

For: South Staffordshire Council

Viability Assessment - Local Plan

October 2022

DSP18951 - Stage 2 Report (Final)



**South Staffordshire
Council**

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High-level Summary

1. The further viability assessment - Stage 2 review work - covered in this final report builds on the Stage 1 development typologies-based review. The Stage 1 assessment was set out through Dixon Searle Partnership's (DSP's) report dated October 2021.
2. Applying the same principles but including updated assumptions on development costs and values as well as reflecting both the South Staffordshire Local Plan and national policies, this further work has again considered the viability of the emerging plan approach. This has been done through reviewing at an early stage the viability the 4-no. strategic scale and a sample of (5-no.) specific smaller housing site allocation proposals. This exercise has again been carried out in a way that reflects the Planning Practice Guidance (PPG) in meeting the high-level expectations of the National Planning Policy Framework (NPPF) on considering viability in the context of Plan Making.
3. The sites selected for this more specific review as a mode of further cumulative development and policy costs testing (i.e. assessing collective effects) have been settled upon through the continued close dialogue between the Council and DSP. Further stakeholder liaison and wider, ongoing information review has also taken place as far as possible.
4. The appraisals run for this have again used the residual land valuation methodology, with the indications (RLVs – residual land values) continuing to be compared with benchmark land values (BLVs). This is all as set out at Stage 1. Reflecting the sites review and the nature of the Plan proposals (role of various site types) overall, at this second stage of more focused review work, the BLV level relevant is principally £250,000/ha. This is on the same 'existing use value plus' (EUV+) basis as set out at Stage 1, again with sensitivity testing reflecting the previously noted upper parameter for greenfield site BLVs at £500,000/ha (relevant mainly to smaller sites, in this local context considered as a guide only, to be of fewer than around 50 dwellings).
5. Both sales values (house prices) and build costs have risen significantly. Some other policy related costs / anticipated planning obligations have moved too, but not all upwards. Additionally on context, this Stage 2 work has been conducted at a time of increasing

economic uncertainty. At the time of reporting, many aspects around development are very challenging.

6. However, it is important to note that while this is acknowledged and may flow through into early Plan stage delivery considerations, as only time will tell, the Plan is set to run over a long timeline to 2039. As such it is not appropriate to consider or set strategy and policy only based upon circumstances as experienced right now or even in the coming period – shorter term of up to the next few years, perhaps. Rather, a genuinely strategic overview and judgments are both needed and appropriate; around a range of assumptions, sensitivity tests and policy implications (both local and national) envisaging the planned development delivery and related infrastructure provision over the longer timeframe, through likely varying economic and other circumstances. The Stage 2 full reporting following this brief summary considers this and explains the assumptions and scope of sensitivity testing undertaken. As part of this, development profit is again assumed at a base 17.5% GDV (gross development value) reflecting the mid-range assumption in the PPG. This along with other assumptions are considered in this context so that, as an example, this is also sensitivity tested at 20% GDV (on market sales) reflecting a potential higher risk return level.
7. Necessarily using information as far as available at the time of assessment, this has enabled a further appropriate level of revisiting and checking of the suitability of the proposed policy set in viability terms; including the headline 30% affordable housing (AH) policy basis. 25% of the AH is now included as First Homes. Those are properties assuming the new tenure model within the expanded scope of affordable housing and to be sold at a minimum 30% discount subject also to a national (outside London) £250,000 price cap.
8. On the basis described in the full reporting that follows (including the appended information on assumptions, findings and appraisal summaries), we have continued to find the emerging Local Plan policies suitable in viability terms, viewed together (i.e. ‘cumulatively’ as above).
9. Similarly, with the policies applied and the information on development costs reflected as far as available at this stage, the proposed site allocations tested to further represent the nature of sites that are key to the Plan delivery overall, have also been found to have reasonable prospects of viability. These should be able to come forward viably.

10. DSP will be happy to assist with any queries or further work should our input be required by the Council during or following the forthcoming Local Plan consultation period (Regulation 19 stage) and indeed subsequently.

Summary ends

Stage 2 Report (Final) (v1.1)

October 2022

1. Introduction

1.1 Background

- 1.1.1 Dixon Searle Partnership (DSP) were appointed in 2019 by South Staffordshire Council (SSC) to undertake a study to assess the potential viability of policies and sites coming forward through a new Local Plan Review and development strategy for the District.
- 1.1.2 The study consists of work undertaken in two main stages, with regular contact maintained with the Council all the way through from inception. Stage 1, completed in Autumn 2021, considered the viability of base costs; helping to inform the Council's assessment of policies within the emerging Plan (from a viability perspective) through a significant level of sensitivity testing of various policy options. This was based on a site typologies (development scenarios) approach to viability testing. That report and dialogue around it fed into and formed part of the Council's evidence base to support the development of the emerging Local Plan.
- 1.1.3 This Stage 2 assessment considers again the assumptions and policies identified and considered through Stage 1, reflects the latest local and national policy direction through modelling, at an appropriate level, the viability and deliverability of a number of specific site allocations upon which the delivery of the Plan relies.
- 1.1.4 In the main, this Stage 2 report updates the Stage 1 version with added sections relating to strategic and site allocations as well as updating existing sections and text relating to the revisiting of key assumptions on costs and values. A number of methodological points in this report remain as set out in Stage 1. Although this Stage 2 report provides detailed information on the potential viability of the Local Plan Review policies and sites it is important that this report be read in conjunction with and as a follow up to the Stage 1 report.
- 1.1.5 Since, at the current time, the Council is not directly considering putting in place a CIL (Community Infrastructure Levy) and although this or a similar infrastructure level (IL) may be a future consideration, the focus at this Stage 2 of the viability assessment reporting is now on the Plan and not on a potential CIL. This reflects in this stage of reporting having a title relating to the Local Plan and no longer to CIL. This may be

reconsidered and revisited in due course, but for now the Council envisages continuing with the established approach in the district of using section 106 (s.106) planning obligations to secure the necessary infrastructure to support and mitigate the effects of new development (by means of provided works/facilities and/or financial contributions).

1.2 Introduction

- 1.2.1 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.
- 1.2.2 The purpose of undertaking this study has been 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. Reflecting the latest circumstances, while earlier on the Council required information to guide on likely appropriate parameters for or levels of CIL charging rates that could be applied for different types of development in the district, given the above, for the purposes of Stage 2 of this assessment we have assumed s.106 allowances as set out in Chapter 2 and in Appendix I but have not included further CIL scoping testing.
- 1.2.3 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 s106 (or other equivalent planning obligations / levy costs) that will be required in support new development across the district.

- 1.2.4 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.
- 1.2.5 In light of the above, the Council commissioned Dixon Searle Partnership (DSP) to carry out this two-stage 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 – Stage 1) 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 (Stage 2).
- 1.2.6 Consistent with this context and DSP’s experience, and reflecting the local characteristics, the assessment (Stage 1 and Stage 2) 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 and policy burdens that their ability to be developed viably is unduly threatened.
- 1.2.7 This viability assessment has been produced in the context of and with regard to the NPPF, PPG (including crucially on ‘Viability’) and other Guidance¹ 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 (at this Stage 2 continuing with the same

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)

established assessment principles and approach, but reflecting revisited assumptions for use within the more specific appraisal tests).

