For: South Staffordshire Council

Viability Assessment - Local Plan & Community Infrastructure Levy

October 2021

DSP18951 - Draft Stage 1 Report

South Staffordshire Council

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DixonSearle Partnership

Contents – (Draft)

High-level Summary

Introduction

1. South Staffordshire Council (SSC) appointed Dixon Searle Partnership (DSP) to prepare a viability assessment to inform and support the development of its Local Plan Review.

2. 'Viability' in this context refers to the financial "health" of development, whereby a development needs to be viewed as sufficiently viable to proceed. This is a key consideration for development plans, with the aim of ensuring that developments can continue to come forward viably with the Local Plan policies in place and impacting alongside the usual development costs (acquisition costs, build costs, fees, contingencies, finance and costs of sale as well as national policy requirements).

3. Being viable (indicating viability) means while supporting an appropriate level of affordable housing and other community needs and also providing an appropriate return to developers and landowners. The developer's return (referred to as development profit) has been tested at a typical 6% of the value of the affordable housing (reflecting low risk usually through bulk sales of affordable homes at pre-agreed prices to affordable housing providers); 17.5% at this stage on the market sale housing revenue.

4. Consistently it is a challenge to meet all of the requirements and aspirations, so that a balanced approach is involved and some compromises usually need to be reached – priorities considered.

5. National planning policy as expressed through the National Planning Policy Framework (NPPF - most recently updated July 2021) requires that the level of expected development contributions should be clearly set out and that their collective impact (referred to with the assessment as cumulative costs) should not make development unviable.

6. The online based and regularly updated national Planning Practice Guidance (PPG) then effectively provides a manual of good practice associated with meeting the NPPF requirements. The PPG has a section on 'Viability' and also contains the CIL guidance, as well as covering other areas relevant to 'plan making' and therefore to considering local plan policies.

7. The assessment which is the subject of this report is therefore required by and responds to the relevant national policy and guidance. As per the SSC brief, the assessment will also inform the potential setting of charging rates for a Community Infrastructure Levy (CIL) for the district, should the Council consider putting the levy in place. The use of a CIL is optional. Where an area's need for infrastructure (as set out through the Council's Infrastructure Funding Statement) is established and a decision is made to set up a CIL, the charging rates are primarily informed by viability evidence as provided within this type of assessment. This is considered in balance with the desirability of funding infrastructure.

8. A CIL can be set up to work together with the use of Section 106 planning agreements (s.106) that provide for affordable housing and developer contributions. Planning authorities now have more flexibility in their use of s.106 for pooling contributions, and alongside CIL. Whilst a CIL is an area-wide response and specifically supports the development identified in the related local plan as a whole, s.106 supports the mitigation of scheme-specific impacts.

9. Currently this viability assessment has reached Draft Stage 1, with this report and current version draft appendices being provided for SSC's use alongside its Preferred Options stage Local Plan Review Consultation. DSP's understanding is that in a continuation of the close working with the Council, the assessment work will be picked up again and considered further to a Stage 2 in due course. At this stage that is planned to be undertaken alongside SSC's review of consultation responses, its latest evidence and with any revisiting also considered as far as possible relating to any updated national policy or other external to SSC context.

10. Conducted in this way as part of a two-way process, the envisaged Stage 2 work and updated reporting will then inform any refinements within SSC's approach. In doing so it will support the Local Plan Review towards and during the examination stages as part of its building evidence base.

Approach to assessment - methodology

11. The assessment has been and will continue to be run using very well-established good practice, consistent with the guidance as above and with DSP's experience of the entire process. The consideration of available practice and guidance also extends to the RICS

(Royal Institution of Chartered Surveyors) guidance that now reiterates the NPPF and PPG principles, the 'Harman' report (Viability Testing Local Plans, June 2012) and other sources.

Development typologies and assumptions

12. The approach to this Stage 1 uses a range of development 'typologies' as agreed with the Council, meaning broadly representative types of development. Carrying out appraisals of these allows us to test the likely effect on scheme viability of a wide range of variables. The main typologies set covers schemes at 5 to 500 dwellings of various types; with 2 larger initial test typologies at 1,000 and 2,000 mixed dwellings also reviewed (to provide a provisional very high-level viability overview of potential larger scale development). The typology tests include the influence of varying:

    - property sales value (gross development value or 'GDV') which we consider at various value levels (VLs)
    - potential SSC Local Plan Review policy positions (the most notable policy cost and key variable being the tested affordable housing content)
    - trial testing CIL charging rates (tested between £0 and 300/sq. m at £25/sq. m intervals)

13. This requires an extensive set of assumptions to be made, for use as appraisal inputs. The position of these, requiring judgments, is informed by the review of a wide range of information. This is from established sources including the Land Registry, MHCLG, other market reporting and web-based resources on values; BCIS (RICS Building Cost Information Service), various impact assessments and a variety of other sources on costs.

14. Consultation with development stakeholders has also been undertaken and has provided some feedback to help consider the assumptions setting. Along with the ongoing review of available information and the context for the assessment, in moving to the Stage 2 assessment DSP will take into account any further feedback from the Council's consultation and consider any extended/updated contact that may be needed.

15. Looking at the sales values levels (varying GDV as expressed through our 'VLs') available to support viability and therefore the development costs, a significant proportion of new build values fall in the range represented most closely by our VL tests at approximately

£3,100 to £3,400/sq. m (VLs 3 to 4). This is equivalent to a range approximately £288 to £316/sq. ft. Principally our review of results and commentary for SSC is based on these key areas of the overall VLs range. The assessment report detail (together with the information within the assumptions overview at Appendix I) indicates the likely relevance of the various VL levels to the settlements within the 5 'Locality Areas' considered within South Staffordshire.

16. Higher new build values reaching around test level VL 5 or more (£3,700/sq. m plus) are not unusual although seen less regularly. Greater variation appears to be seen through the type of development rather than necessarily by location alone. To provide a range of sensitivity tests that take into account both the current market conditions as well as an ability to consider the influence of higher and lower than the most typically supported values currently, we carried out our appraisals sets across 7 no. value levels from £2,500 to £4,300/sq. m overall - at £300/sq. m test intervals.

17. The main assessment emphasis is on the viability prospects for residential development. This reflects the current plan making process and not just in South Staffordshire. A planning authority's scope of influence over development viability is much greater in the housing sector than it is in respect of commercial/non-residential developments where climate change/sustainable construction measures are generally the only policies with a direct impact on viability (as is the case to date here – to Stage 1).

18. However, to primarily to inform the likely viable scope of any CIL on other forms of development and provide wider viability information as part of the plan making processes, the same principles have been used to appraise a range of commercial development typologies. Distinct reporting and results appendices cover the work on these.

19. At Stage 2 it is likely that specific sites considered key to the proposed plan delivery overall (typically large sites, often referred to as strategic sites or allocations) will be considered in a more specific way, through looking at available information on the emerging sites, the scale and nature of proposals, related infrastructure and any other costs estimates. The exact approach that is appropriate varies between assessments.

Appraisal basis – residual valuation

20. The appraisals use residual valuation principles. This means deducting the entered development and policy related costs from the assumed scheme value, taking account of the timing of the various inputs and the effect of finance costs over the development period. Hence the outcome (a surplus, or a deficit in a non-viable scenario) is a residual i.e., remaining sum. This is usually viewed as a residual land value (RLV) and indicates the amount that could be available to purchase a site based on all the assumptions made.

21. With a large number of RLVs produced across the exercise relating to testing of the variables, these are compared with various benchmark land values (BLVs) which are selected to represent reasonable site values that a landowner could expect. Where the RLV meets or exceeds the BLV level(s) this indicates a viable scenario including the policy and development costs assumptions that have been appraised. This is the basis for the extensive results reporting within and related to the tables included within appendices to this report.

Use of benchmark land values

22. As per the PPG, BLV is based on considering the existing use value (EUV) of the relevant site type, so disregarding any development value, hope value or other development market influence that may influence the review of any appropriate market comparables on land value. To the EUV is added a level of premium or uplift for the landowner, reflecting their likely requirement for this in many instances in order to release a site from its current use. This approach to the placing of BLVs, now well established within the PPG, is known as 'EUV plus.'

23. The level of BLV that is used as a test (essentially a filter or hurdle level) for the assessment appraisal RLVs, plays a significant role in the process and judgments ultimately made as to the scope of policies and potential CIL that can be supported.

24. This is because greenfield sites support a low level of existing use value (primarily considered at £250,000/ha reflecting approximately a ten-fold uplift to agricultural land value) whereas PDL (previously developed land i.e., brownfield) sites generally support significantly higher EUVs. In the case of this study, PDL values have been reflected using BLVs at £625,000+/ha and £1m+/ha. This is not to say that other levels of land value (both

higher or lower) will not be encountered or need to be supported across a likely wide range of circumstances overall; these are guiding principles rather than firm cut-offs or limits. The BLV levels reflecting PDL include a very much lower level of premium/uplift over EUV. This is consistent with established practice, at not more than a 30% addition to EUV as the 'plus' element.

Key policy costs tested

25. Worth noting in this brief summary is that affordable housing (AH) has been tested overall at between 0% (nil) and 40% of the typology scheme assumed content, based on a relevant mix of dwelling types. Within this, the tenure of the AH is also allowed for. This reflects varying affordability between rented affordable homes and affordable home ownership tenure such as shared ownership and the government's new model, First Homes (now needing to make up 25% of the AH proportion, to be sold at a minimum discount of 30% market value). The varying affordability to the occupiers reflects in the revenue level that will be supported by the affordable homes, i.e., value to the developer.

26. The reason there is always such a significant impact from AH policy is that typically for a blend of affordable tenure the revenue will be at around 50% (half) of market sale value (rough guide), whereas the homes cost broadly the same to build as the much more valuable market sale properties.

27. Following an early stage of testing to emerging findings stages that explored the relative impacts or various potential policies and therefore policy combinations within a matrix type approach, the key Stage 1 typologies appraisals have all included assumptions reflecting the policy key emerging Local Plan review policy themes. Alongside the variable testing of AH levels and potential CIL levels these have been considered cumulatively (together):

    - SSC Open Space Assessment land area requirements (financial contributions currently from appraisal surplus indications).
    - Sustainable construction / climate change response related (+4% added to base build costs reflecting enhancement over current building regulations and likely progression to 31% carbon reduction related to / consistent with government's Future Homes Standard interim requirements).
    - Biodiversity Net Gain requirements.

- Electric vehicles charging provision.
- 30% accessible and adaptable dwellings (optional Building regulations Part M4(2) enhancements).
- Compliance with minimum dwelling sizes set out by MHCLG within the Nationally Described Space Standard.
- Water efficiency standards (usage restricted as per optional enhancement over current building regulations – maximum 110 litres per person per day).

Stage 1 findings summary

28. The earlier stage / pre-assessment work is not set out in detail at this Draft Stage 1 reporting point, the project having initially commenced in Spring 2019. The earlier work informed SSC's narrowing down and refinement from starting point policy themes to a likely viable policies scope. This was as considered appropriate on discussion with DSP following our initial emerging findings. Priorities and potential options for refining were considered by elected members and officers, resulting in the emerging policy directions for the full typologies testing as has now been reported at this Stage 1.

29. With the policy scope at paragraph 27 above taken account of following the earlier stages review and discussion with SSC, the Stage 1 assessment work and dialogue has provided the following findings in respect of affordable housing proportions (AH%) and CIL. These are the two key viability impacting areas which remained the tested variables for the review of potential policy / developer contributions scope across the full typologies set.

30. These are based on the Council's mixed AH tenure objectives and starting points. An overall equal split of social rented and affordable home ownership tenure has been assumed (to include 25% of the AH as First Homes); remaining available proportion as shared ownership). This mix has been reflected using the closest workable fit given the varying dwelling numbers and AH% levels tested.

31. The findings also need to be considered by SSC in conjunction with the surpluses indicated within the results tables appended to this assessment report:

- Appendix IIa – 0% AH tests
- Appendix IIb – 20% AH
- Appendix IIc – 30% AH

- Appendix IId – 40% AH
- (Note: Appendix IIe provides the current stage overview of the commercial typologies testing results – findings as briefly outlined below).

32. The results may be used by SSC as the information builds with the further development of the Local Plan Review, to help consider the most relevant elements relating to the overall site supply. As a general theme, this is a case of overlaying the assessment findings onto the expected site supply – to consider which of the outcomes are most relevant and should therefore have most influence in the final settling of policies and also leading towards any CIL charging rates setting.

Housing schemes beneath the AH policy threshold – 5 dwellings tested at 0% AH

33. Overall, the 5 dwellings typologies tests are considered sufficiently positive to support the emerging LP Review policy set along with infrastructure provision/development mitigation as estimated to date.

34. We have also indicated likely scope to support a meaningful CIL charge if this is the selected route to supporting infrastructure funding in due course. Provisionally this is suggested within the band £50 - £150/sq. m dependent on circumstances when looking across the range of outcomes.

35. In looking at the potential CIL scope we have currently allowed for a 50% buffer factor. The use of buffering is an important principle in CIL setting, as part of avoiding setting rates to the margins of viability as the guidance within the PPG sets out. At this stage, given the various uncertainties and with a CIL taking effect as a fixed top-slice from the development value, this assumed halving-back from the maximum theoretical levels of CIL is considered appropriate. The guides put forward on this basis have all been noted as provisional – current indications.

36. All further findings are reported to this Stage on the same basis – i.e., with the AH and CIL scope noted accordingly, with the same assumed policies set factored in as the constant baseline.

37. The CIL findings are summarised here as broad parameters for potential rates setting based on viability. The report and appendices provide more detail, and this may be reconsidered at assessment Stage 2.

Typology tests 1-100 dwellings – with AH tested at 20-40%

38. As an overview, generally these typology results indicate the likely viability of 20-30% AH (often closer to 20% AH) when on PDL. Again, this is alongside the other tested emerging policies and likely s.106/CIL costs. At this stage, the parameters for CIL setting would be similar to the above, at up to approximately £150/sq. m after buffering but with further review needed on the relevance of different site and scheme types to the overall supply and the nature of site allocations.

39. This viability indication increases to 30-40% AH being potentially viable on GF scenarios as tested to date, with 40% AH not ruled at this stage out on smaller, relatively straightforward greenfield developments.

More specialist forms of housing - Retirement living / sheltered and Extra Care

40. Typology tests have also been undertaken using assumptions bespoke to these development types. The following assessment report and appendices provide more detail.

41. At this stage, our view is that retirement housing schemes are more likely to support AH based on a 20% or similar target than a higher level on PDL sites, which has been the most typical context for developments of this type. In our wider experience the AH provision has generally been via financial contributions rather than through on-site provision requiring mixed forms of development and management regimes etc.

42. However, in a broadly similar overview to that from the more general typologies findings, a higher AH % is not ruled out at this stage. For example, it is possible that larger schemes on GF sites could include development of this or a similar type and that affordable retirement provision could be made.

43. In respect of CIL charging potential alongside this, the indications are that a rate of up to around £100/sq. m could be appropriate; indicated as within but potentially similar to the scope from general market housing developments.

44. Moving to the review of the extra care typology, where the non-saleable floor area and other costs typically increase, the indications are of more pressure on viability and typically less scope to support community infrastructure costs.

45. Overall, the findings on review of this typology are again similar in that for any such schemes that are considered viable for progression, it looks appropriate to consider an AH policy differential between GF and PDL sites. At this stage, a 20% AH (or equivalent) starting point appears potentially appropriate, again with a greater proportion not ruled out in the case of any greenfield development – e.g., as part of larger scale, mixed housing schemes.

46. In any event, at this stage the indications are that this type of development (extra care) will be unlikely to support more than a nominal/low-rate CIL charge in the local context, with nil CIL rating a likely consideration.

Typology tests 500 + dwellings – larger scale / potential strategic scale developments

47. Overall, the testing to Stage 1 indicates that 30% AH is more likely to be deliverable than 40% on larger scale development on greenfield land in the district, based on VL3 values. However, 40% is not ruled out at this stage in the case of VL4 or higher values in combination with s.106 or other costs levels not going far above the typical expected levels.

48. Looking at the VL4 results within the same set, based on current assumptions these have the potential to support costs equivalent to approximately £10,000/dwelling s.106 and £100-120/sq. m CIL (total infrastructure / development mitigation costs of around £22,800/dwelling) with 30% AH.

49. However, when assuming 30% AH and VL3 at this stage values it appears unlikely that there would be any real clear CIL scope as well as the likely s.106 based on the testing at 500 dwellings – currently assumed before typical strategic site costs become involved (with

total additional costs of not more than around £9,200/dwelling appearing supportable in that scenario).

50. Although acknowledged again as very high-level initial tests, when looking at the largest typologies reviewing to date, overall, the current indications are that as much as 40% AH is very unlikely to prove supportable on such larger schemes with significant infrastructure costs - based on the values currently expected to be available to support developments.

51. At this stage it appears that 30% AH should not be ruled out at such a scale of development and that appears likely to represent a realistic target that should be deliverable in some cases (dependent on location and other schemes specifics as usual). However, AH provision within the range 20-30% is looking potentially relevant overall. This is noted from experience and looking ahead, by the time more refined and bespoke assumptions reflecting other costs are factored in as far as possible. That is usually as more comprehensive larger/strategic scale sites appraisals are considered, as appears likely within the assessment Stage 2.

52. School building costs have been included as far as possible based on available information in generating these early-stage indications from the largest typologies tested. Consistent with the wider typologies approach taken, the appraisals also reflect the emerging policy costs.

53. Based on the currently viewed scope for scheme specific s.106 measures to be supported, and wider experience, it appears likely that most or all of the available development funding would need to be allocated directly to site-specific development mitigation through that route. At this stage we do not expect this would leave significant headroom to also accommodate CIL cost (particularly at anything other than a low rate or nominal type charge). As with all other aspects relating to a CIL, it would be necessary to consider this further based on more developed information if SSC decides to pursue the implementation of the levy in due course. At this stage, a nil-CIL rated or nominal CIL approach to the largest / strategic sites appears most likely to be relevant here.

Findings overview – commercial/non-residential typologies tests and development uses

54. We have noted that SSC's policy influence on the viability of such developments directly is likely to be very limited.

55. This is typical and as usual in our experience contrasts with the picture on housing where, as above, affordable housing and other measures have a significant effect on viability. There are no equivalent key policy setting decisions to be made by LA plan makers when considering the viability and deliverability prospects for commercial and non-residential development.

56. In these cases, the market or other service needs will drive whether development comes forward. Whether the demand supports the progression of development deemed as viable or a scheme appears unviable, it is likely that neither the additional construction specification nor the approach taken to CIL charging will be significant enough to switch the viability outcome.

57. Having allowed for the likely policy related build costs addition (+5% on base costs) representing carbon reduction through more sustainable construction (and again aligned to wider developments), the reported variable has been the extent to which any CIL charging could then be supported by various developments uses.

58. The findings overall are very similar to those we typically arrive at on CIL viability. At this stage we expect the clear CIL charging scope to be limited to larger format retail uses – development for larger food and convenience stores and for retail warehousing (retail park style units development).

59. The indicative scope for CIL on these is £100-150/sq. m which is similar to the upper levels currently found likely for residential development in the South Staffordshire.

60. Beyond these development uses, the work to date is also consistent with DSP's wider experience of CIL viability in that the provisional findings suggest that SSC will need to consider nil or at most nominal/low charging rates – across the wider range of uses.

61. There may be some aspects to review further, however. These include any scope for some employment uses development (industrial R&D/distribution/offices) on greenfield sites to support a low-level CIL and whether the Council would wish to consider a more widely applicable nominal charging rate.

62. There is also wider experience of these matters to draw upon, where the evidence on viability has been given a lower emphasis within the overall balance that also includes the desirability of funding infrastructure. As above, the impact of a nominal CIL would not in itself create non-viability, although it would inevitably add to existing viability difficulties. There would be a range of matters to consider, again dependent on the types of development expected and their regularity. The implementation (management and administrative) aspects would need to be considered as well as the estimated potential CIL receipts involved in various options.

63. Generally, DSP will be happy to advise and input further as may be required by the Council – either prior to or on picking up the review subsequently to develop the assessment work to currently intended Stage 2.

Summary ends

Draft Stage 1 Report (v10)
Finalised October 2021

1. Introduction

1.1 Introduction & Report Purpose

1.1.1 South Staffordshire Council (SSC) is in the process of carrying out a comprehensive Local Plan review in response to the housing shortfall in the Greater Birmingham Housing Market area and the Planning Practice Guidance (PPG) requirement to review plans in whole or in part every five years. The review considers the level of growth to be accommodated in South Staffordshire, locations for this growth and development management policies.

1.1.2 An Issues and Options consultation was held in Autumn 2018. This identified the Council's suggested level of growth to plan for in the district of approximately 9,000 homes along with five different high-level options for where they should be located. There was also a Spatial Housing Strategy & Infrastructure Delivery (SHSID) consultation held in 2019. That considered different options for distributing future housing needs across the district, and development typologies that could accommodate distribution. The Council now intends to consult on the next stage of the Local Plan preparation, Preferred Options, in the Autumn of 2021.

