

Viability Assessment for: Chiltern & South Bucks District Councils

To inform the Emerging Local Plan 2036 & Community Infrastructure Level Charging Schedule

PRELIMINARY REPORT
- November 2018

DSP17526

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Preliminary report prepared for the purpose of informing the Chiltern and Souths Bucks proposed Community Infrastructure Levy Preliminary Draft Charging Schedule, and emerging Local Plan work - using viability assessment assumptions suitable for this purpose. This report not to be used for other purposes and does not for example pre-determine or directly inform any site-specific level viability discussions.

1. Introduction – context and purpose

- 1.1.1 Chiltern and South Bucks District Councils (CDC & SBDC) appointed Dixon Searle Partnership (DSP) to provide a Viability Assessment – as a part of the evidence base being gathered to inform and support the Councils’ development of a new strategy and policies for the emerging joint Chiltern and South Bucks Local Plan (LP) 2036 and an accompanying Community Infrastructure Levy (CIL) Charging Schedule.
- 1.1.2 ‘Viability’ in this sense means the financial health of development, so that the assessment is all about the strength of the relationship that is available between the completed development (sale) value and the development costs; and how the strength of this relationship varies across a range of development types, host site types and locations – all bearing in mind the types of sites and schemes expected to come forward here to support the emerging Local Plan overall, and the local characteristics (as above, across both districts, but viewed through this single, joint assessment).
- 1.1.3 The requirement to consider viability stems from the National Planning Policy Framework (NPPF) 2018 which says on *‘Preparing and reviewing plans’ at para 31: ‘The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.’ NPPF para 34 on ‘Development contributions’ states: ‘Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.’* [Note: all italic text sections of our reporting are quoted extracts from the stated document.]
- 1.1.4 The updated national Planning Practice Guidance (PPG) also published in July 2018 on ‘Viability’ provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The PPG also has a *‘Community Infrastructure Levy’* section, last updated in March 2018, which for some time now has contained the national guidance on CIL. The guidance

opens by noting that the levy *'is a tool for local authorities in England and Wales to help deliver infrastructure to support the development of the area.'*

- 1.1.5 The nature of the CIL and the way that it is charged is prescribed by the CIL Regulations (as updated 2014). It may be charged on development which creates net additional floor space, on a £/sq. m (pounds per square metre) basis, although there are a range of development types that do not pay the levy (including social housing that meets the relief criteria set out in the Regulations. So a local authority that becomes a charging authority has to apply the charging principles in the prescribed way. However, the authority can, using local evidence, set CIL rates that are varied (i.e. 'differential rates') by geographical zone, type of development use and/or scale of development (PPG CIL guidance para 021).
- 1.1.6 We will pick up further on the CIL guidance below, providing relevant context for considering development of the charging proposals, commencing with this particular stage of reporting – informing the first stage of CIL consultation.
- 1.1.7 The new Local Plan will set out policies used to determine planning applications, site allocations or proposed new development (e.g. housing or employment) and broader land designations (e.g. Green Belt areas). It will replace the adopted development plan documents comprising the
- Chiltern District Local Plan (1997)
 - Chiltern District Core Strategy (2011)
 - South Bucks Local Plan (1999) and
 - South Bucks Core Strategy (2011).
- 1.1.8 The Councils will prepare a joint policies map as part of the new plan.
- 1.1.9 DSP has been working with the Councils since 2016. We produced initial information as part of the Council's first stage review of potential Green Belt Options sites.
- 1.1.10 A highly experienced consultancy in the field of local authority development viability, DSP's key consultants have been centrally involved in viability matters for Councils across the Country since the outset of viability being a regular plan-making

consideration – over 15 years ago. We have completed a large number of assessments for authorities having very varied local characteristics, with experience typically running through from study inception to examination of the policies. This experience also includes work carried out in other areas of Buckinghamshire and the wider region. Our latest experience includes support to local authorities at Local Plan examination stage, within the last 12 months.

- 1.1.11 We are familiar with the principles of CIL, how it influences viability and interacts with affordable housing policies - as another significant part of the collective cost of development; and particularly given that it is a fixed, non-negotiable element that acts as a top-slice from the development proceeds. Setting it at a rate or rates that are too high could place too much additional viability pressure on achieving affordable housing or other policy objectives. We have longstanding experience of CIL viability, having been closely involved in this area since its inception – around 8 years ago.
- 1.1.12 In the run up to the current stage there have been two previous consultations stages. Between January and March 2016 the Councils carried out their Initial (Regulation 18) Consultation Incorporating Issues and Options on the emerging Local Plan. That informed the Councils' preparation of a 'Preferred Green Belt Options' consultation which ran between October and December 2016, as part of considering sites to be taken forward in the Local Plan in order to help meet development needs.
- 1.1.13 Neither Council has a CIL in place and both are considering this for the first time, continuing for the time being to rely on s.106 for securing planning obligations to provide infrastructure to mitigate the effects of and support new development.
- 1.1.14 With evidence continuing to be assembled and reviewed to further inform the ongoing development of the emerging plan, the Councils have decided to progress at the same time with a consultation on the Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule (PDCS). There will be a further round of consultation on a CIL Draft Charging Schedule (DCS) for before the Charging Schedule is considered at an independent examination. The Councils seek to put a CIL in place (also on a joint basis covering both districts) alongside the plan to support it by contributing to the provision of infrastructure associated with the planned development.

- 1.1.15 Therefore, whilst reviewing viability to inform the development of new LP policies, in addition the Councils also sought DSP's advice on the viability potential to implement a CIL to support the development set to come forward under the new Local Plan. Initial indications of the likely viable CIL charging level(s) or parameters were sought, potentially varying by type and / or location and, vitally, considered in the context of the collective costs of development. This means considering viability at a high level as appropriate to considering CIL principles but taking account as far as possible at this stage of the emerging policies set i.e. cumulative policy costs that are likely to influence development viability outcomes under the new plan. Of these policy costs, affordable housing (AH) is invariably the single area that influences outcomes most. Other areas considered include housing and other standards/specification i.e. relating to potential policy areas such as space standards, accessibility and sustainability.
- 1.1.16 Providing information on the potential to introduce a CIL from a viability perspective has therefore become the main focus for this current viability assessment and reporting stage. Accordingly, this report draws on our work to date to provide information for the Councils' use in preparing their Preliminary Draft Charging Schedule (PDCS) for consultation proposed for November - December 2018. We understand the Councils aim to progress a CIL in tandem with the Local Plan and so this stage aims to commence and then contribute to inform their ongoing work, with the benefit of the further consultation also feeding in to progressing these two. The PDCS is described within the guidance (para 028) as: *'a document which sets out the charging authority's initial proposals for the levy, for public consultation. The authority must take into account the comments it receives when firming up its proposals in the form of a draft charging schedule. This document then goes forward for examination.'*
- 1.1.17 With the Councils working together towards a joint local plan and supporting CIL based on a common evidence base, this assessment covers both districts but considers the range of characteristics influencing development by locality and site type as relevant across the area viewed as a whole. Therefore, this preliminary reporting of work in progress on reviewing viability uses a common, broad assumptions set and appraisals.

