For:

Lichfield District Council

Local Plan and CIL Viability Assessment

Final Report (DSP v017)

September 2020

DSP19616

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Executive Summary

Introduction - backdrop

1. This summary aims to provide a brief overview of the full report that follows (Lichfield District Council – Whole Plan Viability Study (DSP19616)). The overview here is not a substitute for the full detail that should be referred to in that.

2. Lichfield DC (LDC) has appointed Dixon Searle Partnership (DSP) to prepare the Viability Study as part of the wider evidence base that is informing a review of the Council's Local Plan (the Development Plan) for the district. Moving on from the most recent Preferred Options consultation stage (consultation to January 2020) the Plan review will build on and update the existing Local Plan Strategy (adopted 2015) and Local Plan Allocations document (July 2019).

3. 'Viability' in this sense refers to the financial "health" of development. This means that the study looks at the likely strength of the relationship between development values and costs, across a range of proposed development types.

4. In this way, the study approach and findings enable a review of how much financial scope there is likely to be for developments in the district to support the provision of planning obligations (such as for the provision of affordable housing) development standards (such as relating to housing standards and sustainability) and infrastructure.

5. In terms of infrastructure to support the Development Plan, LDC has in place a Community Infrastructure Levy (CIL) charging schedule – implemented in 2016. As a part of study, alongside testing viability for affordable housing and other matters, DSP is also working with the Council to consider whether the current CIL charging schedule could or should also be reviewed. The updated viability evidence will inform the potential to review this, potentially leading to adjusted CIL charging rates. This is considered as part of the overall costs of development and cannot be separated, as the CIL takes the form of a fixed top-slice from the development funds. Therefore, any consideration of the CIL review element is also dependent on the detail of the Local Plan policies development. The collective costs of development overall need to be considered.

6. This backdrop and the study approach, conducted by experienced consultants, is consistent with the relevant national policy and accompanying guidance – as updated 2018-19.

7. The National Planning Policy Framework (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.'*

8. The Planning Practice Guidance (PPG) on 'Viability', published alongside the updated NPPF in July 2018 and 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.

9. The PPG on Viability follows this theme and states: '*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'.*

10. The national guidance on CIL is within the PPG too, which also contains other sections relevant to considering matters relating to plan making and development of various types.

Study (assessment) approach - methodology

11. Responding to the above, the well-established approach involves a method known as 'residual valuation'. This deducts estimated costs (using assumptions that reflect the

usual costs of development e.g. build costs, fees, finance, marketing and sale costs and developer's profit) from the expected end value on sale of a scheme (the gross development value of 'GDV'). The approach produces a surplus, hence a 'residual' or (in some cases where viability is challenging) deficit that points to the amount that could be paid for the development land (site or premises to be developed).

12. A large number of these appraisals are undertaken across scenarios ('typologies') broadly reflecting anticipated development in the area. This approach allows varying potential levels of affordable housing, other planning policy costs and CIL charging to be tested for viability – collectively, as above.

13. The resulting 'residual land value' (RLV) levels are compared with a series of benchmark land values (BLVs) as part of assessing the likely prospects of various policy levels being supportable (viable), and sites therefore being deliverable all in support of the Local Plan. The use of BLVs, again a part of the established assessment approach, helps ensure that the RLV results are viewed in terms that should provide and appropriate level of return to landowners. This is based on the principle, as set out in the PPG, of 'Existing Use Value Plus' (EUV+) whereby the value of land in current use is the basis, and a level of uplift or premium is then considered, as may be appropriate to secure a site for development – to take it out of its current use.

14. The full report and its Appendices set out the details of the approach to the assessment. This includes more on the principles, the assumptions used and their source, an outline of how development industry stakeholders have been consulted and the review and analysis of results leading to the findings – brief overview as follows.

Findings – overview

Local Plan review policies as most influence viability.

15. While in practice the range of sites and developments will require and be able to support infrastructure costs and planning obligations according to specific levels and combinations, viewed as a whole the emerging Local Plan proposals are considered to have reasonable prospects of viability. This will be supported by the further development of the strategy and policy details. Accordingly, the Local Plan review

should be able to meet the criteria of the NPPF and be consistent with the national guidance within the PPG in viability terms.

16. With a functioning property and development market in place, the policy area that has most impact on development viability is that of affordable housing (AH). This is always the case – not just a feature in Lichfield District. We see this because the costs of AH development are essentially the same as for the market homes, while in order to make it as affordable as possible it creates a much lower level of value (perhaps around half of market sale value overall, with mixed AH tenure).

17. Viewed alongside the other emerging policies and assuming an even split of social and affordable rented homes (alongside affordable home ownership such as shared ownership), we suggest that it will be appropriate for LDC to consider the following AH guidelines, informed by the viability findings:

- 20% AH on PDL sites (previously developed land – i.e. brownfield);
- 35% AH as a headline for greenfield land - on sites providing more than 10 dwellings (but envisaging development of a non-strategic type, typically at a scale of less than approximately 400 – 500 dwellings in our experience and noting that the main strategic sites tested for LDC are indicated to provide around 500 or many more new homes);
- 20-30% AH indicated as potentially viable ultimately on strategic sites, as viewed using currently available information. Subject to policy framing and clarity of expectations, we see this potentially viewed as a baseline of not less than 20% AH on the larger proposed sites proposed to accommodate c. 500 – 3,300 dwellings that we have assessed more specifically (NE Lichfield, West of Fazeley, Hay End Lane Fradley) with suggested ongoing exploration of the optimal levels and types of achievable affordable housing and other infrastructure undertaken as the proposals progress;
- On this basis 30%+ AH provision level is not ruled out in the case of a smaller 'strategic site' proposal such as that at Huddlesford Lane - c. 75 dwellings). This is considered consistent with the above noted potential 35% AH headline approach in respect of GF developments more generally.

18. Linked to the above, as the consideration of AH tenure is relevant alongside its quantity (the proportion (%) of it), the findings also identify that taking a varied view

on the mix of rented or other affordable homes will also influence viability and perhaps should not be viewed too rigidly at the plan making stage. Linked to this, it may also be relevant to consider that affordable housing tenure models change over time. For example, at the time of this report write-up, the Government is consulting on a range of planning matters including on potential 'First Homes' as another form of affordable home ownership. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the existing 'affordable home ownership' route in the form of shared ownership. Viability may not improve as a result of First Homes, but also appears unlikely to be significantly negatively affected by that proposed new model.

19. The report also presents information on the relative influences of other potential policy areas, such as in respect of enhanced accessibility standards. The support of these in viability terms is subject to the level at which they are pursued alongside the affordable housing priorities, but with meaningful levels of housing provided to enhanced standards considered to be supportable overall.

CIL charging rates scope

20. As above, ultimately the headroom available to continue supporting CIL charging in various circumstances will be dependent on where the final Local Plan policies settle. External factors such as the economic backdrop and national policy developments could also influence this.

21. However, at this stage the viability findings suggest both that the existing CIL charging rates could continue to relate reasonably well to the local circumstances, and support scope for some degree of potential review of the LDC CIL rates, with the following themes and parameters in mind in that case:

- Potential to revise the existing zoned approach to have differential CIL rates for residential development, district wide as follows:

    - **Beneath AH threshold (sites providing fewer than 10 dwellings)** – CIL supportable at up to £100/sq. m.
    - **Above AH threshold (10 or more dwellings)** – CIL supportable at up to £50 – 75/sq. m.

- **Retirement/Sheltered housing** – CIL scope considered supportable based on the same residential rates parameters as above.
- **Extra Care Housing** – nil (£0/sq. m) or low level (nominal) rate suggested for consideration (as per that for care homes).