1.1.3 The purpose of undertaking this study is to assess the potential viability impacts of emerging planning policies, so as to inform their further development, and to assess the potential viability and deliverability of development allocations again whilst taking account of the emerging policies. Overall, the council requires the assessment in order to demonstrate that the policies proposed do not undermine the deliverability of the Plan. Additionally, the study has been commissioned to provide evidence in relation to the viability of implementing a Community Infrastructure Levy (CIL) locally. The Council therefore also requires information to demonstrate the levels of charging rates that could be applied for different types of development in the district, if a CIL is pursued here.

1.1.4 It is in the interests of the Council, local communities, developers and all other stakeholders to ensure that the proposed policies, sites and the scale of development identified in the Plan are deliverable as a whole - to ensure a sound Plan through the examination process and in support of sites having reasonable delivery prospects moving ahead. This is equally true of the level(s) of CIL that will continue to be charged across the district, following review – as part of the overall costs of and support to suitable developments.

1.1.5 The Local Plan must be prepared in accordance with the requirements set out in National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG) – as updated to 2021 and 2018-19 respectively. Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact of policies contained within them. The key guidance on how to address this is within the PPG, while other publications also provide reference sources.

1.1.6 In light of the above, the Council has therefore commissioned Dixon Searle Partnership (DSP) to carry out this viability assessment (study). The assessment involves the review of financial viability using a site typologies approach (test scenarios representing a range of site types/development schemes likely to come forward through the emerging Local Plan) as well as a more specific review of a number of proposed site allocations, where those are important in delivering the aims and objectives of the Plan overall.

1.1.7 Consistent with this context and DSP's experience, and reflecting the local characteristics, the assessment provides the evidence base for the viability of the emerging Local Plan policies, informing and supporting its deliverability overall. As above, this will help ensure that the development strategy and sites supply identified in the plan are not subject to such a scale of obligations (including CIL) and policy burdens that their ability to be developed viably is unduly threatened.

1.1.8 This study has been carried out over a period starting in March 2019 and this report covers Stage 1 of a two Stage process. Stage 1, completing in Autumn 2021, considers the viability of base costs and helps to inform the Council's assessment of policies within the emerging Plan (from a viability perspective) and is based on a site typologies approach to viability testing. This report then feeds into and forms part of the Council's evidence base to support the Preferred Options consultation (along with SSC's review of the Issues and Options Stage consultation and wider building evidence) on the emerging Local Plan. Stage 2 will follow the Preferred Options consultation leading up to the consultation on the draft submission Plan in due course. The subsequent Stage 2 will back-test the assumptions and policies identified and considered here, in current Stage 1, whilst also considering any latest information together with the viability and deliverability of larger/strategic sites upon which the delivery of the Plan relies.

1.1.9 This viability assessment has been produced in the context of and with regard to the NPPF, PPG (including crucially on 'Viability') and other Guidance[1] applicable to studies of this nature. After setting out the assessment context and purpose within this 'Introduction' section, the following report structure, on the study detail, is presented over 3 stages as included below (brief outline here):

- **Methodology** – approach to the study, residual valuation methodology, assumptions basis and discussion.

- **Findings Review** – overall results context, detailed analysis of the typology test results, strategic site review current stage (including the strength of viability in relation to range of AH proportions, potential CIL charging rates and other key policy considerations).

- **Summary of Findings** – including recommendations and any options/alternatives, set out in the context of the viability of the whole Plan, i.e., taking account of the associated impact of the Council's emerging policies (including viable affordable housing thresholds and proportions (%s) and initial expanded typologies-based review of larger scale development within potential strategic site allocations (based on the information available to date). Also guiding on the potential scope, from a viability perspective, to support the provision of infrastructure through CIL or similar costs on development alongside the new Local Plan policies.

1.1.10 The testing of Local Plans for viability does not necessarily require a detailed appraisal of every site anticipated to come forward over the plan period, but rather a test of a range of appropriate site typologies that reflect the potential mix of sites likely to come forward. The process should however include more specific consideration of those sites upon which the Plan relies for the delivery of its growth objectives – e.g., site allocations / strategic sites; all as above.

[1] Including the RICS Professional Guidance Note 'Financial viability in planning' (August 2012) and more recent 'RICS Professional statement on Financial viability in planning – conduct and reporting' (1 September 2019) and 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

1.1.11 Equally, the Local Plan viability assessment does not require an appraisal of every likely policy but rather potential policies that are likely to have a direct quantifiable bearing on the overall development costs. In our experience this type of assessment involves a focus primarily on the viability prospects and potential policies associated with housing development. This is because the scope of SSC's or indeed other Councils' influence over the viability of other forms of development (i.e., non- residential / employment / commercial) through local planning policy positions is typically much more limited.

1.1.12 The assessment approach applies sensitivity testing to explore the likely impacts of the potential policy costs - including on a range of affordable housing requirements and combined with allowances for meeting the requirements of other policies emerging through the Local Plan process. This covers areas such as the optional housing / technical standards, including relating to the access to and use of buildings, sustainability, water usage efficiency and space standards.

1.1.13 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.

1.2 South Staffordshire Council - Profile

1.2.1 The emerging South Staffordshire Local Plan will set out the spatial characteristics of the district in detail. This section provides an outline only, feeding into the consideration of the local characteristics that are influencing the emerging Plan direction and therefore the review of policies and their viability in the relevant local context. The Council's wider evidence base provides an extensive range of information on the nature of the district, and the related planning issues and opportunities.

1.2.2 South Staffordshire is a rural district on the north-western edge of the West Midlands Conurbation. It has an area of approximately 400 sq. km. and a population of around 111,200 residents. Much of the district (80%) lies within the West Midlands Green Belt with the area to the north west of the Greenbelt defined as 'Open Countryside'.

Figure 1: South Staffordshire in Context

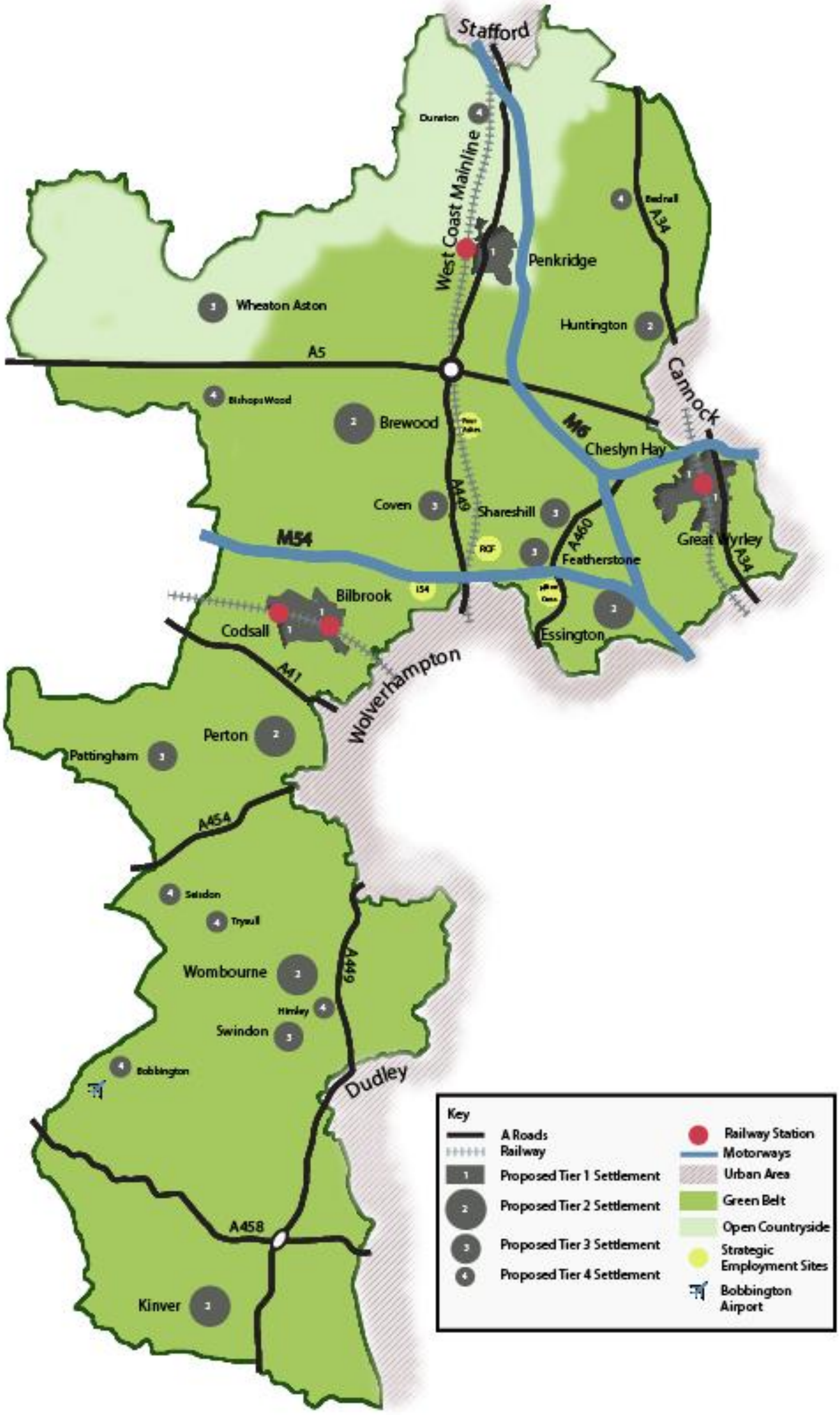
Source: South Staffordshire Council: Local Plan Issues and Options (October 2018)

1.2.3 South Staffordshire is the southernmost of the nine Staffordshire authorities in the County. The district adjoins the Major Urban Area of the West Midlands Conurbation and is very close to the Black Country towns of Dudley and Walsall and the City of

Wolverhampton. The district also shares its boundaries with Shropshire and Telford to the west and Stafford to the north, with the County of Worcestershire to the south.

1.2.4 South Staffordshire is made up of 27 parishes with a dispersed and diverse settlement pattern of villages ranging from small hamlets to large villages with over 14,000 residents, each with their own distinctive character set in attractive countryside. There is no single dominant settlement.

Figure 2: Map of South Staffordshire



1.2.5 Larger villages such as Bilbrook, Brewood, Cheslyn Hay, Codsall, Great Wyrley, Kinver, Penkridge, Perton and Wombourne contain a wide range of community facilities and services. These include libraries, sport and recreation including leisure centres, shopping, commercial and employment areas and serve the smaller outlying villages and hamlets. However, local residents do rely on the services provided within towns and cities outside of the district to meet some of their higher order needs such as hospitals, certain types of retail needs and employment opportunities.

1.3 National Policy & Guidance

1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF)[2] 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.'*

1.3.2 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.'*

1.3.3 The updated national Planning Practice Guidance (PPG) on 'Viability', most recently updated on 1 September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The Planning Practice Guidance on Viability 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).*
>
> *These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy*

[2] Note: NPPF updated in May 2019 and again during the final stages of this Stage 1 assessment (July 2021).

requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development…Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.'

1.3.4 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The latest revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the applicant will need to demonstrate what has changed since the Local Plan was adopted.

1.3.5 As well as testing the viability of the emerging Local Plan policies and strategies, the Council wishes to ascertain whether it will be viable to introduce a Community Infrastructure Levy (CIL) locally and if so at what levels the CIL should be set to ensure the ability of developments to come forward viably with the policy costs and other obligations proposed for inclusion in the emerging Local Plan.

1.3.6 The CIL regulations came into force in April 2010 and have been revised on a number of occasions since, with the most recent revisions (and to the associated guidance) - The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 – coming into force on 1st September 2019. The Regulation details are not repeated in full here, but we have summarised below some of the key aspects: -

- Local Authorities in England and Wales may put a CIL in place to raise funds from new development in their area to deliver the infrastructure needed to support that development (in this case South Staffordshire Council would be the charging authority).
- CIL is charge payable on 'development which creates net additional floor space' over 100sq. m.
- Residential annexes and extensions are exempt regardless of size

- The creation of any new dwelling regardless of size will pay the charge[3]
- The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority's area.
- Charging Authorities must allocate a 'meaningful proportion' of the levy revenue raised in each neighbourhood back to those local areas.
- Where a neighbourhood development plan (NDP) is in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development[4].
- Where an NDP is not in place, but CIL is still charged, the neighbourhood will receive a capped share of 15% of the levy revenue arising from development in their area.
- AH and development by charities will not be liable for CIL i.e., in respect of residential development, only market dwellings will be liable to pay CIL at the rate(s) set by the charging authority.
- As reflected above, the CIL rate or rates should be set at a level that ensures development within the authority's area (as a whole, based on the plan provision) is not put at serious risk.

1.3.7 The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated local plan level of growth to be accommodated across the district as a whole through the development of an Infrastructure Delivery Plan (IDP).

1.3.8 Infrastructure is taken to mean any service or facility that supports the South Staffordshire Council area and its population and includes (but is not limited to) facilities for transport, education, health, social infrastructure, green infrastructure, public services, utilities and flood defences. In the case of the current scope of the CIL, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements.

1.3.9 The CIL Guidance contained within the PPG goes on to state that the levy rate(s) need to be set so that they do not threaten the ability to develop viably the sites and scale

[3] The latest 2019 amendments have not altered these key points of principle.
[4] The proportion would be paid directly to the neighbourhood planning bodies and could be used for community projects. PPG provides further information on spending of Levy receipts including distribution to local neighbourhoods. Also see https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 072 Reference ID: 25-072-20140612 Revision date: 12 06 2014)

of development identified in the relevant Plan (Local Plan in England): '*an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments… this balance is at the centre of the charge-setting process*' and '*in meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area*'.[5]

1.3.10 To achieve this: '*a charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge. The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance between the need to fund infrastructure and the potential implications for the economic viability of development across their area*.'[6.]

1.3.11 Although we have not set out fully the sections of the PPG viability guidance that are relevant in assessing viability in (for both CIL and plan-making), some of the key points are summarised below:

- 'Appropriate available evidence' must be used to inform the charging rate(s).
- An appropriate range of site types (or 'typologies') should be tested based on the range of site types likely to come forward for development over the plan period.
- Costs within the viability assessment should be based on evidence reflective of local market conditions (see paragraph 012 of the 'Viability' PPG).
- Land value should be based on the Existing Use Value of the site, plus a premium (known as the 'EUV plus' approach).
- There is no requirement for the charging authority to directly mirror the rate(s) proposed within the viability study.
- A 'viability buffer' should be included for CIL rates setting purposes, so that the charges are able to support development through economic cycles.
- Differential CIL charging rates can be applied if appropriate in relation to geographical zones (including for strategic sites) and/or by varying type and scale of development, although undue complexity should be avoided noting specifically

[5] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph 010 Reference ID: 25-010-20190901 Revision date: 01 09 2019

[6] https://www.gov.uk/guidance/community-infrastructure-levy#evidence-and-setting-rates (Paragraph 020 Reference ID: 25-020-20190901 Revision date: 01 09 2019

that charging authorities '*should be aware that it is likely to be harder to ensure that more complex patterns of differential rates are State aid compliant*.'

- Stakeholders should be appropriately consulted to inform the viability assessment process.
- The viability assessment should be proportionate, simple, transparent and publicly available.

1.3.12 Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies fully (based on assumptions relevant to testing allied to the emerging Plan). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value).

1.3.13 The consideration of the collective planning obligations (including affordable housing, other requirements and CIL, together with any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to 'striking a balance'. It follows that the extent to which s.106 will have an on-going role also needs to be considered in determining suitable CIL charging rates, bearing in mind that CIL is non-negotiable.

1.3.14 In most cases, where adopted, CIL replaces or largely replaces s.106 as the mechanism for securing developer contributions towards infrastructure. The 2019 updated CIL Regulations and PPG reflect the greater flexibility that authorities now have to use funds from both section 106 planning obligations and the Levy to pay for the same items of infrastructure, regardless of how many planning obligations have already contributed towards an item of infrastructure (the previous s.106 'pooling restrictions' have been removed).

1.3.15 As noted above, a key requirement of CIL and setting the charging rates is that an appropriate balance should be struck between the desirability of funding infrastructure from the levy and the potential effects that imposing the levy may have upon the economic viability of development (development viability).

'When deciding the levy rates, an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments.

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area (see regulation 14(1), as amended by the 2014 Regulations).'[7]

1.3.16 The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion and experience the preparation of this study meets the requirements of all appropriate Guidance.

1.3.17 In addition, further relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report[8]). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.

1.3.18 Planning and in particular national policy are constantly evolving processes, particularly at the current time. A viability assessment such as this is carried out at a point in time based on knowledge of the system and policies in place at that time or taking into account likely changes to policy moving forward (through sensitivity testing). It needs to be acknowledged however that no study can cover *every* future eventuality and without re-starting projects at great cost. It therefore needs to be accepted that there may be cases where an update to an assessment such as this may be required as the Plan moves forward to Examination.

[7] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph 010 Reference ID: 25-010-20190901 Revision date: 01 09 2019

[8] 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

1.3.19 At the time of completing this study Stage 1, the Royal Institution of Chartered Surveyors (RICS) published a Guidance Note relating to viability in planning[9]. The Guidance reiterates and re-emphasises much of the Guidance contained within the PPG and in that regard this study takes account of the relevant Guidance. However, to be clear, given the timing of the renewed RICS document relative to the assessment work building to this report, this study does not specifically refer to the July 2021 RICS Guidance. Our approach has been to use the PPG as our key reference point, consistent with the approach to all other assessment work of this nature (and with the RICS Guidance effective July 2021 now essentially reiterating the PPG approach and principles).

1.3.20 During the course of carrying out this assessment the Government consulted on both short term and longer-term major reforms to the planning system in England and Wales. The White Paper: Planning for the Future consultation (August 2020) sought views on wholesale reforms to the planning system so that in some respects it would be nearly unrecognisable from the system under which this assessment and the Local Plan are being produced. Related to this, the potential planning reforms (with a Bill or draft Bill currently awaited in the coming months) encompass at least some level of review of how planning obligations and infrastructure are to be provided for moving ahead – including the nature of a CIL or similar and how that might operate. At this stage, the Council and DSP are able only to proceed with considering and developing evidence and potential approaches based on what is known at this point – i.e., a continuation of the current system for the time being. Potentially the Stage 2 assessment or subsequent work may be able to consider any developments further, dependent on relative timings and information availability.

1.3.21 The second consultation – 'Changes to the current planning system' looked at shorter term objectives including the introduction of a First Homes policy[10] and temporary increase in the national affordable housing threshold[11]. The Government's response to its consultation[12] concludes that "*On balance, we do not consider this measure to be necessary at this stage, particularly in light of the broader way in which the sector has*

[9] RICS: 'Assessing viability in planning under the National Planning Policy Framework' 1st edition, March 2021, Effective 1 July 2021

[10] Potential for a policy that requires policy that a minimum of 25 per cent of all affordable housing units secured through developer contributions to be First Homes with a minimum discount of 30% of market value.

[11] The government is consulting on whether to increase the current affordable housing threshold (where affordable housing may be sought from developments of 10 dwellings or more) to 40 or 50 dwellings for a temporary period of up to 18 months.

[12] https://www.gov.uk/government/consultations/changes-to-the-current-planning-system/outcome/government-response-to-the-first-homes-proposals-in-changes-to-the-current-planning-system (April 2021)

responded to the challenges of the pandemic and the other measures we have available to support SMEs. We therefore do not think any change to existing policy is currently needed".

1.3.22 In respect of First Homes however, the Government has introduced a requirement for First Homes to be delivered via section 106 of the Town and Country Planning Act 1990 (s106). As this study progressed, the Secretary of State for Housing, Communities and Local Government laid a Written Ministerial Statement before Parliament, outlining changes to national planning policy in order to ensure First Homes are built. Guidance on the application of First Homes was published on 24th May 2021. To reflect the introduction of First Homes, modelling has been conducted in the latter part of this study that includes First Homes within the affordable housing tenure mix. As a new form of tenure, assumptions have been made on the value and cost of providing this new tenure as well as associated assumptions on the level of profit to assume and where it sits in the spectrum of 'risk' for developer returns.

1.3.23 In addition to the above, during 2019 the Government consulted on and sought views on plans for a Future Homes Standard (FHS) for new homes from 2025, and proposed options for an interim increase to the energy efficiency requirements for new homes ahead of that. The consultation proposed the following:

- From 2025, new homes built to the Future Homes Standard will have carbon dioxide emissions at least 75% lower than those built to current Building Regulations standards.

- Introducing the Future Homes Standard will ensure that the homes this country needs will be fit for the future, better for the environment and affordable for consumers to heat, with low carbon heating and very high fabric standards.