- 1.1.18 The CIL guidance (PPG CIL para 018) notes: *‘Charging authorities will need to summarise their economic viability evidence. The evidence should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the economic viability of development across the authority’s area.’*
- 1.1.19 There is a two-way process between this and other evidence and the developing policies and proposals. The available information informs assessment assumptions and the reviewing then feeds back into further policy development. At this stage, whilst there is a reasonably clear direction of travel in respect of new Local Plan priorities and emerging policies (as are reflected in the assessment approach and assumptions to date), we must acknowledge that a range of matters that potentially influence viability could change. Moving on from this current stage, we envisage that continued reviewing, refining and most likely updating will be necessary at least to some degree; further evidence building and checking as more information on the emerging plan and policies is settled.
- 1.1.20 On this basis, it is likely that the assessment detail and findings will continue to be provided to the Councils by way of a single set of reporting covering both districts, as it progresses from this stage.
- 1.1.21 This assessment addresses development viability only – i.e. the financial scope or otherwise to support a range of LP policies and development costs, collectively. Accordingly, the 2 streams above, LP policy and CIL, need to be looked at together in viability terms – these cannot be separated.
- 1.1.22 However, this means that inevitably there is a significant element of circularity involved while at the stage of considering variations to both; and potential combinations of the two. Our approach to seeking to move away from this circularity and beginning to inform the CIL charging scope for this current stage has been to use the emerging policy headlines on matters such as affordable housing proportion (headline 40% AH) as base assumptions. This ensures as far as possible at this stage that a CIL would be set with the intended policy set in mind. This is also consistent with considering the fixed, non-negotiable nature of a CIL in a way that ensure it is not set at the margins of viability; prudent assumptions are made.
- 1.1.23 This approach is consistent with:

- Our understanding that affordable housing is a top priority of both Councils, informed first and foremost by evidence of need, and;
- The fact that invariably (throughout our work across many LA areas) it is the affordable housing policy that typically has the most impact on viability other than the strength of the market itself (the whole basis of the policies and assessment assume suitable market conditions, without which development would not come forward in any event).

1.1.24 Viewed in a “LP policies first” way, it will generally be easier for the Councils to consider where scope also exists for CIL, and at what potential level(s). Then any necessary compromises or perhaps options for potential policy and CIL combinations may also be considered. Initially, this also makes the consideration of potential CIL charging scope similar to a situation where there is a firm up to date LP policy basis on which ultimately the CIL proposals must be based as they are moved towards examination and inception. The approach means that at this stage, with those reflective assumptions in place, the main variable under review is the sales value level likely to be achieved by new development. Set out in this way, it should be possible for the Councils to more clearly consider the scope for CIL and how that could vary (again potentially subject to further review in due course).

1.1.25 Although as in most cases the development growth emphasis will continue to be on housing and the other uses and infrastructure to support that, the assessment at this stage begins considering the viability of commercial and non-residential development because a CIL is relevant to all development types.

1.1.26 Moving on with the assessment, the review scope will expand to more specifically review likely viability relevant to the location and scale of development associated with the proposed release of greenbelt / predominantly greenfield based and residential-led larger scale developments that are intended to be key in underpinning the overall LP delivery of growth.

1.1.27 At the point of commencing this work and reporting the Councils our emerging findings, the content of a new National Planning Policy Framework (NPPF) and associated guidance (including Planning Practice Guidance (PPG) updates) were awaited.

- 1.1.28 Whilst we had to work with what we knew at those stages, for review work to July 2018, the publishing of the new NPPF and accompanying updated PPG section on 'Viability' on 24th July 2018, as noted above, means that the latest phase of assessment work running to October 2018 has been prepared in the context of the new NPPF and updated 'Viability' Planning Practice Guidance. Review of these publications reinforces the appropriateness of the approach that we are using here to reviewing viability for CIL and plan making purposes. There are certain aspects of detail that have been firmed up through the guidance and that we have been able to reflect within this review stage. These include further consideration of land values based on the established and now confirmed 'existing use value plus' (EUV+) principles, and developers profit levels. We refer back to the new viability guidance as appropriate at this stage, and subsequently revisit that detail on the subject of 'Plan Making' as the assessment progresses further. As noted above, with those principles also operating behind CIL viability, at this stage we will draw more on key points of relevance within the CIL guidance.
- 1.1.29 In our view, however the provisional CIL proposals settle ready for the initial consultation, the details of the Councils' charging proposals may well need to be considered further in due course. The same could also apply in respect of the emerging Local Plan policies and particularly because those could be further influenced by a range of Government initiatives aimed at expanding the range and role of affordable home ownership, private sector renting, self/custom build and so on. There are some policy areas that will need to settle and potentially be explored further in the context of both Local Plan and CIL viability.
- 1.1.30 Viability is not the only factor. In all cases Councils also have to consider the needs justification for infrastructure and policy requirements, and not just viability. In considering this picture, viability is effectively an opposing tension to the need for affordable housing, infrastructure and any locally specific development standards that the Councils are looking to implement. Para 019 of the PPG CIL guidance includes the statement that: *'The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance between the need to fund infrastructure and the potential implications for the economic viability of development across their area.'* Para 008 of the guidance also refers to striking this balance between the *'desirability of funding infrastructure'* and potential viability impact.

1.1.31 At the point of finalising this report, it is also worth noting that the Ministry of Housing, Communities and Local Government (MHCLG) has now published the '*Government response to supporting housing delivery through developer contributions.*' (October 2018). There has been insufficient time with this document (available 29th October 2018, at the point of the Budget Statement) to take on board the detail, and of course further detail and confirmations will now be awaited. However, the Councils will be able to consider how the Government's direction of travel may influence their proposals, and perhaps in particular on how a CIL and s.106 may work together in future