22. **CIL and specific Site Allocations** – Strategic Sites – a nil (£0/sq. m) or not more than nominal/low level (i.e. continued reflection of the currently applied low rate at £17.31/sq. m as per the 2020 indexed level or similar).With possible higher-rate scope and consideration for a smaller site such as that for c. 75 dwellings (e.g. Huddlesford Lane), which is considered to share more characteristics with the general typology tests.

23. **Looking at commercial/non-residential development types and the CIL** at this point, again a similar scenario applies overall (indicating both a reasonable ongoing fit of the current schedule basis in key respects and some scope for review) with the findings indicating the following for LDC's consideration should the schedule be revised in conjunction with or following the current Local Plan progression work:

    - For any larger format retail developments that come forward, the results suggest scope for alignment of the charging approach for retail warehousing with that for foodstore/supermarket developments – supportable CIL scope indicated at potentially beyond £100/sq. m but suggested not taken higher than that should the CIL be reviewed at this stage;

    - For all other forms of retail, a nil (£0/sq. m) or low-level (nominal) rate ; or as an alternative potentially this could be included within a general significantly lower overall retail rate (combined with the above uses, but at a significantly lower rate for all). In our view, the latter approach would be significantly less responsive to the likely viability variations than a continued differential rates set up, however;

    - Where relevant locally, within a review of the CIL purpose-built students housing accommodation could support CIL charging at around the upper-end of the parameters discussed above across a range of development types – i.e. rate of up to c. £100/sq. m whilst remaining away from the margins of viability;

- With all other forms of development then carrying a nil (£0/sq. m) CIL charge most reflective of their likely viability, or potentially a nominal only level CIL rate. If the alternative of a nominal rate approach is considered based on the desirability of funding infrastructure in balance with potential impacts on viability, then this would need careful consideration bearing in mind the presented viability information and relatively poor outcomes typically seen in these cases.

24. As above, this assessment also suggests that, viewed alternatively at this stage, the current CIL viability findings show that the CIL charging approach that is operating now is considered likely to continue to relate and function reasonably well. This is including when bearing in mind the likely emerging policies of the new Local Plan. As a short-term view pending further consideration of the Local Plan and potential national policy developments as well as the wider context (see below), this is also relevant as part of the LDC picture in our view.

Additional general context

25. This assessment has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward. An overview and judgments are always necessary, and indeed are appropriate. However, at this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and the Government's White Paper proposals on planning reform (as well as potential temporary adjustments to affordable housing thresholds for example) present a range of extended unknowns.

26. DSP will be happy to assist and input further, working with LDC and advising additionally if required as its Local Plan and potential CIL review proposals progress.

Executive Summary ends (v017 Final Report)

September 2020

1. Introduction

1.1 Introduction & Report Purpose

1.1.1 Lichfield District Council (LDC) adopted its current Local Plan Strategy in February 2015. The Strategy demonstrated a need for 10,030 dwellings and 79.1 hectares (with a further 10 hectares for flexibility) of employment land across the plan period - to 2029. The Council now also has its Local Plan Allocations document in place (adopted July 2019), the second part of Lichfield's Local Plan, which allocates further growth. The Council has made significant progress in delivering growth through allocated Strategic Development Allocations adjacent to Lichfield City, Burntwood, Fradley and East of Rugeley. In support of the Local Plan delivery, LDC has a Community Infrastructure Levy (CIL) operating, which has been in place since 2016.

1.1.2 The Council is now in the process of reviewing its Local Plan, with consultation on Preferred Options for the new Plan having ended on 24 January 2020. The current CIL charging schedule is also being considered in this context, to assess its ongoing suitability or any changes that could be or may need to be made, aligned to the Local Plan updating process.

1.1.3 The Preferred Options document set out a vision for further growth, including strategic allocations, following which the Council intends to publish a version of the new Local Plan as soon as practically possible.

1.1.4 The purpose of undertaking this study is to assess the viability impacts of emerging planning policies, so at to inform their further development, and to assess the viability prospects for the proposed strategic development allocations again with the emerging policy set in taken account of. All in all, this is to ensure that the policies and proposals of the new Local Plan, when considered overall, are going to be viable and deliverable.

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

1.1.6 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 2018-19. 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 on development of policies contained within them. The key guidance on how to address this is within the national Planning Practice Guidance (PPG), while other publications also provide reference sources.

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

1.1.8 Consistent with this context and DSP's experience, and reflecting the local characteristics, the assessment provides the evidence base for the viability of the Local Plan policies, informing and supporting its deliverability overall. As above, this will help ensure that the development strategy and sites supply identified in the plan are not subject to such a scale of obligations (including CIL) and policy burdens that their ability to be developed viably is unduly threatened. The study as described in this report involves two main elements - first considering the viability of the emerging policies and the scope also to continue to support a CIL more generally, with then a high level viability review of the strategic site allocations based on the information as far as has been available to the point of this report.

1.1.9 This assessment is necessarily undertaken over a specific period, with the context and assumptions reflecting this. Dependent on information availability and the emerging Plan policies progression as the viability assessment progresses, it is possible to revisit and update the findings provided - either before these are settled for final reporting or as follow-up work that can normally be done by way of updating if key matters evolve and have not been fully reflected owing to timing. This report reflects this approach. Any further refinement or updating work could include the final positioning of any revised CIL charging approach, dependent on the direction taken with settling the Plan review policy decisions.

1.1.10 Other factors playing into matters potentially moving and perhaps meaning that some subsequent updating or supplementing of current assessment work could be appropriate include evolving Government policy. For example, with the planning reforms and current consultation proposals looking likely to affect a range of issues including affordable housing tenure (e.g. potential introduction of 'First Homes' and adjustments to default national policy threshold levels), the operation of the CIL and other matters evolving, there could be further viability influences to consider. For the purposes of our reporting, we are working with the known available information and circumstances over the summer to early autumn of 2020. While a CIL does not need to be set and charged by reference to development Use Class, and the latest changes in that regard do not affect the rates setting as informed by viability, the Council will be able to consider this now in light of the latest positions.

1.1.11 In summary, the main objectives of this study are to:

- Undertake an assessment of the viability of policies in the new Local Plan as well as review and recommend whether the Council's CIL rates and charging zones as operating should be amended to reflect the new local plan and other updated circumstances;
- Test these using an appropriate sample of sites as represented by development typologies i.e. grouped by shared characteristics such as location, brownfield or greenfield, size of site and current and proposed use of the site;
- Consider the impact of both individual planning policies and the cumulative effect of these to test whether and (after any suggested adjustments) demonstrate that the Local Plan (together with any reviewed elements of the CIL) is considered viable – and therefore deliverable from a viability perspective, when considered as whole;
- Inform and justify the viability of setting of policies to address a range of planning issues which includes affordable housing (AH) provision - including unit thresholds, on-site percentages, and tenure splits;
- Provide viability analysis relating to the emerging (Preferred Options) strategic site allocation proposals.

1.1.12 This viability assessment has been produced in the context of and with regard to the NPPF, Planning Practice Guidance (including crucially on 'Viability' but which also contains the CIL

Guidance), CIL Regulations, and other guidance[1] applicable to studies of this nature – as have been in place at the point of reporting based on the assumptions and assessment work set out – run leading up to September 2020 . 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** – residual valuation approach, assumptions basis and discussion;

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

- **Findings Summary** – including any options/alternatives, and 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), review of the proposed strategic site allocations (based on the information available to date on these sites). Also covering review of the viability of the existing CIL charging schedule/alternatives, and therefore whether a different approach to that is considered necessary or more suitable, alongside the new Local Plan policies.

