

## Dover District Council

### Viability Note – July 2022

1. HDH Planning & Development Ltd produced the *Whole Plan Viability Study* (HDH, November 2020). This had three main elements:
  - a. To test the deliverability of the Local Plan to ensure that the sites identified in the Plan were not subject to a scale of planning obligations and policy requirements that rendered them undeliverable.
  - b. To review the level of section 106 costs and the level of affordable housing that would allow the funding of infrastructure and meet needs, without putting at risk the economic viability of development in the District.
2. The report was carried out to meet the requirements of the NPPF and in accordance with the PPG and RICS Guidance. It was subject to public consultation.
3. Since 2020 the costs and the values, being the main inputs into a viability assessment, have changed and several changes have been made to national policy. The Council has not proposed new policies that will add to the costs of development, over and above the costs set out in the 2020 WPVS.
4. This brief note considers how these changes may impact on viability and whether it is necessary for the Council to fully update the viability evidence before proceeding with the Regulation 19 consultation.

#### Changes in Residential Values

5. Much of the data in the 2020 WPVA was gathered in the summer of 2020. Since then, house prices have increased. There are a range of data sources that can be referenced, however the Land Registry is the most complete.

<b>Table 1 Change in Average House Prices</b>				
	Dover	Kent	South East	England & Wales
2020-06	£249,211	£295,658	£322,024	£246,021
2022-05	£313,172	£355,111	£388,531	£297,387
	£63,961	£59,453	£66,507	£51,366
	25.67%	20.11%	20.65%	20.88%

Source: Land Registry (July 2022)

6. This data shows that average prices have increased by about 26% in Dover District, which is somewhat more than in wider Kent and in the Region. This data can be disaggregated and newbuild sales separated out.

<b>Table 2 Change in Average Newbuild House Prices – Dover</b>		
	Newbuild	Existing
2020-06	£350,328	£243,663
2022-03	£488,840	£302,376
	£138,512	£58,713
	39.54%	24.10%

Source: Land Registry (July 2022)

7. According to the Land Registry, the average newbuild sale price has increased by almost 40% over the last 2 or so years in the Dover District Council area. This is somewhat more than the average increase of existing homes.
8. The 2020 WPVS was completed during the COVID-19 pandemic, and at that time there was uncertainty in the market due to Brexit. A range of views as to the impact on house prices of the pandemic and Brexit were expressed which covered nearly the whole spectrum of possibilities. HM Treasury brings together some of the forecasts in its regular *Forecasts for the UK economy: a comparison of independent forecasts* report.