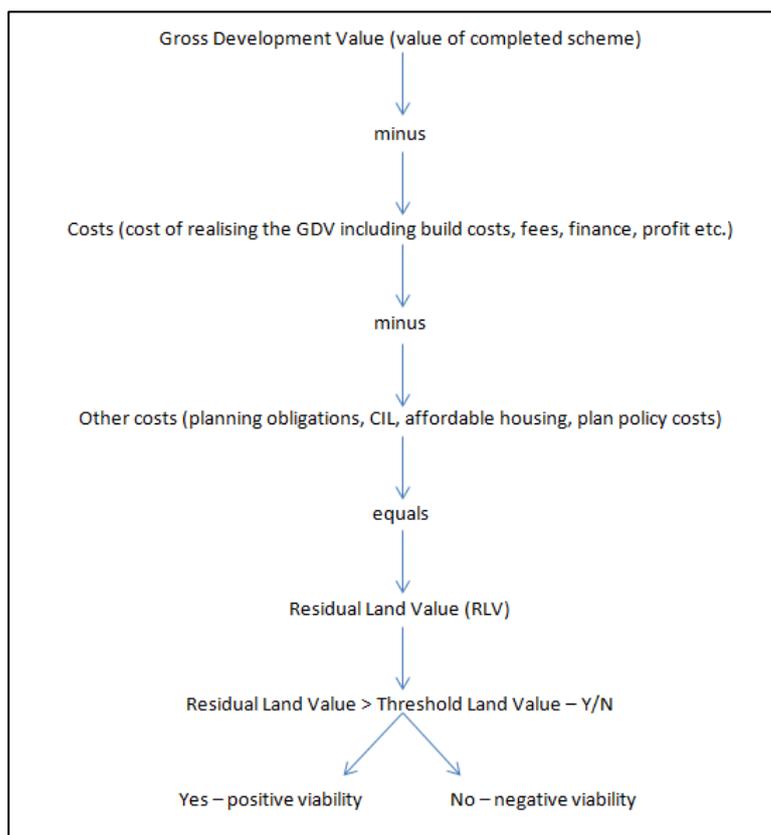
2. Assessment and approach - outline

2.1 Current stage viability assessment

- 2.1.1 Again, the emphasis here is on assessment work developed to the point of beginning to inform the Councils' approach to their CIL charging proposals. This is having taken account of the likely Local Plan (LP) affordable housing (AH) and other policy requirements as tested using variable assumptions– i.e. July 2018 results as presented at Appendix IIa and, building on the earlier work, now using our latest appraisal sets results (as per Appendix IIb).
- 2.1.2 Those latest results (as at Appendix IIb) consider the sensitivity of the appraisal RLVs and therefore the potential viability outcomes to a wider range of potential sales values (GDV) assumptions but based on applying the likely emerging LP AH % policy and other requirements in each case, as well as the provisional residential (C3) CIL charging rate at £150/sq. m based upon the earlier assessment work.
- 2.1.3 The CIL Charging Schedule needs to set a rate for each type of development (Therefore the assessment, also encompasses other forms of development. Appendix IIc displays the results of the scenario tests for which initial sets of full appraisals were carried out to inform the Councils' provisional approach to CIL charging on commercial/non-residential development. This has the purpose of informing the CIL proposals and, using the information gathered and prepared for that purpose, also feeds in the LP work. However, typically we add the full detail of this as the assessment develops beyond the current stage given that any Council level LP policies (or modest CIL charge, if applicable) are unlikely to materially impact development viability. There is, for example, no equivalent of affordable housing policy that has such a significant impact. Councils' scope of influence on the viability of such schemes through usual development management policies is essentially very limited.
- 2.1.4 For a wider range of uses where typically the developments costs, or the build costs alone in some cases, are expected to be larger than the development value, we can expect to see poor viability outcomes – an extended range of negative results. However, as above, a balance between the desirability of infrastructure provision and viability needs to be struck. We are aware that the Council has been considering this and proposes to put forward a nominal/low CIL charge across a wide range of typically less viable uses as part of addressing this. We understand that this could be

proposed within the PDCS by CDC and SBDC at a level between the lower end trial rates of £25-50/sq. m. More on this follows below.

2.1.5 The assessment throughout is undertaken using well-established principles and methodology. The strength of the value/cost relation is tested using a great many development appraisals that use the residual valuation technique. This involves assessing the financial sum that may remain (hence ‘residual’) available for land purchase after all the assumed development costs (including reasonable developer’s profit) have been deducted from the estimated development sale proceeds (often referred to as the gross development value (GDV)). Whether the residual land value (RLV) is likely to be sufficient to secure the release of a variety of site types (i.e. sufficiently incentivise release by landowners for development) is then considered. This is done by using benchmark land values (BLVs) or similarly termed ‘viability tests’ against which the appraisal RLVs are compared.



- 2.1.6 The BLVs (viability test levels of land value) and how they have been derived are shown at the foot of the results tables and used to “filter” the RLV £/ha results accordingly – i.e. to assess their relative strength against the range of BLVs. The BLV levels have been selected using the latest available MHCLG ‘Land Value Estimates for Policy Appraisal’ document (2017; published May 2018) for various land use types and relating to the principles of “EUV plus”. Overall, the BLVs range from £100,000 to £4,487,400/Ha.
- 2.1.7 The appraisals are based on a range of scenarios that are considered sufficiently representative of typical development types expected to come forward in the two districts (i.e. relevant development ‘typologies’). This involves making a wide range of carefully considered assumptions, used as the appraisal inputs, supported by experience and research.
- 2.1.8 This is consistent with the CIL guidance which notes (PPG CIL para 019) that: *‘A charging authority should use an area-based approach, involving a bread test of viability across their area, as the evidence base to underpin their charge.’ It must use ‘appropriate available evidence’ with the Government noted to recognise ‘that the available data is unlikely to be fully comprehensive.’*
- 2.1.9 In the same para 019 the guidance goes on to make associated points and states: *‘A charging authority’s rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism.....’*
- 2.1.10 Key sets of tests (groups of appraisals) then help us to consider the influence on the RLVs (and therefore on viability) of changes to key factors such as sales value, varying affordable housing content and varying CIL trial rate.
- 2.1.11 Other sets of the earlier sensitivity tests (results within Appendix IIa) were also supplied to the Councils at emerging findings stage to help inform policy development on the likely available viability scope or otherwise to support other policy areas such as on the access to and use of buildings (“accessibility”) e.g. Building Regulations M4 (2) & (3), and the potential application of other optional increased levels of building specification - reflecting optional increased national housing /

technical standards such as relating to dwelling sizes, energy and water usage efficiency, etc.

- 2.1.12 The currently included developing version of Appendix I supplied with this preliminary report remains subject to review as the assessment progresses. However, this summarises the assumptions used to date, both for the earlier tests (re LP & CIL) and the latest (primarily CIL related) tests. As we build this type of assessment and go on to both further test and inform Local Plan elements as well as the further development of the CIL proposals, we find that it is usual to modify this after checking and any updating, and so refine aspects of Appendix I and indeed all the other information. While appropriately all at a high-level, this is with a view to keeping the work and presentation of it as topical as is practically possible (bearing in mind that assumptions for the great many base appraisals need to be set at a point in time to allow the modelling process to proceed).
- 2.1.13 Appendix III contains the wider economic / market and local property market and values context, together with an outline of the stakeholders' survey consultation process. This takes some time to assemble fully and is built up and kept under review as we progress such an assessment. At this stage we are providing our current content version to provide the recently updated background to the values assumptions – range of value levels (VLs) tested.
- 2.1.14 Subsequent to this, combined with ongoing review and settling of this work in general, we expect the next stages will include more specific (although still relatively high-level) assessment of the larger / strategic (e.g. greenbelt preferred options) sites to be put forward as proposed key LP allocations. Smaller sites to be allocated or likely to support the LP supply more generally will continue to be represented by the current stage typologies-based policies assessment, potentially though subject to review of those - to ensure that they continue to sufficiently represent the nature and spread of sites likely to come forward under the new Local Plan and be subject to CIL charging and / or other planning obligations (s.106).