- All homes will be 'zero carbon ready', becoming zero carbon homes over time as the electricity grid decarbonises, without the need for further costly retrofitting work.

1.3.24 During the course of this assessment, the Government provided its response to the consultation[13] leading to an expectation that in the interim, carbon reduction targets of 31% over existing will be regulated in late 2021, leading to the wider implementation of the FHS from 2025 where it is expected that a reduction in CO_2 of 75% form current standards is achieved.

1.3.25 In order to reflect the consultation response and potential introduction of interim measures to the Future Homes Standard, we have undertaken testing to reflect emerging policy in this area.

[13] MHCLG: The Future Homes Standard: 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Summary of responses received and Government response

2. Methodology & Assumptions

2.1 General Approach

2.1.1 The assessment progressed to date, as set out through this report, is the first Stage of a two-stage process. As described in Chapter 1, Stage 1 considers the viability of the Council's base policy (i.e., essential) costs, other (higher and lower priority) policy costs and informs the Council's further policy development processes in this regard based on site typologies testing; providing the viability evidence to inform and support the nest stage - Preferred Options - consultation. Stage 2 (the next stage) will consider the viability of larger / strategic sites (those sites upon which the delivery of the Plan relies) and back testing the recommended policies from current Stage 1. Setting out the whole process undertaken through close working with SSC, Stage 1 has also been undertaken in two phases as we will set out below.

2.1.2 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we have undertaken an extensive information review, property market research and a development industry stakeholders' survey. As a part of this, a review of the potential policy proposals enabled us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above the typical costs involved in the development process (for example build costs utilising the costs information from established sources such as the Building Cost Information Service of the RICS (BCIS), associated fees and contingencies, finance, sale costs, development profit; and land costs).

2.1.3 Appendix I to this document also provides a quick reference guide to the assumptions used at this stage.

2.1.4 As part of the first phase (within this Stage 1), the Council provided DSP with an emerging hierarchy of potential policy initiatives which were grouped into 'essential' (base requirements/costs), 'local and national', 'high priority' and 'low priority' policy costs. As this first phase was used to inform the process (as well as ultimately support the development of the Plan), we conducted an appraisal matrix approach whereby the estimated cost of each policy area was "switched on and off" and viewed in varying combinations, providing the Council with a clear overview of the results trends as additional policy cost was considered.

2.1.5 The process required an estimate of the cost of each of those policies and obligations that it was considered had a quantifiable impact on development viability (clearly other policies have indirect cost implications which have been addressed more generally within our appraisal assumptions). Figure 3 below outlines the policy areas considered in the first phase of this Stage 1 assessment and dialogue with SSC. Note shown within this summary, we understand there is also a 'Minimum energy efficiency standards' option under consideration, with the related 'Stage 2 (lower priority policies') reflecting an 'Enhanced energy efficiency standards' approach option.

Figure 3: SSC Policy Options

Base policy costs (i.e. essential policies)	Stage 1 (high priority policies)	Stage 2 (lower priority policies)
Affordable housing	Bungalow provision	Enhanced open space, sport and recreation requirements (including contributions for leisure)
Housing mix	Nationally described space standards	Enhanced parking standards
Education	Part M4(2) and (3) (accessible, adaptable and wheelchair user homes)	Enhanced space about dwellings standards
Cannock Chase SAC		Inclusive growth (requirement for an Employment and Skills Plan)
Existing open space, sport and recreation requirements		Sustainable transport
Existing residential parking standards		Energy efficiency standards
Existing space about dwellings standards		Water efficiency
Minimum density requirements		

2.1.6 The approach involved testing two sample typologies considered suitably representative of development expected to typically come forward in the district over the emerging plan period. In this case we selected 25 Houses (greenfield) and 25 Mixed dwellings (greenfield and PDL) including tests at 35%, 30% and 20% affordable housing tested at two Value Levels (VLs) representing sales at £2,800/m^2 i.e., approx. £260/ft^2) and £3,400/m^2 i.e., approx. £316/ft^2) thought to be broadly representative overall of the typical range of values supported by new build housing across the district at the point of setting initial test assumptions. Noting the considerable upward movement in the local market generally since the assessment inception and initial research, within the overall value range for the district represented now by VLs 1 – 7 at £2,500 to 4,300/m^2 (approx. £232 to £399/ft^2 at the time of this Stage 1 reporting the most relevant value levels overall for the assessment purpose and representative of the likely site supply at this time are considered to be VLs 4 to 5/6 (approx. £3,100 to £3,400/m^2 or approx. £288 to £316/ ft^2 in the main; up to £3,700 m^2 i.e., approx. £344/ ft^2). Higher values are also seen, significantly less frequently at this stage. Appendix I provides an overview of this picture and the Appendices IIa – IId residential results summaries are set out across this overall VLs 1 – 7 range.

2.1.7 Following this initial phase of testing, discussions were held with South Staffordshire Council officers to inform the consideration of potential refinement/narrowing of the policy options where it was shown likely that not all combinations could viably be provided. The early stage recommendations discussed with SSC included the possibility of a potential differential approach to affordable housing policy – e.g., varied by site type (greenfield / PDL) subject to the Council's direction on other policy areas. It was also discussed that the affordable housing requirements would appear to require at least some reduction from current policy levels – potentially looking at 25-30% (greenfield) and 20% (PDL) alongside other proposed policies whereby it was suggested that support (in viability terms) could be provided for national level policy costs combined with up to two 'high priority' or one 'low priority' policy cost alongside s106 contributions and a modest CIL charge.

2.1.8 The result of the discussions lead to a Members' engagement session whereby the potential options were presented to Members so that a consensus on priority areas could be considered and reached as far as possible, on looking first at key requirements and then other matters that would need to be supported through policies as far as would be workable. Overall, it was established that some compromises relative to the full initial policies scope would need to be considered. This took place in January 2020.

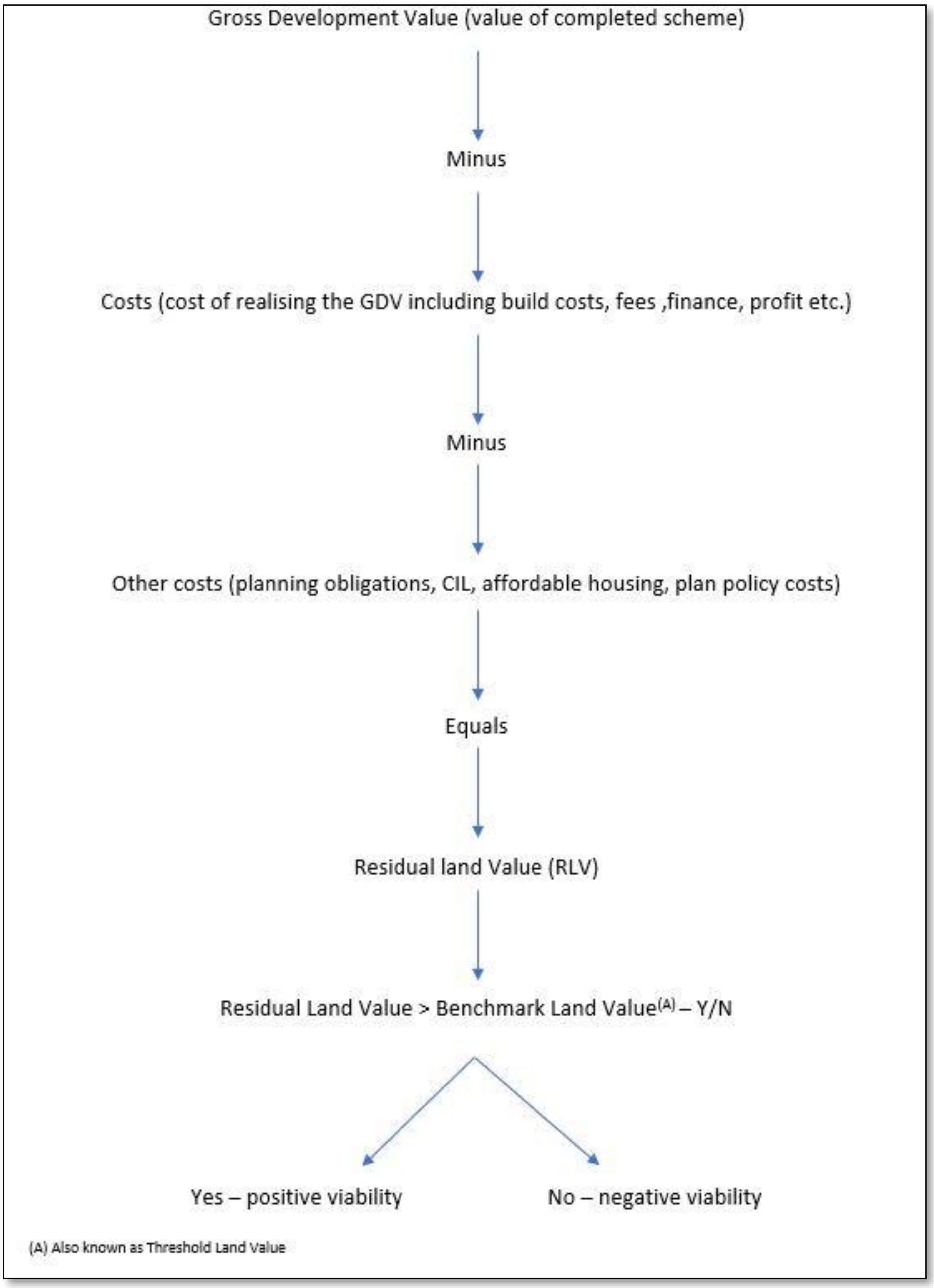
2.1.9 Further discussions were held internally at South Staffordshire throughout 2020. Phase 2 of the process (viability assessment Stage 1) then began in early 2021 where the assessment considered a wider range of site typologies representative of the forms of development likely to come forward in the district and in doing so applied the now more settled emerging policy assumptions as reduced and refined following the initial, first phase. The details of all the site typologies and assumptions feeding into the associated development appraisals are set out in this chapter and an outline of these is also provided with Appendix I.

2.1.10 An equivalent set of typologies testing and related assessment work has also been undertaken to consider the viability of commercial/non-residential development in the district and with a key purpose of informing the potential introduction of a CIL Charging Schedule – commercial/non-residential results at Appendix IIIc and other information commentary included within this report.

2.2 Residual Valuation Principles

2.2.1. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability, but also used for site-specific viability assessments, is residual valuation. This is also consistent with the relevant guidance described above. Figure 4 below sets out (in simplified form only) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and recommendations.

Figure 4: Simplified residual Land valuation principles



(DSP 2021)

2.2.2. Having allowed for the costs of acquisition, development, finance, profit and sale, the results show the sum that is potentially available to pay for the land – i.e., the residual land value (RLV).

2.2.3. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a 'willing landowner' and 'willing developer'. The emphasis has moved away from a market value approach to land that may have been used or carried greater influence in the past. The PPG on Viability has for some time now made it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:

'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' ['EUV+'].

2.2.4. The NPPF and associated PPG on Viability indicate a greater link than previous between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications/delivery) stage. The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.

2.2.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage / site-specific viability reviews but that it is '*up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage*'[14]. An indication of the types of circumstances where viability could be assessed in decision making is also included in the PPG. These include: '*for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force*'[15].

[14] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 006 Reference ID: 10-006-20190509 Revision date: 09 05 2019

[15] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 007 Reference ID: 10-006-20190509 Revision date: 09 05 2019

There is the potential for the development of some site typologies or sites identified by the Council to need to overcome abnormal issues and support added costs. The NPPF recognises that within this picture there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.

2.2.6. The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I and III.

2.3 Stakeholder Consultation

2.3.1 The national policy and guidance reflects the need for and value of stakeholder engagement. Consistent with our established practice for strategic viability assessments, DSP sought soundings as far as were available from a range of development industry stakeholders as the assumptions were considered. This offered an engagement opportunity to a wide range of locally active organisations and interests, with a view to gathering feedback on our emerging study approach and inputs - to help inform the assessment.

2.3.2 This engagement process was conducted primarily by way of bespoke survey type questionnaires seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with any subsequent dialogue as appropriate. The questionnaires set out our initial draft assumptions and testing parameters, with the opportunity provided for the stakeholders to then comment on those emerging positions or suggest alternative assumptions with reasoning. The survey proformas were issued as follows:

- **Development Industry** – range of active stakeholders in South Staffordshire as per the Council's contacts lists and supplemented where appropriate from DSP's experience, including local property agents, developers, housebuilders, planning agents, industry representatives and others.

- **AH Providers** – range of locally active affordable housing providers, again through discussion with the Council. These parties were contacted with a directed survey form requesting guide information on likely AH revenue (payment to developer) levels as well as on underlying investment/valuation assumptions and any other commentary – again, all as far as available.

2.3.3 As part of this process, a full record of all stakeholder interaction is kept, including a log indicating the parties contacted, reminders issued, the feedback responses and level of response overall. Given potential commercial sensitivities/confidentiality in some instances, the details of the responses received are not included within our published report. However, this has all contributed valuably to the overall information review, further informing both the consideration of the assumptions range, and the review of and judgments made around the results in the later assessment stages. All in all, the work is informed by a combination of sources, including the Council and its information, our own extensive research process and experience and the relevant stakeholder sourced feedback. At this point it is likely that subsequent work towards the Stage 2 viability assessment will include further consultation, particularly with promoters/developers of certain larger/strategic sites (potential strategic locations/allocations or similar) that are likely to be assessed more specifically at Stage 2, building on this Stage 1 typologies-based work.

2.4 Scheme Development Scenarios

2.4.1 The sites modelled as part of this assessment reflect the variety of different types of development that are likely to be brought forward through the planning process across the plan area. They comprise a mix of residential, commercial/non-residential sites and (where relevant) mixed-uses. This appropriately informs the development of local plan policy and the CIL charge setting process (should that proceed in due course), with the key aim of finding an appropriate balance between policy requirements (including provision of affordable housing and the desirability of funding infrastructure) and the ability of developments to continue to come forward viably.

2.4.2 Each of the development scenarios has been sensitivity tested over a range of value levels (VLs) representing varying residential sales values as seen at the time of review across South Staffordshire by scheme location / type. As well as looking at the influence of location within South Staffordshire, this sensitivity testing approach allows us to consider the potential impact on development viability of changing market conditions over time (i.e., as could be seen through falling or rising values dependent on market conditions) as well as how this key assumption may vary by location, development type and scale.

2.4.3 A summary of the site scenarios tested as part of this study (current Stage 1) is shown in Figure 5 below, with the full detail set out in Appendix I.

Figure 5: Residential site typologies summary

Scheme size (assumed dwelling numbers) appraised - TYPOLOGY	Development type	Site type
5	Houses	Greenfield / PDL
5	Flats	PDL
10	Houses	Greenfield / PDL
15	Houses	Greenfield / PDL
25	Houses	Greenfield / PDL
25	Mixed	PDL
50	Mixed	Greenfield / PDL
50	Flats (Sheltered)	Greenfield / PDL
60	Flats (Extra Care)	Greenfield / PDL
50	Houses	Greenfield / PDL
100	Mixed	Greenfield / PDL
500	Mixed	Greenfield / PDL
1000	Mixed	Greenfield
2000	Mixed	Greenfield

(DSP 2021)

2.4.4 As part of considering the site scenarios and seeking to make these as representative as possible of the emerging policy approach, an assumption is made in relation to dwelling mix, for which we have adopted the principles set out in Figure 6 below and Appendix I. These dwelling mix principles are based on information provided to DSP by SSC based on emerging evidence.

Figure 6: Dwelling mix assumptions

No. Beds	Market Housing	Affordable Housing
1-beds	10%	20%
2-beds	35%	40%
3-beds	30%	30%
4+ beds	25%	10%

(DSP 2021)

2.4.5 In all cases it should be noted that a “best fit” of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility available, particularly in scheme typologies with small dwelling numbers. The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc. The affordable housing (AH) content assumed within each test scenario is set out in more detail below. Appendix I also provides more information on the assumed dwelling mixes and associated revenue levels. This feeds into the assessment and recommendations of affordable housing policy thresholds, proportions (%s) and tenure types/mix.

2.4.6 The dwelling sizes (on a GIA i.e., gross internal area basis) assumed for the purposes of this study are as set out in Figure 7 below and based on the Nationally Described Space Standard (NDSS). As with the many other variables considered through assumptions, there will be a large range and mix of dwelling sizes coming forward in practice, with these varying by scheme and location. Due to the high-level nature of this study process, a sample of scenarios and assumptions can be tested rather than every potential iteration. This approach is sufficient to generate a suitable overview, in accordance with guidance.

Figure 7: Assumed residential dwelling sizes

Unit Sizes (sq. m.) *	Market	Affordable
1-bed flat	50	50
2-bed flat	61	61
2-bed house	79	79
3-bed house	93	93
4-bed house	130	106

**Notes: Older persons' housing – Retirement/sheltered dwellings (and Extra care) assumed 1-beds @ 55 sq. m; 2-beds @ 75 sq. m. For the purposes of this study, First Homes are based on the same sizes as other affordable housing tenures* (DSP 2021)

2.4.7 Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e., with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).

2.4.8 The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e., 100% saleable floorspace). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For the general flatted development tests, we have assumed a net:gross ratio of 85% (i.e., 15% communal space).

2.4.9 The sheltered housing typology / scenario assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e., 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care development typology discussed later.

2.4.10 We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.

2.4.11 At this level of strategic overview, we do not differentiate between the value per sq. m. for flats and houses although in reality we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area (£/sq. m or £/sq. ft.).

2.5 Commercial / Non-Residential Development

2.5.1 For the non-residential element of each of the site allocation scenarios, assumptions have been made with regard to type, size, cost and value of each non-residential element of that site as set out within Appendix I.

2.5.2 In addition, and to provide wider information for the LP and related delivery, but also more specifically related to the potential introduction of a CIL Charging Schedule locally, this study also considers a wider range of potential commercial/non-residential development typologies. These scenarios have been developed mainly through the information supplied for review by, and through consultation with, the Council. This was supplemented with and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes/proposals. Figure 8 sets out the various scheme types (typologies basis) appraised for this aspect of the study, covering a range of non-residential development uses in order to test the likely impact on viability of requiring CIL contributions from different types of commercial development; types again as considered potentially relevant.

2.5.3 The commercial / non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. Appendix I provides more information on the scope of assumptions used to assess the typologies outlined in Figure 8 below.

Figure 8: Commercial / Non-residential Development Typologies

Type / Use Class	Example Scheme Type
Large Format Retail Unit	Foodstore/Supermarket - out of centre
Large Format Retail Unit	Retail Warehouse
Settlement Centre Retail Unit	Comparison shops (general/non shopping centre)
Small/local/individual Retail Unit	Convenience Store - various locations
Business - Offices - Town Centre	Office Building
Business - Offices - Out of town centre /Business Park	Office Building
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate
Research & Development - Industrial / Warehousing / Office	R&D unit including production / warehouse facility and offices
Hotel (budget)***	Hotel - edge of centre / edge of settlement
C2 - Residential Institution	Nursing Home

(DSP 2021)

2.5.4 Following the same principles and general process as setting the residential assumptions, a variety of sources were researched and considered in relation to the non-residential typologies. This includes information on rents, yields, sales comparables, land values and other development assumptions. The sources of information include CoStar Commercial Real Estate Intelligence resource, the VOA Rating List, other web-based review as well as feedback as available from the development industry consultation. Supplementary information sources included articles and development industry features sourced from a variety of construction related publications, and in some cases, property marketing details.

2.5.5 Collectively our research enabled us to apply a level of “sense-check” to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. The full research review is provided within Appendix III to this report.

2.5.6 In addition to the key set of commercial uses tests as set out above, further consideration was given to other forms of development that may potentially come forward locally. These include for example facilities that are non-commercially driven (community halls, medical facilities, schools etc.) and other commercial uses such as motor sales/garages, depots, workshops, surgeries/similar, health/fitness, leisure uses (e.g., cinemas / bowling) and day nurseries.

2.5.7 Clearly there is potentially a very wide range of such schemes that could be developed over the life of the Local Plan, and any revised CIL charging schedule(s). Alongside viability, it is also relevant for the Council to consider the likely frequency, delivery and distribution of these over the Plan and CIL Charging Schedule periods. In advance of potentially expanded typology test appraisals, it was possible to review (in basic but sufficient terms) the key relationship between likely completed value per sq. m. and the cost of building such schemes – see Section 3 for more detail.

2.5.8 Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale etc. are allowed for) outweighs or is close to the completed value, it becomes clear that a scenario is not financially viable in the normal context that has been discussed above. This extends the iterative process, as an addition to the main appraisals, whereby a deteriorating strength of relationship between values and costs provides an indication of further reducing viability prospects compared with the more viable or marginally viable developments. This starts to indicate schemes that are considered more typically likely to require other financial support; rather than being clearly and consistently able to produce a surplus capable of some level of contribution to CIL, or S106 requirements. Through this process, we were able to determine whether there were any of those scenarios that warranted additional viability appraisals / testing.