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

1.1.14 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 LDC's or indeed other Councils' influence over

[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)

the viability of other forms of development (i.e. non-residential/employment/commercial) through local planning policy positions is typically much more limited.

1.1.15 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 review process. This covers areas such as the optional housing/technical standards, including relating to the access to and use of buildings, sustainability, water usage efficiency and space standards.

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

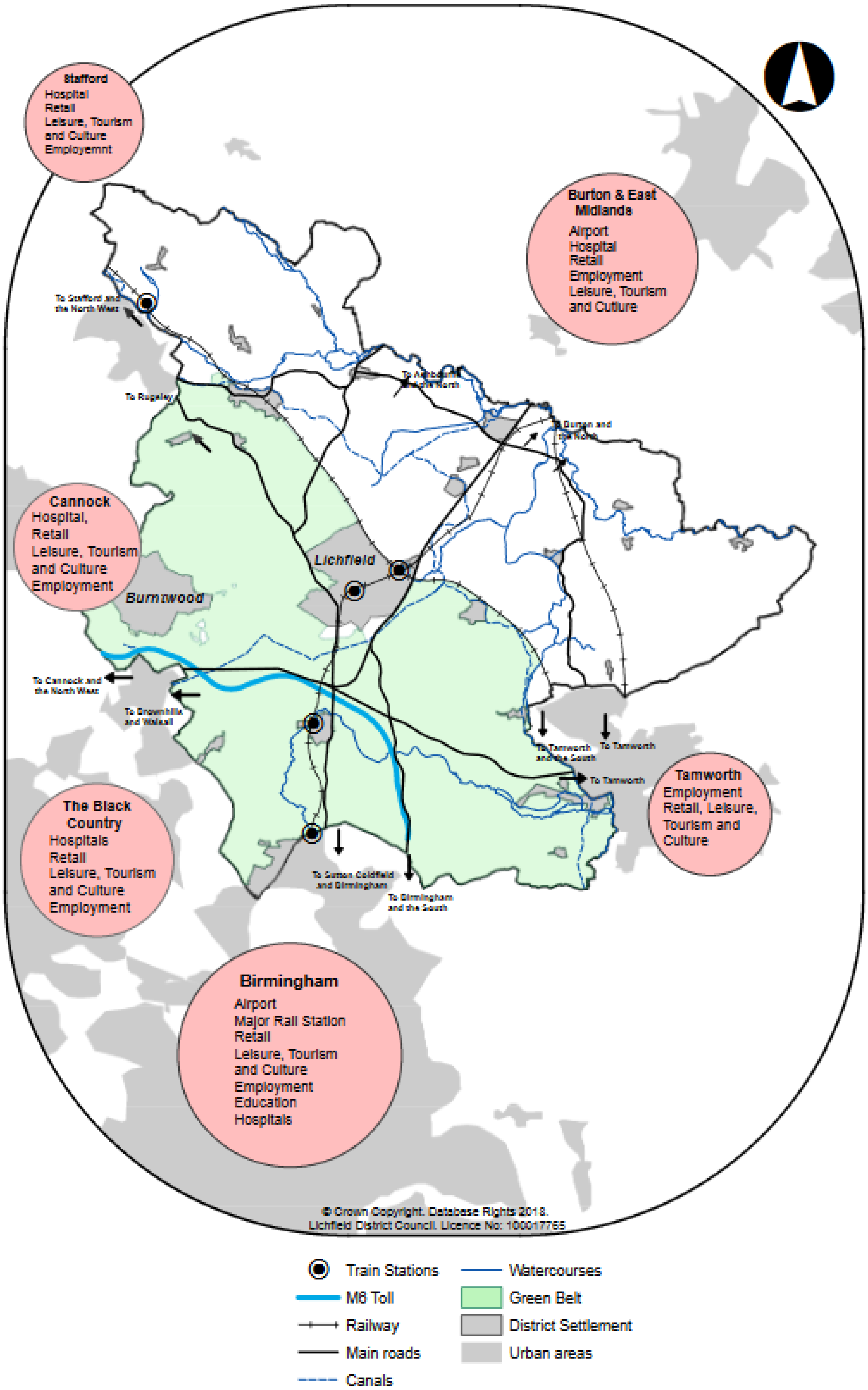
1.2 Lichfield District - Profile

1.2.1. 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 building evidence base provides an extensive range of information on the nature of the district, and the related planning issues and opportunities.

1.2.2. Lichfield is a rural district located in south-east Staffordshire on the northern edge of the West Midlands. Lichfield District is a relatively prosperous area and is generally seen as an attractive place to live. There are two main settlements; the cathedral City of Lichfield and the town of Burntwood which house the majority of residents (around 100,000 according to the ONS). There are also around 50 rural villages and hamlets, some of which are connected to urban areas in adjoining local authority areas including Birmingham, Tamworth and Cannock, and which house around a quarter of Lichfield district's population.

Figure 1: Context map of Lichfield District

Source: LDC Local Plan Preferred Options (November 2019)



1.2.3. The Council finished consulting on preferred options for its Local Plan on 24 January 2020. The vision for the district is one of growth, with the spatial strategy setting out how a minimum of 7,282 dwellings will be delivered up to the year 2040 plus a contribution of 4,500 dwellings towards meeting the needs of the Greater Birmingham and Black Country housing market area.

1.2.4. The Lichfield planning authority area contains Green Belt (covering most of the southern part of the district) and has additional development constraints relating to the Cannock Chase Special Area of Conservation zone of influence and River Mease Special Area of Conservation water catchment area. The district has the potential for strategic development of urban areas such as within and adjacent to Lichfield city, and Burntwood town. However rural areas make up a significant proportion of the district and suffer from housing affordability issues linked to limited housing supply. The Council is considering the release of some Green Belt land in order to meet the above delivery aspirations. Overall, the new Local Plan will include residential development in a variety of both urban and rural settings, although with a large proportion of the identified housing supply proposed on four strategic allocations at Lichfield, Fradley, Fazeley and Whittington. As noted above, the Preferred Options also include the potential for a new settlement (not considered within this assessment).

1.2.5. The Plan prioritises the re-use of previously developed land (PDL) where possible, and the Council's latest Strategic Housing Land Availability Assessment (SHLAA) indicates an approximate 60/40 mix in favour of PDL sites compared to greenfield development. This context is important to bear in mind when considering the results of the viability appraisals and thus informing consequent policy positions.

1.2.6. For commercial development, the Preferred Options for the new plan include a focus on Lichfield city centre and Burntwood town centre, with Lichfield city being the main location for employment, servicing the wider population. Rural centres and neighbourhood centres are intended to provide local employment, and shops and services for day to day needs.

1.3 National Policy & Guidance (NPPF, PPG and CIL)

1.3.1. The requirement to consider viability now stems from the National Planning Policy Framework (NPPF) as refreshed from July 2018[2] which says on *'Preparing and reviewing plans'* at para 31: *'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'*

1.3.2. NPPF para 34 on *'Development contributions'* states*: 'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*

1.3.3. The updated national Planning Practice Guidance (PPG) on 'Viability', published alongside the new NPPF in July 2018 and 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

2 Most recently updated in May 2019.

should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'.