2.2 Scope of appraisals for CDC & SBDC viability review - residential – Affordable housing and other policies

- 2.2.1 Each RLV outcome within the results tables has an appraisal behind it – i.e. within Appendix IIa, IIb (residential typology tests – sets 1 (earlier) and 2 (latest); and IIc (commercial scenario tests).
- 2.2.2 In case the RLV is shown expressed in £ per Hectare terms (RLV £/Ha) as used with the BLV comparisons (generally the colour-shaded results tables sections), and as a sum (RLV - £).
- 2.2.3 The following sections outline the key areas of the testing and any particularly relevant points to draw out for CDC & SBDC. The testing has been carried out across a range of value levels (VLs) representative of varying new-build sale prices likely to be seen by varying location across the 2 districts. Moving from the first appraisals (Appendix IIa as used for exploring a range of policy impacts and CIL trial rate tests), the later set (IIb) review the combination of the likely policy set with the PDCS proposed charging rate of £150/sq. m. For the later set we expanded the range of value levels (VLs) used, as part of considering that as the main variable with those other key influences assumed fixed.

Affordable Housing (AH)

- 2.2.4 In case the RLV is shown expressed in £ per Hectare terms (RLV £/Ha) as used with the BLV comparisons (generally the colour-shaded results tables sections), and as a sum (RLV - £).
- 2.2.5 Necessarily the assumptions have been set and appraisals carried out based on the current understanding of affordable housing need and provision sought locally (i.e. assuming a mix of 80:20 in favour of rented homes over shared ownership – source: latest available HEDNA information (2017) which shows the same mix needed for both Council areas. In terms of the exact nature and mix of affordable housing, or indeed wider elements of the overall housing mix, these will be updated when the emerging LP reaches the Reg 19 consultation stage.

- 2.2.6 At this stage, we are working on the basis of national policy (as confirmed in the NPPF 2018) and therefore that the Councils AH policy threshold (trigger point) may well be at 10 dwellings (5 dwellings in the AONB).
- 2.2.7 For this reason, the current testing scope includes smaller sites that might be relevant for an AH £ contributions approach here. At this stage, we are providing the wider information for the Councils' information.
- 2.2.8 The AH rental and revenue assumptions used are noted within Appendix I.

s.106 and Community Infrastructure Levy (CIL)

- 2.2.9 A key aspect for the Councils moving ahead could be the relationship between CIL and s.106, and how these are best used to support the plan. The above mentioned Government response October 2018 on the recent Developer Contributions consultation might be influential on this.
- 2.2.10 The earlier stage appraisals (Appendix IIa results) included the review of trial CIL rates at between £0/sq. m and (£250/sq. m) – across a range of VLs. For the later set (IIb) as noted the CIL rate assumed was a mid-range £150/sq. m i.e. 60% of the highest test
- 2.2.11 It is important to note that within all appraisals to date at both stages (scheme typologies up to and including 100 dwellings) alongside the CIL trial rates testing a site-specific s.106 contingency at £3,000/dwelling (cost applied to all dwellings) has been included.
- 2.2.12 This assumption is not intended to prescribe, limit or even guide the Councils' approach(es) on s.106 and / or CIL but it simply reflects DSP's experience that whilst CIL was initially set up to almost entirely replace s.106 (except for use to secure AH) in most cases we have seen charging authorities continue to use a blend of CIL and s.106; or at least continue to use s.106 to some extent. The Councils may be able to provide detailed monitoring type information that informs a different level of s.106 to be more relevant in due course, but the key presently is to bear in mind that the £3,000/dwelling is allowed for in addition to the stated trial CIL rate, as a contingency and a part of ensuring a CIL not set to the margins of viability. Should the Councils settle an approach that is sure to require a lower or nil s.106 cost alongside CIL, then unless other policy or scheme costs currently unaccounted for come into play, it

could be considered that some of all of this contingency might be available for “allocating” to other purposes.

2.2.13 DSP’s experience is also that the largest sites, and especially strategic sites in terms of overall LP relevance, tend to continue to rely on or mainly on s.106 and are often nil-rated or low-rated for CIL purposes (usually based on a geographical zones approach). This is because of both a need to continue reliance on s.106 from a viability point of view (as the site-specific development mitigation and infrastructure requirements can be so costly – e.g. new school provision, road links etc.) and also as most suit that approach anyway (for flexibility and direct control over related infrastructure provision).

2.2.14 To date, we have undertaken only some initial exploratory background appraisals work on a larger site typology. After using a £20,000 per dwelling s.106 cost assumption (which is likely to be reasonably representative in our experience) alongside typical enabling/siteworks/infrastructure costs, the indications are looking likely to be consistent with our above noted wider experience of larger/strategic sites viability.

Specialist Housing – Elderly (and potentially including a % of that within some larger schemes)

2.2.15 There is a significant difference between homes built where there is an age threshold for the residents and accommodation for people with specialist medical care. The first are self-contained homes where there maybe some communal areas, the Council has indicated that any self-contained unit would be considered as C3 self-contained dwellings. The second type is nursing and care homes where the accommodation is not self-contained, and there is a 24 hour on-site medically trained staff. These would be considered as use class C2.

2.2.16 Through the assessment DSP has looked at sheltered (retirement) housing as a part of the wide spectrum of C3 developments, but which requires bespoke assumptions including different values, build costs and net to gross floor areas (see Appendix I). Form all DSP previous experience to date, this however, does not tend to warrant a different approach in terms of either LP policy requirements or CIL charging rates.

2.2.17 We are also been looking at Care Home type use envisaged as firmly within C2. This is treated as one of the non-residential development typologies tested (results at Appendix IIc) and our results (emerging findings on this as well as on other development types) are considered below. The main purpose of including it within the viability assessment is to inform consideration of an appropriate CIL charging rate or rates in due course.

Adaptable housing – accessibility (Building Reg.s M4(2) & / or M4(3))

2.2.18 Again, Appendix IIa Tables 1j and 1k show through reducing RLVs the progressive impact of an increasing proportion of the affordable housing included as M4(3) compliant, with the (consequently decreasing) remainder (all other AH and all market dwellings) assumed to meet enhanced requirement M4(2). The results from the many variations (based only on DSP’s appraisals scope and again not prescriptive in any way) are at this stage provided for the Councils information – aimed to help inform policy development. The results from the combinations tested (on a “best fit” basis given the assumed dwelling numbers and mixes) may be compared with each other and with the base results that exclude these additional requirements (i.e. all dwellings to base Building Reg.s only – optional higher standards within M4(2) and (3) excluded).

Self-build / custom-build

2.2.19 We have not looked at this specifically for Chiltern and South Bucks yet. However, from recent and current high-level review work undertaken for other assessments, emerging signs are that providing a small proportion of serviced plots for self/custom-build opportunities within larger developments should prove to be a sufficiently profitable exercise to be workable in viability terms as part of a development. The activity of buying, servicing and selling plots ready for development is not expected to be unduly onerous from what we can see. This has not been specifically included as an assumption at this stage for the emerging LP review; it could be sensitivity tested (sample basis) with a particular approach in mind (brief for appraisals).