2.6 Scheme Revenue (Gross Development Value / GDV) – Residential

2.6.1 A key part of the appraisal assumptions are the market housing sale values. For a proportionate but appropriately robust evidence basis, it is preferable to consider information from a range of sources including those listed below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables, including:

- Previous viability studies as appropriate.
- Land Registry.

- Valuation Office Agency (VOA).
- Property search, sale/market reporting and other web resources.
- Development marketing web-sites.
- Any available information from stakeholder consultations

2.6.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the district. This data was collected by both settlement and locality area, analysed using both sold and asking prices for new-build and re-sale property. It must be acknowledged that the scope of the data varies through time and by location. In some instances, data samples are small (e.g., relating to a particular period or geography) and this is not unusual.

2.6.3 We considered this to provide the most appropriate and reflective framework for this data collection exercise, and the subsequent analysis to inform assumptions. This research enabled us to view how the value patterns and levels observed overlay with the emerging site scenarios and those areas in which the most significant new housing provision is expected to come forward over the plan period.

2.6.4 Overall, the data indicates that although there is more variation in the resale (second-hand) market across the district, overall, the new builds picture on values appears to be more consistent. In terms of new build development, being our key focus for this assessment, the values overview was noted at 2.1.6 above. A significant proportion of new build values fall in the range represented most closely by our VL tests at approximately £3,100 to £3,400/m^2 (VLs 3 to 4), with new build values reaching around test level VL 5 (£3,700/m^2) not unusual although seen less regularly. Higher values are seen too, as represented by our upper new VL tests. Greater variation appears to be seen through the type of development rather than necessarily by location alone. To provide a range of sensitivity tests that take into account both the current market conditions as well as an ability to consider the influence of higher and lower than the most typically supported values, we carried out our modelling across 7 no. value levels from £2,500/m^2 to £4,300/m^2 overall - in £300/m^2 test steps.

2.6.5 As with all data, there are variations to this with specific properties and areas sometimes showing higher or lower values than discussed here.

2.6.6 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to the South Staffordshire district. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between areas, given the varying characteristics of the district.

2.6.7 The values research for the assessment commenced in July 2019 and was kept open through to the point of preparing our full draft report for SSC's review. Consistent with the approach to all of our assessments, we use the latest practically available data from a range of sources leading up to the point of needing to settled assumptions before the final appraisal running progresses.

2.6.8 This means that whilst the research was initiated at a time that meant effectively viewing pre-COVID 19 data, this has been considered further throughout the study period. At the end of this period (draft reporting June – August 2021) latest market reporting shows values have not been negatively impacted. In fact, latest reporting continues to indicate a resilient and very buoyant property market with demand far outstripping supply with significant annual property price increases (Appendix III provides more detail). A current view has to be formed for the assessment purpose, rather than using projections on values and other assumptions). The latest available data shows in any event that it would not have been appropriate to down-grade the available evidence on prices earlier in the assessment process, anticipating a downturn as some anecdotal information or views perhaps suggested, given how the market has continued to perform.

2.7 Scheme Revenue (Gross Development Value – Affordable Housing (AH) Revenue)

2.7.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling to ascertain a viable proportion in various circumstances.

2.7.2 The Council's existing approach (Policy H2 of the adopted South Staffordshire Core Strategy (2012)) requires the provision of affordable housing in accordance with the following:

a) 10 or more dwellings (or sites of 0.3 hectares or more in size) within the Main Service Villages, or
b) 5 or more dwellings (or sites of 0.2 hectares or more in size) within the Local Service Villages, or
c) 2 or more dwellings (or sites of 0.1 hectares or more in size) within the Small Service Villages.

The Council will seek to ensure that a proportion of affordable housing is provided on qualifying sites meeting the above threshold criteria in accordance with the following targets:
On sites of 10 or more dwellings – 30% affordable housing on previously developed land: 40% affordable housing on greenfield land:
Within the Local Service Villages and Small Service Villages on sites of 5 – 9 dwellings – 20% affordable housing (provided on-site).
Within Small Service Villages on sites of 2 – 4 dwellings – 20% affordable housing equivalent in-lieu of on-site provision

2.7.3 A key part of the purpose of this assessment is to ensure a robust and deliverable policy set and advise the Council on an appropriate and viable level or levels of affordable housing to seek from development through the emerging Local Plan. We have therefore undertaken testing between 0% and 40% affordable housing according to likely relevance based on scheme size and informed by the earlier, initial testing phase and dialogue with SSC. Based on the recommendations of the Council's latest SHMA and agreed with SSC, a base assumption of 50% social rent / 50% intermediate tenure is assumed.

2.7.4 The NPPF (para. 65[16]) also requires a minimum of 10% of homes to be provided as 'affordable home ownership' (AHO) products as part of the overall contribution from sites and this has been included within the overall dwelling mix assumptions as closely

[16] Formerly paragraph 64 as was in place at the time of preparing this Stage 1 assessment.

as possible. It should however be noted that the target/base assumed AH tenure mix was accommodated as far as best fits the overall scheme mixes and AH proportion in each scenario. In addition, 25% of the overall affordable housing requirement in each scenario has been included as First Homes. This is consistent with new national policy at the point of completing this Stage 1 assessment and as per the Government's First Homes Guidance as is referenced below (May 2021) – see 2.7.9. First Homes can form part of the minimum 10% AHO allowance.

2.7.5 The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (AR) or capitalised net rental stream and capital value of retained equity (shared ownership). Currently Homes England (HE) expects AH of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. This should be the starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes. We have therefore made no allowance for grant or other public subsidy or equivalent.

2.7.6 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the 'transfer payment' or 'payment to developer'. These revenue assumptions are based on our extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).

2.7.7 The transfer values for the Social Rented AH units assumed for the study are shown in Appendix I.

2.7.8 In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider's own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here. It follows that the transfer values assumed could therefore be a conservative estimate in some cases and in reality on some schemes an affordable housing provider (e.g., Registered Provider – housing association or similar) could include their own reserves and if so thus improve viability and/or affordability.

2.7.9 The assumptions on First Homes are based on the Guidance set out by Government[17]:

- First Homes to be discounted by a minimum of 30%.
- After the discount is applied the initial sale price of a First Homes must not exceed £250,000 (or £420,000 in Greater London).
- Initial sales of First Homes must contain a legal mechanism to ensure each future sale maintains the discount (as a percentage of current market value). However, a mortgagee enforcing their security against the property will be exempt from this requirement.
- The First Homes requirement is that a minimum of 25% of section 106 units should be delivered as First Homes. With regards to the allocation of the remaining 75% of units after the First Homes requirement has been met, national policy will be that:
    - The provision for Social Rent as already described in the development plan should be protected.
    - Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.
    - In situations where the local plan allocates more than 75% of contributions to Social Rent, the 25% First Homes requirement will remain.

2.7.10 There are exemptions to the requirement to provide affordable home ownership following the principles set out at paragraph (65) of the NPPF (latest addition) and these include:

- Developments which provide solely for Build to Rent homes.

[17] https://www.gov.uk/guidance/first-homes

- Developments which provide specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students).
- Developments by people who wish to build or commission their own homes.
- Developments exclusively for affordable housing, entry-level exception sites or a rural exception site.

On this basis, although to this point the NPPF has not been updated to refer specifically to First Homes, for the purposes of NPPF paragraph 65 (within the very latest NPPF edition – July 2021) we treat that First Homes as a form of affordable home ownership. Therefore, in the case of elderly persons housing, for example – appraised in form of retirement living/sheltered and extra care scheme typologies – we assume that First Homes are not relevant.

2.7.11 Transitional arrangements will come into force based on the following criteria:

- Local or neighbourhood plans submitted for Examination before the implementation of the policy or that have reached publication stage before implementation and are subsequently submitted for Examination within 6 months of implementation will not be required to reflect the First Homes requirements.
- The new requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) within 6 months of implementation of the policy (or 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if the developer wishes to do so.
- The above arrangements will also apply to entry-level exception sites

2.7.12 It is also worth noting that in late 2020 (during the assessment period to date) there was also a government consultation out on Shared Ownership (‘*New model for Shared Ownership: technical consultation’* – issued 19th November 2020; consultation closed 17th December 2020). The consultation sought views on the following:

- reducing the minimum initial stake from 25% to 10%
- introducing 1% gradual staircasing and the new valuation methodology

- implementing the new 10-year period during which the landlord will support with the cost of repairs and maintenance in new build homes
- delivering the new model through Section 106 developer contributions

2.7.13 The Government's response was published in April 2021. At this stage we have continued to assume shared ownership tenure reflects a currently more typical 35% initial share purchased with rent on the unsold equity charged at 2.75%.

2.7.14 When such matters are settled and assumptions and calculations can more directly reflect any new view of an affordable housing mix, this could be looked at further. At this stage, however, it appears that the details and effects of this will probably need to be amongst the matters considered at a site-specific level when the suitable affordable housing provision relating to particular schemes is discussed, much as it usually is now.

2.8 Scheme Revenue (Gross Development Value (GDV)) – Commercial / Non-residential

2.8.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. In order to consider the viability of various commercial development types, a range of assumptions are needed. Typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisal. The strength of the relationship between the GDV and the development costs was then considered using the following methods:

- For the main commercial scheme typologies under review, consistent with those reviewed in most of our strategic level viability assessments, residual valuation methodology - as per the principles applied to the residential typologies, or.

- A simpler method adopting a value vs cost comparison for other commercial typologies clearly indicating a poor relationship between the two - resulting in full appraisals being unnecessary e.g., for surgeries, community centres, and a range of other development uses either typically provided by public agencies or generally non-commercially viable uses as stand-alone scenarios.

2.8.2 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was collated from a range of sources including (also see Appendix III for more detail):

- CoStar property intelligence database.
- Valuation Office Agency (VOA).
- Range of property and development industry publications, features and websites.

2.8.3 Figure 9 below shows the range of annual rental values assumed for each scheme typology. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme development, dependent on the combination of yield and rental values applied.

Figure 9: Assumed rental value – key commercial typologies

Type / Use Class	Example Scheme Type	Values Range - Annual Rents £ per sq. m (unless stated otherwise)		
		Low	Mid	High
Large Format Retail Unit	Foodstore / Supermarket - out of centre	180	200	240
Large Format Retail Unit	Retail Warehouse	150	175	200
Settlement Centre Retail Unit	Comparison shops (general/non shopping centre)	150	200	250
Small/local/individual Retail Unit	Convenience Store - various locations	100	125	150
Business - Offices - Town Centre	Office Building	150	175	200
Business - Offices - Out of town centre /Business Park	Office Building	160	200	240
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	50	75	100
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	60	80	100
Research & Development - Industrial /Warehousing / Office	R&D unit including production / warehouse facility and offices	80	100	120

Type / Use Class	Example Scheme Type	Values Range - Annual Rents £ per sq. m (unless stated otherwise)		
		Low	Mid	High
Hotel (budget)*	Hotel - edge of centre / edge of settlement	4,000	5,000	6,000
C2 - Residential Institutional*	Nursing Home	4,000	5,000	6,000

(DSP 2021)

**Annual rental income per room assumptions*

2.8.4 The rental values were tested at three levels representative of low, medium/mid and high test values considered relevant to each scheme type across the study area. This enables us to assess the sensitivity of the viability findings to varying value levels, much like the residential appraisals. These are necessarily estimates and based on an assumption of new build development rather than older stock. This is consistent with the nature of the CIL regulations in that refurbishments/conversions/ straight re-use of existing property will not attract CIL contributions (unless floor-space in excess of 100 sq. m. is being added to an existing building; and providing that certain criteria on the recent use of the premises are met).

2.8.5 The quality and quantum of available information in this regard varies considerably by development type. Again, we do not consider this to be a specific SSC factor and it does not detract from the viability overview process that is appropriate for this type of study.

2.8.6 These varying rental levels were capitalised by applying yields of between 5% and 7% overall (varying dependent on scheme type). As with the level of rental value, varying the yields enabled the exploration of the sensitivity of results given that in practice a wide variety of rentals values and yields could be seen. This approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could potentially deteriorate whilst still supporting the collective costs.

2.8.7 It is worth noting here that small variations in assumptions can have a significant impact on the GDV available to support the development costs (and thus the viability of a scheme). We consider this very important, bearing in mind the balance that must be found between the desirability of infrastructure funding needs and the potential effect on viability. While it is relevant to assume new development and appropriate lease covenants etc. rather than older stock, using overly positive assumptions in the local context could act against finding that balance.

2.8.8 This approach enabled us to consider the sensitivity of results to changes in the capital value (GDV) of the non-residential typologies and allowed us then to consider the most relevant results in determining the parameters for appraising non-residential CIL rates for the study area, including any differential rates that could or should be considered by SSC moving ahead. As with other elements of the study, the adopted assumptions will not necessarily match scheme specifics and therefore we need to keep in mind whether and how frequently local scenarios are likely to indicate viable results (including as values vary). See further detail at Section 3.

2.9 Development Costs - Generally

2.9.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. At this stage, the high-level testing for this viability assessment is based on typical assumptions utilised for scenario testing in Local Plans and as set out within this document (adjusted for location and reflecting local characteristics as appropriate). As the assessment progresses to Stage 2, allowances will be considered for any potential abnormals, either through the use of information as far as available or variable contingency allowances, dependent on the nature of developments appraised in looking at any proposed larger/strategic site allocations.

2.9.2 Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix I to this report, a summary of the key points is also set out below.

2.9.3 Each cost assumption is informed by data and supporting evidence from such sources as follows in accordance with relevant sections of the PPG:

- Royal Institution of Chartered Surveyors (RICS) Building Cost Information Service (BCIS).

- Locally available information as far as available following the stakeholder consultation process.
- Other desktop-based research.
- Professional experience.

2.9.4 For site typology testing, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review. As above, where appropriate variable contingency allowances are used dependent on the perceived uncertainty relating to any given site tested. This is another factor that should be kept in mind in setting policy and CIL charging rates and ensuring those are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.10 Development Costs - Build costs

2.10.1 The assumed base build cost level shown below is taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be '*appropriate data*'[18] and rebased using a South Staffordshire location factor. The costs assumed for each development type (e.g., houses, flats, mixed as well as commercial/non-residential etc.) are as provided in Appendix I – and summarised below – Figure 10.

[18] https://www.gov.uk/guidance/viability (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018

Figure 10: Base Build Cost Data (BCIS Median)

Development Type		Base BCIS Build Cost £/sq. m.*
Residential	Build Costs Mixed Developments - generally (£/m^2) *	£1,140
	Build Costs Estate Housing - generally (£/m^2) *	£1,125
	Build Costs Flats - generally (£/m^2) *	£1,258
	Build Costs (Supported Housing - Generally) (£/m^2)[1]	£1,399
Large Format Retail Unit	Foodstore/Supermarket - out of centre	£1,312
Large Format Retail Unit	Retail Warehouse	£770
Settlement Centre Retail Unit	Comparison shops (general/non shopping centre)	£1,085
Small/local/individual Retail Unit	Convenience Store - various locations	£1,085
Business - Offices - Town Centre	Office Building	£1,750
Business - Offices - Out of town centre /Business Park	Office Building	£1,612
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,076
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£736
Research & Development - Industrial /Warehousing / Office	R&D unit including production / warehouse facility and offices	£736
Hotel (budget)	Hotel - edge of centre / edge of settlement	£1,894
C2 - Residential Institution	Care Home	£1,618

**The base build cost rates shown here exclude external works and contingencies allowances (these are added to the above BCIS sourced rates).*

(DSP 2021)

2.10.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (allowances for whish are all added separately). An allowance for plot and site works has been included on a variable basis depending on scheme type (typically between 5% and 20% of base build cost). These are based on a range of information sources and cost models and generally not pitched at minimum levels so as to ensure sufficient allowance for the potentially variable nature of these works. Specifically, further allowance for the in-practice variable opening up, site works and infrastructure costs has been made at £500,000/ha for the range of more general site typologies tested up to and including 500 dwellings. In the case of the 1,000 and 2,000 dwellings current stage typology tests, this assumption has been placed at £20,000/dwelling (with assumed expenditure split equally between pre-construction and construction phases within the appraisal timing settings).

2.10.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always been a range of data and opinions on and methods of describing, build costs. In our view, we have made reasonable assumptions in accordance with relevant guidance which lie within the range of figures we generally see for typical new build schemes (rather than high specification/complex schemes that may require particular construction techniques or materials). As with many aspects of viability assessment, there is no single appropriate figure in reality, so judgements on these assumptions (as with others) are necessary. It is important to note that as with any appraisal input, in practice this will be highly site specific.

2.10.4 In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.10.5 A base allowance of 5% of build cost has also been added to the general residential and commercial typologies to cover contingencies (i.e., unforeseen variations in build costs compared with appraisal or initial stage estimates).

2.10.6 It is important to note that the interaction of costs and values levels will need to be considered again at future reviews of the Local Plan as base build cost levels typically vary over time.

2.10.7 Appendix III includes some information on build cost trends, as viewed currently. At this stage, we cannot be sure how the UK's decision to leave the European Union or indeed the Coronavirus (COVID-19) pandemic or changes to the planning system will further play out in either the short or longer term on the economy, and potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seem likely to be at least as great as those on construction works and build costs. At the time of writing, recent reporting indicates a remarkably resilient housing market. In their latest Housing Market Update (July 2021), Savills forecast continued growth in the residential property market with house prices increasing by 21.5% over the next five years nationally; 23.9% in the West Midlands[19].

2.11 Development Costs – Fees, Finance & Profit

2.11.1 Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 11 and 12 below). Appendix I provides the full detail.

[19] https://www.savills.co.uk/insight-and-opinion/research-consultancy/residential-market-forecasts.aspx

Figure 11: Residential Development Costs – Fees, Finance & Profit

Residential Development Costs – Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	10% of build cost
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and includes all ancillary fees)
Marketing Costs	3% of GDV sales agent & marketing fees
	£750/unit legal fees
Developer Profit	Open Market Housing – based on range described in PPG of 15% - 20% of GDV (17.5% assumed within testing)
	Affordable Housing – 6% GDV (affordable housing revenue); 10-12% on First Homes GDV (12% base assumption at this stage – TBC on moving ahead).

(DSP 2021)

Figure 12: Commercial Development Costs – Fees, Finance & Profit

Commercial Development Costs – Fees, Finance & Profit	Cost Allowance
Sustainability Allowance	5% of build cost
Professional & Other Fees	10% of build cost
Yields	Variable applicability, sensitivity tested across range at 5% to 8%.
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% (including over lead-in and letting/sales period)
Marketing / Other Costs *(Cost allowances – scheme circumstances will vary)*	1% Advertising/ Other costs (% of annual income) 10% letting / management / other fees (% of assumed annual rental income) 5.75% purchasers' costs – where applicable
Developer Profit	15% GDV

(DSP 2021)

2.12 Development timings - Build period and sales assumptions

2.12.1 The build period assumed for each development scenario has been based on BCIS data utilising the Construction Duration calculator by entering the scheme typology details modelled in this study. This has then been sense-checked using our experience and informed by site-specific examples where available. The build periods provided in Appendix I exclude lead-in times which have been assumed at 6 months and sales periods off-set accordingly (i.e., running beyond the construction period) – see Appendix I for detail.

2.12.2 For the largest typologies tested here, at this stage (initial high-level 1,000 and 2,000 dwellings tests) the rate of sales assumptions are based on a general average at 0.75 market dwelling sales per week per sales outlet/developer (with then multiple outlets as assumed necessary and appropriate according to scale). These are considered to be certainly realistic assumptions, and at this stage in our view are potentially on the cautious side from wider experience. Along with other assumptions, these may be reviewed subsequently.

2.13 Key Policy Areas for Testing – Summary

2.13.1 A number of the Council's proposed policies have an impact on development viability, both directly and indirectly. As discussed previously, part of this assessment process was to test whether and to what degree those policies could be absorbed by development whilst maintaining development viability (and therefore viability of the Plan overall). The direct impacts are those policies which ultimately result in a specific fixed cost assumption within the appraisal modelling. Those key elements not already discussed above (e.g., affordable housing, dwelling mix etc.) are discussed below. The following summary sets out the assumptions for those key policy areas.

- **Nationally Described Space Standard (NDSS)** – requirement for all housing to be designed to comply with dwelling sizes to meet the minimum standards set out by MHCLG. The dwelling size assumptions for viability testing are set out in this study at Figure 7, consistent with the NDSS.

- **Enhanced accessibility 'Access to and use of Buildings'** - following the Housing Standards Review, accessibility is now incorporated into Part M of the Building Regulations with all buildings now being built to a minimum of M4(1) 'visitable dwellings' with further enhanced requirements to M4(2) 'Accessible and adaptable dwellings' and M4(3) 'Wheelchair user dwellings' optional with implementation via policy but subject to evidence of need as well as viability.

