of the Borough with another. On this basis, we would suggest a 25% target for Rural West, Darton, Barugh, Penistone and Dodworth and a target of 15% elsewhere. On this basis however, our analysis suggests that the very weakest sub markets might find even a 15% target challenging without the assistance of subsidy to support the affordable housing element. At the other end of the scale, i.e. in Rural West, this policy stance could well underestimate the potential supply of affordable housing from these higher value locations.
- 2) Adopt a more location specific based approach, including a four way policy target. This would set a target of 35% for Rural West; 25% for Darton, Barugh, Penistone and Dodworth; 15% for South Barnsley and Worsbrough and 10% for the weakest three sub markets which include Hoyland, Wombwell, Darfield, North Barnsley and Royston, Bolton on Dearne, Goldthorpe and Thurnscoe.

This (AHVS, 2010) analysis was based on an Affordable Housing tenure split assuming 80% Social Rent and 20% Shared Ownership along with other planning contributions amounting to £5,000 per unit.

It was suggested that in locations classified as Urban Barnsley and the Principal Towns that a threshold of five units is established and in the villages that a threshold of zero is applied.

1.3 The CIL Viability Report

This report concluded that with respect to residential development, one option would be to set CIL at £60 per square metre for all sites under 15 dwellings with the exception of those in the two lowest value areas (North Barnsley and Royston and Bolton, Goldthorpe and Thurnscoe). This option would probably be best combined with a CIL of say £60 per square metre for the two highest value areas for sites over 15 dwellings.

Another (residential) option would to set a CIL for the higher value areas only, but across all site sizes. On the basis of the evidence though, we think this policy should realistically only apply to Penistone and Dodworth, Darton and Barugh, and the Rural West sub markets.

The evidence of the commercial property analysis suggested that only high street uses would be capable of attracting a CIL charge. Our analysis of mainstream new office and industrial units suggests that these are currently not viable, or at least only marginally viable, if an optimistic view is taken.

1.4 Further work undertaken by Barnsley MBC during 2013 and 2014

Since 2012 the market has moved on, and the Council has considered different approaches to development.

Further analysis carried out by the Council has looked at the relationship between housing supply, sub market locations and housing needs. This follows updated work on the Council SHMA (Strategic Housing Market Assessment) and the analysis is shown in the table (1) below:

Table 1 Sub market analysis of housing supply, housing needs and Affordable Housing targets

Housing Market Sub-Area	Annual Dwellings	Planning Permissions & Windfall Allowance	Totals	Distribution of Dwellings (%)	Affordable Housing Need (SHMA)	Current Affordable Housing Policy (%)	% Needs
Bolton, Goldthorpe and Thurnscoe	94	79	173	16%	41	15	24
Darton and Barugh	153	42	195	18%	28	25	14
Hoyland, Wombwell and Darfield	231	20	251	23%	69	15	27
North Barnsley and Royston	101	33	134	12%	65	15	49
Penistone and Dodworth	30	14	44	4%	58	25	132
Rural East	53	14	67	6%	1	15	1
Rural West	68	9	77	7%	22	25	29
South Barnsley and Worsbrough	122	28	150	14%	11	15	7
Total	852	239	1091	100%	295		

Assumptions:

Columns C and D: Figures provided by Barnsley MBC;

Column G: Figures taken from Barnsley SHMA Update Report (October 2014)

The table shows that the highest number of homes are expected to be built in locations such as Darton and Barugh, Hoyland, Wombwell and Darfield and to a lesser extent in the Dearne towns of Bolton, Goldthorpe and Thurnscoe.

Less than 17% of all dwellings during the Plan period will come from the Rural areas and Penistone and Dodworth.

The analysis shows (yellow column to the far right) that some areas are highly pressured in terms of housing needs. Most notably Penistone and Dodworth, where there are more units needed for Affordable Housing than are projected to be built. High needs are also in North Barnsley, where almost half (49%) of all dwellings should be Affordable.

