

## Addendum Note 1a

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<b>Job No.:</b>	1/88 Tewkesbury Plan Viability S106 Evidence Base Addendum
<b>Note Title:</b>	Tewkesbury Plan S106 Education Contributions Viability Addendum
<b>Date:</b>	04/03/21
<b>Prepared by:</b>	Russ Porter, BSocSc (Hons), MA, GDip(QS), MRICS, Director at PPE Tom Marshall, BA (Hons), MSc, MRTPI, Associate at PPE
<b>Quality Statement:</b>	In preparing this Addendum, the authors have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information. No performance-related or contingent fees have been agreed, and there is no known conflict of interest in advising the client group about the viability of the proposed Tewkesbury Plan.
<b>Approved by:</b>	Russ Porter, Director, 04/03/21
<b>On behalf of:</b>	<b>Porter Planning Economics Ltd</b> t: +44(0)1626 249043 e: <a href="mailto:enquiries@porterpe.com">enquiries@porterpe.com</a> w: <a href="http://www.porterpe.com">www.porterpe.com</a>

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## Tewkesbury Plan S106 Education Contributions Viability Addendum

### Introduction

Porter Planning Economics Ltd (PPE) has been commissioned by Tewkesbury Borough Council (TBC) to provide a high-level borough-wide economic viability assessment to provide robust evidence that cumulative planning policy requirements do not threaten the development viability of the Tewkesbury Plan as a whole. This should be in accordance with the National Planning Policy Framework (NPPF). This work was completed in September 2019, and is detailed in the Tewkesbury Borough Plan Viability Assessment Final Report September 2019 (referred to hereafter as the 'Sept 2019 report').

At that time, the viability testing of emerging policies included the policies in the Cheltenham, Tewkesbury and Tewkesbury Joint Core Strategy (adopted December 2017) and the Pre-submission Tewkesbury Borough Plan 2011-2031 (October 2018 consultation version). At that time, an assumption for section 106 (s106) costs excluding affordable housing, was tested at £5,000 per dwelling. This was based on past evidence for s106 receipts and an expectation for the JCS Community Infrastructure Levy (CIL) to reduce its requirement compared with past s106 amounts. The tested s106 assumption was an average financial payment for facilities on the development site or off-site for the new population to utilise, such as biodiversity net gain across local and landscape scales, open space and amenity spaces covering children's play, local green space, and highways and minor transport works that may be required, etc; while CIL was a payment for off-site infrastructure that included, among other things, education contributions.

Following changes to the CIL regulations in late 2019, this position has changed, and it is now likely that both s106 and CIL can be used to secure off-site infrastructure. Consequently, because the adopted CIL rate is fixed (subject to indexation), this impacts on potential changes in the way that developer contributions are collected and is likely to have an increase in the s106 cost for delivering the infrastructure required by Gloucestershire County Council that may not have been adequately reflected in the testing of the Tewkesbury Borough Plan.

In considering the County Council's new interim position on developer contributions and their significantly higher pupil yield rates for education contributions, TBC has asked PPE to re-test the Sept 2019 report site typologies with higher amounts of S106 contributions. This Addendum to the Sept 2019 report sets out this work and findings.

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Before progressing, it should be noted that this Addendum and the accompanying appraisal results are for planning purposes only, and as such it complies with the National Framework (as documented by the NPPF and the PPG) in testing market viability. It should, therefore, be noted that **as per Professional Standards 1 of the RICS Valuation Standards – Global and UK Edition<sup>1</sup>, the advice expressly given in the preparation for, or during negotiations or possible litigation does not form part of a formal “Red Book” valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.**

### Updating Viability Assumptions

#### *Introduction*

The market evidence for sales values and building costs that informed the Sept 2019 report is now almost two years old. These two factors strongly effect the viability results of sites, with most of the other assumptions having been applied as percentages of these two key variables. It is therefore important for the TBP Examination to consider the latest evidence for sales values and build cost based on the same sources that informed the Sept 2019 work.

For sales values, the Land Registry transaction data was used in the Sept 2019 work. This is a government data source using information provided through the Valuation Office, who also provide monthly House Price Index (HPI) for all housing transactions by type for every district.

For build costs, the Build Cost Information Service (BCIS) data that is published by the Royal Institution of Chartered Surveyors (RICS) was used in the Sept 2019 work. This is a government recommended source for build costs data that also provides a quarterly tender price index (TPI) for every district.