**Table 3 Consolidated House Price Forecasts**

**Table 2 - 2022: Growth in prices and monetary indicators (% change)**

Forecasters and dates of forecasts		CPI (Q4 on Q4 year ago, %)	RPI (Q4 on Q4 year ago, %)	Average earnings	Sterling index (Jan 2005=100)	Official Bank rate (level in Q4, %)	Oil price (Brent, \$/bbl)	Nominal GDP	House price inflation (Q4 on Q4 year ago, %)
<b>City forecasters</b>									
Bank of America - Merrill Lynch	Oct	3.1	3.9	-	-	0.25	-	-	-
Barclays Capital	Jun *	7.9	11.4	-	-	1.50	111.0	-	-
Bloomberg Economics	Feb	5.0	-	-	-	1.00	-	-	-
Capital Economics	Jun *	10.4	11.9	7.4	81.2	2.25	100.0	-	8.0
Citigroup	Feb	5.0	5.8	4.4	-	1.00	-	-	5.6
Credit Suisse	Mar	7.7	-	-	-	1.25	-	-	-
Daiwa Capital Markets	Feb	4.6	-	4.0	85.0	1.25	85.0	-	5.0
Deutsche Bank	Dec	3.1	5.0	-	-	0.50	-	-	-
Goldman Sachs	Mar	8.3	-	-	-	1.75	125.7	6.9	-
HSBC	Jun *	9.3	11.5	4.5	-	1.50	-	-	-
JP Morgan	May	7.6	-	-	-	1.75	-	-	-
Morgan Stanley	Dec	2.7	3.9	-	-	0.75	-	-	-
Natwest Markets	May	7.9	10.6	4.8	-	1.25	98.0	7.4	-
Nomura	Dec	3.3	-	-	-	1.00	-	-	-
Pantheon	Mar	7.6	9.0	5.2	-	1.00	-	-	4.5
Schroders Investment Management	Dec	1.6	3.5	3.5	-	0.50	-	9.2	2.2 x
Societe Generale	May	7.9	10.2	2.8	-	2.00	-	11.8	-
UBS	Jun *	8.6	10.5	6.0	-	1.50	-	6.9	-
<b>Non-City forecasters</b>									
British Chambers of Commerce	Mar	6.5	-	-	-	1.00	-	-	-
Beacon Economic Forecasting	Jun *	10.0	12.1	5.2	80.2	1.50	103.4	13.1	12.7
CBI	Jun *	8.3	8.7	5.5	83.6	1.75	100.8	9.1	9.2
CEBR	Jun *	10.1	10.4	5.2	81.8	1.67	-	-	-2.1 z
Economic Perspectives	Sep	4.5	5.3	5.5	77.0	0.25	55.0	7.5	2.0 x
Experian Economics	May	9.0	11.0	5.0	87.8	1.25	108.0	3.1	2.2
EIU	Mar	4.8	-	-	-	1.25	82.1	8.1	-
Heteronomics	Jun *	7.9	10.1	4.7	79.8	1.75	104.7	-	-
ICAEW	Jun *	10.5	-	-	-	2.00	-	-	-
ITEM Club	May	5.8	8.3	-	-	1.25	-	-	5.1 z
Kern Consulting	Jun *	8.2	-	5.1	-	2.25	115.0	-	-
Liverpool Macro Research	May	7.0	-	6.7	76.9	2.00	-	-	- k
NIESR	May	8.3	14.4	5.4	-	2.00	-	-	0.0
Oxford Economics	Jun *	9.7	12.2	5.3	80.9	1.50	112.2	8.3	7.3
OECD	Jun *	8.8	h	-	-	-	-	-	-
IMF	Apr	7.4	h	-	-	-	-	-	-
<b>Average of forecasts made in the last 3 months (excludes OBR forecasts)</b>									
Independent		8.6	10.9	5.3	81.5	1.70	105.9	8.5	5.3
New (marked *)		9.2	11.0	5.4	81.3	1.74	106.7	9.4	7.0
City		8.5	11.0	5.1	81.2	1.68	103.0	8.7	8.0
<b>Range of forecasts made in the last 3 months (excludes OBR forecasts)</b>									
Highest		10.5	14.4	7.4	87.8	2.25	115.0	13.1	12.7
Lowest		5.8	8.3	2.8	76.9	1.25	98.0	3.1	-2.1
Median		8.3	10.8	5.2	81.1	1.71	104.7	8.3	6.2
OBR	Mar	8.7	11.0	5.3	82.5	1.1	94.0	6.7	4.3

Source: Forecasts for the UK economy: a comparison of independent forecasts No 419 (HM Treasury, June 2022).

9. Generally, these suggest house prices will continue to increase.
10. Property agents Savills are forecasting the following changes in house prices:



Table 4 Savills Winter 2021 Property Price Forecasts						
	2022	2023	2024	2025	2026	5 Year
Mainstream UK	7.5%	-1.0%	1.5%	2.0%	2.5%	12.9%
South East	6.0%	-1.5%	1.0%	1.5%	1.5%	8.6%

Source: Savills UK Residential – Mainstream Residential Property Forecasts (Winter 2021)<sup>1</sup>

11. In this context is relevant to note that the Nationwide Building Society reported as follows in June 2022:

*Annual house price growth slows in June, but remains in double digits*

- Modest slowing in annual UK house price growth to 10.7% in June, from 11.2% in May
- Most regions saw slight slowing in annual growth in Q2
- South West overtook Wales as strongest performing region, while London remained weakest
- South West also strongest performing region through the pandemic