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

1.3.5. The Council adopted a CIL Charging Schedule in April 2016 which came into effect on 13 June 2016. The CIL charging rates had a base date of June 2016. Indexation applies to the rates relevant to all permissions issued since 2016, in accordance with the CIL Regulation 40. At the point of carrying out this study, the new prescribed approach to indexation (updating of the adopted rates by reference to the RICS CIL Index based on the BCIS 'All-in Tender Price Index' as a standard national approach) has led to LDC's 2020 charging rates increasing as set out in the table below, alongside the 2016 adopted levels:

Figure 2: LDC CIL charging rates

Use	2016 CIL Charge (per m²)	2020 Indexed rate (uplifted by TPI)
Market houses within Strategic Development Allocations (SDAs) and the Broad Development Location (BDL)	£14.00	£17.31
Market houses in lower value zone	£25.00	£30.92
Market houses in higher value zone	£55.00	£68.04
Supermarket	£160.00	£197.93
Retail Warehouse	£70.00	£86.60
Neighbourhood Convenience Retail	£20.00	£24.74
All other development including residential apartments	£0.00	£0.00

1.3.6. As well as testing the viability of the emerging Local Plan policies and strategies, the Council wishes to ascertain whether its adopted CIL Charging Schedule is likely to continue to be suitable, i.e. with charges at a level that will to apply appropriately to relevant development types and locations, and ensure the ability of developments to come forward viably with the policy burdens and other obligations proposed for inclusion in the emerging Local Plan. Any recommendations that should be considered around revisions to the adopted charging schedule (including the charging rates as indexed) are sought by LDC.

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

- Local Authorities in England and Wales may put a CIL in place to raise funds from new development in their area to deliver the infrastructure needed to support that development (in this case Lichfield District Council is and will continue to be the charging authority).
- CIL is charge payable on 'development which creates net additional floor space' over 100sq. m.
- Residential annexes and extensions are exempt regardless of size
- The creation of any new dwelling regardless of size will pay the charge[3]
- The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority's area.
- Charging Authorities must allocate a 'meaningful proportion' of the levy revenue raised in each neighbourhood back to those local areas.
- Where a neighbourhood development plan (NDP) is in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development[4].
- Where an NDP is not in place but CIL is still charged, the neighbourhood will receive a capped share of 15% of the levy revenue arising from development in their area.
- AH and development by charities will not be liable for CIL i.e. in respect of residential development, only market dwellings will be liable to pay CIL at the rate(s) set by the charging authority.
- As reflected above, the CIL rate or rates should be set at a level that ensures development within the authority's area (as a whole, based on the plan provision) is not put at serious risk.

[3] The latest 2019 amendments have not altered these key points of principle.

[4] The proportion would be paid directly to the neighbourhood planning bodies and could be used for community projects. PPG provides further information on spending of Levy receipts including distribution to local neighbourhoods. Also see https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 072 Reference ID: 25-072-20140612 Revision date: 12 06 2014)

1.3.8. The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated Local Plan level of growth to be accommodated across the district as a whole through the development of an Infrastructure Delivery Plan (IDP). The IDP will ensure that new development is served by necessary infrastructure in a predictable, timely and effective fashion. It sets out key infrastructure and facility requirements for new development, taking account of existing provision and cumulative impact.

1.3.9. In line with the previous CIL regulations, the Council prepared a Regulation 123 list[5] of projects and infrastructure to be funded via CIL. The requirement to maintain a CIL Regulation 123 list was removed following the enactment of the new CIL Regulations on 1st September 2019, therefore the Regulation 123 list is now to be used as an informative document on how infrastructure may and will be delivered and funded in Lichfield District through CIL income and section 106 planning obligations. The Council intends to replace the Regulation 123 list with a new Infrastructure Funding Statement (IFS) by 31st December 2020.

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

1.3.11. The CIL Guidance contained within the PPG goes on to state that the levy rate(s) need to be set so that they do not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (Local Plan in England): '*an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments… this balance is at the centre of the charge-setting process*' and '*in meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area*'.[6]

[5] The list can be viewed at https://www.lichfielddc.gov.uk/downloads/file/289/lichfield-community-infrastructure-levy-regulation-123-list
[6] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph 010 Reference ID: 25-010-20190901 Revision date: 01 09 2019

1.3.12. To achieve this: *'a charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge. The authority will need to be able to show why they consider that the proposed levy rate or rates set an* appropriate *balance between the need to fund infrastructure and the potential implications for the economic viability of development across their area.'* [7] .

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

- 'Appropriate available evidence' must be used to inform the charging rate(s);
- An appropriate range of site types (or 'typologies') should be tested based on the range of site types likely to come forward for development over the plan period;
- Costs within the viability assessment should be based on evidence reflective of local market conditions (see paragraph 012 of the 'Viability' PPG);
- Land value should be based on the Existing Use Value of the site, plus a premium (known as the 'EUV plus' approach);
- There is no requirement for the charging authority to directly mirror the rate(s) proposed within the viability study;
- A 'viability buffer' should be included so that the charges are able to support development through economic cycles;
- Differential rates can be applied if appropriate in relation to geographical zones (including for strategic sites) and/or by varying type (which need to be clearly described but not necessarily by reference to Use Class) and scale of development, although undue complexity should be avoided;
- Stakeholders should be appropriately consulted to inform the viability assessment process;
- The viability assessment should be proportionate, simple, transparent, and publicly available;

1.3.14. Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies fully (based on assumptions relevant to testing allied to the emerging plan). This is whilst factoring-in the usual costs of

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

development (build costs, fees, contingencies, finance, costs of sale, profit and land value) in addition to including CIL costs assumptions – tested using a range of potential ('trial') CIL charging rates, including at the indexed rates as are effective at the time of the appraisals.

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

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

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

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

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and *support development across their area (see regulation 14(1), as amended by the 2014 Regulations).'*[8]

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

1.3.19. In addition, relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report[9]). 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.

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

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

2. Methodology & Assumptions

2.1 Approach and Residual Valuation Principles

2.1.1. Collectively this study investigates the potential viability and, therefore, deliverability of the Local Plan and its policies - including the affordable housing requirements, a review of the level of CIL across the district and the viability of those strategic site allocations that are key to the delivery of the plan's housing numbers as a whole.