Therefore, these two indexations will be reliable sources that are not affected by subjective interpretation for reflecting changes in sales values and build costs within Tewkesbury since the Sept 2019 work was undertaken.

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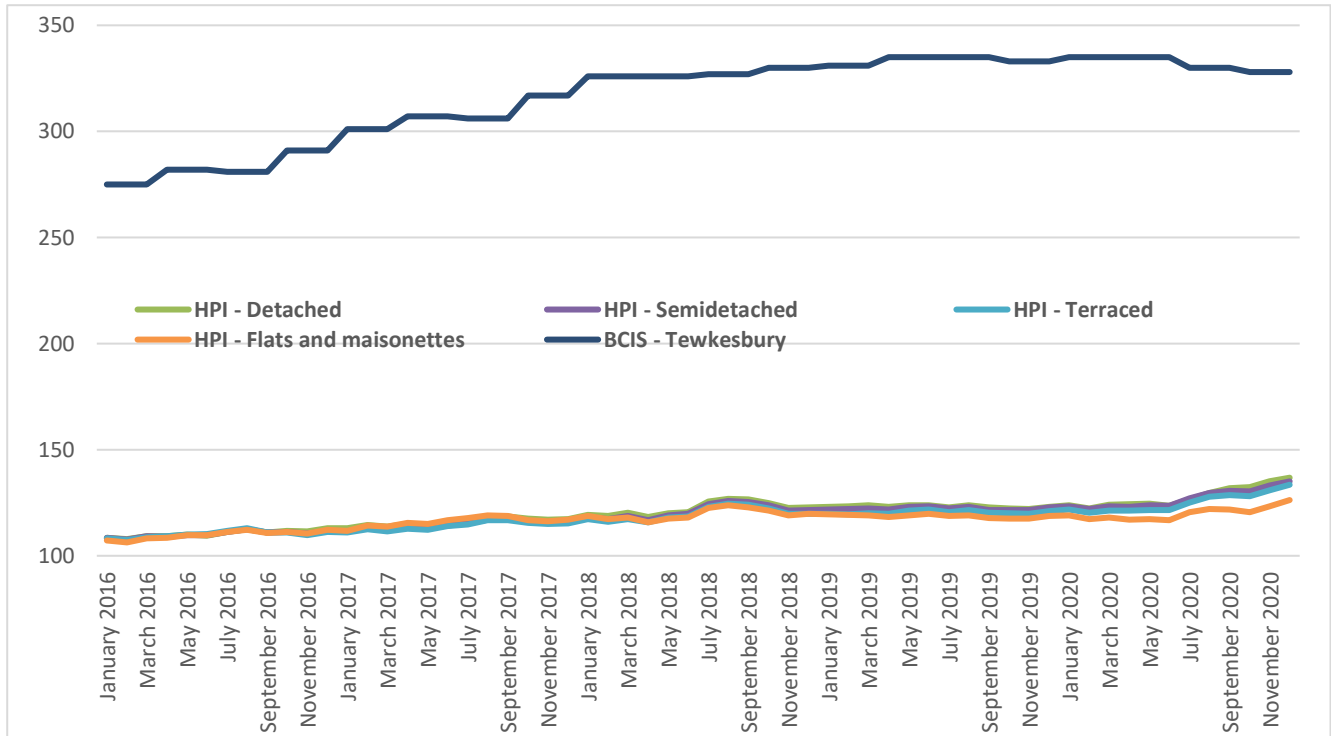
<sup>1</sup> RICS (January 2014) Valuation – Professional Standards, PS1 Compliance with standards and practice statements where a written valuation is provided.

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**Figure 1** shows how the indices for both sources (including sales value index for different housing types) has changed in recent years.

**Figure 1 Indexation of sales values by housing type and build costs**



Source: Land Registry House Price Indices (HPI) and BCIS Tender price Index for Tewkesbury

Further to this, the Council CIL charging schedule will have been updated, and therefore this needs to be updated in the viability testing of the TBP.

All other assumptions not listed here remain identical to those assumptions that are discussed and tested in the Sept 2019 report.

for sales values and building costs

### Sales Values

The Sept 2019 report Appendix C provides the transaction data from Land Registry that was used to inform the tested sales values. These sales values were categorized into low, mid and high value ward areas. The values used in the Sept 2019 report are summarised in **Table A.1**.