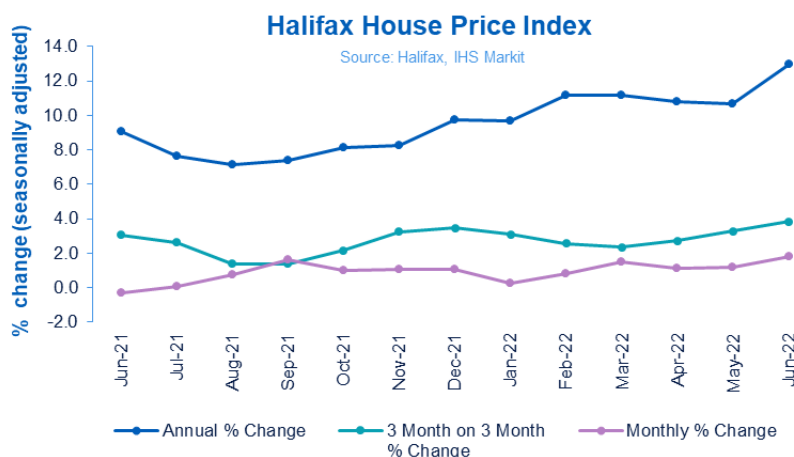
• Headlines	Jun-22	May-22
Monthly Index*	537.9	536.5
Monthly Change*	0.3%	0.9%
Annual Change	10.7%	11.2%
Average Price (not seasonally adjusted)	£271,613	£269,914

\* Seasonally adjusted figure (note that monthly % changes are Revised when seasonal adjustment factors are re-estimated)

12. Similarly, the Halifax Building Society reported (June 2022):

*House prices continue to increase as market shows resilience*

- House prices increased by 1.8% in June, the twelfth consecutive monthly rise
- Annual growth rate of 13% is the highest since late 2004
- Typical property now costs £294,845
- Northern Ireland continues to post the strongest growth in the UK



<sup>1</sup> [spotlight-mainstream-residential-property-forecasts---may-2022.pdf \(savills.co.uk\)](https://www.savills.co.uk/spotlight-mainstream-residential-property-forecasts---may-2022.pdf)

13. There is clearly uncertainty in the market, and the very substantial growth reported over the last few years seems unlikely to continue.

### **Changes in Development Costs**

14. In the 2020 WPVS the build costs were derived from the BCIS data. The cost figure for Kent for 'Estate Housing – Generally' was £1,358/m<sup>2</sup> at that time (29<sup>th</sup> August 2020). The equivalent figure now (16<sup>th</sup> July 2022) has increased to £1,539/m<sup>2</sup>. This data shows that the cost of construction has increased by just over 13% over the last 2 or so years in Kent.
15. There has been much coverage in the national press around increased inflation. The BCIS is predicting that the General Build Cost Index will increase by about 1.5% over the next year (from July 2022 – 441.7 to July 2023 – 448.3) and by about 8.1% over the next three years. (from May 2022 – 441.7 to April 2025 – 477.79)

### **Changes in National Policy**

16. There have been a number of changes at a national level since the Council's existing viability work.

#### *First Homes*

17. In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021.

#### *What is a First Home?*

*First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*

- a. must be discounted by a minimum of 30% against the market value;*
- b. are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c. on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d. after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

*First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*

*PPG: 70-001-21210524*

18. In the 2022 WPVA, intermediate housing was assumed to have a value of 70% of market value. This aligns with the value to the developer of First Homes, so this is unlikely to impact on viability.
19. In this regard we do note that should the Council seek to introduce a greater discount (the PPG allows a 40% or 50% discount, where justified) then there would be an impact on viability. The Council has no such current plans.

### *Environmental Standards*

20. Early in October 2019, the Government launched a consultation on ‘The Future Homes Standard’<sup>2</sup>. This is linked to achieving ‘net zero’ greenhouse gas emissions by 2050. The outcome of the consultation was announced during January<sup>3</sup> 2021. Subsequently, Part L of Building Regulations were updated to align with Option 2 of the Future Homes Standard Option 2 (31% CO<sub>2</sub> saving).
21. As set out in the 2020 WPVS, there are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do differ depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural ventilation, through to altering the fundamental design and construction.
22. The Department of Levelling up, Communities and Housing, published the latest revision to *Conservation of Fuel and Power, Approved Document L of the Building Regulations* as a ‘stepping stone’ on the pathway to zero carbon homes. It sets the target of an interim 31% reduction in CO<sub>2</sub> emissions over 2013 standards for dwellings. The changes will apply to new homes that submit plans after June 2022 or have not begun construction before June 2023.
23. As set out in the 2020 WPVS, these additional standards were assumed to apply in the base costings.