However, some sub markets, notably the Rural East and South Barnsley and Worsbrough have only very low housing needs relative to the amount of housing projected to be built there.

The table shows (penultimate column on the right hand side) the temporarily adopted Affordable Housing targets.

Comparing then the current policy position with the % needs requirements it can be seen that in some locations there is a case for reviewing the policy since in particular in some sub markets the targets are greater than the objectively assessed needs. This is the case for example in the Rural East and in South Barnsley and Worsbrough. It is also the case in Darton and Barugh.

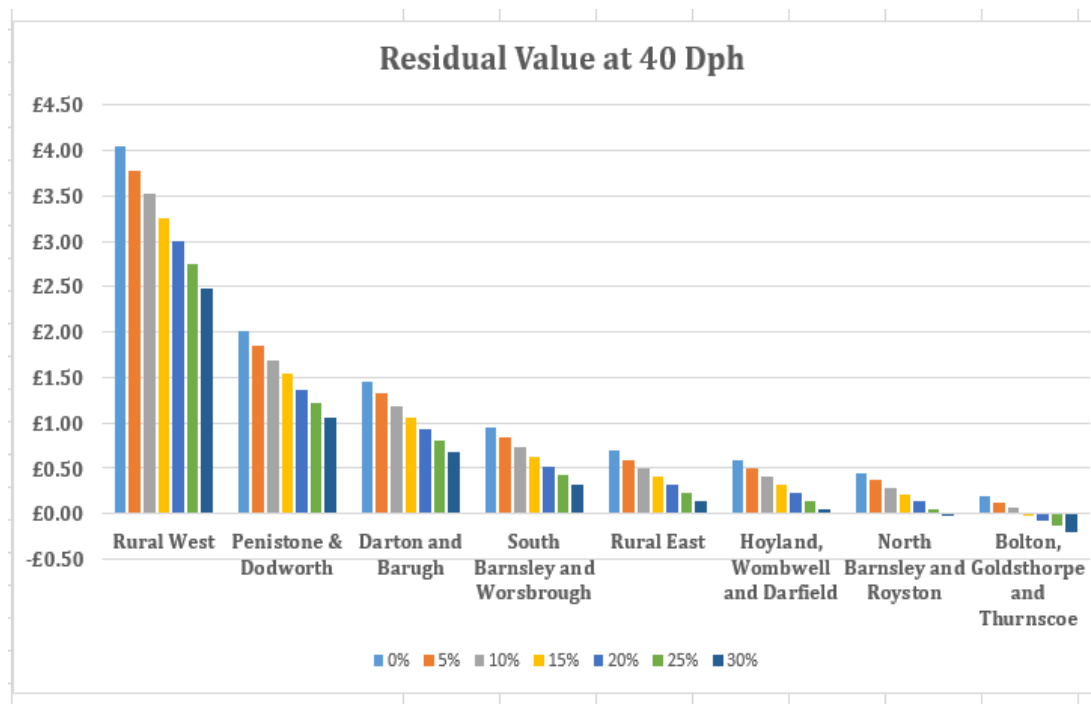
This was the backdrop for updating the analysis as of Autumn 2014.

2 Updating analysis Autumn 2014

2.1 Residual values

The previous conclusions have been re-visited using updated data and assumptions.

The results relate to a 40 dwelling per hectare scheme which will be the focus of policy going forward over the Plan period. The chart below shows residual values at a range of Affordable Housing targets: from 0% to 30% which is in line with the policy options.