Other standards – housing / technical

2.2.20 The Nationally Described Space Standard has been assumed to be met across all dwellings within all tests, as has a maximum water consumption not exceeding 110-125 litres per person per day (these do not provide a detectable “drag” on viability bearing in mind that the former is more of an early stage site planning issue and the latter adds very little cost). This does not mean that these standards need to be specified in the Local Plan. If they are to be, however, as well as this emerging evidence on viability the Councils will need evidence of the need to require these and any other requirements that seek enhancements over building regulations, for example. This principle applies to all optional / enhanced standards.

2.2.21 Likewise, the assumptions made so far within the M4(2) & (3) additional sensitivity tests for the provision of electric vehicle (car) charging points are just that. Our view is that the costs assumed by DSP for this (at £500/dwelling in the earlier appraisals set) may overstate actual costs and particularly if the Councils envisage a lower ratio of domestic type installations.

2.2.22 DSP continues to make a contingency allowance at (addition of) 2% base build costs. This is included to represent the meeting of Building Regulations requirements for carbon emissions reduction – currently equivalent to the level of former Code for Sustainable Homes level 4. At this stage it is not known whether the Councils intend to promote policies that require or aspire to higher energy efficiency/carbon reduction standards being met.

Stakeholders’ survey consultation

2.2.23 As part of the review process and alongside DSP’s information review and own research, a consultation survey has been issued to a wide range of local development industry stakeholders (including strategic site promoters), to help inform some of our study assumptions e.g. residential sales values, land values, build costs etc. A bespoke consultation has also been carried out with affordable housing providers operating in the area.

2.2.24 The consultation survey for both the development industry stakeholders and affordable housing providers were provided to the Councils for distribution via email

and contained a short introduction explaining the project scope and the type of information requested, whilst also noting the commercial sensitivities involved. The consultees were asked to return their completed surveys within a 3-week timescale, although we continue to accept information as the project progresses.

2.2.25 In total 135 development industry stakeholders were contacted and to the point of reporting we had received 16 positive responses, representing an overall response rate of approximately 13%. In our experience, a limited response rate is not unusual for this type of process, mainly due to the range of sensitivities and aspects involved (acknowledged by DSP) throughout the process. The content and fullness of these responses varied in terms of the information provided with some simply providing general comments and others specifying specific assumptions or commenting on the table of assumptions as set out by DSP. Most of those specific assumptions related to sales values of residential development and represented a range from approximately £400/ft² - £500/ft² which at the earlier staged helped inform (alongside other extensive market research) a part of our overall Value Levels (VLs) range. Subsequently, we have extended upwards the overall range of VLs considered – as noted above and as are known shown within Appendix I and related to the Appendix IIb results.

2.2.26 Of the Affordable Housing Providers contacted via the Council, at the same point we had received 2 no. positive responses with completed surveys. As above, the limited number of responses here is again not unusual in our experience - for the same reasons as above, due to commercial sensitivities.

2.2.27 In addition to the above, during the course of our market research analysis (as set out in the draft Appendix III), we also contacted a number of local estate agents, inviting them to provide a general overview of the residential market. Although demand remains strong for some property types e.g. 3-bed houses, the general consensus was that the residential market has remained fairly static over the last year or so and, in the main, thought to be caused by the uncertainty of Brexit and the resultant caution some buyers have been taking before committing to a purchase.

Information sources and review

2.2.28 Primarily, the information used has been obtained and assembled from well-recognised sources, which are also freely or readily available in the main and therefore open for further review or the application of indexing or similar. In our experience this provides a suitable and robust approach for the purpose here, and importantly it means that the Councils could further update / review elements of the assumptions over time – for example as the market moves or as development patterns / policy emphasis or similar influences change.

2.2.29 The key information sources that are included within Appendix (III), especially as finalised in due course, as noted above, are likely to include:

- Land Registry (sold prices, as adjusted for timing; and average house price trends – house price index (HPI));
- Range of web-based property search/values resources – such as Zoopla.co.uk and rightmove.co.uk;
- EPC (Energy Performance Certificates) register for review of property sizes – in conjunction e.g. with Land Registry data (latter not property size based);
- Specific research on local new-build property prices – new developments being marketed/sold at the point of review;
- Royal Institution of Chartered Surveyors' (RICS) market reporting;
- Research/market reporting, where relevant, by independent property consultancies (such as Savills, Knight Frank etc.);
- BCIS – the Building Cost Information Service of the RICS;
- Co-Star sourced commercial property information;
- Summary of stakeholders' consultation process (n.b. this is typically left open still running, with any available further input still invited and welcomed).

2.2.30 To supplement this, DSP also referred to / sought information from:

- Locally involved property agents – by way of email and/or telephone discussions in response to DSP's questions about the local market and variation within it (as summarised above);

- Experience of and guidance generally on viability testing / assessment (e.g. on principles, good practice / typical viability appraisal approaches and some indicative guidance on appraisal inputs) such as is available from sources including:
 - The Sir John Harman Chaired Local Housing Delivery Group Report June 2012 – ‘Viability Testing Local Plans - Advice for Planning Practitioners’;
 - RICS Guidance Note GN94/2012 – ‘Financial viability in planning’;
 - The national Planning Practice Guidance (PPG) and latterly as updated March 2018 on CIL and July 2018 on Viability – flowing from the requirements of the National Planning Policy Framework (NPPF), although with the NPPF (July 2018) no longer containing the old key criteria on viability that were set out at former version para.s 173 and 174 (re willing land owner and willing developer).
 - MHCLG information on land values
 - Experience in practice, and range of variable information from planning appeal proceedings and outcomes – again noting that all sites and cases are different.
 - As above, anything that might be gleaned from, or at least topically referred to, re the Government’s planning and housing reforms.

2.2.31 Together, this informed a 2 districts-wide view of values and other information appropriate to this level of review. This research is outlined in our current version Appendix III. It is important to note that our practice is to consider a range of readily available sources to inform our up to date independent overview; it is not reliant on historic data or on particular scheme comparables. As always with this type of work, it is not an exact science at all. We find that the judgements that are necessary are best informed by the review of a range of sources wherever possible; and looking for information that is broadly shared by those – common themes and indications. This is consistent with the principles on the use of and provision of ‘appropriate available evidence.’

2.2.32 In all respects, and as noted through discussions, DSP invites the Councils to consider whether the information and findings reflect their local knowledge and experience or views / expectations; and to identify and feedback any potentially mismatching areas – for further discussion and consideration.

2.2.33 It should be noted that when considering sold prices data generally the majority of recorded sales will generally be within the existing (second hand) market. New build

properties are typically sold at a market premium, when analysing values on a £/sq. m basis. The new build premium can be very significant.

2.3 Outline of scope of appraisals for CDC & SBDC viability review – non-residential / commercial

2.3.1 Appendix I (again current draft version) also sets out the assumptions in use for the appraisal of the commercial / non-residential typologies.