### *Electric Vehicle Charging Points*

24. EV Charging facilities are now a requirement (from 25<sup>th</sup> June 2022) of Building Regulations (Approved Document S):
  - S1. (1) *A new residential building with associated parking must have access to electric vehicle charge points as provided for in paragraph (2).*
  - (2) *The number of associated parking spaces which have access to electric vehicle charge points must be—*
    - (a) *the total number of associated parking spaces, where there are fewer associated parking spaces than there are dwellings contained in the residential building; or*
    - (b) *the number of associated parking spaces that is equal to the total number of dwellings contained in the residential building, where there are the same number of associated parking spaces as, or more associated parking spaces than, there are dwellings.*
  - (3) *Cable routes for electric vehicle charge points must be installed in any associated parking spaces which do not, in accordance with paragraph (2), have an electric vehicle charge point where—*
    - (a) *a new residential building has more than 10 associated parking spaces; and*

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<sup>2</sup> [https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm\\_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm\\_medium=email&utm\\_campaign=govuk-notifications&utm\\_content=immediate](https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate)

<sup>3</sup> [The Future Buildings Standard - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/the-future-buildings-standard)

(b) *there are more associated parking spaces than there are dwellings contained in the residential building.*

25. In the 2020 WPVA it was noted that a cost of £976/unit<sup>4</sup> would be typical, however the costs have now fallen to around £800.
26. This was tested in the 2020 WPVS, but was not assumed to apply as preferred policy options (paragraph 10.67). Whilst this is an extra cost, it is a modest cost that is likely to add less than 0.5% to the construction cost of a new home.

### *Biodiversity*

27. The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.
28. This requirement was tested in the 2022 WPVS and was assumed to apply.
29. To recap, the requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.
30. Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.
31. The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation, as a survey will need to be carried out.
32. The Government's impact assessment<sup>5</sup> suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

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<sup>4</sup> Paragraph 9 Electric Vehicle Charging in Residential and Non-Residential Buildings (DfT, July 2019).

<sup>5</sup> Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment.  
[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)

<b>Table 5 Cost of Biodiversity Net Gain – South East</b>		
2017 based costs		
	<b>Scenario A</b> 100% on-site	<b>Scenario C</b> 100% off-site
Cost per ha of residential development	£3,456/ha	£63,841/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£162/unit	£3,305/unit
Cost per brownfield housing unit	£56/unit	£660/unit
Residential greenfield delivery costs as proportion of build costs	0.1%	2.4%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.5%
% of industrial land values	0.2%	3.0%
% of commercial land values (office edge of city centre)	0.2%	2.3%
% of commercial land values (office out of town - business park)	0.2%	2.6%

Source: Tables 14 to 23: Biodiversity net gain and local nature recovery strategies – Impact Assessment

33. Kent County Council (KCC) are seeking that all development sites across the County deliver 20% Biodiversity Net Gain. In this regard, KCC recently published *Viability Assessment of Biodiversity Net Gain in Kent FINAL REPORT* (SQW, June 2022). This report concluded that where the measures to achieve additional Biodiversity Net Gain, of 20% and 30%, rather than the national requirement of 10%, could be achieved on-site and without the purchase of extra land, then the costs were very modest. Where the provision is to be made off-site, or necessitates the purchase of extra land then the costs were very much more.
34. Whilst seeking 20% Biodiversity Net Gain is unlikely to have a material impact on viability on those sites on which it can be delivered on-site, without reducing the site's development capacity, the Council should be cautious in seeking more than the national requirements on sites that require off site provision or for the development capacity to be reduced.