The chart shows a range of residual values. As in previous analyses, scheme values with high percentages of Affordable Housing in high value areas generate greater residual values than lower value areas with no Affordable Housing. As an example, the residual value in the Rural West at 30% Affordable Housing is £2.48 million, whereas it is only £0.19 million with no Affordable Housing in the Dearne towns:

Table 2 Residual values at 40 dph

40 DPH	0%	5%	10%	15%	20%	25%	30%
Rural West	£4.04	£3.78	£3.52	£3.26	£3.00	£2.74	£2.48
Penistone & Dodworth	£2.01	£1.85	£1.69	£1.55	£1.37	£1.22	£1.06
Darton and Barugh	£1.45	£1.32	£1.19	£1.06	£0.93	£0.80	£0.67
South Barnsley and Worsbrough	£0.94	£0.84	£0.74	£0.63	£0.52	£0.42	£0.31
Rural East	£0.69	£0.59	£0.50	£0.41	£0.32	£0.23	£0.13
Hoyland, Wombwell and Darfield	£0.58	£0.49	£0.40	£0.32	£0.23	£0.14	£0.05
North Barnsley and Royston	£0.45	£0.37	£0.29	£0.21	£0.13	£0.05	-£0.03
Bolton, Goldsthorpe and Thurnscoe	£0.19	£0.12	£0.06	-£0.01	-£0.08	-£0.14	-£0.21

The differences are however stark in relation to mid market locations versus lower value sub markets. Residual value in South Barnsley and

Worsbrough at 30% Affordable Housing is higher than in the Dearne towns with no Affordable Housing.

Generally, residual values in the sub markets from Rural East through to Rural West are relatively robust. They produce positive residual values up to 30% Affordable Housing. The lower three value sub markets are however much less viable.

2.2 Land value benchmarks

For schemes to be viable, land owners must receive a reasonable return. There are two 'headline' studies which generally inform debates on land value benchmark. The DCLG's Cumulative Impacts study and the HCA's study (2011). The former suggests a benchmark of circa £500,000 per net hectare and the latter a benchmark of around £400,000 per hectare:

Table 3 Benchmarks

Benchmarks	Price (£ million per Ha)	Notes
Other CIL Studies	0.5	AJG Experience
DCLG Viability Threshold	0.48	Based on Cumulative Impacts of Policy Requirements (2011)
HCA Viability Threshold	0.4	Based on VO PMR (2011) X 20 with Agricultural Value at £20,000/Ha

As these are national studies, they are likely to be too generous in the context of Barnsley. An appropriate benchmark here is likely to be closer to £300,000 per hectare, but with a buffer for, on brownfield sites, abnormals and on green field sites, additional infrastructure costs, taking this back up to £500,000 per hectare.

Assuming this to be a fair figure, then the following percentages might be achievable at or around, or indeed above £500,000 per hectare:

This would mean the following Affordable Housing percentages:

- Rural West, Penistone and Dodworth 30% Affordable Housing;
- Darton and Barugh 30% Affordable Housing;
- South Barnsley & Worsbrough 20% Affordable Housing;
- Rural East 10% Affordable Housing;

Hoyland, Wombwell & Darfield	5% Affordable Housing;
North Barnsley & Royston	0% Affordable Housing;
Bolton, Goldthorpe & Thurnscoe	0% Affordable Housing.

3 Agreed position on Affordable Housing

Having discussed the updated viability analysis with the Council in the light of the housing distribution and housing needs figures, the following Affordable Housing targets are seen to be practical and deliverable:

Rural West, Penistone and Dodworth	30% Affordable Housing;
Darton and Barugh	20% Affordable Housing;
Elsewhere	10% Affordable Housing.

In some sub markets (notably Darton and Barugh, Rural West and South Barnsley and Worsbrough) the Affordable Housing target broadly reflect housing needs (as assessed in the SHMA). In the Rural East, there will be theoretical over provision.

However, in all the other sub markets the target will not meet needs, and this should be accepted on viability grounds.

4 Implication for CIL charging

Ultimately it will be up to the Council to decide how to apportion residual value between Affordable Housing and CIL.

The table (4) below shows how this might be approached.

It shows the residual values at the adopted Affordable Housing targets.

In column c it shows the land value benchmark (LVB) and in column d, the LVB adjusted (by house prices from a mid point of £500,000).

Column e shows the surpluses over and above the LVB adjusted.

Column f shows the surplus per dwelling across the scheme assuming all dwellings attract CIL (this is not strictly accurate as CIL is only paid on market units).