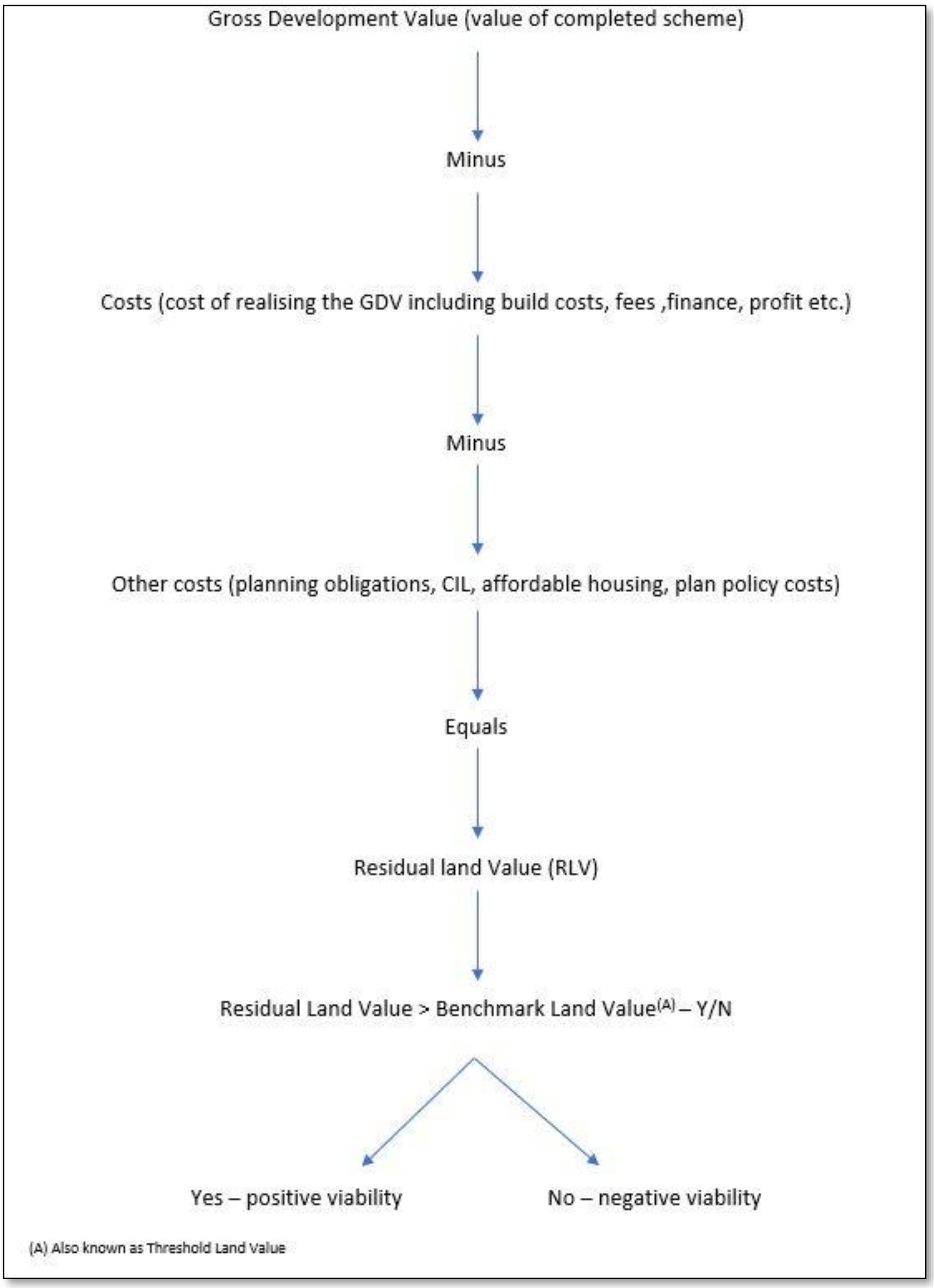
2.1.2. The emerging Plan sets out a number of policies that may have an impact on the viability of development. In running this study, we have taken account of the costs associated with the emerging policies considered likely to have a bearing on viability in addition to the typical development costs (see below for more on this). As the work progresses, where relevant we adapt and update the development appraisals as the policies evolve, so that overall, this is a two-way process feeding into and also reflecting policy development. This study process considers how the costs of these potential obligations interact and therefore estimates the cumulative (i.e. collective) impact on viability of a range of potential policy positions. In this context, a development generally provides a fixed amount of value (the gross development value – GDV) from which to meet all necessary costs and obligations.

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

2.1.4. Appendix I to this document also provides a quick reference guide to the assumptions used and includes a policy review schedule indicating the view taken with respect to the potential policies so far as those were known at the time of this assessment.

2.1.5. 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 3 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 3: Simplified Residual Land Valuation Principles



(DSP)

2.1.6. 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).

2.1.7. 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+'].

2.1.8. 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.

2.1.9. 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'*[10]. An indication of the types of circumstances where viability could be assessed in decision making is also included in the PPG. These include: '*for example where development is*

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

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'[11]. There is the potential for the development of some sites identified by the Council to need to overcome abnormal issues and support added costs when further master planning is undertaken. Typically, some PDL and larger strategic sites tend to be influenced to some extent by such factors, for example. 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.

2.1.10. 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.

2.2 Stakeholder Consultation

2.2.1. The national policy and guidance reflects the value of stakeholder engagement. This generally includes the wider consultation exercises by the planning authority, but is supplemented by viability specific consultation. 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 few to gathering feedback on our emerging study approach and inputs - to help inform the assessment.

2.2.2. 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

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

emerging positions or suggest alternative assumptions with reasoning. The survey proformas were issued to a wide range of active stakeholders in the district as per the Council's contacts lists and supplemented where appropriate from DSP's experience, including property agents, developers, housebuilders, affordable housing providers, planning agents and other industry representatives.

2.2.3. As part of this process, we keep a full record of all stakeholder interaction, 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 all contributes 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.

2.3 Scheme Development Scenarios – Residential Development Scenarios

2.3.1. The site typologies modelled as part of this assessment reflect a range of different types of development that are thought likely to be brought forward through the planning process across the plan area – as considered with LDC. This enables viability to be tested in a way that reflects the likely range of future housing supply characteristics, informed also by the local experience of development to date. This appropriately informs the development of local plan policy and the residential CIL charge setting (potential review) process, with the key aim of finding an appropriate balance between policy requirements (including provision of affordable housing and the desirability of funding infrastructure) and the ability of developments to continue to come forward viably.

2.3.2. While this cannot be and does not need to be an exhaustive exercise as the guidance recognises, in order to adopt a relevant range of residential development typologies, we have reviewed and analysed the housing supply expected to come forward over the emerging plan period – up to 2040. The Council's emerging housing strategy (through the Local Plan Review 2018-2040) is to focus housing delivery on sustainably located brownfield sites, combined with an acknowledged need to identify new locations adjacent to existing settlements to accommodate the balance of dwellings which cannot be built on sites within the existing urban areas of the district.

2.3.3. A large proportion of new (Local Plan Review) development is expected to come forward in Lichfield city (Land to the North-East of Lichfield) with the remainder at a range of locations - Burntwood, Armitage, Handsacre, Fazeley, Mile Oak, Bonehill, Fradley, Shenstone and Whittington, together with a level of provision spread across the wider district - rural areas.

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

2.3.5. A summary of the general residential scheme typologies tested as part of this study is shown at Figure 4 below, with the full detail set out in Appendix I.

Figure 4: Residential site typologies summary

Scheme Size Appraised	Type	Site type
1	Houses	PDL
6	Houses	PDL/Greenfield
10	Houses	PDL/Greenfield
15	Flats	PDL
15	Houses	PDL/Greenfield
25	Mixed	PDL/Greenfield
30	Flats (Sheltered)	PDL
50	Mixed	Greenfield
50	Flats	PDL
60	Flats (Extra Care)	PDL
100	Mixed	PDL/Greenfield
250	Mixed	PDL/Greenfield

(DSP 2020)

2.3.6. In addition to the use of the site typologies approach as above, more specific viability testing has been undertaken through this viability assessment process - on the four strategic site allocations proposed through the Local Plan Review (again, see the further detail at 2.15 and related reporting within the later sections and Appendices).

2.3.7. As part of the site typologies and seeking to make these as representative of 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 5 below and Appendix I. These dwelling mix principles are based on the detail set out in the Local Plan which is informed by the most recent Housing and Economic Development Needs Assessment 2019 (HEDNA). These dwelling mix assumptions are also applicable to the specific (4 no. strategic) sites test scenarios.

Figure 5: HEDNA Dwelling Mix Assumptions

Tenure mix as set out in HEDNA			
No. Beds	**Market Housing**	**Affordable Housing (Rented)**	**Affordable Housing (Intermediate tenure)**
1-beds	5% - 10%	20% - 30%	10% - 20%
2-beds	30% - 35%	25% - 35%	40% - 45%
3-beds	45% - 55%	35% - 40%	30% - 40%
4-beds	5% - 15%	5% - 10%	5% - 15%

(DSP - sourced from HEDNA 2019)

2.3.8. In all cases it should be noted that a "best fit" of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility available; particularly in scheme typologies with small dwelling numbers. The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc. The affordable housing (AH) content assumed within each test scenario is based upon the range reviewed to inform and ultimately support emerging policy - as set out in more detail at 2.6 below. Appendix I also provides more information on the assumed dwelling mixes and associated revenue levels. This feeds into the assessment of affordable housing policy thresholds, proportions (%s) and tenure types/mix.