*White Paper: Planning for the Future (MHCLG, August 2020)*

35. The Government has consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. In terms of viability the two key paragraphs are:

**Assessments of housing need, viability and environmental impacts are too complex and opaque:** *Land supply decisions are based on projections of household and business 'need' typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environmental improvements nor ensure sites are brought forward and delivered;*

**Local Plans should be subject to a single statutory "sustainable development" test, and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished.** *This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*



36. Pillar Three of the White Paper then goes on to set out options around the requirements for infrastructure and how these may be funded. The key proposals are:

*Proposal 19: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*

*Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision*

37. The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this note (July 2022), a viability assessment is a requirement.

#### *Queen's Speech 2021 and 2022*

38. A range of planning reforms were outlined in the papers supporting the 2021 Queen's Speech. For the purpose of this assessment, the key points are as follows:

*Planning Bill "Laws to modernise the planning system, so that more homes can be built, will be brought forward..."*

*The purpose of the Bill is to:*

- *Create a simpler, faster and more modern planning system to replace the current one ...*
- *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*

*The main benefits of the Bill would be:*

- *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*

*The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.*

39. In the late summer of 2021, as part of the Government reshuffle, the Ministry of Housing Communities and Local Government was renamed as the Department for Levelling Up, Housing and Communities (DLUHC). Various ministers commented about revisiting some of the subjects that had been consulted on.

40. The Government's further thinking was set out in the 2022 Queen's Speech which included the following:

*"A bill will be brought forward to drive local growth, empowering local leaders to regenerate their areas, and ensuring everyone can share in the United Kingdom's success. The planning system will be reformed to give residents more involvement in local development."*

*The main benefits of the Bill would be:*

- *Laying the foundations for all of England to have the opportunity to benefit from a devolution deal by 2030 – giving local leaders the powers they need to drive real improvement in their communities.*

- *Improving outcomes for our natural environment by introducing a new approach to environmental assessment in our planning system. This benefit of Brexit will mean the environment is further prioritised in planning decisions.*
- *Capturing more of the financial value created by development with a locally set, non-negotiable levy to deliver the infrastructure that communities need, such as housing, schools, GPs and new roads.*
- *Simplifying and standardising the process for local plans so that they are produced more quickly and are easier for communities to influence.*

### *Levelling-up and Regeneration Bill*

41. In May 2022, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* have yet to be published.
42. It will be necessary for the Council to monitor the progress of the Bill and in due course review the situation, as and when the Regulations are published.

### **Changes in Infrastructure Costs (s106).**

43. In the 2019 Viability Assessment, it was assumed all the modelled residential sites will contribute £4,000/unit with the strategic sites contributing £20,000/unit. A range of higher costs of up to £40,000/unit were also tested.
44. The following sites were modelled as separate strategic sites (Table 3.2 of the 2020 WPVS):

<b>Table 6 2020 Potential Strategic Allocations</b>				
<b>HELAA Ref</b>	<b>Location</b>	<b>Settlement</b>	<b>Area ha</b>	<b>Capacity</b>
AYL003	South of Spinney Lane, Aylesham	Aylesham	26.2	640
AYL004	North Aylesham and east of the B2046 (Adisham Road)	Aylesham	36.35	500
	Whitfield Urban Extension (2 options)	Whitfield	226.10 / 295.12	4,017 / 4,617

Source: DDC (August 2020)

45. In the emerging Regulation 19 Local Plan, site AYL004 has been removed from consideration, but Whitfield Urban Extension has been expanded to include an additional 2,200 dwellings and with AYL003 for 640 dwellings, these remain as the two strategic allocations. It is important to note that there are also 3,794 dwellings extant at Whitfield Urban Extension.
46. The Council has continued to develop the evidence base in this regard and to work with Kent County Council. At the time of this note, the assessment of the costs remains a work-in-progress, however it is likely that the s106 cost on the Whitfield Urban Extension is likely to be more than the £20,000 assumed in 2020, at about £26,500/unit, but the cost at Aylesham is likely to be less than £20,000/unit, at about £15,500/unit.