- **Findings Review** – overall results context, high level modelling of key proposed site allocations and strategic sites (including the strength of viability in relation to range of AH proportions, planning obligations and other key policy considerations) – scope as agreed with SSC.
- **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 specific high level testing of planned site allocations and strategic sites (based on the information available to date).

1.2.8 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 (as per Stage 1). Albeit continuing an appropriate, proportionate approach, the process should however include more specific consideration of key sites or site types upon which the Plan relies for the delivery of its growth objectives – e.g., selected representative site allocations / strategic sites; all as above and as set out in this Stage 2 report).

1.2.9 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.

1.2.10 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.

- 1.2.11 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.

1.3 South Staffordshire Council - Profile

- 1.3.1 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 including the Council's overall strategy for development.
- 1.3.2 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 (on the following page) provides a map of the geographical context.

Figure 1: South Staffordshire in Context

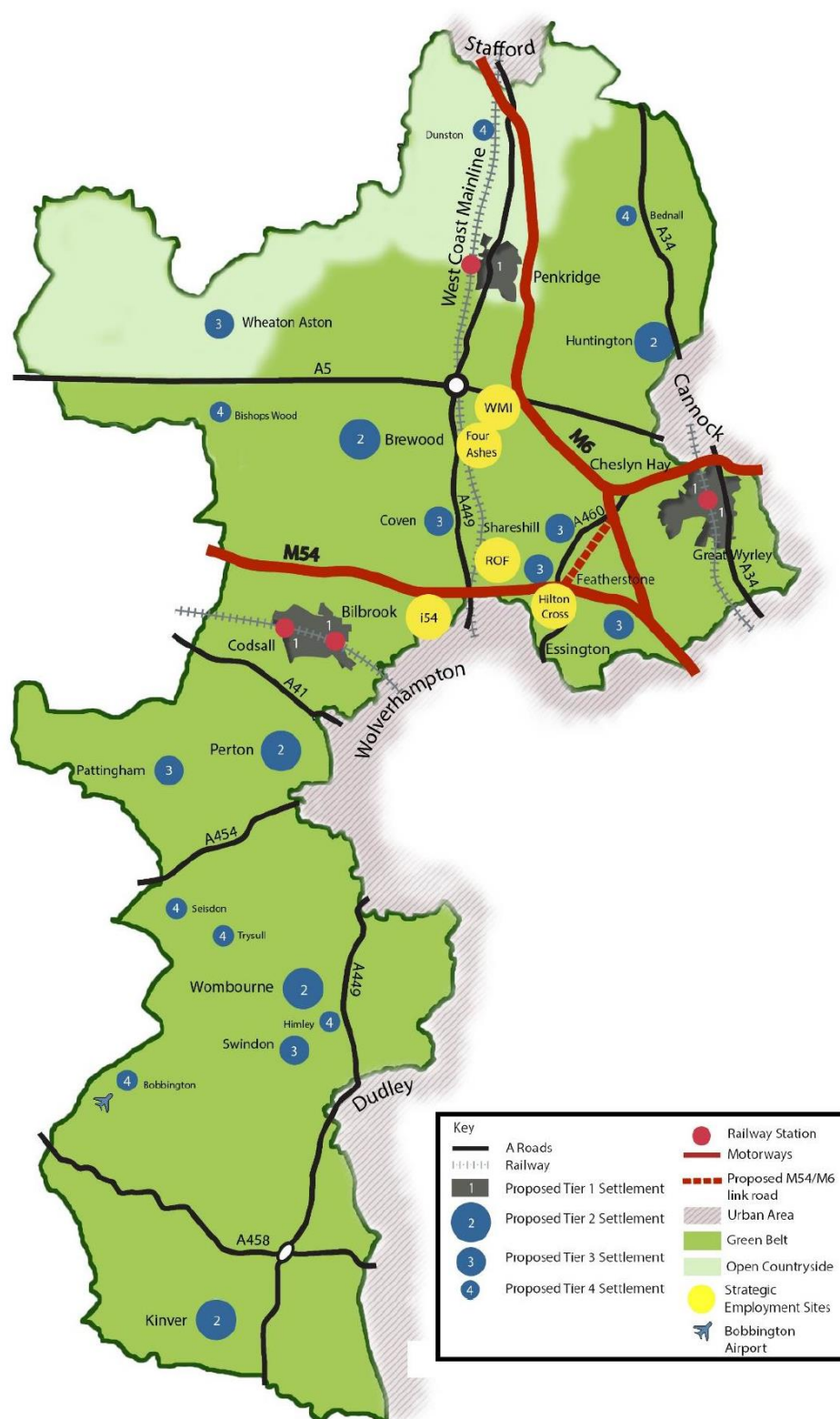


Source: South Staffordshire Council: Local Plan Issues and Options (October 2018)

- 1.3.3 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.

- 1.3.4 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.
- 1.3.5 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.
- 1.3.6 South Staffordshire is proposing to plan for 9,089 dwellings within the Plan period to 2039 allowing the authority to meet its own housing need as well as a contribution to the unmet needs of the Greater Birmingham Housing Market Area (GBMHA). The housing will be delivered predominantly through growth in five locality areas and in the most sustainable locations.
- 1.3.7 In addition to residential growth, the Plan sets out its proposals for 99ha of employment land in the period to 2039 and 37 new Gypsy and Traveller pitches. Figure 2 below (following page) provides a map of the district.

Figure 2: Map of South Staffordshire



1.4 National Policy & Guidance

- 1.4.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF) 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.’*
- 1.4.2 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.’*
- 1.4.3 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 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.'

- 1.4.4 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.
- 1.4.5 Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies and obligations 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).
- 1.4.6 The consideration of the collective planning obligations (including affordable housing, other requirements and the 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'.
- 1.4.7 In addition to the above, 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' report²). 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.
- 1.4.8 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

² 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

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.

- 1.4.9 At the time of completing Stage 1 of this Study, the Royal Institution of Chartered Surveyors (RICS) published a Guidance Note relating to viability in planning³. 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.
- 1.4.10 During the course of carrying out earlier elements of this 2-stage 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 such that in some respects, if implemented, the system could be very different to the current one under which this assessment and the Local Plan are being produced to date. The second consultation – *‘Changes to the current planning system’* looked at shorter term objectives including the introduction of a First Homes policy⁴ and temporary increase in the national affordable housing threshold⁵. On the latter point, the Government’s response to its consultation concludes that (in summary): *‘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 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’*.
- 1.4.11 The longer-term major reforms proposed in The White Paper look likely to have a significant impact on the setting of planning policy and the way in which policy and wider plan development (meaning including the preparation of a CIL in this context) is considered, running also into the operation of policies. The Government’s proposals include potentially a wholesale reform of CIL with potentially an Infrastructure Levy being set across the Country for all Local Authorities.

³ RICS: ‘Assessing viability in planning under the National Planning Policy Framework’ 1st edition, March 2021, Effective 1 July 2021

⁴ Policy proposal that a minimum of 25 per cent of all affordable housing units secured through developer contributions to be First Homes with a minimum 30% of market value discount.

⁵ The government consulted 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. At the time of reporting Stage 2, similar national policy proposals are again reported as being considered by Government.