  The Council's preferred approach is to require 30% of new dwellings to be constructed in accordance with the requirements of Part M4(2) of the Building Regulations unless it can be demonstrated that it is unfeasible to do so.

  For specialist housing for older persons (retirement/sheltered and extra care) it is assumed that the general building specification and costs for that category include provision that would meet the necessary standards.

- **Custom & Self-build** – From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on viability. Broadly, we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process. In this case the Council are not proposing any requirements and policy merely supports proposals.

- **Affordable Housing** – as discussed earlier in this Section, determining the viable level of affordable housing that can be secured from development is part of the output of this study and as discussed at 2.7 and within the Results chapter.

- **Biodiversity Net Gain (BNG)** – Development proposals will be expected to contribute to biodiversity through clearly demonstrating improvements when submitting a planning application as part of securing biodiversity net-gain. For the purposes of this assessment we have assumed an improvement of 10% and utilised the central scenario as set out in the Impact Assessment[20] associated with the Government consultation on BNG. Appendix I provides more detail.

[20] DEFRA: Biodiversity net gain and local nature recovery strategies Impact Assessment (October 2019)

- **Open Space requirements** – requirement for residential development to make provision for open space having regard to the standards set out in the most up-to-date Open Space Assessment. Open space assumed accounted for within gross site area (assumed land take) and with contribution costs to be considered by SSC from/compared with the current stage appraisals residual surpluses.

- **Water Efficiency Standards** – A base assumption of 110 lpppd (water usage not exceeding 110 litres per person, per day) has been used in all appraisal models. The Council will need to demonstrate evidence of water stress in order to require any enhanced standard.

- **Carbon Reduction & Electric Vehicle Charging** – There are a number of published sources of information relating to the costs of achieving various carbon reduction measures with varying degree of detail and cost outputs. We have assumed a base cost aligned to the cost of achieving the Future Homes Standard (FHS) Option 2[21]. This is in the region of +4% over current base build costs assumptions.

  An allowance of £500 per dwelling (for all dwellings - regardless of type) has been assumed within this study to cover the potential additional cost of provision for electric vehicle charging.

  An allowance of +5% on build costs has been included on non-residential development for sustainable design and construction enhancements.

2.14 Infrastructure, Community Infrastructure Levy (CIL) & S106

2.14.1 As discussed earlier in this report, as part of this study the Council aims to test and understand the viability scope for a Community Infrastructure Levy to be set in South Staffordshire.

2.14.2 As could be expected to be the case here, even with CIL in place, typically we see that there remains a requirement for developments to provide some site-specific mitigation measures (for example potentially relating to matters such as open space, education, sports facilities / playing pitch contributions and in SSC's case contributions

[21] MHCLG: The Future Homes Standard - 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Impact Assessment (October 2019)

to the Cannock Chase SAC – as well as any other particular requirements needed to make a development acceptable in planning terms). Costs assumptions for matters such as highways and transportation as well as other community facilities and amenities are not yet available, so that the reported current Stage surpluses need to be considered in this wider context. However, care needs to be taken not to add costs assumptions to the degree that those might overlap between s.106 scope and what would be provided for via CIL.

2.14.3 Allied to the above, with the removal of the pooling restrictions on the use of s.106 agreements from September 2019, it will also be important for the Council to keep in mind the greater flexibility of s.106 (as appropriate) balanced with CIL if implemented. This approach will help to ensure that the Council maximises the level of funding for essential infrastructure across the district.

2.14.4 For the purposes of this assessment and in order to inform the Council's consideration of the s106 / CIL balance, the modelling to date makes allowances for the potential policy costs set out in 2.13 but excludes specific s106 costs (except those assumed in relation to expected on-site education requirements in the form of new schools building on the current typology tests at 1,000 and 2,000 dwellings). The appraisals then test for sensitivity to CIL costs (or costs reflecting proxy for a CIL or equivalent) at increasing £25/m^2 intervals in order to determine the point at which viability is indicated as potentially compromised across each development typology. The s106 requirements referred to above and known to date (open space maintenance, Cannock Chase SAC SAMM, sports facilities & playing pitch commuted sums and education contributions) are the subject of costs estimates sourced from SSC information (see Appendix I on s106 costs – third residential assumptions sheet there). Using the results from the modelling that includes the CIL / CIL proxy costs, where a residual surplus is identified, it is possible to determine the level of s106 cost / level of CIL (or a combination of these) that can be accommodated in addition to the other policy costs already included. The estimated s106 cost calculations as far as available to date can be used to make comparisons and consider the extent to which the range of Stage 1 assessment results are likely to support CL/s106 and /or other development costs alongside the tested emerging policy positions. Chapter 3 considers the results in this context.

2.15 Indicative land value comparisons and related discussion

2.15.1 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of value levels, affordable housing policy targets (%s) and other planning obligations.

2.15.2 The PPG[22] states the following:

'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+)…

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

[22] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment Paragraph: 014 Reference ID: 10-014-20190509 Revision date: 09 05 2019

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.
Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'

2.15.3 The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.

2.15.4 Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach that could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always "EUV plus" (existing use value plus) consistent with the updated PPG on Viability.

2.15.5 The levels of land values selected for this context are known as 'benchmark land values' (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.

2.15.6 As noted above, the recently updated PPG on viability is now very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development.

2.15.7 As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as 'Viability Tests', based on the principles of 'existing use value plus' (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the Appendix II results tables provides a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).

2.15.8 The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this high-level assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.

2.15.9 As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies (as well as those conducted for neighbouring/nearby Authorities) both at a strategic level as well as site-specific viability assessments. In addition to the above, we have also had regard to the published Government sources on land values for policy appraisal[23] providing industrial, office, residential and agricultural land value estimates for locations across the country – including South Staffordshire.

2.15.10 It should be noted that the MHCLG *residential* land value estimates require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as

[23] https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019 (August 2020)

inputs to the RLV appraisal, rather than those being reflected within a much higher "serviced" i.e., "ready to develop" level of land value.

2.15.11 The MHCLG model provides a much higher level of land value for 'residential land' as it assumes the following:

- All land and planning related costs are discharged.
- Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by up to around 50% on a 0.5ha site with 35% AH.
- Nil CIL.
- No allowance for other planning obligations.
- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point.
- Lower quartile build costs.
- 17% developer's profit.

2.15.12 The above are additional assumptions that lead to a view of land value well above that used for comparison (benchmarking purposes) in viability assessments. Overall, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of the above factors.

2.15.13 As set out in Appendices IIa to IIe (residential and commercial results overview tables), we have made indicative comparisons at land value levels in a range between £250,000/ha and £1m/ha plus, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them. Typically, we would expect to apply an EUV+ based land value benchmark at not more than approximately £250,000/ha (applied to gross site area) for greenfield land, based on a circa ten times uplift factor (as the "plus" element) from the EUV for agricultural land at not exceeding c. £25,000/ha. Whilst small greenfield land releases might support a higher EUV+ at up to say £500,000/ha based on edge of settlement paddocks/grazing land or similar, most meaningful housing development in terms of overall numbers is likely to come forward on land having agricultural characteristics, with a £250,000/ha BLV appropriate. The BLVs range above that following PPG principles in the local context (at £625,000 to £1m/ha) is representative of previously developed land (PDL) i.e., 'brownfield' land more generally across former industrial/redundant commercial premises or employment land in the district.

2.15.14 It is important to consider the wider context of the types of sites that are planned to come forward over the emerging plan period, as above. Taking into account the overall picture of delivery in terms of site type and planned locations, and the site typologies provided to DSP to test, we consider the greenfield land values to be the most likely to be relevant to a majority of the site typologies tested as part of this assessment (see Chapter 3 for detail). Some of the typologies may come forward on PDL sites or sites with higher existing use values and again, the detail is set out in Chapter 3 and the BLV comparisons set out in the results appendices. For greenfield development, it is considered that approximately £250,000/ha will be relevant but bearing in mind that especially for bulk GF land, that should not be regarded as a minimum or absolute cut-off and indeed, gross land areas may include sub-optimal areas of land where lower values may be appropriate. On the other hand, edge of town/village paddocks released for development in small blocks could support an EUV of up to around £50,000/ha which, following the same principles, leads to an upper greenfield BLV (although not generally applicable) at not more than c. £500,000/ha as noted above.

2.15.15 Figure 13 below shows, with some explanatory notes, the range of selected BLVs which have been used as 'viability tests' (filters) for the viewing and provision of the results interpretation/judgments informed by Appendix IIa and IIb results tables.

Figure 13: Range of BLVs ('Viability Tests')

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement EUV+ (typically) – Potentially up to £500,000/ha for small releases/edge of settlement paddocks or similar (only).
£625,000	PDL (former industrial uses) and / or PDL former employment / commercial (lower) EUV+
£1,000,000	PDL former employment / commercial (upper) EUV+

(DSP 2021)

2.15.16 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping/double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a "raw material" view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.15.17 Matters such as realistic site selection for the particular proposals, allied to realistic landowner's expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

3. Findings Review

3.1. Introduction and overview to results tables review - residential

3.1.1 This assessment stage was informed by earlier work undertaken through close liaison with SSC, including discussion with elected members, involving an initial phase of review to help inform the further consideration of emerging policies and in particular which policy themes might be considered priorities for progression. This was in the context, and not unusually in our experience, that some level of compromise/priortisation would be needed relative to the fully encompassing scope of the desirable policy scope and starting point of this overall exercise. The earlier, preliminary phase of work was noted within section 2.1 above, but is not further set out here, with the assessment having moved on. Further information could be included or set out separately for SSC within the completed viability assessment in due course if required, although that earlier exercise has now largely been updated and superseded by the Stage 1 assessment work reported here.

3.1.2 Over four sets covering the range of testing of the potentially supportable affordable housing (AH) proportion (%), the Stage 1 residential typologies appraisal results are tabled within the Appendices as follows:

- **Appendix IIa – Tables 1a to 2b – Appraised at 0% AH**
  Typologies – 5 houses and 5 flats

- **Appendix IIb – Tables 3a to 14b – Appraised at 20% AH**
  Typologies – 5 houses and flats through to 2,000 mixed dwellings

- **Appendix IIc – Tables 15a to 26b – Appraised at 30% AH**
  Typologies – 5 houses and flats through to 2,000 mixed dwellings

- **Appendix IId – Tables 27a to 38b – Appraised at 40% AH**
  Typologies – 5 houses and flats through to 2,000 mixed dwellings

3.1.3 For each residential typology and AH% tested there are two tables provided. The first of these (with the 'a' suffix following the table number) sets out the residual land value (RLV) appraisal results. The actual RLV outputs (£) are expressed within the top part of each results set (non-colour shaded/white table sections. Beneath those, the lower set are the RLVs as expressed in £/ha (i.e., £/hectare) terms. The purpose of this is to enable comparison of the RLVs with the selected BLV (benchmark land value) levels in £/ha. The trends and indicative switch-points within the results are then highlighted using traffic-light type colouring within those lower table (RLV £/ha) areas. The 'key' notes provided with the tables assist with interpretation of this.

3.1.4 For greenfield (GF) sites and the purposes of considering the results, although the BLV levels do not create strict cut-offs proving either viability or non-viability at particular points (they are guides based on the assumptions made and to facilitate judgements on the findings) the following are the key indications:

- RLV less than £250,000/ha (indicated non-viability)
- RLV £250,000 – 500,000/ha (indicated viability) covers a range of EUV+ based scenarios based on larger site land releases at agricultural EUV approximately £25,000/ha x10 multiplier (as the premium or 'plus' element) to up to £50,000/ha EUV for smaller scale/paddock land (only) type releases for example (following the same principles and as outlined at 2.15.13 to 2.15.15 above).

3.1.5 When higher still RLVs result from the appraisals, these indicate increasingly viable scenarios.

3.1.6 In our view, the relevance of a GF based BLV at more than £250,000/ha is likely to fall away in respect of a site of 100+ dwellings. Larger GF sites should not need consideration of BLVs at more than £250,000/ha for the purposes of viability in planning.

3.1.7 For previously developed land (PDL – i.e., brownfield sites) our two selected BLVs for use in the same way in reviewing relevant typologies results (beneath 500 dwellings) are £625,000/ha (for general former industrial/redundant commercial, PDL generally including former community uses and similar sites) and an upper-end BLV following the same PPG principles at £1m/ha (reflecting some PDL sites in higher value existing uses).

3.1.8 The Appendices II to IId residential typologies results tables also display the outcomes and therefore show trends/comparisons with reference to the combination of assumed market sales value level (VL) and CIL 'Trial Rate' tested in each case. With a set AH% and the noted emerging SSC LP policy costs tested per set, the VL and CIL test level are the main variables under review. The tested levels are shown in the same way across the top (horizontally) and down the side (vertically) as part of each table. So, each RLV (£)/£/ha represents an appraisal outcome given the particular combination of assumptions noted in each instance.

3.1.9 The key trends to be seen are, first, that with increasing VL the RLVs improve (increase), progressively positively influencing viability (increasing RLVs compared with the BLVs). That effect is seen on moving from left to right across each 'a' suffix table. Although a more graduated effect with the fairly fine-grained CIL testing approach, the opposite effect is seen with an increasing CIL trial rate tested, i.e., reducing RLVs and progressively less favourable comparisons with the BLVs.

3.1.10 As a starting point on review, bearing in mind the policies development stage reached and uncertainties relating to CIL, the Council may wish to consider the £0 ('BASE') CIL tests as the most informative; leading to an indication of the extent to which surpluses are available in a range of circumstances before allowing for any s106 or CIL cost (with the currently estimated on-site schools provision in the 1,000 and 2,000 new dwellings typologies the only included infrastructure/development mitigation allowances).

3.1.11 At this point it is worth noting again (see 2.14 above) that the 'CIL trial rates' testing approach acts as a potential CIL or equivalent monies assigned to s.106; or a combination of the two at a level equivalent to a CIL at the tested rate in each case. The approach therefore represents a 'proxy CIL' approach, enabling SCC to consider what level of surplus could be available to support other costs based either on a nil CIL or in combination with a trial level of CIL charging. The approach reflects the fact that a CIL would not produce receipts from affordable housing (including First Homes).

3.1.12 This leads to the information – indicative 'surplus analysis' – displayed within each 'b' suffix results table within Appendices IIa to IId. These second tables provided for each tested typology and AH% show on the left side the total indicated surplus in each scenario (VL and CIL trial rate test) i.e., across the scheme typology; and on the right side that amount expressed in indicative £/dwelling terms (all dwellings). This information is displayed by deducting from the appraisal RLV the stated BLV level that is applicable according to the assumed scenario (typology) and whether that is GF or PDL (with some typologies possibly coming forward on both GF sites and PDL). As noted above, the potential influence of a BLV higher than £250,000/ha on GF sites is considered only relevant to small scale developments (usually not exceeding 50-100 dwellings as a guide, dependent on site and scheme characteristics). For current purposes we will consider the results of the typologies of more than 50 dwellings on GF in light of the £250,000/ha benchmark (fewer than 50 on a smaller GF site at the higher GF BLV of £500,000/ha) – more on this within the findings commentary below.

3.1.13 The 'b' table surplus indications can be compared by SSC with current and future estimates of s106/other forms of infrastructure/development mitigation costs (or indeed with any other costs areas – including relating to abnormal development issues or similar). To aid such comparisons with other identified costs, using SSC provided information the third assumptions sheet within Appendix I indicates the currently calculated costs expected to be relevant for:

- Open space (OS) – Financial contribution in-lieu of on-site provision and including maintenance fee assumed @ £596/dwelling total on schemes of fewer than 33 dwellings. Maintenance fee assumed at £391/dwelling on larger schemes.
- Cannock Chase SAC related SAMM (@ £299.11/dwelling excluding admin. Fee @ £100 per site (whole scheme)).
- Sports facilities and playing pitch commuted sums (@ £2,379/dwelling).

- Education contributions – where new facilities are not provided on-site (@ £7,669/dwelling). On-site provision envisaged at 750+ dwellings.

3.1.14 The above currently noted costs amount to an overall £10,944/dwelling approximately on the typologies beneath the 33 dwellings on-site OS threshold; slightly lower on larger schemes although those assumptions (at > 33 dwellings) also assume on-site OS provision within the assumed "land take" and therefore the application of the BLV. They are also indicated within Appendix I as £/m^2 equivalents. As SSC's information develops further, we assume that equivalent information will be available in respect of other service areas/infrastructure provision that will be part of the packages of measures supported as far as needed and viable.

3.1.15 Our view, which we consider consistent with national policy and its continuing direction, is that as a starting point Local Plan policies should be developed in a way that reflects the circumstances and local characteristics as clearly and simply as possible. Differential or multi-layered policies are probably best avoided or kept to a minimum; considered only where differing localities or needs within a Local Plan area point to these being necessary.

3.1.16 Under the current planning system that we are continuing to work with here, the setting of a CIL would need to be responsive as far as necessary to local area viability variations and varying types and scales of development uses. This could generally be expected to be the responsive factor, reflecting and effectively evening out as far as relevant any viability differentials.

3.1.17 Related to these points, a key element in the ongoing use of this assessment by SSC and its development to Stage 2 (back testing of policies/updating and any review of specific sites using the same approach) is likely to be how the assessment findings "overlay" on to the expected development supply in terms of locations, sites, and scheme types.

3.1.18 Pending further review of this and to enable key example results to be drawn upon as guides and to inform the next steps, we will use selected assumptions combinations in relation to host site type (GF or PDL), scale of scheme (indicated dwelling numbers within typologies) and typical sales value level (VL). This is district-wide overview based and subject to review/refinement on moving into Stage 2, however it enables what we consider to be an appropriate first stage set of “rules” to pick out key themes to further test. With a very wide set of results sensitivities to view, the next stage could consider this further – with more known about the proposed planned site supply. The current assumptions combinations selected to draw out key review findings – examples and trends as to the capacity of different development types to support policy and infrastructure costs at this assessment Stage 1 - are as follows. The provisional focus on this at the current stage is sales values represented by VL4 and VL3. These are considered representative of typical values within Locality Areas 2, 3 and 4. They are also representative of upper-end values in Locality Area 1 and lower-end values in Locality Area 5 (see Appendix I). The Appendix IIa – IId results tables provide the full details and trends, and in all cases sensitivity to a change in the assumed VL is important to consider. The starting point VLs considered are noted below, acknowledged again as high-level in nature – current guide approach to considering outcomes at this stage, potentially for review/updating if/as appropriate subsequently.

i. Small scale greenfield site – up to 50 dwellings:
   a. VL 4 @ £3,400/m^2
   b. BLV – upper GF @ £500,000/ha

ii. Large greenfield site – 50+ dwellings:
   a. VL 3 @ £3,100/m^2
   b. BLV – usual GF @ £250,000/ha

iii. Small scale PDL site – up to and including 25 dwellings:
   a. VL 4 @£3,400/m^2
   b. BLV – higher PDL @ £1m/ha

iv. Large PDL site – more than 25 dwellings:
   a. VL3 @ £3,100/m^2
   b. BLV – more general PDL BLV @ £625,000/ha

3.1.19 In the sections below (see 3.5), this first overview of full typologies findings for SSC to consider alongside other emerging evidence and site supply picture will draw upon the above. This approach does not restrict the relevance or use of other assumptions combinations and results or comparisons; results from the wider set and as run subsequently will be considered on further testing – at Stage 2.

3.2 Introduction and overview to results tables review – commercial / non-residential

3.2.1 The RLV results of the commercial / non-residential scheme appraisals (using the typologies as set out at 2.5.3 / Figure 8 above) are to be found tables within Appendix IIe (Tables A - K). Using the same principles and an equivalent approach to that underpinning the residential assessment elements, these represent a range of potential development use types including retail, offices, industrial, hotel and residential institutional. They are tested across a range of rental value and investment yield assumptions (driving again a basis for assumed scheme GDV – gross development value) and once again trial CIL rates (proxy CIL assumptions) all as described with the methodology and assumptions guide – Chapter 2 above.

3.2.2 The general mode results display remains the same for the commercial typologies as for residential, whereby the results display the assessment appraisal absolute RLVs (£) and RLVs £/per hectare. Those are also compared with the above same 'viability tests' (BLV comparisons) and formatted similarly. The results are seen to deteriorate from the most positive set at the left-side (5% yield tests) through to those to the right, based on a 7% yield and therefore a significantly lower rental capitalisation rate. As per the residential results view, the results reduce gradually with increasing trial CIL rates (proxy CIL / s106 / combination) incrementally – this time moving from top to bottom of each of these tables, with the CIL test levels shown down the left side. However, the results are seen to step up as increasing annual rental assumptions are used representing the lower to mid and higher rent level tests (L > M > H), and this is particularly the case with the more positive, lower yield % tests – a small adjustment in the assumed yield often has a significant influence on the result. For each typology, on reading across from the 'L' to 'M' and then 'H' rental assumption test results, the positive effect on the RLVs of the assumed rent increasing can be seen (where the results (or some of them) are positive and display this trend).