47. The Council has also considered the maximum likely strategic infrastructure and mitigation costs (ie s106 costs) on the wider development represented by the typologies in the 2020 WPVS – this should be considered a ‘worst case scenario’, and will only apply where there is a site specific need (as per CIL Regulation 122). The Council now estimates that the costs will be about £15,000/unit for the development associated with Deal, Aylesham Sandwich and Elvington / Eythorne and about £22,500 for the development associated with the town of Dover. These amounts are significantly more than the £4,000/unit assumed in 2020.
48. It is also necessary to consider mitigation payments in relation to the Special Protection Area payments. In the 2020 WPVA an allowance was been made towards s106 costs of £4,000/unit (£20,000/unit on the Strategic Sites). The contribution towards SPA mitigation was estimated to be about £663 per dwelling and was assumed to be within this allowance. The rates of payment have now been reviewed, and have been reduced, as follows:
- 1 bed unit      £112
  - 2 bed unit      £224
  - 3 bed unit      £337
  - 4+ bed unit     £449
49. The change is small, relative to the overall cost of development, however it will have a positive impact on overall viability.

### **Conclusions and observations**

50. The assessment of development viability is based on the Residual Valuation approach. The income from a scheme is estimated and the costs of delivering that scheme are then deducted. For a scheme to be viable, the Residual Value must exceed the Existing use Value by a sufficient margin to induce the landowner to sell.
51. If values have increased more than costs, then viability will have improved, with the Residual Value increasing. If costs have increased more than values, then viability will have worsened, with the Residual Value falling.
52. The above data shows that the average values of newbuild property have increased by about 40% and build costs by about 13%. The Residual Value will have increased, indicating that viability will therefore have improved.
53. The additional costs of national policy will add to the costs of development, but this, even when taken together, is going to be substantially less than the increase in average newbuild values.
54. The analysis in the 2020 WPVS was based on 4 price areas, with the Strategic Sites being assessed separately.

Higher              Being the north of the District.

Medium             Being the Coastal Towns to the east of the District and the Rural areas and settlements to the south of the District.

Lower Being the sites within and adjacent to Aylesham, and the sites adjacent to wider Dover, principally to the north and west of the built-up area, and Whitfield.

Dover Town Being the relatively tightly defined built-up area of Dover.

55. Tables 10.13a to 10.13d considered the relationship between different levels of affordable housing (0% to 30%) and varied levels of developer contributions (£0/unit to £40,000/unit).

56. Bearing in mind the substantial increase in values, relative to costs, Dover District Council can continue to rely of the conclusions set out in the *Whole Plan Viability Study* (HDH, November 2020), although the report does now understate the Residual Value (and therefore the overall capacity to bear planning obligations) somewhat, subject to the following further observations:

a. Table 10.13a shows that most sites in the higher value area can bear, at 30% affordable housing, at least £10,000/unit in developer contributions. Bearing in mind the increase in values, development in this area is likely to be able to bear £15,000/unit or so. Table 10.13c shows the results for the medium value area. These are broadly similar to the higher value area.

b. Table 10.13b shows the results for the Strategic Sites. As set out in the report, delivery of any large site is challenging so, rather than draw firm conclusions at this stage, it is recommended that the Council continues to engage with the owners in line with the advice set out in the Harman Guidance (page 23):

*Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

c. Table 10.13c includes the results for the lower value area. Whilst there is little planned development in this area beyond the Strategic Site, it is important to note that even with the increase in values, relative to development costs, the delivery of sites in this area is likely to remain challenging.

d. Table 10.13d includes the results for Dover. In this area, and planned brownfield development more widely, our advice is unchanged, it remains necessary to be cautious about relying on the brownfield sites to in the early years of the Plan, and the Council should only count on such sites (for example in the five-year land supply calculation) where it is confident the site will be forthcoming, for example there is a recent planning consent.

57. KCC's proposal for 20% Biodiversity Net Gain is unlikely to have a material impact on viability on those sites on which it can be delivered on site, without reducing the site's development capacity. The Council should, however, be cautious in seeking more than the national requirements on sites that require off site provision or for the development capacity to be reduced.

58. The above comments are made in the context of a very substantial increase in house prices over the last two years and significant increases in build costs. Both house prices and build costs are forecast to continue to rise and there is clearly uncertainty around both house prices

and inflation. We therefore recommend that the Council continues to monitor the situation, and if appropriate revisit viability before the new Local Plan is submitted for examination.

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HDH Planning & Development Ltd, August 2022