- 1.4.12 At the point of completing this assessment (and Stage 2 reporting) the Department for Levelling Up, Housing and Communities (DLUHC) introduced planning reforms via the Queen's Speech, in and alongside a new Levelling Up and Regeneration Bill (May 2022). Further, very recently at the stage of completing this Stage 2 report, yet more planning reform proposals have been put forward through the new Chancellor's mini-budget⁶ that may lead to revisions to the Levelling Up and Regeneration Bill or scrapping the Bill altogether. Although there is speculation at the moment, there is significant uncertainty about when we will know more and what any new arrangements might be. Given these wide-ranging, proposed planning reforms are not yet confirmed, we are unable to comment at this stage on what the impact may be on the study or indeed on the Local Plan or future infrastructure levy. The proposed wider reforms may not ultimately take the form envisaged and there could be a considerable amount of time taken before any changes enter the planning system.
- 1.4.13 In respect of First Homes, the Government confirmed the introduction of a requirement for these to be delivered via section 106 of the Town and Country Planning Act 1990 (s.106). We have therefore assumed the inclusion of First Homes as part of our testing. According to the Act and supporting Guidance, a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes with a minimum discount of 30% of market value (MV). Increased levels of discount can be considered (at 40% or 50% of MV) subject to demonstrating appropriate need.
- 1.4.14 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.

⁶ <https://www.gov.uk/government/news/chancellor-announces-new-growth-plan-with-biggest-package-of-tax-cuts-in-generations> (23rd September 2022)

- 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.

1.4.15 During the course of compiling the Stage 1 assessment, the Government provided its response to the consultation⁷ leading to an expectation that, in the interim, carbon reduction targets of 31% over existing would be regulated. This level of requirement is now reflected through changes to the Building Regulations effective from June 2022. This reflects the direction of travel towards zero carbon, at this stage leading next to the wider implementation of the FHS from 2025 whereby it is expected that a reduction in CO₂ of 75% from current standards will be achieved, as above.

1.4.16 In order to reflect the consultation response and potential introduction of interim measures to the Future Homes Standard, we undertook testing to reflect emerging policy in this area as part of the Stage 1 reporting. As will be described later in this report, further testing has also been undertaken as part of Stage 2 to reflect the Council's emerging policy position on sustainable design and construction.

⁷ 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. Approach - methodology and assumptions

2.1 Summary of Stage 1 and Stage 2 approach

- 2.1.1 This report (finalised September to October 2022) capturing the further viability review work reflects the second stage of a two-stage process. As described in Chapter 1, Stage 1 considered the viability of the Council's base policy set (i.e. essential) costs, other (higher and lower priority) policy costs and informed the Council's further policy development processes in this regard. This was based on site typologies testing whilst also providing guidance on the introduction of a potential CIL; providing the viability evidence to inform and support the next stage - Preferred Options - consultation. Stage 2 (this stage) considers the viability of larger strategic sites (those sites upon which the delivery of the Plan relies) as well as a number of proposed smaller site allocations. The latter were selected for closer review primarily as examples of sites with additional local / specific infrastructure provision or abnormal costs indicated at this stage (alongside the Green Belt Compensatory measures that many sites will need to support as part of their intended allocation for a less significant scale of development). In outlining the approach, this section also picks up on context that will be reflected in the review of findings within Chapter 3 that follows.
- 2.1.2 Setting out the whole process undertaken through close working with SSC, Stage 1 was undertaken in two phases as we will set out below in order to provide an overview of the work phases leading to a comprehensive assessment overall.
- 2.1.3 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we undertook 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 were 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).

- 2.1.4 Appendix I to this document also provides a quick reference guide to the assumptions used; updated for this Stage 2 report.
- 2.1.5 As part of the first phase (within 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 that first phase was used to inform the process (as well as providing part of the evidence base to support the development of the Plan), we developed 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 costs were considered.
- 2.1.6 The process required an estimate of the cost of each of those policies and obligations that it was considered had a direct and quantifiable impact on development viability. Figure 3 below outlines the policy areas considered in the first phase of the Stage 1 assessment and dialogue with SSC.

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		

(Source: South Staffordshire Council – earlier review stage)

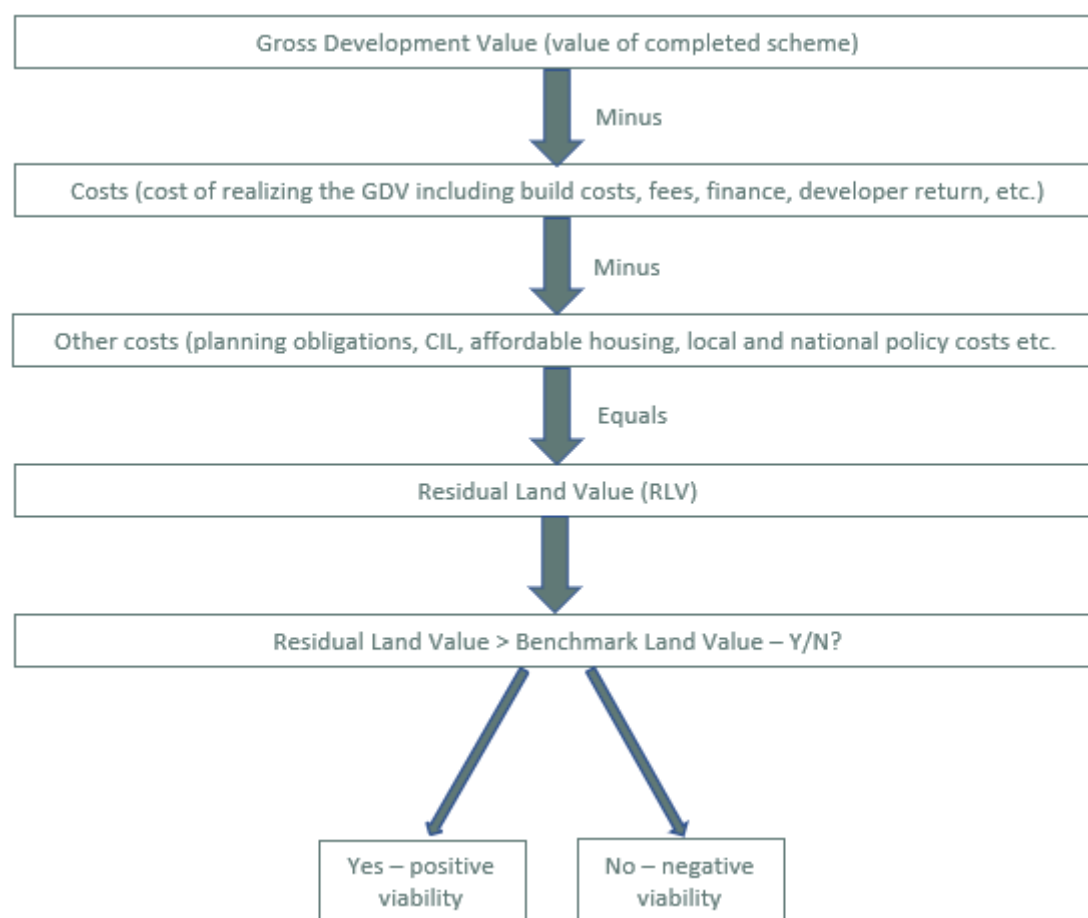
- 2.1.7 The early phases of the Stage 1 approach involved testing two sample typologies considered suitably representative, for the purpose, of the type of development expected to typically come forward in the district over the emerging plan period.
- 2.1.8 Following that initial phase of testing, discussions 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.
- 2.1.9 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.
- 2.1.10 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.
- 2.1.11 As discussed above, this Stage 2 assessment considers updated cost, value and policy assumptions as far as relevant – and now applied to the site allocations and strategic sites being tested through this stage of the study. The details of all the site allocations

/ strategic sites assumptions feeding into the associated development appraisals are set out in this chapter. An outline of these is also provided with Appendix I.