3.3 Appendices IIa – IId residential typologies results - context and discussion

3.3.1 As above, first we consider the residential typology results. As is typical across such projects, this is the main assessment focus here. This is due to the importance of new housing delivery in the district as a Local Plan main theme, together with the source of CIL (or other infrastructure funding income via s106 development mitigation) income being typically weighted towards residential development. Also to be noted, and again typical in terms of impact, is the fact that the Council's policies are significantly more relevant in considering residential development viability. In comparison, there is a minimal influence of local policies on the viability of other development types.

3.3.2 There are two key areas of influence on viability under review as part of this assessment; the development of LP policy and review of the scope to support a CIL or infrastructure funding through other means (dependent on both national policy developments and local circumstances). These elements are interdependent and therefore making an overview of the effects of these can become circular. Given the nature of this process and the range of assumptions combinations and outcomes that are possible to consider, to aid a clearer and more concise reporting approach, we have firstly considered the results using the 'BASE' RLVs – i.e., outcomes before allowing for any CIL/CIL proxy. We have then looked more widely at the potential scope to support CIL (or equivalent) as far as appropriate in considering the balance of needs and objectives, using the iterative approach of the trial CIL rate tests up to a cost equivalent to a £300/m^2 CIL. We stress that these are purely CIL/other infrastructure contributions/additional cost test levels.

3.3.3 As discussed earlier, the Council's emerging policies are considered on a fully 'switched-on' basis rather than relying on any potential revised or negotiation positions that could be seen at development management (planning application) stage on a site-specific basis where needed owing to particular circumstances as affect viability.

3.3.4 The following sections will suggest any themes or policy positions/adjustments that in our view the Council should consider from the findings of this Stage 1 review of the viability prospects for various types of development. This may be about considering options including any potential alternatives and trade-offs which will be noted where applicable. Overall, this is about considering the evidence collectively and informing the further development of policies and an accompanying CIL/equivalent infrastructure funding support approach that will respond to achieving an appropriate balance between needs (e.g., for AH and the desirability of funding infrastructure) and viability. As reflected in the PPG CIL guidance, the Council need not follow these report findings exactly. There is some room for pragmatism.

3.3.5 In terms of any CIL approach, the charging rates would need to be part of a high-level district-wide response, set strategically. It is not possible for CIL to reflect and respond to all local levels of variation in values or in other matters. As with policy, how it overlays with the planned site supply is important, even if that means some level of misfit in areas not supplying a significant level of development in the overall planned terms. The CIL principles are such that the charging schedule should ideally be as simple as possible, accepting that usually values and other characteristics do not actually respect any particular boundaries in more than a general way. We have noted that all sites are different and varying values will be seen even within sites.

3.3.6 The residential appraisal results set out in the tables sets within each of Appendices IIa to IId progressively cover an increase in development size (number of dwellings within assumed scenario i.e., development typology) from 5 up to initial typology tested 2,000 mixed dwellings (at the upper end broadly representing potential large scale strategic development characteristics, pending closer review with more information expected to be available at Stage 2). These typologies include the review sheltered housing and extra care development based on apartments using particular (adjusted) assumptions reflective of those scheme types and their typical characteristics. We propose to review the results by typology (increasing in size from smallest to largest) and to consider the implications of the various affordable housing proportion tests (AH%) as part of reviewing in that way – see section 3.5 below.

3.3.7 SSC's emerging requirements for sustainability (including climate change response), access to and use of buildings (Building regulations Part M4), have all been applied as a cost to the appraisals. In summary, these Stage 1 typologies results and the indicative reported surpluses (within the 'b' suffix tables) are based on residential schemes providing the following – as per 2.13 above and Appendix I:

- **Reduced carbon development** - enhanced standards have been assumed related to the direction of travel towards achieving zero-carbon. Representing 31% CO^2 reduction (based on the Future Homes Standard Option 2) +4% has been added to base build costs.

- **Access to and use of buildings -** Enhanced accessibility standards expected to be achieved (over the minimum of M4(1) 'visitable dwellings') for a proportion (30%) of all new homes - with requirements to meet M4(2) 'Accessible and adaptable dwellings' criteria anticipated to be needed and set out by SSC policy.

- **Biodiversity Net Gain (BNG)** – Development proposals will be expected to contribute to biodiversity through clearly demonstrating improvements when submitting a planning application as part of securing biodiversity net-gain. An improvement of 10% has been assumed.

- **Open Space** – reflects requirements for residential development to make provision for open space having regard to the standards set out in the most up-to-date Open Space Assessment. Accounted for via the gross site area (land take assumptions informing the use of the BLVs within the current stage surplus indications) and then a part of the consideration of the potential application of the residual surpluses by SSC.

- **Water efficiency** – a base assumption of 110 lpppd (water usage not exceeding 110 litres per person, per day) has been used in all appraisal models. The Council will need to demonstrate evidence of water stress in order to require any enhanced standard.

- **Electric vehicle charging** – an allowance of £500 per dwelling (for all dwellings - regardless of type) has been assumed within this study to cover potential additional cost of provision of this.

- **Dwelling space standards** – assumed likely requirement for all housing to be designed to comply with dwelling sizes to meet the minimum standards set out by MHCLG.

Also worth noting here:

- Stage 1 indicative surpluses assumption used on **Developer return i.e., Profit.** Within the PPG range of 15% to 20% (of GDV) for plan making purposes and reflecting DSP's experience of a wide range of decision making (planning application) stage viability reviews, the Stage 1 findings assume the mid-point of that range at 17.5% which we consider to be suitably reflective of the continuing relatively strong property and development market in the district. Along with other assumptions, we could expect to consider this further at Stage 2, as appropriate.

- To recap, as important general context, affordable housing (AH provision) is typically one of the most significant factors affecting development viability, with a much greater impact than that of a CIL. This is because the cost of building the affordable homes is broadly the same as the market homes but overall, the AH can be expected to yield broadly half the market value (MV) level of sales revenue assuming mixed tenure including rented AH (as is the case here). In fully accommodating affordable housing tenure mix assumptions tested at 20 – 40%, the assumed mixes include **First Homes** – 25% of the AH content at 30% discount from assumed market sales values.

3.3.8 There are of course some schemes that may not be able to support collective emerging policy requirements in any event; they may not be viable either prior to or following any revision to a policy or CIL approach. The strength of viability on such sites is unlikely to be solely due to CIL charging or specific policy requirements, however. This is more likely to be related to other factors, which may come together to have an impact – such as particular market conditions/demand, affordable housing, scheme design/construction specification requirements and wider planning objectives. Usually, the collective costs impact will be relevant for consideration where issues arise, so that some level of prioritisation may be required (although noting that CIL is non-negotiable, hence the need to set its rates away from the margins of viability).

3.3.9 In considering the indicative reported surplus levels, with the above likely emerging policies basis assumed, it is also possible to set out how the range of CIL trial charging rates/CIL proxy levels relate to GDV – i.e., potential CIL (or similar) as a percentage of the assumed VLs. As part of considering CIL viability DSP has used this sort of guide as additional context information for prospective charging authority clients. Subject to both the further review/development of work at proposed Stage 2 and the latest on the CIL within evolving Government policy directions at the time, this can be considered subsequently.

3.3.10 Such additional information does not represent additional viability testing, but in our view may be useful in purely a general health-check type way which could help to make sure that any CIL charging rates are not set too high in the context of actual delivery, since the rate(s) setting exercise can be quite theoretical unless a range of judgments and experience are applied. DSP's view over many years of CIL viability and rates setting experience has been that, as a guide, realistic CIL charging rates should not exceed a range of approximately 3% to 5% of GDV as a likely maximum suitable level. After considering buffering, we tend to see appropriate levels of CIL charging that will remain suitable as the development values and costs inevitably move around, will often be nearer to 2% to 3% of GDV equivalent. When viewed on this basis and applied to SSC VLs 4 to 6 (market new build sales assumed at £3,100 - £3,700/m^2) this guide indicates CIL charging scope based around the range approx. £50 to £120/m^2 by these measures. Again, as noted above, this is only an additional guide to provide a general feel for likely practical CIL rates scope and is of course subject to the full viability testing carried out as part of this study. This is purely indicative additional information at this stage.

3.3.11 If the CIL setting theme is picked up at Stage 2, this could be considered further. In the meantime, it will be possible to see how the viability tested outcomes (surpluses) compare with this information, bearing in mind that if taken in the form of fixed level CIL payments there would need to be a considerable element of "buffering" back from the full theoretical surplus levels. Although essentially an arbitrary adjustment/factor and reliant on a judgement, DSP generally considers a substantial "buffer" to be appropriate – usually with the realistic CIL charging rate at about half of the maximum calculated (i.e., buffered to around 50% of theoretical potential rate). A smaller buffer may be appropriate with more certainty as to the final direction of the LP policies development stage. No required or recommended level of buffering is set out in guidance and its use is intended only as a means of aiming to keep within the margins of viability. In practice the actual level of buffering from the potential maximum charging rate will vary by scheme. A selected buffer level therefore does not need to be adhered to rigidly as it is still quite hypothetical, and the viability work does not have to be followed precisely in any event. Ultimately, the Council should be able to show how the assessment has informed its overall approach, however.

3.3.12 With this in mind, our results review below will for now explore the scope for CIL (or equivalent) to be supported by each typology when buffered back to approximately 50% of (roughly halved from) the indicated maximum rates that are accommodated by the reported typology tests RLVs at the various AH% levels. We will consider this by reference to the Appendix II 'b' table indicative surpluses reporting in each case. Moving ahead, if a CIL is to be set it may be possible to look again at the level of buffering generally allowed for at this stage, once the Plan content is firmed up and uncertainties narrowed, bearing in mind that the role of buffering is similar to a contingency based approach.

3.3.13 For further information, also included at this stage are example appraisal summaries related to the residential typologies reviews (sample as per the results within Appendices IIa to IId). The appraisals are too numerous to include all summaries, or even a wide range of them. The aim of including the examples is to further illustrate the structure of the residual calculations (methodology) and summary content.

3.4 Appendix IIe - Commercial/non-residential typologies - context and discussion

3.4.1. As noted above, we have undertaken a typical range of commercial/non-residential typology-based appraisals. The results are set out in Appendix IIe at tables A to K as previously described. The scenario tests are tabled according to development use type – one typology per table, including the tested variables within each. Recapping, each one of those has been appraised at 3 test value levels i.e., rent levels (L – lower, M – mid/medium and H – higher) to explore the sensitivity of the RLV outcomes to that assumption varying in combination with a yield % test ranging from most positive (at 5%) to least positive for the study purposes (at 7%) at the time of appraisal. It can be seen that the viable scenarios range reduces very significantly by the time a 7% test yield is used to inform the capitalisation of the assumed rental values – across L, M and H levels as above.

3.4.2. This deterioration of results with increasing yield % reflects a progressively less positive view in relation to the capitalisation rate applied to the rental assumptions, indicating a less secure, higher risk income stream assumed for the commercial property investor as the yield % increases. However, it is relevant to consider which yield assumptions best reflect the development use considered by each typology in the SSC context – a narrowed range of yields will in practice be relevant to each development type.

3.4.3. After considering the residential findings and potential implications, we will go on to cover the commercial outcomes, again at high-level appropriate to the assessment purpose and the current view of the potential CIL (or equivalent) scope this also informs. The approach is consistent with the typical scope required for viability assessment of this nature with assumptions informed by our research and experience, so as to be representative of local circumstances based on a high-level overview approach rather than site-specific level detail. As above, relevant policy impacts on the viability of commercial/non-residential developments are likely to be limited in scope based on the emerging Plan development to date and this again is a typical scenario in our experience.

3.4.4. As noted earlier, it is important to adopt assumptions appropriate for the assessment purpose and to ensure no reliance is placed on pushing any proposals for revised CIL rates to the margins of viability. This proportional approach warrants a much smaller number of appraisals for the commercial typologies testing compared to breadth of the residential set. These were developed as sets to the point where viability in each scenario falls away to a ‘negative RLV’ i.e., indicative non-viability positions as shown in the Appendix IIe tables when using the current stage assumptions.

3.4.5. As with residential development, the strength of the market and therefore the strength of relationship between development values and costs is the most significant factor alongside reviewing these results against appropriate, corresponding BLVs – again, as discussed at 2.15 above.

3.4.6. An allowance of +5% on build costs has been included on non-residential development for sustainable design and construction enhancements.

3.4.7. In terms of any future CIL or similar, all the principles above noted above in regard to residential developments will apply in respect of commercial/non-residential development uses.

3.5 Residential typologies findings review (Appendices IIa to IId results)

Scenarios <10 dwellings (5 houses and 5 flats) – Appendix IIa Tables 1a – 2b

3.5.1 At this stage, these smallest typologies have been appraised only at 0% affordable housing (AH). This is consistent with the effective "default" national AH policy threshold as set out in the NPPF at 10 dwellings, other than in designated rural areas where a lower threshold of 5 or fewer may be set. Typically, we find there can be a range of practical challenges involved in securing on-site provision of AH within the smallest schemes in any event, unless the local development market and AH providers become adjusted to this owing to the nature of supply and related management arrangements in the area. There can be issues with design integration, management and affordability.

3.5.2 Results are provided for both greenfield (GF) and previously developed land (PDL) although with the latter likely to be more relevant at this scale of development as far as we can see. At this stage therefore, we will refer to the PDL indications, with any such schemes on GF shown as likely to be more viable than those.

3.5.3 Owing to higher costs and a less favourable value:cost relationship that from experience we can generally expect to see with all but very high value apartments, the 5 houses typology is seen to support stronger viability outcomes than 5 flats. This is clear to see on looking between Tables 1a and 2a and accordingly this also shows up in the available surpluses prior to s.106 allowances being made.

3.5.4 With smaller scheme values assumed at VL4 (£3,400/ m^2), the houses test is seen to support cost equivalent to a CIL of c. £150/m^2 (based on the above noted buffering back from the maximum tested rate of £300/m^2) together with additional costs to around £11,600/dwelling. This is based on the PDL upper BLV (benchmark land value) at £1m/ha equivalent – results seen in the bottom section within Table 1b (all tables references within this section are to the results summaries as set out within Appendices IIa to IId). In higher value instances a higher CIL could be considered if pursued as the key route to securing infrastructure in place of or largely in place of s.106.

3.5.5 With the sales VL assumed at a lower £3,100/m^2 (VL3) the buffered CIL scope falls to approximately £80-90/m^2 (£175/m^2 halved) at which point there is a small surplus of about £1,800/dwelling shown additionally.

3.5.6 The £0/m^2 (nil CIL) base tests provide another way of considering these outcomes, where the surpluses can be viewed in £/dwelling terms as the assumed VL changes. The surpluses available to support costs not currently included within appraisals are seen to be highly sensitive to the VL assumption. Additional scope to bear cost is removed at VL2 with the higher PDL BLV to overcome, but viability is still indicated (with a surplus of approx. £10,900/dwelling with £0/m^2 CIL) in the lower value existing use (lower BLV) scenario.

3.5.7 As per 3.5.3, the 5 flats typology is tighter but still indicating positive viability at the VLs that are considered most likely to be relevant. With VL4 and the higher PDL BLV assumed, the buffered CIL rate is indicated to be approximately £100/m^2 (alongside a small surplus of about £1,500/dwelling for any other costs. Alternatively, the base nil-CIL test indicates a surplus of approx. £13,500/dwelling.

This is indicated to exceed the estimated s.106/equivalent costs as far as known and assumed to date (see 3.1.13 above). At VL3, again the viability scope is seen to be notably lower. The appropriate CIL level in those circumstances, after buffering, is approximately half the above, at around £50/m^2 (maximum) and leaving a surplus of only approx. £900/dwelling and then only with the lower PDL BLV assumed (all indications within Table 2b, using the Table 2a RLVs – Appendix IIa).

3.5.8 Overall, the 5 dwellings typologies tests are considered sufficiently positive to support the emerging policy set along with infrastructure provision/development mitigation as estimated to date. As noted above, there looks to be scope to support a meaningful CIL if this is the selected route to supporting infrastructure funding in due course – provisionally in the range £50 - £150/m^2 dependent on circumstances when looking across the range of outcomes. The results may be used to consider different scenarios and alignment to the most relevant elements within the overall site supply as SSC's information builds with the further development of the LP.

3.5.9 Having provided discussion of the 5 dwellings typologies results above, in the following run through the others we will apply the same review principles and aim to summarise the current Stage 1 viability indications. As per the overview of the results tables at 3.1.2 above, review of the results at 20% AH refers to Appendix IIb, 30% AH to Appendix IIc and 40% AH to Appendix IId.

Proposed on-site AH threshold (policy trigger point) – 10 dwellings

10 houses
20% AH – Appendix IIb Tables 3a, 3b
30% AH – Appendix IIc Tables 15a, 15b
40% AH – Appendix IId Tables 27a, 27b

3.5.10 Across the relevant VLs the appraised emerging policy costs are shown to be viable alongside 20% AH. This is the case on GF and lower value PDL sites at VL3, although at that value level combined with the highest BLV the surplus available to support the likely s.106 costs looks potentially insufficient at approx.

£5,900/dwelling. That particular indication is also seen within the CIL scope which, after buffering, is indicated at £30 – 40/ m^2 approximately. Across the sites in lower value existing uses (BLV up to £625,000/ha – so both GF and lower PDL), however, VL3 supports the viability of the emerging policies together with a surplus of at least £18,000/dwelling with £0/ m^2 CIL; or a CIL of up to approximately £125/ m^2 after our significant buffer factor.

3.5.11 With 30% AH appraised, the picture is the same in so far as the emerging policy costs continue to be supported. The scope to support s.106 CIL is however reduced to approximately £13,500/dwelling at the lower PDL BLV and £1,200/dwelling at the highest BLV. This means that in all but the highest BLV scenarios, the surpluses should be sufficient to also support anticipated s.106 (or a CIL of approx. £100/m^2). The GF tests show widespread viability at VL3 and with sufficient scope to support the likely s.106 costs or a CIL of approx. £125/m^2. However, the £1m BLV outcomes indicate insufficient scope to support s.106 or any meaningful CIL level as well as the 30% AH and policy costs as tested.

3.5.12 The results indicate that in the main 40% AH would rely on sales values at VL4 in order to support suitable surpluses in all but the highest BLV scenarios, which then produce only a small surplus (insufficient for likely s.106). This means that on sites in higher values existing uses (PDL @ £1m/ha+) a VL5 assumption is needed to support the viability of 40% AH along with the other appraised policy costs and sufficient scope for s.106. Whilst we would not rule out the relevance of this at this stage, pending the overlaying with likely site supply, there appears to be a limited likelihood of supporting those collective requirements on a small PDL site.

3.5.13 Overall, with AH requirements expected to be triggered at 10 dwellings, smaller sites of this nature are considered likely to be viable at 20-30% AH on PDL; closer to 20% in many cases. If on GF sites, the indications are that on a small scheme such as this up to 40% AH should be viable alongside the other requirements where VL4 values are available. This could be expected to come under pressure at VL3, with some probable compromise needed.

15 houses
20% AH – Appendix IIb Tables 4a, 4b
30% AH – Appendix IIc Tables 16a, 16b
40% AH – Appendix IId Tables 28a, 28b

3.5.14 As appraised the 15 houses typology reflects the same results patterns as seen at 10, above, but the viability is lower. The results emphasise the challenge likely to be associated with securing 30% AH on PDL schemes, and largely appear to rule out 40% AH on those, with VL5 or higher sales values looking necessary to support the collective requirements consistently.

3.5.15 On lower value PDL, the indications are that 20% AH would be supported by VL3 with sufficient looking scope for s.106 or a CIL of approximately £80-90/m^2. On GF, VL4 supports 30% AH along with other tested requirements and an indicated approx. £21,000/dwelling s.106 surplus (or approx. £150/m^2) CIL, although at VL3 the s.106 surplus available looks insufficient alongside the 30% AH.

3.5.16 Given the very positive 30% AH indications, at VL4 40% AH is indicated to be marginally viable with the emerging policy set and likely s.106 (as available to date) on a small GF site, producing a surplus of approx. £11,000/dwelling (or supporting a CIL of approx. £100/m^2).

3.5.17 The findings reinforce the overview at 10 dwellings – as per 3.5.13 above.

25 houses
20% AH – Appendix IIb Tables 5a, 5b
30% AH – Appendix IIc Tables 17a, 17b
40% AH – Appendix IId Tables 29a, 29b

3.5.18 These typology results also echo those above, with 20-30% (often closer to 20%) AH supported alongside policy and likely s.106/CIL costs on PDL sites; 30-40% on GF (with 40% AH again not ruled at this stage out on smaller GF site development).