**Table A.1** Residential sales value psm tested in the Sept 2019 report

Value area	House	Flat
Zone 1	£3,550	
Zone 2	£3,150	£2,600
Zone 3	£2,700	

The same value data has been updated within this addendum from the date of their transaction (i.e. sold between 2016 and 2019) to the latest value (December 2020) using Land Registry House Price Index (HPI) for Tewkesbury. Overall, the HPI identifies a substantial increase in achieved sales values (by more than 10%)

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compared to the tested values in the Sept 2019 report. The updated values tested within the Addendum are shown in **Table A2**.

**Table A2** Updated residential sales value psm tested in this Addendum

Value area	House	Flat
Zone 1	£4,050	
Zone 2	£3,600	£2,850
Zone 3	£3,050	

### Build Costs

The Sept 2019 report tested residential build costs using average tender prices for new builds in the marketplace over a 15-year period from the Build Cost Information Service (BCIS), which is published by the Royal Institution of Chartered Surveyors (RICS). These figures are shown in **Table A3**. At the time of preparing the Sept 2019 report, there was a notable but unexplainable large increase in the BCIS reported build costs that has subsequently be reduced back to reflect the more likely long trend prices.

**Table A3** Tested build costs for Tewkesbury at 2019 Q2 tender prices tested in the Sept 2019 report

Build cost type	Cost per sqm	BCIS category
Flats / apartments	£1,376	Flats midpoint between 1-2 storey and 3-5 storey (median values)
Houses (medium house builder 4 to 50 units)	£1,215	Estate housing – Generally (median value)
Houses (large house builder 51+ units and above)	£1,074	Estate housing – Generally (lower quartile value)

Source: BCIS

This data has been updated in this Addendum by rebasing to the 4th quarter 2020 prices<sup>2</sup> for the Tewkesbury area, which is in line with the updated sales values. The updated cost figures are shown in **Table A4**. As this shows, the updated build costs remain the same for flats and have only very slightly changed on the houses by c.£5 per sqm.

**Table A4** Tested build costs for Tewkesbury at 2020 Q4 tender prices tested in this Addendum

Build cost type	Cost per sqm	BCIS category
Flats / apartments	£1,376	Flats midpoint between 1-2 storey and 3-5 storey (median values)
Houses (medium house builder 4 to 49 units)	£1,220	Estate housing – Generally (median value)
Houses (large house builder 50+ units and above)	£1,080	Estate housing – Generally (lower quartile value)

Source: BCIS

It should also be noted that these build costs are exclusive of external works, fees, contingencies, VAT and finance charges, plus other revenue costs, which are included at the same rates or cost as set out in the Sept 2019 report.

### The Adopted Community Infrastructure Levy

In line with the adopted Tewkesbury Borough Council CIL Charging schedule, the Sept 2019 report tested sites with CIL at:

<sup>2</sup> Build cost indexed using BCIS shows the 2020 Q4 to match a later 2021 Q1 date for build costs.

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- £104 per CIL liable sqm on typologies with 10 dwellings and under;
- £200 for sites between 11 and 449 units; and
- £35 on sites of 450 units and above.

For this update Addendum, the rate has been updated in line with the CIL regulations and indexation to the current rates<sup>3</sup>, which are:

- £107.56 per CIL liable sqm on typologies with 10 dwellings and under;
- £206.83 for sites between 11 and 449 units; and
- £36.20 on sites of 450 units and above.

### *S106 Contributions*

Some of the housing site allocations in the TBP are currently supported by planning applications or permissions for development. With the assistance of TBC, we have reviewed their related s106 Head of Terms (HoTs) to identify how these have compared with the tested s106 requirements in the Sept 2019 report. The status of the allocated sites and any agreement/discussion about their s106 contributions are summarised in **Table A5**.

Where s106 costs have been identified in **Table A5**, as is the case for twelve sites, the s106 cost (excluding affordable housing) per dwelling has ranged from £0 to £17,340 per dwelling. The average across all sites is £7,433 per dwelling, and the average across all dwellings where a s106 has been identified or agreed is £5,707 per dwelling.

Only three sites have been identified with contributions towards education services, and these ranged from £2,078 to £12,242 per dwelling. The average across all sites with an education contribution is £7,122 per dwelling, and the average across all dwellings where a s106 has been identified or agreed is £4,602 per dwelling.