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 2021-2022)

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*’⁸. 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*

⁸ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 006 Reference ID: 10-006-20190509)
Revision date: 09 05 2019

*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*⁹. 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:

⁹ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 007 Reference ID: 10-006-20190509)
Revision date: 09 05 2019

- **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.
- **Key site promoters / agents** – as well as the wider development industry representatives based exercise, in relation to strategic scale development proposed for allocation through the new Plan, site promoters or their representatives have been contacted more recently with a bespoke site-based pro-forma document requesting more specific information as far as available at the time including relating to any initial estimates of infrastructure requirements, land use, ownership and any value indications, early development costs and values assumptions, site abnormalities and any indicative potential phasing/delivery indications, etc.

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.

2.4 Scheme development scenarios – Strategic / Site Allocations & Typologies

2.4.1 The scenarios (typologies) modelled as part of Stage 1 of this assessment reflected the variety of different types of development that are likely to be brought forward through

the planning process across the plan area. They comprised a mix of residential, commercial/non-residential sites and (where relevant) mixed-uses. Through the Stage 1 work, this informed the development of local plan policy and provided guidance on the potential parameters for / levels CIL that may be viably chargeable should the Council decide to proceed down that route.

- 2.4.2 For Stage 1, each of the development scenarios (including as undertaken on varying AH and other test levels) was 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 allowed 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 Stage 2 of this assessment considers the viability of a set of specific site allocations and strategic scale sites that have been requested by SSC to be appraised at a high level utilising updated cost and values assumptions (including reflecting the latest policy proposals and potential associated costs).
- 2.4.4 A summary of the site allocations and strategic sites scenarios tested as part of Stage 2 of this Study is shown in Figure 5 below, with full details set out in Appendix I. The sample site typologies are also shown there.

Figure 5: Strategic / Site Allocations & Sample Typologies Tested – Summary

Area	Site Name / ref.	Greenfield / PDL	Indicative Site Area (Gross – Ha)	Indicative Minimum Residential Capacity (Dwellings)
Strategic Site Allocations				
Penkridge	Land North of Penkridge off A449 (East) – Ref: 420	Greenfield	65.7	1,129
	Land North of Penkridge off A449 – Ref: 584			
	Land at Lower Drayton Farm (east of A449) – Ref: 10			
Codsall / Bilbrook	Land East of Bilbrook – Ref: 519	Greenfield	39.6	848
Employment-led growth	Land at Cross Green – Ref: 646 (a&b)	Greenfield	54.3	1,200
Urban Extension – North of Black Country	Land at Linthouse Lane – Ref: 486c	Greenfield	94.1	1,200*
Other Site Allocations				
Codsall / Bilbrook	Land adjacent to 44 Station Road – Ref: 224	Greenfield	4.0	85
Cheslyn Hay / Great Wyrley	Land off Holly Lane Part 1 – Ref: 536a	Greenfield	4.0	84
	Land at Landywood Lane – Ref: 136	Greenfield	7.4	109
Brewood	Land south of Kiddemore Green Road – Ref: 79	Greenfield	2.1	43
Kinver	Land off Hyde Lane (West) – Ref: 576	Greenfield	2.0	44

*Additional 776 dwellings deliverable beyond plan period.
(DSP 2022)

- 2.4.5 Each strategic and site allocation site tested was accompanied by a schedule, provided by the Council, indicating the gross site area, expected number of dwellings and s.106 obligations (including relating to open space, education, highways, health, sports and community facilities, parking and other requirements). The sites that SSC has requested to be specifically tested are proposed to be released from the Green Belt and as such are also required to provide compensatory improvements to land

remaining in the Green Belt. Details of additional compensatory site areas for only some of the sites has been provided and where that information has been provided, details are set out in Appendix I. For the purposes of this study we have assumed the additional land is required to be purchased at a value considerably in excess of existing use value (EUV) in agricultural use but below the allowance made for the subject site land area. This additional land cost has been assumed at £50,000 per ha in line with our experience of equivalent SANG / ANRG or similar mitigation land elsewhere.

- 2.4.6 As part of considering the site allocations reviews and seeking to make those 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.

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 2022)

- 2.4.7 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 on schemes with smaller 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.
- 2.4.8 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 - 2022)

- 2.4.9 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.
- 2.4.10 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).

- 2.4.11 Where sheltered housing is modelled, a lower proportion of saleable floorspace (75%) is assumed compared with typical general needs flats (i.e. 25% communal space). This is further reduced to 65% saleable floorspace (35% communal) for extra care development where applicable.
- 2.4.12 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.
- 2.4.13 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 Scheme Revenue (Gross Development Value / GDV) – Residential

- 2.5.1 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:

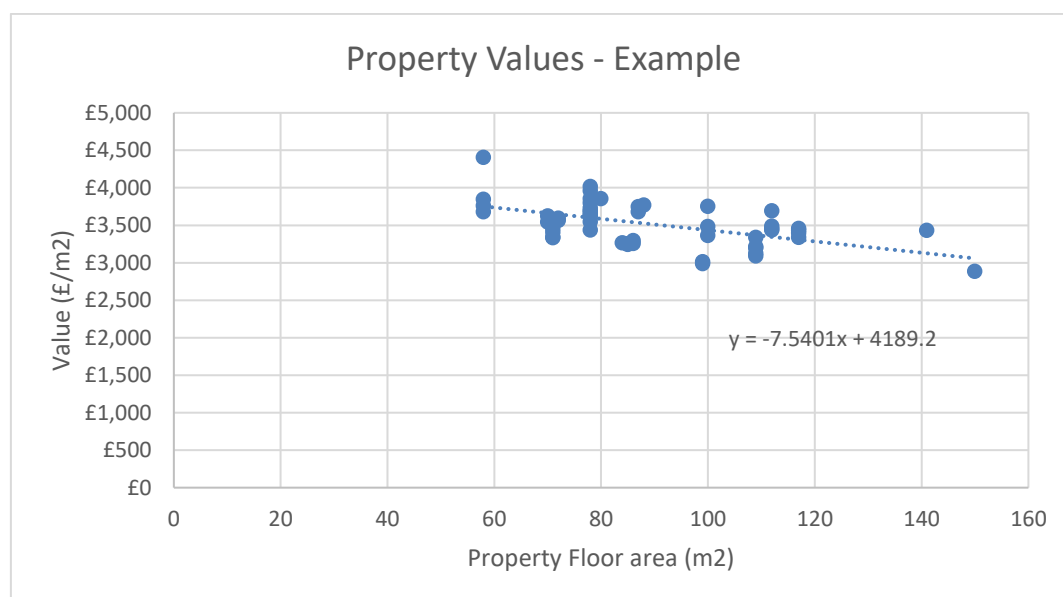
- Previous viability studies as appropriate.
- Land Registry.
- Valuation Office Agency (VOA).
- Property search, sale/market reporting and other web resources.
- Development marketing websites.
- Any available information from stakeholder consultations