2.3.9. 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 6 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 6: Residential Unit Sizes

Unit Sizes (sq. m)*	Affordable	Private
1-bed flat	50	50
2-bed flat	70	70
2-bed house	79	79
3-bed house	93	100
4-bed house	112	130

(DSP 2020) *Note: Retirement/sheltered dwellings assumed at 55-75 sq. m (1 & 2-beds).*

2.3.10. 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 tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).

2.3.11. 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 typology development tests, we have assumed a net:gross ratio of 85% (i.e. 15% communal space). The sheltered housing scenario assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care development typology. We consider these to be reasonably representative of the types of properties 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.

2.3.12. The range of prices expressed in £s per sq. m. therefore are the key measure used in considering the research analysis undertaken, working up the range of VLs for testing, and in reviewing the results. 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.).

2.4 Scheme Development Scenarios (Typologies) – Commercial/Non-Residential Development

2.4.1. This study also considers non-residential development. These scenarios have been developed mainly through the information supplied for review by, and through consultation with, the Council. This was supplemented with and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes / proposals. Figure 7 sets out the various scheme types appraised for this study again on a typologies basis, covering a range of non-residential development uses in order to test the likely impact on viability of requiring CIL contributions from different types of commercial development; types again as considered potentially relevant. Although necessarily primarily associated with informing a potential review of the CIL charging schedule, that is as an appropriate theme as the CIL rates setting choices are the main scope of direct influence the Council has over the viability of such developments. This area of the assessment is however also complimentary to considering the Local Plan review - it provides a review of the potential viability of non-residential development in that wider context too.

2.4.2. As set out at Figure 2 above, in addition to the charges levied on residential developments, the Council currently charges CIL on non-residential development types – with applicable rates £/sq. chargeable development (at 2020, as indexed) of between £24.74 and £197.93 on retail developments; £0/sq. m (nil rate) on all other forms of development (i.e. including employment related development).

2.4.3. The commercial / non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. As noted, CIL charging does not need to be set by reference to development Use Class. All references to this reflect the position at the point of undertaking the work, noting that at the point of this final report issue, the designations have been altered as part of recent planning system changes. These do not affect the viability findings. Appendix I provides more information on the scope of assumptions used to assess the typologies outlined in Figure 7 below.

Figure 7: Commercial / Non-residential Development Typologies

Use Class / Type	Example Scheme Type
Large Retail	Large Supermarket - out of town
Large Retail	Retail Warehouse
Small Retail	Convenience Store - various locations
Business - Offices - Town Centre	Office Building
Business - Offices - Out of town centre /Business Park	Office Building
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate
Hotel (budget)***	Hotel - edge of town centre / edge of town
C2 - Residential Institution	Nursing Home
Student Accommodation	100% Cluster type Accommodation with ensuite (150 rooms)
Other / Sui Generis	Variable - considered on strength of values / costs relationship basis for a range of other development uses including community / clinics / fitness/ leisure / nurseries etc. / holiday lets

(DSP 2020)

2.4.4. Following the same principles and general process as the residential scenarios, a variety of sources were researched and considered in support of our assumptions setting process; again, also informing the review of findings later on. This includes information on values, land values and other development assumptions; from sources such as CoStar Commercial

Real Estate Intelligence resource, the VOA Rating List and other web-based review and the Council as well as feedback as available from the development industry consultation. Supplementary information sources included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details.

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

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

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

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

S106 requirements. Through this process, we were able to determine whether there were any of those scenarios that warranted additional viability appraisals / testing.

2.5 Scheme Revenue (Gross Development Value (GDV)) – Market housing (sale) values

2.5.1. A key part of the appraisal assumptions are the market housing sale values. Consistent with our established and examined assessment approach, determining these assumptions in the Lichfield context involves a range of information sources being considered and analysis of the data reviewed. For a proportionate but appropriately robust evidence basis, it is preferable to consider information from a range of sources including those listed below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables, including:

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

2.5.2. A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the district. This data was collected by both ward and settlement areas and 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. Consistent with the above principles and the need to overview the information for the study purpose, it is important that the available indications are reviewed collectively in setting the values assumptions.

2.5.3. As above, this data collection phase was based on both ward and settlement areas within the district and having regard to the settlement hierarchy set out in Policy OSS2. The data collection and research analysis was conducted over three phases as follows and is described fully as part of Appendix III to this report:

- Phase 1 - main data collection and analysis at project inception in July 2019 comprising principally Land Registry new build, re-sale as well as current asking price data;
- Phase 2 – research analysis update of the above following initial preliminary findings assumption note in the lead up to the Preferred Options document consultation in November 2019;
- Phase 3 – final phase research analysis update from January to March 2020 included a review of new build properties currently on the market together with a wider analysis of the City Centre area.

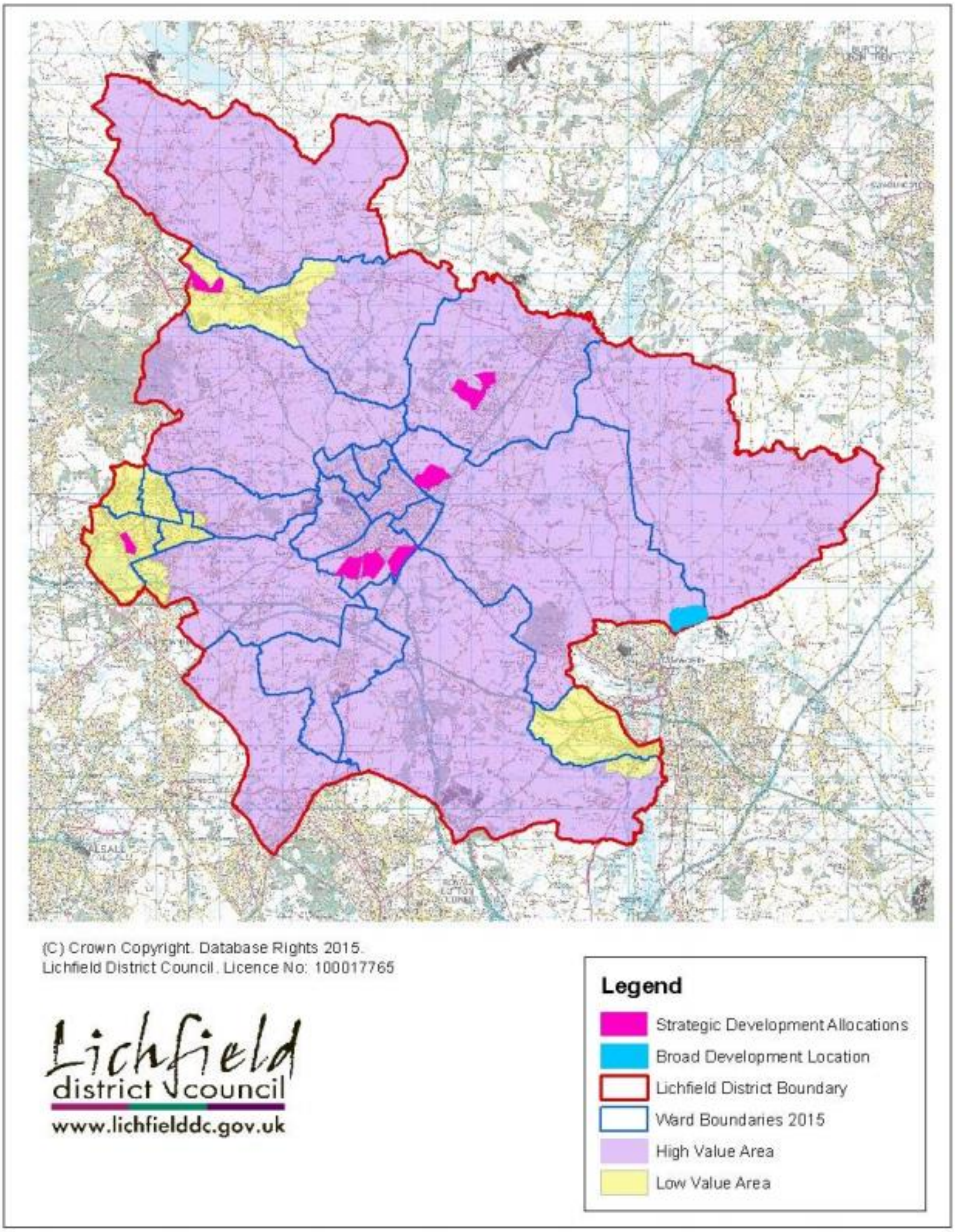
2.5.4. We considered this to provide the most appropriate and reflective framework for this extensive data collection exercise, and the subsequent analysis to inform assumptions. This review method enabled us to view how the value patterns and levels observed overlay with the areas in which the most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