2.3.2 Appendix IIb (ditto) follows the same general format of Appendix IIa in setting out the results for these tests.

2.3.3 In these cases, the purpose is primarily to inform the CIL charging scope (emerging view at this stage) as noted above. To recap, this is because typically for non-residential development a local authority's planning policy obligations have little influence on development viability. There is usually no significant policy area that creates such an influence as is found in the case of residential (e.g. affordable housing, accessibility). From what we can see so far this is also likely to be enhanced the case for CDC and SBDC.

2.3.4 Therefore, this aspect of the assessment really provides additional background information only in the context of the emerging LP, rather than being critical to understanding key policy impacts and to ensuring that developments are not unduly burdened with LP policy related costs. However, this context, and what is drawn from the results, may need to be revisited if the Councils' policies develop in way that means non-residential / commercial development costs rising through local requirements exceeding the general planning and development criteria.

2.3.5 More on Appendices IIa and IIb follows in section 3 below – Findings overview (primarily as relates to CIL at this stage).

3 Emerging findings – results overview

3.1 Results tables – Appendix IIa

- 3.1.1 The tables (currently 1a to 1k) at Appendix IIa draft set out the results by increasing development size (number of dwellings within assumed scenario – of 3 up to 100 for this typologies based policy testing element of the assessment). For each scenario, the results based on the CIL charging trial rates are set out – at 0%, 20% and 40% AH (on schemes of 10+ dwellings, reflecting national policy).
- 3.1.2 Tables 1j and 1k include, beneath the base RLVs, the results from the additional sensitivity tests carried out at 30 and 100 mixed dwellings. Primarily those additional tests also take account of the emerging LP policy proposals that are under consideration on enhanced accessibility and may require a proportion of the AH to be provided to M4(3) with all other dwellings required to meet M4(2) standards.
- 3.1.3 As the Councils' potential policy proposals for the extent of the M4(3) AH element are open at this stage (draft policy % not specified or discussed with DSP) we have tested this at 10%, 20% and 30% of the AH content. So, at 30% of 40% AH (the highest AH test) this means about 12% of the total dwellings number in a scheme being provided to M4(3).
- 3.1.4 The same sensitivity tests also include assumptions to reflect the provision of electric car charging points (assumed in these scenarios to be provided for each dwelling). Based on initial policy drafting to date, the likely ratio of provision could vary between smaller and larger ('major') developments and be adjusted scheme by scheme. However, the assumptions made (at an additional cost of £500/dwelling) enable the cumulative effect of both this and the enhanced accessibility policy possibilities to be seen; added to the AH and trial CIL rates testing also covering all other assumed development costs.
- 3.1.5 Potential CIL is tested in a fine-grained way, enabling further consideration of the scope to support this – as the assessment moves on and, as above, views are perhaps formed or at least narrowed-down on key policy positions. The Appendix IIa tables each show the effect of reducing RLVs moving left to right as the CIL trial rates increase at £25/sq. m intervals over the current test range £0 to £250/sq. m

(provisionally thought to cover the likely range for appropriate residential CIL charges in these districts – from DSP’s wider experience and previous work here).

- 3.1.6 Within each test set, as a key part of the exercise we have also appraised the sensitivities of the results to the assumed sales values varying by value level (VL), meaning the assumed range of new-build sales values across which all tests have been run. Initially we used a range of 10 VLs and overall these represent new build sales values across the range £4,000 - £6,250/sq. m (approx. £372 to £581/sq. ft.)
- 3.1.7 The VLs are set out at draft Appendix I and the results within each Appendix IIa table are set out according to ascending VL (moving from top to bottom within the tables indicating lowest to highest values through VLs 1 to 10), as shown there too. The number of VLs used was slightly greater than used for most single authority viability assessments by DSP and allowed us to consider in small increments the influence of sales values rising from lower through typical and higher levels in the most relevant localities for new housing supply across both districts. The VL range tested was further extended in the later stage work (Appendix IIb and see below).
- 3.1.8 The Appendix III report (current preliminary version – assessment to date - supplied with this interim report) is a market and values research paper that provides the background detail to this picture, as subsequently revisited and extended in Autumn 2018. This will be reviewed/supplemented further as the information is checked with the further passing of time and a new assessments stage underway.
- 3.1.9 When it comes to the larger sites more specific review work revisiting, we will expect to align each of those to a most representative VL and then also most likely add sensitivity tests at higher and lower VLs for each, to see what difference sales values variations could make to the base outcomes.
- 3.1.10 To give a feel for how this is looking, we consider that overall values are similar between the 2 districts and variations are more localised based on transport and commuting connections etc. as well as local amenities and schools etc. than affected by general location. On this basis there are typically lower value (relatively only), mid-range and higher value settlements / areas, and DSP will continue to consider further the relevance of those (see Appendix III provisionally). However, for the purposes of this reporting and preliminary residential CIL considerations, latest available information suggests that we could now reasonably expect to see values for most new-builds in the range approximately £5,000 – 6,000/sq. m (approx. £465 - 557/sq.

ft.). This is represented by VLs 5 to 9 within our overall range and is a broad picture that will be kept under review but is appropriate to considering what could be a clear, simple CIL charging approach across both Districts, provisionally. Values falling outside this range are seen, and their potential relevance should also be kept in mind.

- 3.1.11 Accordingly, at this stage the following preliminary findings taken forward to the current further CIL reviewing stage suggest that it should not be necessary to vary the AH policy headlines by district, or by settlement / other area basis. We highlight AH here again because as above it has consistently the most significant impact on viability as its development costs are essentially the same as for market dwellings, but it produces a much lower level of revenue (usually no more than around half of market sale revenue overall, based on mixed AH tenure). We think it is worth noting that a 40% AH target / requirement, or level approaching that, appears likely to be challenging on some PDL sites bearing in mind the (EUV based) land values that will need to be met in some circumstances and that the district Councils are considering applying optional (enhanced) policy positions going beyond base building regulations standards. However, overall, the frequency and overall relevance of significant schemes that combine the typically most challenging viability ingredients is considered to be low in these two districts (e.g. higher density/flatted related higher build costs, relatively high site values, town centre/site assembly type scenarios).
- 3.1.12 The same applies for the other emerging LP policies that are likely to have an identifiable direct cost impact affecting viability – we do not think that area-based policy differentials will be necessary on matters such as accessibility (M4(2)/(3)) for example.
- 3.1.13 In any event the viability tests used should not be regarded as specific figures or cut-offs; they are guides enabling the strength of the results to be considered and trends to be seen more clearly. Where a BLV is not reached, and especially marginally, this does not necessarily mean that a development would not happen. Equally, in many instances the results show RLVs at levels significantly exceeding the viability tests (BLVs).