- 2.5.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review was carried out as part of Stage 1, 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.
- 2.5.3 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.
- 2.5.4 In reporting for Stage 1 we noted that generally there was more variation in the resale (second-hand) market across the district, overall, and that the new build picture on values appeared to be narrower and more consistent. We considered that a significant proportion of new build values fell in the range represented most closely by our VL tests at approximately £3,100 to £3,400/m² (VLs 3 to 4), with new build values reaching around test level VL 5 (£3,700/m²) not unusual although seen less regularly. Higher values were seen too though, as represented by our upper VL tests.
- 2.5.5 As part of carrying out Stage 2 of this assessment, further research was undertaken in order to update and ensure that the most up to date context and data was being considered. This considered house price indices (Office for National Statistics (ONS) House Price Index (HPI)) as well as further research into new build sales values locally.
- 2.5.6 Our research for Stage 2 indicates overall that values have increased by approximately 24% since the research for the Stage 1 study was conducted (Appendix I provides more detail). As at Stage 1, we continue to see greater variation through the type of development rather than necessarily by location alone. To provide a range of sensitivity tests that take into account both the updated market conditions as well as an ability to consider the influence of higher and lower than the most typically supported values as seen currently, we have updated the values range to reflect new build sales values in the most part at £3,000/m² to £4,000/m² overall with slightly

greater resolution than used previously – now with the sensitivity testing considered at £100/m² steps.

- 2.5.7 The typical inverse relationship between value (expressed as a £/m² rate) and property size mentioned above is evident from the example data shown below. In practical terms this means that if the source data is skewed towards properties that are larger in size than those modelled in this study, the £/m² rate viewed will be artificially lower than may be achieved in practice, and vice versa. We have therefore taken this into account when considering appropriate value levels in “standing back” and overviewing our results as is appropriate, particularly bearing in mind that the focus should be on the high-quality new builds promoted by the Plan and this needs to be considered moving ahead and not just in the context of current economic uncertainty.

Figure 10: Property Value Relationship (£/m²) v (Size (m²))



(DSP 2022)

- 2.5.8 Again, within the overall range of data we noted a more consistent level of values when looking only at new build data. Taking into account our previous research, the increase in values as evidenced by the ONS HPI and further sales data undertaken for this Stage 2 modelling, we are of the view that that the upper part of the overall typical new build values likely to be seen across the district as new schemes come forward are also likely to be relevant i.e. at approximately £3,500/m² - £4,000/m²

when applied to the sizes of properties assumed for this study and looking across the picture. The data points to the lower part of the overall range not being the only or even the key areas of values likely to be available in support of the viability of developments, viewed at this time. As with all data, there are variations to this with specific properties and areas sometimes showing higher or lower values than discussed here. The further results will be viewed in the appropriate context for the assessment purpose – a strategic level overview needs to be taken.

- 2.5.9 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.
- 2.5.10 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.
- 2.5.11 Although the data provides a snapshot of values at the current time, it cannot reflect future trends, which over the lifetime of a Local Plan may rise and fall several times (although with a likely overall trend of increased growth). It also does not reflect the placemaking that occurs within new schemes and the positive influence this can have in balancing out the less individual nature of some larger scale development. These are further areas that need to be considered when looking at the modelling results and overall viability of the sites and policies within the emerging Local Plan.

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

- 2.6.1 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.

2.6.2 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

2.6.3 A key part of the purpose of this 2-stage process 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 therefore undertook 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. As part of Stage 2 and following the outputs of the Stage 1 work, we have tested a narrower range (20% and 30% proportion of affordable housing) across the strategic and site allocations reflecting the proposed Local Plan AH policy headline, considered on a strategic basis as above, as well as the current review circumstances and likely most relevant sensitivities (as opposed to viable AH levels reaching in excess of 30% consistently alongside the wider policy requirements and development costs as currently estimated and assessed).

- 2.6.4 Based on the recommendations of the Council's latest SHMA and agreed with SSC, a base assumption of 50% social rent, 25% First Homes and 25% intermediate tenure was assumed. In carrying out the modelling for Stage 2 of this assessment on the strategic and site allocations we have also carried out sensitivity testing looking at the impact of altering the tenure to include affordable rent in place of social rent. This is provided for the Council's wider information, given both the potentially challenging circumstances that (in our view) may be involved in securing all or a majority of rented affordable homes as social rather than affordable rent, and the scope that considering this on specific schemes (if or as necessary) may offer in further support of viability.
- 2.6.5 The NPPF (para. 65¹⁰) 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 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 national policy at the point of completing this Stage 2 assessment and as per the Government's First Homes Guidance. First Homes can form part of the minimum 10% AHO allowance.
- 2.6.6 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.
- 2.6.7 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

¹⁰ Formerly paragraph 64 as was in place at the time of preparing this Stage 1 assessment.

flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).

2.6.8 The transfer values for the affordable housing dwellings (AH revenue level) assumed for the study are shown in Appendix I.

2.6.9 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.

2.6.10 The assumptions on First Homes are based on the Guidance set out by Government¹¹:

- 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.

¹¹ <https://www.gov.uk/guidance/first-homes>

- 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.

2.6.11 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.
- 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.

2.6.12 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 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.

2.6.13 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

2.6.14 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

2.6.15 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%.

2.6.16 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.

2.7 Development costs - Generally

2.7.1 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 and site allocation / strategic site 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, site and reflecting local characteristics as

appropriate). For Stage 2, we have reflected the information provided to DSP by the Council and stakeholders relating to the strategic sites / site allocations and incorporated specific additional cost allowances where possible. There may be some cases where insufficient detail / cost information exists at this stage; this will need to be borne in mind when considering the results of the modelling. This is normal for a high level strategic assessment such as this. It is rarely possible to have all detailed information available on specific sites at plan making stage; while this provides significant information in adding to the consideration of sites proposals and the confidence in the wider allocations process, high level assumptions and an overview need to be made. This is both typical and appropriate.

- 2.7.2 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.
- 2.7.3 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.
- 2.7.4 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 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.

2.8 Development Costs - Build costs

- 2.8.1 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*’¹² and rebased using a South Staffordshire location factor. The costs assumed for each scenario (e.g., houses, flats, mixed as well as commercial/non-residential etc.) are as provided in Appendix I – and summarised below – Figure 11.

Figure 11: Base Build Cost Data (BCIS Median)

Development Type		Base BCIS Build Cost - Median £/sq. m.*	Base BCIS Build Cost – LQ £/sq. m.*
Residential	Build Costs Mixed Developments - generally (£/m ²) *	£1,310	£1,203
	Build Costs Estate Housing - generally (£/m ²) *	£1,276	£1,134
	Build Costs Flats - generally (£/m ²) *	£1,448	£1,283
	Build Costs (Supported Housing - Generally) (£/m ²)*	£1,550	£1,444

*The base build cost rates shown here exclude external works and contingencies allowances (these are added to the above BCIS sourced rates). (DSP 2022)

- 2.8.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (allowances for which 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 between £20,000 and £25,000 per dwelling (with assumed expenditure split equally between pre-construction and construction phases within the appraisal timing settings).