The County Council's new interim position on developer contributions and their significantly higher pupil yield rates for education contributions, is suggesting that for sites where there would be a requirement for additional educational provision, the s106 contributions on these sites may be significantly more than those identified in **Table A5**. Therefore, additional viability testing of the site typologies in the Sept 2019 report has been carried out to identify how much s106 may be affordable before putting the TBP at risk of being undeliverable.

In considering this, the following s106 scenarios are tested across all site with the average s106 being at:

- £5,000 per dwelling, in line with the tested rate in the Sept 2019 report and fairly similar to the average per dwelling that is show in **Table A5**;
- £10,000 per dwelling;
- £15,000 per dwelling;
- £20,000 per dwelling;
- £22,500 per dwelling; and
- £25,000 per dwelling.

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<sup>3</sup> Sourced from: <https://www.tewkesbury.gov.uk/planning>

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**Table A5 Summary of the identified costs within s106 Heads of Terms**

Site	Status at Feb'21	Permitted date	No. of dwgs	AH	s106 (excl AH)		Educ	Notes
					Total	Per unit	Per unit	
TEW1 - Land at Odessa Farm	No app		100					
TEW2 - Land adjacent to John Moore Primary School, Wheatpieces	Commenced	31/05/2019	30	40%	£214,866	£7,162	£7,162	County was the applicant.
TEW3 - Spring Gardens	No app		0					
TEW4 - Healings Mill	No app		100					
BIS1 – Land adjacent Breaker’s Yard	Permitted	01/12/2014	450	40%	£1,356,663	£3,015	£0	Community Centre, LEAP, MUGA, POS, Sports Pitches all delivered on-site so assumed £1m for these.
BIS1 – Land adjacent Breaker’s Yard	Permitted	20/12/2018	26	35%	£252,261	£9,702	£6,762	Two figures provided for education, so used the highest figure of the two based on the s106 HoTs.
BIS2 – Land at Homelands Farm	App received		65	40%	£795,709	£12,242	£12,242	Includes up to 2,000 sqm (GIA) B1 use class and associated demolition, parking and open space.
BIS3 – Land at allotments off A435	App received		103		£0	£0	£0	
WIN1 – Land off Delavale Road/Orchard Road	No app		80					
COO1 – Land at junction of A38/A4019	App received		150		£2,433,518	£16,223	£16,223	In March 2021 there is an Appeal for non-determination
COO2 – Land adjacent to the Swan PH	Permitted	15/01/2021	25		£85,725	£3,429	£2,996	
GOT1 – Land to the north of Malleson Road	Permitted	18/02/2020	9	0%	£0	£0	£0	Given the size of the site there were no contributions on this one
GOT2 – Land to the north of Gretton Road	Permitted	21/08/2019	10	£332,000	£62,603	£6,260	£2,815	
MAI1 – Land at Bell House Farm	Commenced		33	50%	£572,217	£17,340	£17,340	
SHU1 - Land at corner of Badgeworth Lane and A46	No app		50					
SHU2 - Land north of Leckhampton Lane	No app		20					
SHU3 - Garage site at Harrison	No app		15					
TOD1 – Land adjacent to Pheasant Public House	App received		29					
WOO1 – Land adjacent to Oxbutts Caravan Park	No app		60					
BRO1 – Land adjacent to Hucclecote Road and Golf Club Lane	Permitted	10/12/2020	166	40%	£380,500	£2,292	£2,078	
BRO2 – Nerva Meadows, Gloucester Business Park	App received		406		£1,665,007	£4,101	£4,101	No heads of terms agreed. GCC have requested the amounts shown.

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### Viability Testing Results

#### Introduction

This section reviews the viability assessment findings of the updated cumulative burden of the TBP to identify and assess the risk of delivery on future housing development within the borough.

#### Tested Scenarios

Each of the typology sites in the Sept 2019 report has been subjected to a viability appraisal under the following full policy requirements (i.e. policy layer 8 in the Sept 2019 report) of the JCS and TBP:

- TBP Policy RES12 sites with 6+ dwellings including affordable housing at 40% with a mix of 75% affordable rented and social rented (split evenly between the two) and 25% intermediate shared ownership;
- S106 contributions at the £5,000 per unit;
- TBP Policy ENV2 Flood Risk and Water Management being £5,000 per house and £1,000 per flat;
- TBP Policy TRAC9 requiring a provision for electric charging points, and assuming that this applies to 50% of the total number of houses;
- SACs contribution of £1,000 per house and £500 for flats;
- TBP Policy RES13 with an assumed need for 50% of open market development achieving M4(Cat 2) access standards; and
- TBP Policy RES13 with an assumed need for 5% of affordable units achieving M4(Cat 3).