2.5.5. Overall, this research indicated a variable values picture across the district – a common finding whereby different values are often seen even at opposing sides of roads, within neighbourhoods and even within individual developments dependent on design, orientation etc. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations between wards/settlements or other geographical areas in a broader overview sense, including relating to the types and locations of development that are considered most relevant over the emerging plan period and the likely lifetime of the new charging schedule.

2.5.6. A review of the Land Registry House Price Index based on the latest data for Lichfield at the time of review indicates house prices are approximately 16% higher than they were at the point of implementation of the existing CIL charging schedule in 2016.

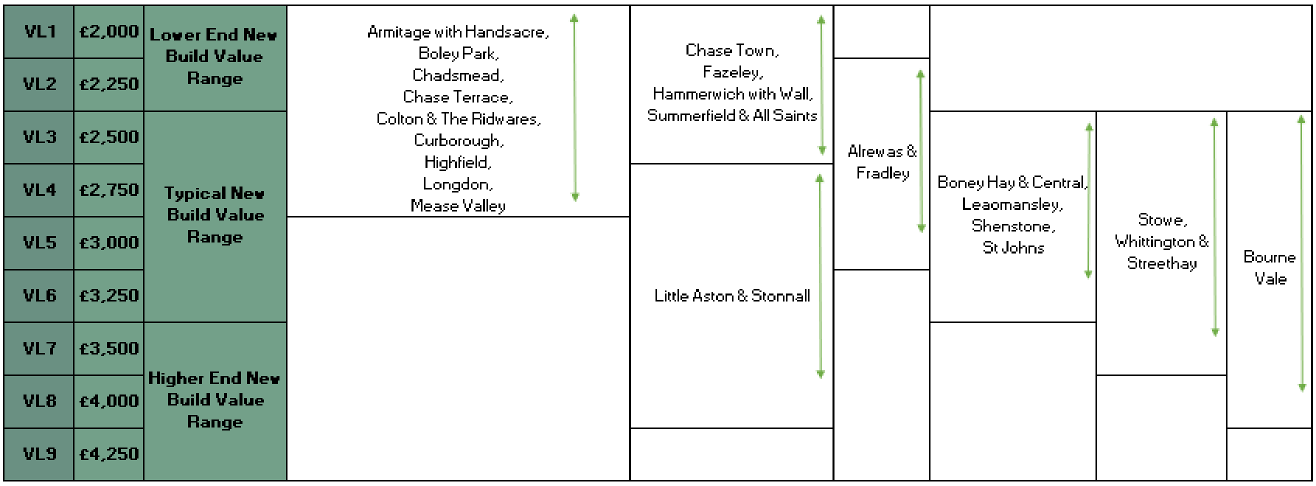
2.5.7. The inference of the various different CIL zones in current charging schedule basis, is that viability is generally lower (mainly due to generally lower residential values) in the three 'lower value areas' shown on the map below. In addition to these geographical zones, we also note the current charging schedule nil rates apartment (flatted) development. This assessment needs to consider whether this approach continues to reflect the currently relevant circumstances; looking also at the potential to review the schedule both in response to and in support of the oncoming later years of the Plan.

Figure 8: CIL charging areas *(Note: diagram taken from LDC CIL charging schedule and refers to adopted plan strategic development locations, not emerging plan development locations)*



2.5.8. Following our extensive data collection and analysis process, using our tested assessment approach we have applied assumed property 'Value Levels' (VLs) to each typology from VL1 (lowest) to VL9 (highest). These VLs reflect an overall range £2,000/sq. m. to £4,250/sq. m, representative of varying new-build sale prices likely to be seen by location in the district. Overall, we consider the key new build property values – i.e. the most relevant range to housing delivery overall here – to be £2,500/sq. m. to £3,250/sq. m; levels which are represented by VL3 to VL6. Figure 9 below provides an indicative guide to the relevance of the range of VLs to locations in the district based on ward areas.

Figure 9: Indicative relevance of VLs range by ward area (£/sq. m values)



2.5.9. The table above indicates most areas of the district are represented by the typical new build values range from VL3 (£2,500/sq. m.) to VL6 (£3,250/sq. m.).

2.5.10. Our evidence does suggest a general tone of values at the upper end of the above range in the south and south-east of the district. In particular, based on our research analysis, the wards of Little Aston & Stonnall, Bourne Vale, Stowe and Whittington & Streethay indicate values from around VL3/4 to VL7/8. When viewed overall and on balance our research indicates the typical value for new build property in the district to be around the key level of £3,000/sq. m. whilst also acknowledging that values both beneath and above that key level are seen.

2.5.11. As an additional layer of research, we also reviewed any potential values variation within Lichfield city area. The data collected was limited and based mainly on flatted development but did provide a clear picture indicating that overall values in the city centre area do not differ significantly from those in the outer city centre area i.e. values remain at around £3,000/sq. m. at the mid to upper end of the typical new build range discussed above.

2.5.12. 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 Lichfield district. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between ward areas in this case, given the varying characteristics of the district.

2.5.13. Allied to the above, another key consideration is how the planned site delivery/supply overlays this values picture. From an analysis of site supply identified as part of the emerging LP process, we understand the majority of the Council's identified new housing supply is to come forward on strategic site allocations at Lichfield City, Fradley, Fazeley and Whittington as discussed briefly above. Based on the values analysis discussed above, we consider the overall new build values range (VL3-VL6) to be appropriately representative of these key locations as well as generally across the district area.

2.5.14. In terms of CIL, although the above illustrates the variable strength of values seen within the district, we consider that in terms of overall plan relevance and a strategic approach there may not be enough of a variance in values between those lower and higher value localities as described within the existing CIL charging schedule to necessitate a differential CIL approach by locality. However, any option or need for this could be reconsidered as the new Plan content settles, as noted at 1.1.9 – 1.1.10 above and also picked up on in later report sections.

2.5.15. The wider strategy is for balanced growth focused in those settlement areas which have been identified as the most sustainable locations for housing delivery. The Plan also indicates housing delivery should focus on PDL sites for the effective re-use of land where possible, allied also to the level of need and available site supply. According to the Council's latest Strategic Housing Land Availability Assessment (SHLAA), of those potential sites which are considered 'deliverable' or 'developable', there is an approximate 60/40 split in favour of PDL sites compared to greenfield sites.