¹² <https://www.gov.uk/guidance/viability> (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018)

- 2.8.3 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.
- 2.8.4 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.
- 2.8.5 A base allowance of 5% of build cost has also been added to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates).
- 2.8.6 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.
- 2.8.7 Viability is a dynamic scenario as is acknowledged through this assessment. Reflected within the updated assumptions, over the course of the study house prices overall have risen significantly, but so have build costs, reflecting the wider inflationary pressures in the economy. Most recently, build costs have continued to rise steeply while the rate of increase in house prices has begun to slow. There is a usual lag in the data coming through on this. At this stage, we cannot be sure how various domestic, international or geo-political issues 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. Having necessarily settled assumptions at a point

in time, at the time of finalising the assessment recent reporting continued to indicate a remarkably resilient housing market in the circumstances. In their latest Housing Market Update (July 2022) available at the time for example, Savills forecast continued growth in the residential property market with house prices increasing by 17.4% over the next five years nationally; 20.2% in the West Midlands¹³ albeit with a slight dip in 2023. The latest ONS HPI Statistical Bulletin¹⁴ (July 2022) indicates that house prices rose by 15.5% in the year to July 2022. Subsequently, we have new leadership coming into government during a period of fast developing political turmoil and the very latest context is that this has begun to cast significant added uncertainty to the economic scenario moving ahead. Overall, we come back to the key point, however, that plan making the careful consideration of viability in this context need to be undertaken at a strategic level that envisages various economic cycles and a range of factors, as both potential negative and positive influences on development viability and activity. Viability in planning should inform how sustainable development can happen rather than be a constraint to this.

2.9 Development Costs – Fees, Finance & Profit

- 2.9.1 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 included within the development appraisals are as follows (see Figure 12 below). Appendix I provides the full detail.

¹³ <https://www.savills.co.uk/insight-and-opinion/research-consultancy/residential-market-forecasts.aspx>

¹⁴ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/july2022>

Figure 12: 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
	Affordable Housing – 6% GDV (affordable housing revenue); 10-12% on First Homes GDV (12% base assumption at this stage).

(DSP 2022)

2.10 Development timings - Build period and sales assumptions

- 2.10.1 The development timings vary by site and typology and varies based on a combination of BCIS data utilising the Construction Duration calculator and stakeholder consultation feedback as far as available. This has then been sense-checked using our experience and informed by site-specific examples where available. Appendix I provides more detail.

2.11 Key Policy Areas for Testing – Summary

- 2.11.1 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 and

have been updated from Stage 1 where appropriate. The following summary sets out the assumptions for those key policy areas.

- **Housing Mix Policy HC1, HC2: Housing Mix / Density** – Reflected in the housing mix and densities assumed for both site typologies and specific sites.
- **Affordable Housing Policy HC3** – 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 2.6 and within the Findings chapter (3).
- **Homes for Older People & others with specialist housing needs Policy HC4** - Reflected in housing mix as part of viability testing. In addition, 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 approach is to require 100% of new dwellings to be constructed in accordance with the requirements of Part M4(2) of the Building Regulations. We are aware of Government consultation that may make Part M4(2) mandatory¹⁵.

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 Policy HC8** – 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.

¹⁵ www.gov.uk: Raising accessibility standards for new homes: summary of consultation responses and government response (July 2022)

- **Space about dwellings and internal space Policy HC12** – Requirement for all housing to be designed to comply with dwelling sizes to meet the minimum standards set out by the Nationally Described Space Standard (NDSS - 2015 or subsequent edition). The dwelling size assumptions for viability testing are set out in this study at Figure 7, consistent with the NDSS. Other elements of policy reflected in site typology and general development assumptions.
- **Parking Provision Policy HC13** – Requirement for electric vehicle charging. Extra over costs of £895 per dwelling (houses) and £1,961 per dwelling (flats) has been assumed¹⁶.
- **Health Infrastructure Policy HC14** – Contributions where required included on specific site testing as set out by SSC. Appendix I provides details on a site by site basis. Site typologies include s106 allowance.
- **Education Policy HC15** - Contributions where required included on specific site testing as set out by SSC. Appendix I provides details on a site by site basis. Site typologies include s106 allowance.
- **Open Space Policy HC17** – 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). Contributions where required included on specific site testing as set out by SSC. Appendix I provides details on a site by site basis. Site typologies include s106 allowance.
- **Sports Facilities & Playing Pitches Policy HC18** - Contributions where required included on specific site testing as set out by SSC. Appendix I provides details on a site by site basis. Site typologies include s106 allowance.
- **Employment & Skills Policy EC3** – Employment & Skills Plan assumed included within overall development cost allowance.

¹⁶ based on mid-point in range of costs identified within Government Impact Assessment
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817069/impact-assessment-residential.pdf

- **Infrastructure Policy EC11** – Covered through allowances for infrastructure and s106 throughout the assessment.
- **Biodiversity Policy NB2** – All new development will provide a minimum of 10% biodiversity net gain as part of the development. For the purposes of this assessment we have assumed an improvement of 10% and utilised the scenario ‘C’ as set out in the Impact Assessment¹⁷ associated with the Government consultation on BNG. This is considered to be a worst case scenario. Appendix I provides more detail.
- **Cannock Chase SAC Policy NB3** – An allowance has been included within all appraisals to meet the requirements of the Cannock Chase SAC policy. Appendix I provides the detail.
- **Sustainable Construction Policy NB6** – 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 cost uplifts from base build costs as set out in Appendix I for achieving net zero carbon based on our experience elsewhere. This is in the region of 4.73% for flats and 7% for houses.

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.

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

2.12 Indicative land value comparisons and related discussion

- 2.12.1 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 sensitivity tested value levels, affordable housing policy targets (%) and with other planning policy costs and obligations reflected (the cumulatively tested view of the viability scope).

¹⁷ DEFRA: Biodiversity net gain and local nature recovery strategies Impact Assessment (October 2019)

2.12.2 The PPG¹⁸ 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.

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.

¹⁸ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509
Revision date: 09 05 2019

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).’

- 2.12.3 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.
- 2.12.4 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.
- 2.12.5 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.
- 2.12.6 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.
- 2.12.7 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).

- 2.12.8 The land value comparison levels (BLVs) are not fixed 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.
- 2.12.9 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 appraisal¹⁹ providing industrial, office, residential and agricultural land value estimates for locations across the country – including South Staffordshire.
- 2.12.10 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 inputs to the RLV appraisal, rather than those being reflected within a much higher “serviced” i.e., “ready to develop” level of land value.
- 2.12.11 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.

¹⁹ <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019> (August 2020)

- 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.

2.12.12 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.

2.12.13 As set out in the appendices, for the assessment as a whole 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 (GF) 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. In considering the Stage 1 report findings we applied this lower BLV to all sites providing more than 50 dwellings, so that more significant schemes in the overall plan context would be viewed in larger land release category in the local context, allied to the £250,000/ha key GF sites BLV. We consider this approach to remain appropriate, with the viability in planning principles recognising that the level of planning policies and the nature of sites needs to be considered in avoiding overpaying for land. While this is also dependent on actual site characteristics, in our view this would broadly apply to most if not all sites appraised at this Stage 2, which should be considered in this relatively low BLV context. For the purposes of the Stage 2 sites reviewed specifically, this (BLV @ £250,000/ha) is the bases assumption, although for wider information (further sensitivity) the results (RLV indications) for the 5 no. smaller allocation sites tested

have also been viewed against a BLV based on an upper parameter BLV of £500,000/ha (as per Chapter 3 below and see the 'b' suffix tables – 2e(b) to 2i(b) at Appendix II).