Column g shows the surplus per dwelling that applies to market units only.

Column h shows the surplus that is available assuming that there will be a Section 106 contribution (other than Affordable Housing) of £5,000 per unit across the scheme.

Column h shows the net surplus on a per square metre basis.

Table 4 Surpluses for schemes of 15 dwellings and more

Schemes 15 and Greater	AH RVs	AH RVs (£)	LVB	LVB Adjusted	Surplus	Surplus per Dwelling	Surplus per Dwelling	Less £5,000 per unit	Surplus per Dwelling
40 DPH					(less LVB Adjusted)	(Across the scheme)	(Qualifying Market units)	Section 106	(80 sq (Unit)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Rural West	2.48	£2,480,000	£500,000	£792,000	£1,688,000	£42,200	£60,286	£55,286	£691.07
Penistone & Dodworth	1.06	£1,060,000	£500,000	£580,000	£480,000	£12,000	£17,143	£12,143	£151.79
Darton & Barugh	0.93	£930,000	£500,000	£555,000	£375,000	£9,375	£11,719	£6,719	£83.98
South Barnsley & Worsbrough	0.74	£740,000	£500,000	£500,000	£240,000	£6,000	£6,667	£1,667	£20.83
Rural East	0.5	£500,000	£500,000	£476,000	£24,000	£600	£667	-£4,333	-£54.17
Hoyland, Wombwell & Darfield	0.4	£400,000	£500,000	£462,000	-£62,000	-£1,550	-£1,722	-£6,722	-£84.03
North Barnsley	0.29	£290,000	£500,000	£448,000	-£158,000	-£3,950	-£4,389	-£9,389	-£117.36
Bolton, Goldsthorpe and Thurnscoe	0.06	£60,000	£500,000	£423,000	-£363,000	-£9,075	-£10,083	-£15,083	-£188.54
LVB Adjusted - by House Prices									

The table (4) shows surpluses in the case of the four highest value sub markets. These are significant for Rural West and Penistone and Dodworth, and also to a lesser extent, for Darton and Barugh and South Barnsley.

It is important to note that analysis relates to schemes of 15 dwellings and more. For these schemes, the Affordable Housing policy applies. This obviously reduces the scope for CIL.

The table below (5) shows the results for schemes of less than 15 units; i.e. those that will not require an Affordable Housing contribution.

This shows, as is logical, greater surpluses; in the case of Rural West, this is £1,015 per square metre. In the case of sub markets such as South Barnsley and Worsbrough, there is a good surplus (£138 per square metre).

It will be noted that in the case of the two lowest value sub markets, there is little or no surplus.

Table 5 Surpluses for schemes of less than 15 dwellings

Schemes less than 15 dwellings	RVs	RVs (£)	LVB	LVB Adjusted	Surplus (less LVB Adjusted)	Surplus per Dwelling (Across the scheme)	Surplus per Dwelling (80 sq (Unit)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Rural West	4.04	£4,040,000	£500,000	£792,000	£3,248,000	£81,200	£1,015
Penistone & Dodworth	2.01	£2,010,000	£500,000	£580,000	£1,430,000	£35,750	£447
Darton & Barugh	1.45	£1,450,000	£500,000	£555,000	£895,000	£22,375	£280
South Barnsley & Worsbrough	0.94	£940,000	£500,000	£500,000	£440,000	£11,000	£138
Rural East	0.69	£690,000	£500,000	£476,000	£214,000	£5,350	£67
Hoyland, Wombwell & Darfield	0.58	£580,000	£500,000	£462,000	£118,000	£2,950	£37
North Barnsley	0.45	£450,000	£500,000	£448,000	£2,000	£50	£1
Bolton, Goldthorpe and Thurnscoe	0.19	£190,000	£500,000	£423,000	£-233,000	£-5,825	£-73
LVB Adjusted - by House Prices							

The analysis has been based on a scheme of 40 dph, which is seen to be the formal policy position. There will however be schemes at a lower density and it is helpful to look at a situation with a higher proportion of smaller dwellings.