25 mixed dwellings
20% AH – Appendix IIb Tables 6a, 6b
30% AH – Appendix IIc Tables 18a, 18b
40% AH – Appendix IId Tables 30a, 30b

3.5.19 In summary, at this level of review we are again able to make the same observations as above from this typology. With the introduction of flats into the typology mix and therefore increased build costs, these results show viability a little more stretched than with 25 houses.

3.5.20 VL4 supports up to 30% AH on a small GF site, with approx. £14,600 s.106 scope (or a CIL of approx. £125/m^2 buffered). At VL4 the scope for s.106 looks potentially too low with 40% AH included (at approx. £8,000/dwelling or equivalent to an approx. £75/m^2 CIL after buffering) although this is workable at the lower GF BLV, and viability is also quickly restored at the higher GF BLV with VL5 assumed (positive outcomes).

3.5.21 On the other hand, with the £1m/ha PDL BLV, VL4 supports only 20% AH with an adequate s.106 surplus (approx. £12,000/dwelling at £0/m^2 CIL and a surplus that may just be sufficient at 30% AH (approx. £10,800/dwelling) when the lower PDL BLV is used; a marginal viability indication.

3.5.22 Again, therefore, we consider that the current stage findings echo those above (as per 3.5.13, 3.5.17, 3.5.18).

50 mixed dwellings
20% AH – Appendix IIb Tables 7a, 7b
30% AH – Appendix IIc Tables 19a, 19b
40% AH – Appendix IId Tables 31a, 31b

3.5.23 The same applies once again as an overview of these findings. In this case, however, in our view and experience although there is no threshold or fixed approach, this level of development reaches the point where a more significant land release is involved and moves away from a small development on a grazing paddock or similar. The lower GF BLV should become more relevant. In our view the serves to reinforce the above findings, whereby a lower land value provides more headroom for policy and infrastructure/development mitigation costs. VL4 values appear to comfortably support the collective assumptions (including allowing for anticipated s.106) on this basis – see the top section of Table 31b. Certainly, again, 40% AH on a straightforward greenfield site of modest scale is not ruled out at this stage.

50 flats (retirement living/sheltered typology)
20% AH – Appendix IIb Tables 8a, 8b
30% AH – Appendix IIc Tables 20a, 20b
40% AH – Appendix IId Tables 32a, 32b

3.5.24 At 20% AH, or equivalent, this typology is indicated at this stage to be viable when tested at VL6 (£4,000/ m^2 sales) on GF sites (in conjunction with a CIL of up to around £50/m^2 (on the basis of the significant buffer as noted above). At that same VL this appears viable on PDL, but then with no CIL (results at table 8a). The higher PDL BLV is supported with tested values at VL7 (£4,300/m^2) but with a slightly lower CIL scope on the current assumptions basis; at £35-40/m^2 approximately. With higher VLs tested, beyond the range used for the general residential typologies, viability is indicated to improve significantly. Higher VL tests have been included because in our experience while generally the viability of these scheme types is shown to need the support of higher than typical values, significant premium levels for a given locality are usually achieved when such developments come forward. Results at Table 8a.

3.5.25 With 30% AH tested (Table 20a), we see the sheltered/retirement living typology results following a similar pattern, but reliant on one VL higher. On a GF site, viability is seen starting at VL7 with approximately £85-90/m^2 CIL on the same basis. Viability on PDL is also indicated at VL7, but with only a nil or nominal CIL cost then supported. Sales values at an added VL8+ indicate more general support of PDL developments, with the higher PDL BLV reached at VL8 with a CIL cost at £85-90/m^2 as above.

3.5.26 It follows that with 40% AH tested, the results (at Table 32a) are seen to deteriorate further, and the scenarios become dependent on higher still sales values (VL) assumptions – at the levels added beyond the regular testing range that we have used in South Staffordshire at this stage. A VL8 test assumption supports GF development with up to around £100/m^2. Lower PDL site values (BLV) begin to be supported at VL8 using current assumptions, but with a nil or low CIL (up to approximately £25/m^2 after the current buffering approach). VL9 values are indicated to be needed to more readily support overall viability on this basis.

3.5.27 The indicative surpluses in the 'b' tables can also be viewed. In our experience, owing to the nature of occupancy many of the s.106 requirements for these and similar developments (including extra care, as per the typology discussed below) are typically lower than for general occupancy housing schemes. This may be a factor for the Council to consider in reviewing the scope supported by the results, potentially informing any additional later stage review or assessment – for CIL setting, for example.

3.5.28 At this stage, our view is that such schemes are more likely to support AH based on a 20% or similar target than a higher level on PDL sites, which is the most typical context for developments of this type in our experience. However, in a broadly similar overview to that from the more general typologies findings, a higher AH % is not ruled out at this stage. For example, it is possible that larger schemes on GF sites could include development of this or a similar type.

60 flats (extra care typology)
20% AH – Appendix IIb Tables 9a, 9b
30% AH – Appendix IIc Tables 21a, 21b
40% AH – Appendix IId Tables 33a, 33b

3.5.29 On current assumptions the results for this typology show significantly reduced viability, with higher still sales values needing to be assumed to cover the development costs.

3.5.30 At 20% AH - Tables 9a and 9b - development on a GF site (again, as far as may be relevant) appears viable at VL7+ with a low or nil CIL rate applied (indicatively a CIL charge at maximum c. £25/m^2.

3.5.31 With VL8 values tested (sales at £4,600/m^2) a range of scenarios become viable with 20% AH, including on PDL. Were these scenarios relevant then it appears that a CIL of up to around £100/m^2 could be supportable on a GF site; around £75/m^2 based on the lower PDL BLV but then only a low or nil-rate CIL on the higher BLV (higher value PDL sites) basis – to a maximum of approx. £25/m^2 again. Clearly, the relevance of such scenarios and achievable values in the SSC context requires consideration.

3.5.32 Moving to review the results at Tables 21a and 21b, with 30% AH tested, as expected the reliance on the highest VLs sensitivity tested becomes clear. There is no viability indicated with values (scheme revenue level assumption) tested beneath VL8.

3.5.33 Any relevant GF based development could be viable and in combination with a low CIL charge (similar to above, not more than £30-40/m^2) but only when tested at VL8 (£4,600/m^2). If supported by values at this level, this could be marginally viable on a PDL site too (result seen to just beat the £625,000/ha BLV with a nil-CIL rate applied). However, the nature of these outcomes indicates that development on a wider range of PDL sites would be likely to need the support of the very highest values sensitivity tested – VL9 at £4,900/m^2.

3.5.34 Again, the currently indicated surpluses available to support s.106 alongside the trial CIL rates tests can be viewed in the 'b' tables. Such schemes may attract a lower level of s.106 than general residential schemes. However, with 30% AH, the first viable indications seen (at VL8) suggest that their may not be enough scope to support typical levels of s.106 even with a low or potentially a nil-CIL rate in place. There is more scope to bear s.106 and/or CIL scope once tested at VL9, but as above this is indicated to quickly tail-off on moving from a GF to a PDL site (results at Appendix IIc Tables 21a and 21b).

3.5.35 Tested with 40% AH (results at Tables 33a and 33b) only using VL9 and when assuming the lowest BLV of the range considered (@ £250,000/ha as applicable to larger GF site releases) do we see any real prospect of viability also capable of supporting some s.106, but the scenario is such that even then there appears no or very limited CIL scope.

3.5.36 Overall, the findings on review of this typology are again similar in that for any such schemes that are considered viable for progression, it looks appropriate to consider an AH policy differential between GF and PDL sites. At this stage a 20% AH (or equivalent) starting point appears potentially appropriate, again with a greater proportion not ruled out in the case of any greenfield development – e.g., as part of larger scale, mixed housing schemes. In any event, at this stage the indications are that this type of development will be unlikely to support more than a nil or nominal/low-rate CIL charge once an overview has to be taken on the likely occurrence and nature of developments of this type.

50 houses
20% AH – Appendix IIb Tables 10a, 10b
30% AH – Appendix IIc Tables 22a, 22b
40% AH – Appendix IId Tables 34a, 34b

3.5.37 The 50 houses typology tests provide outcomes slightly better than seen for 50 mixed dwellings, as expected, again relating principally to varied build costs. At this level of review, given similar results to those at 25 houses and as above our view of the increasing relevance with scheme size of the lower GF BLV (lowest BLV @ £250,000/ha) the above Stage 1 findings are again reinforced.

100 mixed dwellings
20% AH – Appendix IIb Tables 11a, 11b
30% AH – Appendix IIc Tables 23a, 23b
40% AH – Appendix IId Tables 35a, 35b

3.5.38 We find essentially the same again in this case. VL4 supports the cumulative requirements of policy and s.106 as assumed to date at the lower GF BLV, with 40% AH. This assumptions combination indicates a s.106 capacity of approx. £15,800 (or a CIL of £150/m^2 or more). Meeting the upper GF or lower PDL BLVs needs the support of VL5 values at 40%AH, with the upper PDL BLV together with a large enough s.106 surplus not met until VL6 values are applied (Table 35b).

3.5.39 Applying the most relevant BLV by this point (GF at £250,000/ha), 30% AH is supported alongside the policy costs and s.106 scope (indicated surplus) of approx. £10,400 at VL3, but this looks likely to fall slightly short of the s.106 costs as far as estimated to date. VL4 provides a very positive set of results with 30% AH assumed at that BLV, and also means the higher £500,000/ha BLV level is reached with more than sufficient s.106 scope it appears (at approx. £15,900/dwelling).

3.5.40 Once again, therefore, the results point at this stage to 30-40% AH being viable on GF land and up to 30% on lower value PDL. However, VL5 values assumptions are needed it appears to support a very similar PDL outcome (30% AH) once the higher BLV at £1m/ha is applied. With a reliance on higher than typical values becoming necessary, scenarios of this nature should not be expected to regularly support all requirements, and this therefore indicates the level of challenge likely to be associated with securing 30% AH across the board on PDL sites in our view (together with emerging policy and infrastructure requirements).

500 mixed dwellings
20% AH – Appendix IIb Tables 12a, 12b
30% AH – Appendix IIc Tables 24a, 24b
40% AH – Appendix IId Tables 36a, 36b

3.5.41 The lower GF BLV (@ £250,000/ha) is certainly relevant here, meaning that all scenarios (assumptions combinations) where the RLVs meet or exceed this level are indicative of viability. This should be the focus for the Council's review of results, with the supportable s.106 and/or CIL scope then seen to vary again - dependent on the combination of VL assumption and tested AH level (%).

3.5.42 The results at Table 24b show that values slightly above VL3 (but well beneath VL4) should support the policy and currently estimated s.106 costs alongside 30% AH, although at values nearer to VL3 it appears there would most likely be little or no CIL scope.

3.5.43 Based on the current assumptions, support of the cumulative costs including 40% AH could be provided by VL4 where approx. £14,300/dwelling s.106 scope is indicated (Table 36a) alongside the nil CIL rate trial. At this stage it is not known how secure this outcome is, with the potential for further s106 cost requirements or other scheme costs/site abnormals to be identified once such a scenario is lifted from the current typology basis with further, more specific information available in due course. In our experience, based on the current assumptions and findings it appears more likely that such a scenario within South Staffordshire would have the capacity to support 30% rather than 40% AH. It may be possible to consider this further with the later progression of the assessment to Stage 2.

3.5.44 As an example of the potential scenarios, were the level of required s.106 to be around £10,000/dwelling overall, the results currently indicate that it could be possible to support CIL charging of up to £40-50/sq. m on the basis of the £250,000/ha BLV, with AH at 40% as assumed and values at VL4 available to support the viability (see results at Table 36b).

3.5.45 Overall, this typology testing indicates that 30% AH is more likely to be deliverable than 40% on GF development in the district, based on VL3 values, but with the latter not ruled out at this stage in the case of VL4 or higher values in combination with s.106 or other costs levels not going far above the typical expected levels.

3.5.46 At this stage, assuming 30% AH and VL3 values it appears unlikely that there would be any real clear CIL scope as well as the likely s.106 (total costs of about £9,200/dwelling appear supportable). Looking at the VL4 results within the same Table 24b, however, based on current assumptions these have the potential to support costs equivalent to approximately £10,000/dwelling s.106 and £100-120/sq. m CIL (total infrastructure/development mitigation costs of around £22,800/dwelling, with 30% AH.

3.5.47 Accordingly, the varying location and nature of proposals – i.e., as will influence the available sales values and therefore variably support the cumulative development costs - appear likely to be key considerations as the further development of the Local Plan moves forward. These are typology tests not necessarily reflecting the specifics or particular schemes and the current stage findings should be considered with this in mind.

1,000 – 2,000 mixed dwellings
20% AH – Appendix IIb Tables 13a, 13b; 14a, 14b
30% AH – Appendix IIc Tables 25a, 25b; 26a, 26b
40% AH – Appendix IId Tables 37a, 37b; 38a, 38b

3.5.48 We must emphasise again that as typology tests pending more specific information relating to potential Strategic Site Allocations (SSAs) or similar, the review of the 1,000 and 2,000 dwellings scenarios are at this stage purely providing a starting point view. This is included here in order to begin to consider the potential viability prospects and allow us to subsequently build and refine assumptions from an initial basis as may be appropriate. The potential location(s) and nature of any such schemes has not been known while conducting the assessment work to inform this Stage 1 reporting. This means that a range of key appraisal inputs to date such as on the land budget, applicable sales values, infrastructure requirements and other matters are purely very high-level initial estimates at this stage – consistent again with a typologies approach.

3.5.49 A range of appraisal inputs are subject to potential revision as more information becomes available. Again, the results should be considered in this context, which in our experience is typical of such typology based starting point assessment work on potential strategic scale development.

3.5.50 The appraised assumptions include the current notable cost estimates related to on-site primary education provision (land provision, servicing and school build) which is normally one of the significant infrastructure costs. Nevertheless, based on usual expectations there are likely to be a number of site and scheme specific additional costs areas (principally on s.106 but also potential abnormals / additional works) which are not currently included within the appraisals. This will need to be considered both when viewing the current stage results indications and then when likely further, more specific iterations are run in due course.

3.5.51 At this stage, the indications are that 20% AH on such developments is supported across most tested scenarios. VL3 values (market housing sales at £3,100/sq. m) indicate viability with a nil CIL but additional s.106 (or other cost not currently specifically accounted for) of approximately £6,500/dwelling. That is when using BCIS median level build costs. Looking at the BCIS lower quartile scenario tests at this stage, with volume house building and economies of scale in mind in this context, this potentially available surplus is seen to rise to approximately £14,700/dwelling. This is again based on combining with a nil CIL rate, although the results again indicate how other combinations of s.106 and CIL might be workable if relevant following a further developed picture of infrastructure and other requirements becoming available for review.

3.5.52 The use of a VL4 values assumption is seen to greatly increase the surplus indications (after allowing for costs included to date) to around £19,000/dwelling when assuming median build costs; £27,200/dwelling based on lower quartile BCIS (and again when assuming a nil CIL rate). In those instances, it can be seen that there would be considerably more scope to bear costs not yet identified and potentially to consider a level of CIL in combination with site-specific s.106 matters. However, in such scenarios SSC would no doubt need to look at a greater level of affordable housing, with the largest typology tests also extended into the Appendix IIc and IId reported results tests (30% and 40% AH) as we will come on to note below.

3.5.53 While following essentially the same pattern, the 2,000 dwellings high-level typology tests indicate the possibility that more pressure may be seen on viability at this scale. The indicative surpluses over current cost assumptions range from around zero to approximately £15,800/dwelling with nil CIL applied when looking across a range of assumptions VL3 to 4 and again lower or median BCIS base build costs.

3.5.54 With 30% AH tested, using current very high-level assumptions we see the 1,000 dwellings typology producing only a nominal surplus alongside nil CIL at VL3 in combination with the median costs base, but with this rising to over £9,000/ dwelling with the lower quartile BCIS assumption. The use of VL4 values increases these indications to approximately £12,700 and £21,000/dwelling respectively (all current scenarios seen with results at Table 25b).

3.5.55 Current assumptions within the first 2,000 dwellings typology tests also suggest as above. This indicates potentially greater pressure on viability, although at this stage based on initial timings assumptions and the like. Also worth noting is that there are no values growth or costs inflation factors applied within these early appraisal versions and considering those may well be amongst the “what-if” tests (further scenarios and sensitivities) considered subsequently.

3.5.56 By the time we get to 40% appraised using assumptions made to date, the overall viability is as expected seen to contract to a likely more limiting point, with fewer scenario tests appearing viable and none of the VL3 tests producing a surplus with median base costs assumed; a small surplus of approx. £2,700/dwelling with lower quartile BCIS applied. At VL4 this picks up, but indicating a surplus of approximately £5,300/dwelling with nil CIL tested using median BCIS; rising to approximately £13,900/dwelling using lower quartile. Once again, the range of potentially viable indications reduces on looking at the 2,000 dwellings tests, as above.

3.5.57 Therefore, overall, the current indications are that it appears very likely that as much as 40% AH may well not prove to be supportable on such larger schemes with significant infrastructure costs. At this stage it appears that 30% AH should not be ruled out however and is likely to represent a realistic target that should be deliverable in some cases. This will be dependent on location and other scheme specifics, although with the range 20-30% looking potentially relevant overall by the time more refined and bespoke assumptions reflecting other costs are factored in as far as possible – usually at a next, fuller strategic scale sites appraisal stage.

3.5.58 We note again that school building costs have been included as far as possible based on information available while generating these early-stage indications. Consistent with the wider typologies approach taken, the appraisals also reflect the emerging policy costs. However, based on the currently viewed scope for scheme specific s.106 measures to be supported, in our view it is likely that the available development funding would be allocated directly to on-site matters and not leave headroom to also accommodate CIL cost (particularly at anything other than a low rate or nominal type charge). It will be necessary to consider this further if SSC decides to pursue the implementation of a CIL in due course, but at this stage a nil-CIL rated approach to the largest / strategic sites appears likely to be relevant here and most aligned to the emerging LP approach.

3.5.59 To reiterate, the above are all current stage indications i.e., emerging / provisional findings. The high level of sensitivity of these indications to changing development values and costs (including as influenced by both national and local (SSC emerging LP) policies is clear to see – the results change quickly with adjusted assumptions. This means that not too much should be read into lower or marginal outcomes at this stage.

3.5.38. Viability is a dynamic matter. As well as negative influences on it from rising costs or increasing policy burdens, there can be consideration of the values side - with market reporting on house prices continuing to be positive since the earlier assessment phases when assumptions were fixed. Indeed, the Covid-19 pandemic influences have not produced any let up in this trend to date. There is also the progression of technologies, regularity of use and economies of scale associated with what are currently regarded as extra-over costs for sustainability related matters.

3.5.39. However, with the extended range of uncertainties in mind, it will be important to take a balanced approach and as part of this avoid seeking to use the available viability scope to margins. As it is usually not appropriate to make policies and the CIL too complex, this in turn means that a suitable overview needs to be reached – a strategic approach that will be suitable across most circumstances, and particularly as relates to and supports the delivery that is most relevant to the delivery of the LP overall. Any differentiation should not be more complicated than necessary, although in the case of any CIL this could reflect a zoning approach to include particular approaches for strategic sites or development areas.

3.5.40. Overall, the larger / strategic typologies review to this stage indicates potential viability scope to seek affordable housing based on a 30% starting point and expectation. From the work to date and wider experience, higher AH levels are not likely to be achieved on these complex developments in our view, with varying levels of support potentially available for infrastructure requirements alongside the emerging policy positions relating to sustainability, housing offer and quality.

3.5.41. It is acknowledged that there is the potential for some sites to need to overcome abnormal issues and support added costs that may come to light when further review or master planning is undertaken. This may be particularly relevant in the case of proposed larger scale allocations. The NPPF recognises, however, that within this picture overall there could be sound reasons for site specific viability evidence to be brought forward at the delivery stage, as part of ultimately refining and settling development details and finalising the exact degree of support that can be maintained for planning obligations to secure the necessary infrastructure. This is whilst maintaining a suitable level of viability as seen through landowner and developer returns at appropriate levels. These relate to the consideration of BLVs and profit as per this assessment; and potentially for further consideration on development of the LP and subsequent viability work – Stage 2.

3.5.42. To round off on this, we have also noted through previous sections that any typically smaller, more straightforward greenfield developments (usually without SSA type characteristics and associated requirements) should be capable of viably accommodating up to 40% AH in tandem with other policy costs as per the emerging direction of the new LP.

3.6 Commercial/Non-residential Findings Review *(Appendix IIe – Tables A to K)*

3.6.1 As noted, the review uses same methodology based on residual appraisal and comparison of RLVs with the above noted range of BLVs (again used for filtering the tabled RLV results) – all applied as per the residential element of this study (without the surpluses analyses in these cases).