- 2.12.14 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.
- 2.12.15 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 relevant overall – to all specific sites tested and, as noted previously, to a majority of the site typologies tested in Stage 1 this assessment. 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 or mitigation land where lower values may be appropriate and would reflect within any "blended" land value or equalisation type approach overall. On the other hand, edge of town/village paddocks released for development in small blocks could support an EUV in a range between that and 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 and providing overall BLV parameters for a range of GF sites.
- 2.12.16 Figure 13 below shows again, with some explanatory notes, the range of selected BLVs which have been used across the assessment as a whole (over the two stages) as 'viability tests' (filters) for the viewing and provision of the results interpretation / judgments informed by the results tables provided in the appendices. The Stage 2 focus has been on GF hosted development.

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

EUV+ £/ha	Notes
£250,000	Greenfield (GF) 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 - 2022)

2.12.17 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).

2.12.18 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 context - results tables review (stage 2 site assessments)

- 3.1.1 The results tables in Appendix II provide the Stage 2 viability indications for the 9 sites, that following consideration with SCC have been appraised more specifically.
- 3.1.2 This reflects the 4 no. strategic scale and 5 no. smaller green belt release site allocation proposals which together were considered to best represent sites having particular strategic scale infrastructure requirements or other constraints / requirements that would provide a most informative further test of the viability of development locally when applying all the costs related to the policies now formed up in the new Local Plan. The exercise used information available and assumptions made up to the point of the further review and assessment - undertaken towards the latter part 2022, all as noted above. Different assumptions could result in different viability indications so that for example a varied dwelling number or mix, or other alternative assumptions, could be expected to have an influence. The assessment does not amount to an options appraisal for sites, whereas prospective developers can be expected to work up the most viable scenarios that will be able to address the individual site characteristics and requirements.
- 3.1.3 To recap and listing the Appendix II table numbers in the order displayed, the relevant sites and results (viability indications) are:

Table 2a – Land North of Penkridge (appraised with 1,129 dwellings)

Table 2b – Land East of Billbrook (848)

Table 2c – Land at Cross Green (1,200)

Table 2d – Land at Linthouse Lane (1,976)

Tables 2e (a) & (b) – Land adjacent 44 Station Road (85)

Tables 2f (a) & (b) – Land off Holly Lane (84)

Tables 2g (a) & (b) – Land at Landywood Lane (155)

Tables 2h (a) & (b) – Land South of Kiddemore Green (43)

Tables 2i (a) & (b) – Land off Hyde Lane (West)

- 3.1.4 The upper (white / unshaded) part of each table shows the appraisal RLVs (in £s) and the lower part shows these outcomes expressed in £/ha terms. The latter are compared with (filtered using) the BLV (benchmark land value) levels and ranges shown within the 'key' at the foot of each sheet. The BLVs (£/ha) vary because of the applied blend of land values assumed within each scenario, according to the main site gross land area and then the additional green belt compensation land as applicable (SCC sourced assumptions at the time of appraisal). 'As per the BLV 'key' footnotes, the '(b)' suffix tables (2e(b) to 2i(b)) are based on filtering the same appraisal RLV £/ha indications against BLVs based on land at an upper parameter level of £500,000/ha (compared to the based assumption at £250,000/ha within the (a) tables) for SCC's further information. This is all as noted above, whereby in our view a higher than £250,000/ha BLV should only be relevant to consider on the smaller land release sites (for fewer than 50 dwellings indicatively) and with around that level therefore broadly applicable to most if not all sites tested
- 3.1.5 Using the principles and levels explained in section 2.12 above, the white (non-shaded) results are indicative of non-viability against the BLVs shown – i.e. fall more than 10% beneath the indicated BLV.
- 3.1.6 The orange ("amber") shaded RLV £/ha indications are results which fall within a 10% band (tolerance) beneath the stated BLV assumption level. Accordingly, these are regarded as potentially marginal viability outcomes.
- 3.1.7 The lighter green shaded RLV £/ha indications are results which fall with a 10% tolerance above the stated BLV level, representing the positive side of the more marginal viability outcomes.
- 3.1.8 The more positive RLVs and therefore viability indications, being more than 10% higher than the BLVs, are shown using the bolder green shading – representing increasingly positive (more viable results) indications from that filter point upwards.
- 3.1.9 Each result (RLV figure) represents an appraisal that has been run using the combination of variables shown within the tables and in each case with all the

development and policy cost assumptions applied as discussed in Chapter 2 above (and again see the Appendix I on those) – provides a cumulatively tested view.

- 3.1.10 Beneath the separate small table outlining the assumptions on appraised dwelling numbers, land area and blended BLV (£/ha), the site-wide / infrastructure works costs assumed in each test scenario are shown across the top row of the main table (as applied alongside the base (housebuilding), external works and other assumed costs). It can be seen that an increasing assumption on this factor reduces the RLV and therefore the strength of viability (viability indication).
- 3.1.11 Also running across the table tops the developer profit level tested in each scenario is shown. Taking the long term Local Plan period overview, through likely cyclical economic and market movements, the 17.5% GDV (on market housing sales) represents a base position which is mid-range within the PPG reflected 15-20% GDV viability in planning assumption range for plan making purposes. The upper end profit sensitivity tests, at 20% GDV, provide information on the potential impact of such an assumption, with the effect again seen to be a reduction in RLV since the profit element is a necessary risk reward and therefore regarded as a development cost.
- 3.1.12 Also running across each table we show the tested AH proportion at the base 30% (key test representing the proposed policy headline) together with additional sensitivity testing at 20% AH given the mixed nature of the 30% results and therefore as wider information for the Council where viability may be under pressure owing to the combination of available circumstances in some instances; depending on timing in relation to market movements, particular site characteristics, etc. As expected, with the reduced sensitivity test level 20% AH included in place of 30%, the RLVs improve and it is possible also to consider the likely effect of intermediate levels through interpolation – viewing between the two points, if relevant.
- 3.1.13 Along similar lines, the wider sensitivity testing also provides a high-level view on the potential effect of the AH tenure, and particularly how any switch from social rented to affordable rented homes would be likely to have a fairly significant positive influence on viability – again, should this be a relevant consideration and for wider information. Again, the likely viability scope between points could be considered.

Overall, the sensitivity testing information could also be used to broadly assess different combinations of appraisal inputs that would support similar outcomes or might be viewed on a “trade-off” type basis if needs be in particular instances.

- 3.1.14 As noted at Stage 1, the significant viability impact of the affordable housing relates to its development cost being broadly the same as market housing while it generates revenue (sale value) at a very much lower level – usually around half (50%) of market value when a blend of AH tenure is taken into account. This is also behind the affordable housing generally needing to be considered (and potentially not being provided at highest levels within a targeted range) when it comes to considering support of a mix of policy objectives within an overall balance; its cost is such that some adjustment in provision can “pay for” other less costly policy objectives in their entirety, and collectively. This has been both an unavoidable and important factor in the long-running two-way dialogue with the Council, feeding into and out of the viability assessment work; between this and the Plan’s development progression.
- 3.1.15 The dynamics described here are by no means unique to South Staffordshire, however, in our extensive experience of these matters; they are typical considerations (albeit at varying policy levels etc. according to local characteristics). This was however very appropriately reflected and considered as part of the various discussions with the Members of the Council as well as the officers’ ongoing discussions, all as has been outlined above. It lead to a view on relative priorities and some trade-offs needing to be considered and accepted. Whilst of course necessarily continuing to do all possible towards meeting the community needs and bearing in mind the Council’s track record of successful affordable homes delivery based on adopted LP policy as well as the additional expectations now coming in; with those largely in this case due to increasing national level requirements.
- 3.1.16 Although clearly unhelpful for affordability within the market, a significant positive viability influence is seen to come from increasing market housing sale values which are a key driver of the viability scope and variations between locations and sites / schemes in some circumstances. The trend of increasing viability indications and consistency of positive outcomes with the higher tested cost variables shows that the achievable value level (VL tested) could be a key influence. This picture, and how it

may move in the coming period, is difficult to assess at the present time, however the results indications are largely positive with values assumed that are considered likely to be achievable. The results for the lower value sensitivity tests (beneath VL3 i.e. £3,300/m²) are not included within the final display of Appendix II tables to reduce the scale of results presentation and because we can see that there is a likely “cusp” of viability usually sitting slightly above these levels in most key circumstances – values that are needed to support all the policy costs, viewed cumulatively (i.e. with the development and emerging policy costs applied fully and collectively).