3.2 Results tables – Appendix IIb

- 3.2.1 To reiterate, these tests all include a £150/sq. m cost which has been selected by the Councils for further testing and consultation – using the information discussed above.
- 3.2.2 The results set therefore “homes in” on the combination of policy and CIL cost likely impacts, as we understand the Council’s currently proposed positions (all potentially subject to further review).
- 3.2.3 A 17.5% GDV profit on market sale housing has been used within this appraisals set. This is considered to be consistent with the PPG Viability section (para 018) which includes the wording: *‘For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies.’* We understand that the Councils are discussing some scheme-specific viabilities using a profit level of 20% on cost. We are aware that this assumption has been used elsewhere too. We note that this is a broadly similar assumption to 17.5% GDV in terms of cost to the scheme, although it could be possible to use an alternative approach. This is a further example of there often being no single “right” answer on much of this. Judgements are necessary, and we consider that an assumption clearly reflecting both the new PPG and our mix of experience from site specific viability reviews is reasonable.
- 3.2.4 A reduced rate of developer profit (at 6% GDV) has been applied to the affordable homes element. This is on the basis that the developer is not subject to risk in the same way in regard to the delivery of the affordable housing as the developer has pre-sold the stock, at an agreed price, on transfer. As such it is not appropriate to include higher profit for this element, as would reflect the risk associated with market development. The BCIS build costs include construction overheads and profit for all dwellings.
- 3.2.5 The viability results are generally positive and many are very strong. Viewed currently, at £150/sq. m a CIL charge would represent approximately 2.5 – 3% GDV of the likely most relevant part of the values range as noted above. At this level, it can be seen as likely to be one of a number of influences on viability that could have a similar effect. In our view, it could also be considered to be within rather than at the top of a range that is likely to be appropriate in these two high-value housing districts.

- 3.2.6 Viewed at this stage and subject to further consideration moving ahead, it should in our view be possible to achieve a suitable mix of policy objectives that include this or a similar / perhaps in some circumstances potentially higher CIL charging rate.
- 3.2.7 Based on the assessment work to date, and enabling a clear, simple approach area-wide, a proposed charge at £150/sq. m should in our view prove workable and not an undue drag on viability (including in some relatively lower value/more challenging scenarios) as part of a reasonable, practical approach and overall balance between infrastructure support and viability.
- 3.2.8 As per 2.2.12 – 2.2.13 above, a different approach may well be suitable for the larger/strategic sites that usually carry significant site-specific development mitigation and infrastructure costs. Bringing forward a nil CIL (£0/sq. m) charging rate would be the farthest a prospective charging authority could go towards both “protecting” viability for dealing with other matters and allowing greatest flexibility for the direct provision of particular infrastructure. However, as above, we suggest that this is likely to need further consideration with more known about the sites and specifics that will be relevant to the Plan delivery.
- 3.2.9 Overall, there appears to be good potential to develop a workable, viable CIL and policy set based on our information review and assessment to date.

3.3 Commercial - Results tables – Appendix IIc

- 3.3.1 For the commercial scenarios that have been run using full appraisals to date, the Appendix IIc tables show equivalent information to the above – i.e. the RLVs (expressed in £ and £/Ha), how those compare with the same viability tests (BLVs), and how those are influenced by the main variables (assumptions) used, as follows:

Within each Table:

- Increasing (more positive) rent level (£/sq. m or similar) assumption (L > M > H) being an equivalent approach to that of the residential VLs but this time with the M (mid/medium) rental assumptions being the expected currently most relevant ones. L and H represent lower and higher rental sensitivity tests, so that we can see either how secure a M level result is; or how much downward movement could be tolerated / upward rental movement might be needed to support a viable outcome;

- Increasing trial CIL charging rate – having effect, again, of gradually reducing the RLVs from the £0/sq. m CIL test starting point (base viability) in each case.

And moving between Tables:

- Increasing (in this case, less positive) investment yield (%) assumption used to capitalise the assumed rental flow. This does not mean that all above assumptions combinations (and particularly all tested yield %s) will be relevant for a scheme type. Additional review in due course could consider further the likely relevance of the yield %s and rental ranges in each case. However, at this stage the preliminary report findings are already quite clear in terms of viability outcomes. They also fit with our wider experience and seem consistent too with the ORS commentary on employment and other forms of development in the local markets – related to the Council's updated HEDNA evidence.

3.3.2 As per our emerging view, the needs evidence also suggests a likely continued picture for the next few years of low scale, ad hoc commercial development, and particularly with little speculative development of a significant scale being likely. From our wider review and work to date, neither district is regarded as a key / established location for significant commercial development; or likely to be promoted as such.

3.3.3 Arguably, from our overview of the evidence, aside from residential (or development that is considered infrastructure to support that) there is likely to be little whole Plan relevant development. Nevertheless, away from residential development, and although the above noted wider evidence suggests a low need and demand for new space of most forms, the assessment is covering key forms of development considered for the progression and examination of most LPs and CIL Charging Schedules.

3.3.4 It is not proportionate or necessary to appraise all forms of development. So, appraisals have been carried out for larger format retail (supermarkets/larger foodstores/retail warehousing), small shops (local shops/convenience stores/parades/potential farm shops etc.), offices (both in-town and out of town), industrial/warehousing (smaller and larger), hotels and care homes. However, for a range of other highly variable forms of development that could also come forward on an ad hoc basis (community and assembly uses, health, education, leisure, rural areas related, etc.) it is sufficient and proven appropriate not to go beyond considering at a

high-level the likely strength of the relationship between the development value (where applicable) and costs. Other than for purpose built students' housing (which has not been appraised as it is not considered relevant here) we usually find, and will expect the same here, that wider development is not viable in a commercial sense and / or may be regarded as infrastructure anyway (e.g. health, education and other public / community services).

- 3.3.5 After outlining the emerging findings for residential development, brief current stage results points will also be put forward below. The negative or poor / marginal results do not mean that developments will not happen. Prospective occupiers may have particular drivers for pursuing developments and / or may be able to work with different costs than those that we need to assume for this assessment purpose (bearing in mind CIL principles and ensuring that CIL is not set to the margins of viability by removing assumed cost from appraisals and/or relying on excessive values assumptions, for example).

3.4 Commercial / non-residential findings

- 3.4.1 The emerging findings on other forms of development appraised (RLV results at Appendix IIb and again TBC) are highly varied and, in our wide experience particularly of CIL viability on these, are fairly typical.

Retail

- 3.4.2 In essence the forms of development likely to be sufficiently viable to most clearly support clear CIL charging scope are certain types of retail. These are most likely to be the larger format retail developments (supermarkets, foodstores, retail warehousing) and potentially also any high value town centre shopping development. We are aware, however, that these use types are unlikely to produce large volumes of development locally. Therefore, in the case of the Councils pursuing a CIL, this may be more of case of such development being liable for CIL if it comes forward; if it does then a suitable CIL charging rate (probably at not more than around £100-£150/sq. m) is unlikely to make a significant difference to the overall viability prospects. These emerging findings are based on yield assumptions at the lower %s appraised – i.e. more positive assumptions.