#### Viability Results

The viability results at Policy layer 8 is shown in **Table A6**, using a 'traffic light' indication as follows:

- Green colour means that the development is viable with financial headroom that could be used for further planning gain;
- Amber is marginal in that they fall within a 20% range (i.e., 10% above or below) around the benchmark land value, which implies that the sites would still be deliverable subject to a minor changes in market conditions; and
- Red colour means that a viable position may not be reached if required to be policy compliant and all other assumptions such as land value remain unchanged.

**Table A6** also shows the allocated sites that are still to come forward.

The results in **Table A6** show that under current market conditions within Tewkesbury, typologies of different sizes and land types in the higher value and mid value ward areas are still comfortably able to meet the full policy requirements of the JCS and TBP should the s106 per dwelling increase to a cost of £22,500 per dwelling or more in some cases.

The regeneration sites (RET9) within the mid value ward areas would find it difficult to meet the full policy ask and s106 costs, but that partly reflects the need for intervention, hence being regeneration sites. Also, the smaller sites within lower value areas also struggle to meet the full requirements of the TBP including s106 at an average of £5,000 per dwelling. It would be these sites where the flexibility in planning policies will need to provide some flexibility for the TBP policies to remain suitably aspirational and deliverable across the bulk of sites.

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Allocation site BRO2 is shown to be viable based on the standard rate of s106, as identified for permitted sites, but beyond this, it may struggle to come forward if its sales values reflect the lower value area average for sales values. However, this site currently has a submitted application for 166 dwellings.

Lastly, based on its allocation capacity for 50 units, site COO1 is shown to be unviable at full policy requirement, including a s106 based on the standard rate of s106, as identified for permitted sites. However, this site has an application at an Appeal stage for 150 dwellings, which provides some sign that there is potential to deliver this site.

### Conclusion

On this basis of the revised testing with various sensitivity testing of the s106 amounts, the Borough Council should have confidence that the full Pre-submission TBP policy position remains deliverable. This is based on the bulk of TBP allocated sites being able to come forward during the next five years and beyond with an increased s106 requirements of up to £22,500 per dwelling on average to pay towards education contributions.

The exception to this may be some sites within the lower value areas where viability may remain a problem, as previously reflected in the Sept 2019 report. But in this regard, there may be no or little requirement for additional s106, including no education contributions on sites within areas where the local infrastructure can absorb their impacts.

As advised in the Sept 2019 report, the retesting of the TBP policies has identified that there will need to flexibility within some policy areas for some sites within the lower value banded areas and within the regenerations sites that fall under policy RET9.



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**Table A6 Viability at full Policy layer 8**

App ID	Typology	Proxy for site allocation ref (and dwg no.s)	s106 @ £5k	s106 @ £10k	s106 @ £15k	s106 @ £20k	s106 @ £22.5k	s106 @ £25k
1	4 units Brownfield - Zone 1							
2	6 units Greenfield Rural Parish - Zone 1							
3	15 units Greenfield - Zone 1							
4	15 units Brownfield - Zone 1	SHU3						
5	30 units Greenfield - Zone 1	SHU2						
6	50 units Greenfield - Zone 1							
8	4 units Brownfield - Zone 2							
9	7 units Greenfield Rural Parish - Zone 2							
10	30 units Greenfield - Zone 2	BIS2 (has application for 25 dwgs)						
11	40 flats Brownfield – Zone 2	RET9 regeneration site						
12	50 units Greenfield - Zone 2	WOO1						
14	100 units Greenfield - Zone 2	WIN1, TEW1, BIS3 (has application for 103 dwgs)						
15	100 units Brownfield - Zone 2	TEW3 (has application with 0 dwgs), TEW4						
16	4 units Brownfield - Zone 3							
17	9 units Greenfield Rural Parish - Zone 3							
18	15 units Mixed - Zone 3							
19	20 units Greenfield - Zone 3							
20	50 units Greenfield - Zone 3	COO1 (has application for 150 dwgs at appeal)						
21	100 units Greenfield - Zone 3	BRO2 (has application for 166 dwgs)						
22	130 units Greenfield - Zone 3							
23	Shurdington	SHU1						
24	Toddington	TOD1 (has application for 25 dwgs)						

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**End**