- 3.1.17 To the rear of the Appendix II results tables also appended are a sample of appraisal summaries generated using the standard format by the Argus Developer software. For the Council’s information and reflecting the above, these have been included at base assumptions levels and in each case at both the VL which supports viability with all costs applied (lower parameter for the VLs indicating viability) and a higher test level VL. Higher sales values represented by the higher VL example summary in each case (or values within the VL parameters selected) could be achievable based on the range of latest information as far as available. In the latter case, using the approach to results “filtering”, the more positive viability indications exceeding the BLVs represent scenarios that should if necessary be able to support more development cost than assumed through the appraisals while remaining viable.

3.2 Overviewing the further testing results – viability indications

- 3.2.1 A very similar pattern of results and broadly similar overall level of indications is seen on moving between the appraised sites (results tables) at this level of review. The more obvious differences are not relativities between the sites. Rather, these relate to how a given site might perform differently as the values and costs vary; both with the specifics once more is known as sites come forward, and over time.
- 3.2.2 While the wide range of sensitivity tests show that on the one hand the sites are on the whole perhaps unlikely to support more than 30% Affordable housing in the coming years / early plan period, on the other the more positive results suggest that their ability to support more development cost than currently appraised is not ruled out.

- 3.2.3 In balance with this, we can also see that with values falling beneath the mid-range appraised and / or increased cost pressure through more than typical development risk or additional scheme costs, a 30% AH outcome may be challenging to achieve in some circumstances. We consider that this needs to be acknowledged as well, but are of the view that this need not take away from the effectiveness of the proposed 30% AH policy headline intention. This should be a realistic expectation to inform the decision making stage on greenfield hosted developments.
- 3.2.4 Following the Stage 1 work and although appropriately in the local circumstances not revisited at this Stage 2, again we need to acknowledge that development on at least some PDL is likely to face a more changing viability scenario. This is due to the combination of higher EUVs of sites (leading to higher BLVs) and the often higher development costs and could mean some sites are not able to perform to a single, clear AH % level in policy, for example. This has been considered with the Council and our understanding is that given the nature of the available land in the district and the significant reliance on greenfield based development for the planned new development, this need not be reflected through a differential policy approach; a simple, consistent approach is preferred on balance. A pragmatic approach may be taken.
- 3.2.5 While the recent and likely further evolving economic circumstances (resulting in high inflation and rising interest and mortgage rates) may become more entrenched and may unavoidably affect short term development prospects and viability, a whole Plan view needs to be taken. These means a strategic view spanning the next 15 years or so, reflecting the LP timeline and the various conditions that could exist, including much more buoyant spells as have been experienced in the recent past too.
- 3.2.6 Similarly, although build costs are continuing to rise, there are some indications that this pressure may be beginning to reduce and this can be expected to happen in the event of a decline in demand. Also, the current extra-over costs estimates included for sustainable construction / carbon reduction and other measures either newly in place or coming in soon do not make allowance for the likely efficiencies that we could reasonably expect with the growth of markets for the new technologies and techniques as the enhanced measures become normal. We expect that multi-purpose

solutions to supporting measures for achieving biodiversity and other elements of the landscaping, open space, environmental and ecological requirements will be developed too, whereas we are currently taking an individual costs assumptions approach to some of these elements. All in all, within the nature of viability in planning it is appropriate to consider how development can and will come forward, rather than only how it might not be able to comply with reasonable requirements.

- 3.2.7 Weighing this up overall, we consider that in viability in planning terms the 30% affordable housing policy headline, as proposed, remains appropriate in South Staffordshire. The affordable housing needs side of the equation is crucial too, and in our experience a further reduced policy expectation would neither contribute enough towards meeting needs or be guaranteed to fully deliver (to a lower % level) in any event. Although the proposed policy HC3 30% approach represents a reduction from the 40% greenfield basis at the same major development threshold (10+ dwellings) in the adopted Core Strategy 2012 H2 approach (noted at 2.6.2 above), this is considered appropriate alongside the significant additional requirements that are going to be in place. As above, it has been necessary to consider some form of significant trade-off as part of reaching what is considered a suitable balance overall.
- 3.2.8 To be clear, this is alongside the other policies of the new Local Plan – as per the outline within 2.11 above and reflected through the comprehensive assumptions made at this plan making stage. Overall, we consider that the reviewed sites have reasonable delivery prospects in viability terms and that as a whole developments should be able to come forward viably through the Plan approach proposed by the Council.
- 3.2.9 Our Stage 1 assessment work on commercial / non-residential development typologies provided suitable overview information for the purposes of the Local Plan. With the Council not currently pursuing a CIL (the main driver of providing that detail) and circumstances around that mixed picture of viability considered not to have changed significantly overall, that element has not been explored further at this stage. Also relevant to consider on this is the much more limited reach of the proposed Plan policies in respect of direct influence on the viability of such schemes (and especially with no CIL in place as a fixed first slice development cost).

- 3.2.10 The appraisals undertaken included an additional 5% sustainable construction cost allowance, which remains an appropriate consideration, but was not found to be an aspect that typically would tip a scheme into non-viability. The overall viability of such schemes will continue to be dependent on the demand and basic relationships between development values and costs for schemes of different types. Where these are considered sufficiently viable to come forward, it is considered likely that the sustainable construction requirements, which will be in place as part of the Future Buildings Standard (building on the Future Homes Standard).

Notes and Limitations

- i. Following on from and used in conjunction with the Draft Stage 1 Viability Assessment Report (DSP October 2021), the purpose of the further assessment reported in this document is to continue and build upon the evaluation viability and provide additional support to the firmed-up policies now proposed as part of the emerging South Staffordshire Local Plan.
- ii. Through proposed allocation sites based testing this report sets out additional information considered as part of the Council's further development of its Plan proposals from a viability perspective whilst also taking into account national policies and initiatives that may have an 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, once again as appropriate in the context 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 all the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to directly prescribe assumptions. Assumptions 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 indications generated by the development appraisals for this strategic purpose will not necessarily reflect site specific circumstances. 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, the after effects of the COVID-19 (Coronavirus) pandemic situation, more latterly the war in Ukraine, and challenging economic circumstances in general, with the latter coming to more the fore as this assessment write-up has been finalised.
- viii. This may run through into many potential areas affecting development 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 and potentially pending or during examination. In the meantime, this work contains information on the impact of varied assumptions applied within a wide range of sensitivity tests. Run in this way, and through regular dialogue with the Council while in progress, this has helped and continues 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 on an ad hoc basis and the subject of infrequent 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.

Stage 2 Report ends (Final) – DSP v1.1

(October 2022)