- 3.4.3 At this stage, however, we are not sure to what extent such development (or indeed other forms of new shop units) may be considered key to the LP delivery overall and therefore of the extent to which this may need to be considered further. In general, it may be that any non-viability of schemes is not critical to the Plan overall in any event. This is an acceptable principle of CIL where relevant and may also apply to other forms of development (see below). There is also an element of the Councils again considering infrastructure needs as well as viability.
- 3.4.4 Development of individual and smaller shop units – e.g. either within existing settlements, new settlement areas / neighbourhood centres or individually, appear to be viable using the selected assumptions in some circumstances but although their build costs will often be lower, such schemes will typically attract more modest rents and higher yield %s will be relevant (indicating, often, less secure investment prospects). This means that in practice, if these forms of development are going to be relevant to the plan, normally we might expect to see a differential approach with a lower charging rate considered for smaller / local shops development. A nil-rate or low-rate may be amongst the consideration for these types, if for example new builds or extensions are more relevant to the LP overall in terms of sustaining the vitality of existing centres and settlements.
- 3.4.5 On the other hand, setting similar charging rates across the range of residential and retail developments (latter as far as occur) may also be viewed as a practical and even-handed approach bearing in mind that these uses could be competing for sites or sites could be transferring from one of these uses to the other in redevelopment scenarios.
- 3.4.6 In all cases (and as will be relevant also to many other forms of development) new uses may often be formed within existing or altered / extended premises and so CIL may have a limited level of relevance / likely receipt potential in any event. The assessment does not allow for the netting-off of any existing floorspace as this will be such a variable and site-specific factor. In practice this means an additional element of buffering within the assumptions as CIL may not be charged across the entire floor areas as has been assumed.
- 3.4.7 As with other elements of this assessment, we need to use suitable assumptions for the purpose. It may be that in practice schemes could be supported through different assumptions i.e. assuming “value engineering” type processes that in setting CIL we

should not assume will be possible. Schemes could come forward and, where they do, CIL is unlikely to be the sole difference between a viable scheme that proceeds and one that stalls.

3.4.8 Overall, we suggest that a rate up to or similar to the proposed £150/sq. m residential rate should not be problematic for the larger format retail development types, should schemes come forward, however it may be appropriate to further consider the retail (rates) more generally once more is known about plan relevance and the initial consultation (PDCS) stage feedback is available.

Employment development – offices and industrial / warehousing

3.4.9 Our current stage findings show that only with assumptions considered over-optimistic for the local circumstances may some forms of office development be considered potentially viable for CIL setting purposes.

3.4.10 Looking at this realistically, strictly based on the viability evidence alone it is appropriate only to put forward a nil CIL charge for the foreseeable future on all B Use Class development in the districts.

3.4.11 As far as we can see from the Council's HEDNA related (ORS) work, these findings on viability are again consistent with that wider evidence and market view. The findings are certainly consistent with those of DSP and others' viability assessments in many areas, including from previous work locally as well as in nearby LA areas.

3.4.12 However, and potentially a theme also for a wider range of CIL assessment assumptions based non-viable scheme types, we acknowledged earlier that there is room for pragmatism; and that the viability evidence need not be exactly followed in the Councils' approach (the CIL viability guidance within the PPG refers).

3.4.13 A nominal CIL level would in itself not make the difference between viability and non-viability – the viability issues are inherent in the relationship between the much larger figures involved in considering development values and costs. In other words, if a scheme for this development use (or another theoretically non-viable one) were to progress, then a nominal CIL charge would be very unlikely to render it unviable.

Care Homes (and hotels)

- 3.4.14 Our emerging findings show these forms of development also to be insufficiently viable to bear CIL charging at the current time – again, based on the assumptions and approach that are appropriate for the assessment purpose, CIL principles and regulations.
- 3.4.15 In respect of care homes these findings are in contrast to those emerging (as above and see Appendix IIa) for retirement/sheltered housing for the elderly, which for CIL purposes are likely to be treated as per general self-contained housing – the wide spectrum of C3 market housing development as outlined above.
- 3.4.16 The above commentary relating to B Use developments and to some forms of retail may be relevant in this case too. We reiterate that in all cases this neither means that all developments subject to CIL charging will be inherently viable; or that all development types ultimately subject to a nil CIL charge will not come forward at all.

Local Plan viability – non-residential development

- 3.4.17 With the nature of the work necessary to inform and then support the progression of any CIL charging schedule, in our experience this is as far as the exploration of viability needs to be taken for the LP given the limited scope of likely policy influence and the nature of the findings.
- 3.4.18 The Councils will need to operate the least possible policy influence in terms of added development costs, and to have in place strategies for working with the market as and when suitable opportunities for appropriate development can be brought forward and will prove viable.

Notes and limitations

- 1 This is a preliminary report prepared for the purpose of informing the Chiltern and Souths Bucks proposed Community Infrastructure Levy Preliminary Draft Charging Schedule, and emerging Local Plan work - using viability assessment assumptions suitable for this purpose. This report not to be used for other purposes and does not for example pre-determine or directly inform any site-specific level viability discussions.
- 2 To this reporting stage the assessment focus has been on applying up to date development value and cost assumptions whilst testing likely policy positions on affordable housing and other planning objectives, using a series of relevant development scheme typologies. The indications provided at this point are necessarily subject to further review and settling down, as will be continued while the work progresses from this stage.
- 3 The viability assessment work behind both this preliminary stage and subsequent reporting, as will be continued in due course through further review work, draw upon a range of existing information and updated research. This uses an approach consistent with DSP's substantial experience in the preparation of both strategic viability assessments for local authority policy development (CIL and Local Plans viability) and site-specific (development management stage) viability reviews and advice. DSP has worked with the Councils previously on viability and affordable housing, and also works with others nearby as well as across the wider region.
- 4 High-level guidance is probably the most appropriate description of this type of work at the current stage. It is important to note that such information and assumption sets are intended to be appropriately representative but will rarely exactly fit actual sites. This review (as with all similar work of its type) will not necessarily reflect site-specific circumstances. It is therefore not intended to prescribe development assumptions, land values or other appraisal inputs / output findings; or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments having varying characteristics come forward. In practice, different and sometimes "tighter" assumptions on development costs may be appropriate to consider. This is also true in respect of the variables associated with the long timescales over which the economy and development climate, national and more local influences and impacts are very likely to vary as the Local Plan timeframe passes.

- 5 It should be noted that every scheme is different and no document of this nature can reflect the variances seen in site specific cases. Specific assumptions and values considered within this or subsequent DSP documents are unlikely to be appropriate for all developments and a degree of professional judgment is usually required. We are confident, however, that our completed assessment, built from this stage of the project onwards, will provide the necessary information to inform and support the Councils' CIL and development of updated planning policies on aspects of the policy set that will inevitably have an impact on development viability – from affordable housing to development standards and other requirements.

- 6 This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of DSP; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

- 7 To the extent that the document is based on information supplied by others, DSP accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

- 8 In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Councils' policies continue to be applied from case to case.

Preliminary report ends – DSP v3

November 2018

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