3.6.2 Appendix IIe sets out the results accordingly by development use type (typology). Within each set of typology tests, the assumptions are varied and results displayed by increasing rental value test (low, medium and high), assumed yield percentage from 5-7% (applied in capitalising the annual rental assumptions) and potential (trial) CIL / proxy CIL rate – assessed over a range £0 to £300/sq. m.

3.6.3 In much of the recent period, the commercial property market has been affected by uncertainty and mixed sentiment caused by the decision to leave the EU. Over the last 18 months the economic backdrop has been further negatively impacted by the corona virus (COVID-19) pandemic that has consistently dominated the news. The market as influences commercial property decisions is undoubtedly very challenging at this time, overall, with the main sectors that have so far best withstood the downturn and remained positive being limited essentially to distribution / logistics and food / convenience retail. Investment in purpose-built student housing appears to remain a relatively active area supporting strong investment prospects where relevant and is also generally continuing to be seen as having good viability prospects as a result. These are general statements of course. However, this will be important context to review further and will be likely to influence any progression of a CIL charging schedule or similar locally, with the circumstances likely to remain very challenging across most scenarios, and particularly perhaps in the office and general (comparison) retail sectors - as has been and continues to be extensively reported.

3.6.4 We have also noted that there is uncertainty in relation to the planning reforms continuing to be considered by the government, which proposed to include changes to the CIL and or s.106 agreements. In the meantime, whilst the following information on commercial development viability may more generally inform the local plan considerations, it has been assembled and reviewed in a way that would more directly inform the potential to set up and scope of any CIL (or similar levy) charging in the district.

3.6.5 With the direct influence of SSC policy on development viability likely to be very limited and an extra-over construction cost (+5%) allowance made reflecting sustainability and carbon reduction (whether through SSC policy directly and/or other the wider progression on these matters such as through government standards initiatives) the main remaining variable is any scope to support a CIL or similar. This is therefore the focus of the current stage outcomes reporting in the following sections.

3.6.6 Consistent with DSP's established practice, as examined on numerous occasions, a range of sensitivity testing has been carried out in looking at the viability prospects for various types of development uses (again typologies) considered relevant in the district. This enables both review of the outcomes considered most relevant based on market sentiment (as affects the assumption made on investment yields and rents) and consideration of the extent to which those assumptions would need to alter in order to support different viability outcomes.

3.6.7 It is likely to be necessary to consider the relevance of a range of BLVs. While land values from the base PDL BLV of £625,000/ha (or potentially below) could be relevant and sufficient in some cases, and some development may also be hosted on greenfield land (i.e., with lower EUVs and therefore BLVs relevant), it is also necessary to consider that some schemes could involve the redevelopment of PDL that is in higher existing use values. In some circumstances commercial schemes could be competing with residential / mixed-use proposals for sites.

3.6.8 As part of a consistent approach across the assessment, no allowance has been made for the highly variable factor of potential "netting-off" associated with existing floor space. This may provide an additional "buffer" type factor in many cases.

3.7 Retail development

Supermarket / foodstore development uses

3.7.1 The testing of these at the most positive yield assumption (5% - left side of Table A), is the most relevant to this development use, with more positive (lower) yields than this regularly relevant.

3.7.2 With a 5% yield assumed, the low rent assumption produces an RLV of over £1.1m/ha with £300/sq. m applied to the appraisal; rising to £2.7m/ha using the higher rental assumption. Accordingly, after a 50% buffering reduction, at this stage the indications are that where this form of development use comes forward, it could viability support a CIL charging rate in the range £100-150/sq. m.

Retail warehousing developments

3.7.3 These are also indicated to be potentially amongst the most viable forms of development appraised to date. Again this is a typical finding of such a study when using assumptions suitable for informing any CIL charging rates.

3.7.4 Generally, we could expect higher (slightly less positive) yield % assumptions (than are relevant to foodstore developments) to be appropriate and therefore our suggestion at this stage would be to set any CIL at the same level as applied to larger food and convenience stores, within an approach to treat any such larger format retail developments in a consistent rather than potentially overly complicated differential way.

Comparison and smaller retail developments – various settings - settlement centres and others

3.7.5 Bearing in mind that a range of higher (less positive) yield assumptions are generally more appropriate for use in capitalising these rents, we need to consider the wider span of results in this instance. The fall-way in the RLV indications and the incidence of 'Negative RLVs' is seen to increase and then dominate the results picture moving left to right with rising yield (less positive investment prospects) – within Tables C and D at Appendix IIe.

3.7.6 Although likely to be infrequent either as new-builds or created via large extensions, reviewing the results representing any development of more traditional comparison retail and smaller (local neighbourhood type or similar) convenience store units suggests that an appropriate approach to these would be to consider a differential approach, with significantly lower or potentially nil rating likely to be most suitable.

3.7.7 As an example, with a 6% yield used to capitalise the mid-rent assumption, the RLV generated reaches £1m/ha equivalent with between £25 and £50/sq. m CIL applied (before buffering allowance). Halving this (applying the above noted 50% buffer at this stage) is seen to indicate a low or very low CIL rate. The Table D results provide weaker indications still with the higher rent assumption and a lower (more positive) yield capitalisation necessary to support this.

3.7.8 Overall, in considering the different forms of retail development above, there are likely to be potential options for the Council to consider a charging approach that differentiates between retail types.

3.7.9 In practice, the Council may consider it more likely to be adjustments made to existing shop units or conversions from other uses that will largely provide the changing smaller shops offer in any event. This will also tend to be the case with an evolving retail offer in the main commercial centres / other larger settlements) and therefore consideration should be given to the extent to which CIL liability on this type of development may occur over the emerging plan period, were a positive charging rate to be set.

3.7.10 However, we will provide further information below based on our experience of informing CIL charging schedules. As indicated above, if a differential approach is pursued for retail development on this or another basis, it will be important for the Council to clearly set out how the differentiation is set up and described as part of a charging schedule.

3.7.11 Charging authorities are able to set differential CIL rates by reference to varying scale of development as well as varying development use. DSP's experience is that differentiation can be based on scale where that relates to varying development use (i.e., retail offer, site and unit type associated with that) and clearly justified and appropriately described. The difference between larger and smaller format retail can be clearly defined for the study purpose with type as the key differential, and size as a secondary factor relating to scale but acting as a further way of clarifying the differentiating factors.

3.7.12 Looking at size of unit only (i.e., an approach led by or relying solely on different scales of development) can be problematic or lead to inequalities in our view. DSP's experience is such that retail use does not necessarily change characteristics in any readily determinable way at any specific floor area point other than that determined by the Sunday Trading provisions. We consider that unless a prospective charging authority has particular planning policies that influence viability (i.e., cause switch points in viability) either side of a certain floor area, the floor area-based provisions relating to Sunday trading continue to provide the clear unit size linked switch in viability, bearing in mind that a particular floor area figure needs to be in place to create a viability threshold.

3.7.13 Since altering the assumed floor area to any point between say 200 and 500 sq. m. would not trigger varying values or costs at this level of review, basically the reported values / costs relationship stays constant; so that we do not see altering viability prospects as we adjust the specific floor area assumption over that range but assume development for the same use type. This means that the outcomes for these scenarios are not dependent on the specific size of unit alone.

3.7.14 We find the same at other unit size assumptions. In essence, to support a CIL differential at an alternative threshold point it is necessary to show a distinct change in viability, which would come from different appraisal input applying at a particular point – whether at 500, 1,000, 2,000 or indeed any particular unit size. So, the same applies on altering the high-level testing for floor area variations on supermarkets or similar; the use type does not switch at particular points so that selection of thresholds for the varying scale of development could be arbitrary. This in itself could create inequity. In each case, unless viability was found to be different either side of any such point (a particular floor area), in our view and experience it would not be appropriate to differentiate.

3.7.15 The key factor differentiating the smaller types of retail scenarios that we refer to from the larger ones is that value / cost relationship related to the type of premises and the use of them; they are simply different scenarios where that relationship is not as positive as it is in respect of larger, generally out of town / edge of town stores. Specific floor area will not in itself produce a different nature of use and value / cost relationship unless applied in relation to the Sunday Trading provisions so far as we can see. Related to the opening hours available to an operator, these provisions create a clear threshold and at that a clear differentiator – based on sales area of less than 3,000 sq. ft. (approx. 280 sq. m).

3.7.16 To reiterate, in our view any differentiation is more about the distinct development use – i.e., the different retail offer that it creates and the particular site type that it requires, etc. The description of the use and its characteristics may therefore be more critical than relying simply on a floor area threshold or similar. The latter could also be set out to add clarity to the definition and therefore to the operation of a charging schedule in due course, however.

3.7.17 So, to recap, only if differentiating between these smaller and larger retail formats, we consider that creating a link with the size of sales floor space associated with the Sunday Trading provisions (3,000 sq. ft. / approx. 280 sq. m) may provide the most appropriate threshold as a secondary measure to the development use description that is the most relevant factor in both creating and describing the viability differential. However, drivers towards this approach in some locations may be the overall emerging plan relevance of different types (as new builds or larger extensions of over 100 sq. m triggering CIL liability) and any concerns over added development risk to smaller shops provision associated with adopting a single rate at too high a level. This approach to setting up a differential approach to CIL charging for retail development assumes the threshold being used for clarity and to further explain the nature of the development use that the viability and a charging rate differential is linked to if CIL is pursued.

3.7.18 There are a range of retail related uses, such as motor sales units, wholesale type clubs / businesses, which may also be seen locally, although not regularly as new builds because these uses also often occupy existing premises. Whilst it is not possible to cover all eventualities for ad hoc development, and that is not the intention of the CIL principles, we consider that it would be appropriate in viability terms to also link these to the retail approach that is selected based on the main themes of plan delivery, all as above.

3.7.19 Similarly, we assume that where relevant any new fast-food outlets, petrol station shops, etc., provided for example as part of large retail developments, would be treated as part of the retail scheme. Other uses under the umbrella of retail would be treated similarly too. Individual units or extensions would be charged according to their size applied to the selected rate as per the regulations and standard charging calculation approach.

3.8 Development for employment Uses – Offices / Industrial

3.8.1 Referring to results Tables E, F, G, H and I it appears that perhaps only the Table I results (representing a more valuable research and development unit rather than more typical industrial/warehousing provision) indicate some viability prospects as currently appraised. This is not an unusual finding, with the development of offices and other forms of development regularly indicated as unviable when appraised in a suitable way for considering CIL viability scope.

3.8.2 A potential proviso to this could be any business park or other developments coming forward on greenfield land, with a lower EUV and therefore site BLV then relevant. Table F indicates that were there suitable sites and demand this could be a viable form of development and this aspect could therefore be a consideration for the further detail subsequently, should a CIL or similar form of levy be taken up.

3.8.3 A further, more specific form of development that has not been considered at this stage is larger scale distribution warehousing. This could be reviewed at Stage 2 along with any other forms of development considered likely to be relevant to the Plan period – whether from the point of view of identified sites/development or in regard to the further review of potential CIL charging scope in South Staffordshire.

3.8.4 Overall, even where there are better prospects of viability indicated than the general picture we expect that the CIL charging scope would not be at significant rates across such development uses. Again, on review of the indications to date here and from wider experience, our expectation at this stage would be to see at best a low or nominal rate approach. It is most likely that nil rating would be considered a key option most closely reflecting the viability outcomes, although with the striking of the balance also in mind a low level of CIL charging would not in itself be the reason behind marginal or non-viability on such schemes.

3.9 Other development uses usually considered for CIL prospects - Hotels and Care Homes

3.9.1 Appendix IIe Tables J and K clearly indicate that as appraised appropriately for CIL setting purposes at this stage, this current assessment work provides no viability evidence to support positive CIL charging for these developments.

3.9.2 As above, however, the Council could give consideration to a low rate CIL (which we think would need to be on a “catch-all” type basis) – effectively despite viability but given the minimal additional cost impact and the balance to be struck overall with the desirability of funding infrastructure. It is not necessary for the approach selected by the prospective charging authority to exactly follow the viability evidence. Consistent with this, the CIL guidance acknowledges that there is some room for pragmatism in CIL setting.

3.9.3 Alongside such points SSC would need to give consideration to the economic backdrop within which any such developments will be coming forward in the short term at least. The Council's weighing up would also need to include the likely levels of CIL receipts through various approaches and the administration and management (together with any related discretionary relief processes etc.) associated with implementing a more complex, wider ranging CIL charging approach.

3.10 Other development uses / sui generis

3.10.1 Only the results relating to key commercial / non-residential development tests (considered likely to be relevant to the emerging Plan and most relevant to considering any CIL or similar) are discussed and contained within Appendix IIe.

3.10.2 Other development uses (e.g., cafes, community centres, garages, cinema/bowling etc.) have also been considered at a high-level, based on the strength of the relationship between values and build costs. On this basis, we find it is not necessary to carry out full appraisals of these development types because a simple comparison of the potential completed value against build cost assumptions from BCIS, indicates poor to marginal development viability. This is one of the key reasons why these forms of development are generally not seen in isolation but tend to be provided as part of mixed-use schemes that are financially driven by the residential and / or retail development for example.

3.10.3 Following the commercial results analysis above, for particular development types, we can see that once values fall to a certain level there is simply not enough development revenue to support the development costs, even before CIL scope is considered (i.e., where adding CIL cost simply increases the nominal or negative numbers produced by the residual land value results – makes the RLVs, and therefore viability prospects lower or moves them further into negative territory).

3.10.4 In such scenarios, a level of CIL charge or other similar degree of added cost in any form would not usually be the single cause of a lack of viability. Such scenarios are generally unviable in the sense we are studying here – as a starting point. This is because they have either a very low or no real commercial value and yet the development costs are often similar to equivalent types of commercial builds. We regularly see that even the build costs, and certainly the total costs, exceed levels that can be supported based on any usual view of development viability. These are often schemes that require financial support through some form of subsidy or through the particular business plans of the organisations promoting and using them. Indeed, some such developments may well be considered as infrastructure themselves.

3.10.5 As will be seen below, there are a wide range of potential development types which could come forward as new builds, but even collectively these are not likely to be significant in terms of "lost opportunity" as regards significant CIL funding receipts overall, even with anything more than a nominal or nil CIL rate in place. We consider many of these uses would frequently occupy existing, refurbished or adapted premises.

3.10.6 A clear case in point will be community uses which generally either generate a very low or sub-market level income streams from various community groups and as a general rule require very significant level of subsidy to support their development cost; in the main they are likely to be a long way from regularly supporting anything other than a nil or nominal type CIL charge.

3.10.7 There are of course a range of other arguments in support of a distinct approach for such uses. For example, in themselves, such facilities are generally contributing to the wider availability of community infrastructure. They may even be the very types of facilities that the pooled CIL contributions will ultimately support to some degree. For all this, so far as we can see the guiding principle in considering the CIL regime as may be applied to these types of scenarios remains their viability as new build scenarios.

3.10.8 As part of this review process, in general terms only, the likely viability prospects associated with a range of other uses, considered at a high-level as developments, we compared their estimated typical values (or range of values) – with reference to values research from entries in VOA Rating Lists and with their likely build cost levels or ranges (base build costs before external works and fees) sourced from BCIS. As has been discussed above, where the relationship between these two key appraisal ingredients is not favourable (i.e., where costs exceed or are not sufficiently outweighed by values) then we can quickly see that we are not dealing with viable development scenarios in the usual sense considered by this assessment or referred to in guidance. The lack of positive relationship is often such that, even with low land costs assumed, schemes will not be viable as developments. Some of these types of new developments may in any event be promoted / owned by charitable organisations and thereby be exempt from CIL charging (as affordable housing is).

3.10.9 On this basis, Figure 14 below provides examples of this high-level review only of the general relationship between values and costs - in an example range of these other scenario types. This is provisional information and not an exhaustive view by any means, but it helps enable us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support anything more than a nil or nominal CIL charge. Otherwise, the added viability burden could be likely to delay or frustrate schemes, mean other compromises or add to funding requirements. The Council may also wish to consider the administrative aspects – CIL charging implementation. These points are not key to the viability assessment overall.

3.10.10 These types of value / cost relationships are not unique to the SSC prospective charging area. Very similar information is applicable and findings are seen in a wide range of locations in our experience, although across the area the Council may be able to consider the likely relevance of certain types of development uses and therefore the potential need to ensure that any essential delivery is not unduly undermined.

Figure 14: other development uses – viability prospects (indicative cost/value relationship)

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications –BCIS**	Viability prospects and Notes
Cafés	£80 - £400 per sq. m.	£800 - £4,000 per sq. m.	Approx. £2,190 - £2,850	Insufficient viability to clearly and reliably outweigh the costs
Community Centres	£20 - £40/ per sq. m.	£200 - £400 per sq. m.	Approx. £1,800 - £2,650	Clear lack of development viability
Day Nurseries (Nursery School /Creches)	£55 - £250 per sq. m.	£550 - £2,500 per sq. m.	Approx. £2,000 - £2,875	Insufficient viability to clearly and reliably outweigh the costs
Garages and Premises	£40 - £90 per sq.	£400 - £900 per sq. m.	Approx. £570 - £1,243	Low grade industrial (B uses) - costs generally exceed values
Halls - Community Halls	£20 - £40 per sq. m.	£200 - £400 per sq. m.	Approx. £1,870 - £2,450	Clear lack of development viability – subsidy needed
Leisure Centre - Health and Fitness (Sports Centres/ recreational centres) generally	£80 - £120 per sq. m.	£800 - £1,200 per sq. m.	Approx. £1,450 - £1,900	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Leisure Centre Other - Bowling / Cinema	No information available		Approx. £1,700 - £2,500	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Museums	No information available		Approx. £1,300 - £2,500	Likely clear lack of development viability – subsidy needed
Storage Depot and Premises	£10 - £80 per sq. m.	£100 - £800 per sq. m.	Approx. £500 - £1,250 (mixed	Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in
Surgeries	£70 - £200 per sq. m.	£700 - £2,000 per sq. m.	Approx. £1,870 - £2,700 (Health Centres, clinics, group practice surgeries)	Insufficient viability to clearly and reliably outweigh the costs based on other than high-end looking value assumptions.

*£/sq. m rough guide prior to all cost allowance (based on assumed 10% yield for illustrative purposes - unless stated otherwise).

**Approximations excluding external works, fees, contingencies, sustainability additions etc.

3.10.11 There are potentially a wide range of considerations here, as above, going beyond viability in the usual development sense.

3.10.12 Our findings at this stage are that indicatively there is insufficient viability scope to support a positive CIL charge in these circumstances, although the striking of the balance with the desirability of funding infrastructure can also be considered. On viability, we can expect to recommend nil (£0/sq. m.) or at most a nominal charging rate in respect of the range of other uses beyond those for which specific charging rates are likely to be appropriate in the SSC context (residential and any larger format retail developments, currently). As in all other respects, this could be reviewed in the future.

3.10.13 In all cases, the viability scope for the different commercial / non-residential typologies tested and as discussed above, does not mean that all developments subject to CIL charging will be inherently viable; or that all development types subject to a potential nil CIL charge will not come forward at all. There will always be site-specific circumstances and characteristics at play which cannot be factored into this type of strategic level study undertaken to support a development plan.

3.10.14 These rounding up points complete our Draft Stage 1 assessment reporting for South Staffordshire Council.

3.10.15 The high-level summary at the front of the report provides a brief overview of the findings which will not be summarised again here, having set out the detail above. As noted in the summary, DSP will be happy to provide any further assistance required by SSC in the use of this assessment.

Notes and Limitations

i. The purpose of the assessment reported in this document is to evaluate the viability of the policies proposed as part of the emerging South Staffordshire Local Plan (SSLP) Review.

ii. This report sets out information and where relevant options to inform the Council's consideration of potential policies from a viability perspective whilst taking into account adopted national policies that may impact on development viability.

iii. This has been a desk-top exercise based on information provided by South Staffordshire Council (SSC) supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of Local Plan development ('plan making').

iv. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.

v. It should be noted that every scheme is different, and no review of this nature can reflect the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions. Specific assumptions and values applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach to and proposals for a robust and viable Local Plan.

vi. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.

vii. The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with Brexit and during a period when the Global COVID-19 (Coronavirus) pandemic situation has been dominating many aspects of the news and economy.

viii. This may run through into many potential areas affecting viability or deliverability, particularly in the short term. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability. It is of course only possible to work with available information at the point of carrying out the assessment. At this stage it appears that it will be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.

ix. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan preparation/review. In the meantime, this work contains information on the impact of varied assumptions. Additionally, in considering the assessment we have also sought to provide wide sensitivity testing to inform the Council’s consideration of development viability in the wider plan delivery context.

x. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (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.

xi. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd (DSP) accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

xii. 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 Council's policies will be applied from case to case.

xiii. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. In the recent past we have undertaken site specific viability assessments on behalf of South Staffordshire Council – requested instructed on an ad hoc basis and the subject of specific arrangements,

xiv. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time. In the preparation of this assessment DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

Draft Stage 1 Report ends – DSP v10

(October 2021)