Table 6 below shows the analysis for a 30 dph. As previously, the figures are calculated for smaller and larger schemes.

Table 6 Surpluses at 30 dwelling per hectare

Schemes 15 and Greater	AH RVs	AH RVs (£)	LVB	LVB Adjusted	Surplus	Surplus per Dwelling	Surplus per Dwelling	Less £5,000 per unit	Surplus per Dwelling
30 DPH					(less LVB Adjusted)	(Across the scheme)	(Qualifying Market units)	Section 106	(80 sq (Unit)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Rural West	1.82	£1,820,000	£500,000	£792,000	£1,028,000	£34,266.67	£48,952	£43,952	£549
Penistone & Dodworth	0.95	£950,000	£500,000	£580,000	£370,000	£12,333	£17,619	£12,619	£158
Darton & Barugh	0.68	£680,000	£500,000	£555,000	£125,000	£4,167	£5,208	£208	£3
South Barnsley & Worsbrough	0.67	£670,000	£500,000	£500,000	£170,000	£5,667	£6,296	£1,296	£16
Rural East	0.49	£490,000	£500,000	£476,000	£14,000	£467	£43	£-4,957	£-62
Hoyland, Wombwell & Darfield	0.41	£410,000	£500,000	£462,000	£-52,000	£-1,733	£-1,926	£-6,926	£-87
North Barnsley	0.32	£320,000	£500,000	£448,000	£-128,000	£-4,267	£-4,741	£-9,741	£-122
Bolton, Goldthorpe and Thurnscoe	0.13	£130,000	£500,000	£423,000	£-293,000	£-9,767	£-10,852	£-15,852	£-198
Schemes less than 15 dwellings	AH RVs	AH RVs (£)	LVB	LVB Adjusted	Surplus	Surplus per Dwelling	Surplus per Dwelling		
30 DPH					(less LVB Adjusted)	(Across the scheme)	(80 sq (Unit)		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
Rural West	3.05	£3,050,000	£500,000	£792,000	£2,258,000	£75,267	£940.83		
Penistone & Dodworth	1.8	£1,800,000	£500,000	£580,000	£1,220,000	£40,666.67	£508.33		
Darton & Barugh	1.26	£1,260,000	£500,000	£555,000	£705,000	£23,500	£293.75		
South Barnsley & Worsbrough	0.86	£860,000	£500,000	£500,000	£360,000	£12,000	£150.00		
Rural East	0.66	£660,000	£500,000	£476,000	£184,000	£6,133.33	£76.67		
Hoyland, Wombwell & Darfield	0.57	£570,000	£500,000	£462,000	£108,000	£3,600	£45.00		
North Barnsley	0.47	£470,000	£500,000	£448,000	£22,000	£733	£9.17		
Bolton, Goldthorpe and Thurnscoe	0.26	£260,000	£500,000	£423,000	£-163,000	£-5,433	£-67.92		

Conclusions

The scope for setting CIL depends on there being a surplus over and above the land value benchmark.

In the case of the two highest value sub markets, there is a strong case for setting a robust CIL levy, taking into account competitive developer and land owner returns. This applies at both 30 dph and 40 dph.

For the Darton and Barugh and South Barnsley and Worsbrough sub markets, there is a good case for setting a CIL.

However, it is clear that by all scenarios, the economics of development in the lowest value sub markets do not support a CIL, and the Council will need to take this on board.

The evidence shows however that the Council should set a differential CIL, based on the threshold at which Affordable Housing is triggered. Clearly where Affordable Housing and other Section 106 contributions is not required residual values are higher.

This does not mean that a CIL should be set for smaller sites in the weaker sub markets, but that it should be set differentially in the sub markets where there is a surplus.

The point at which CIL is set should reflect a level of cautiousness, since inevitably the land value benchmark will be higher in some instances than is assumed here.