2.5.16. We note Policy NS1 of the emerging plan describes that the Council also supports the concept of a new settlement in the district to deliver approximately 10,000 dwellings, although we understand delivery of these homes would not start to occur until towards the end of the Plan period (2040). Clearly at this early stage and with the information currently available, it is unlikely that anything other than a very high-level view of viability can be provided.

2.5.17. In addition to the supply picture discussed above, we understand there is an identified need for the continued demand for family homes (medium sized properties) and older persons housing as part of a wider mixed, balanced housing market offer. This is a factor that has also fed into the selected range of representative development typologies as well as more specifically the assumed dwelling mix (discussed further below).

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

2.6.1. In addition to the market housing, the development appraisals also test different levels of affordable housing. We understand the Council's existing approach sets a target of 40% but typically applies a rate of 35%. On this basis, we have therefore tested the following affordable proportions against the residential development typologies, also reflecting the latest national policy position as set out in the NPPF and PPG described earlier. It is also important to note that not every percentage iteration has been tested as from our results analysis, it is possible to interpolate between results sets

- Sites of 1 - 9 dwellings: Tested at 0% affordable housing
- Sites of 10 or more dwellings: Tested initially with 0% 20%, 30% and 40% AH on-site. In all cases it is possible to consider results between tested points. However, following review and discussion with LDC as part of the two-way assessment process, 35% AH tests were added subsequently (at 50, 100 and 250 mixed dwellings) as a part of exploring the viability scope to broadly maintain elements of the existing AH policy level as far as possible. This reflects the local need for affordable homes and therefore a balance of considerations overall by LDC.

2.6.2. We have assumed the content of the AH requirement to be based on a mix of 66.6% in favour of rented over intermediate affordable home ownership tenure (with affordable home ownership assumed in the form of shared ownership tenure, as is typical). Within the rented provision, we have assumed an equal split between social rented and affordable rented tenure. The NPPF (para. 64) also requires a minimum of 10% of homes to be provided as 'affordable home ownership' (AHO) products as part of the overall AH contribution from sites and this has been included within the overall dwelling mix assumptions as closely as possible. The appraisal modelling assumes a policy compliant AH requirement on-site (noting that, as set out above, we have assumed a nil affordable housing requirement on sites of 1-9). It should however be noted that the AH tenure mix was accommodated as far as best fits the overall scheme mixes and AH proportion in each scenario.

2.6.3. 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.

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

2.6.5. The transfer values for the AR AH units assumed for the study are shown in Appendix I. We have also introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) acts as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the LHA rate.

2.6.6. 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.

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

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

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

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

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

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

2.7.3. Figure 10 below shows the range of annual rental values assumed for each scheme typology. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme development, dependent on the combination of yield and rental values applied.

Figure 10: Assumed rental value – key commercial typologies

Use Class / Type	Example Scheme Type	Values Range - Annual Rents £ per sq. m		
		Low	Mid	High
Large Retail	Large Supermarket - out of town	£200	£225	£250
Large Retail	Retail Warehouse	£150	£200	£250
Town Centre Retail	Comparison shops (general/non shopping centre)	£100	£200	£300
Small Retail	Convenience Store - various locations	£100	£130	£160
Business - Offices - Town Centre	Office Building	£150	£175	£200
Business - Offices - Out of town centre /Business Park	Office Building	£100	£125	£150
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£60	£75	£90
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£30	£50	£70
Hotel (budget)***	Hotel - edge of town centre / edge of town	£3,500	£5,000	£6,500
		Room Rates		
C2 - Residential Institution	Care/Nursing Home	£150	£200	£250
Student Accommodation	100% Cluster type Accommodation with ensuite (150 rooms)	£100	£130	£160
		Weekly Room Rates		

(DSP 2020)

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

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

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

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

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

2.7.9. LDC charges CIL on retail development, as noted at Figure 2 and 2.4.2 above. However, as part of our study we will consider whether, within any new approach to CIL, there are other options or a suggested need to adjust the charging levels for commercial and other developments locally. Overall, we found that in the event of identifying scope to charge a CIL on commercial or non-residential development in viability terms, there is no clearly justifiable or readily definable approach to varying that through viability findings based on location / geography. Whilst certain specific scheme types could create more value in one location compared with another in the district, typically it was felt there is no clear or useful pattern which might be described for that. It must be accepted that there will always be variations and imperfections in any level of overview approach; with or without area-based differentiation.

2.8 Development Costs - Generally

2.8.1. Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. 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.

2.8.2. 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.

2.8.3. For site typology testing, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review. Where known, those have been applied to the strategic site allocations tests. Contingency allowances have however been made for all appraisals. This is another factor that should be kept in mind in setting policy and CIL charging rates and ensuring those are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.9 Community Infrastructure Levy (CIL) & Other Planning Obligations

2.9.1. As discussed earlier in this report, LDC currently has a CIL in place as implemented in June 2016 with the charging rates now indexed in accordance with Regulation 40 using the Tender Price Index (TPI), with the 2020 rates confirmed by LDC. A range of CIL trial charging rates has however been tested incrementally - from £0 to £300/sq. m. These results are displayed at the test £25/sq. m. increments within the tables at Appendices IIa and IIb. The non-residential commercial results display (tables at Appendix IIc) uses the same approach across a tested range £0 to £200/sq. m). From experience, this range goes beyond the CIL charging scope that we expect to see as suitable in LDC's case, but this provides the full context for considering results in more depth and enables a "buffered" view to ensure that ultimately the selected rates are not going to be dependent on the margins of viability.

2.9.2. As is the case here, even with CIL in place, there remains a requirement for developments to provide some site-specific mitigation measures (for example potentially relating to matters such as open space, highways work and any other particular requirements needed to make a development acceptable in planning terms). However, care needs to be taken not to add costs assumptions to the degree that those might overlap between this s.106 contingency and what is to be provided for via CIL.

2.9.3. Allied to the above, with the removal of the pooling restrictions on the use of s.106 agreements from September 2019, it will also be important for the Council to keep in mind the greater flexibility of s.106 (as appropriate) balanced with CIL. This approach will help to ensure that the Council maximises the level of funding for essential infrastructure across the district. We will come back to this wider context when discussing our recommendations.

2.9.4. As set out in Appendix I, within all site typology test appraisals a site-specific s.106 contingency at £3,000/dwelling (applied to all dwellings) has been included. Following discussion with the Council and review of relevant monitoring information, we consider this level of s.106 contingency is appropriate as part of a prudent assessment approach. This is an allowance typically made within our strategic level viability assessments.

2.9.5. Where possible, specific, known allowances for s106 costs have been included for the strategic site allocations viability testing – see further detail set out in Appendix I and further below.

2.10 Development Costs - Build costs

2.10.1. The assumed base build cost level shown below is taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be '*appropriate data'*[12] and rebased using an appropriate location factor. The costs assumed for each development type (e.g. houses, flats, mixed as well as non-residential etc.) are as provided in Appendix I – and summarised below:

Figure 11: Base Build Cost Data (BCIS Median)

Development Type		Base BCIS Build Cost £/sq. m.
Residential C3	Build Costs 'One-off' housing detached (3 units or less) - generally (£/sq.m)	£1,868
	Build Costs Mixed Developments - generally (£/sq. m)[1]	£1,211
	Build Costs Estate Housing - generally (£/sq. m)[1]	£1,241
	Build Costs Flats - generally (£/sq. m)[1]	£1,397
	Build Costs (Supported Housing - Generally) (£/sq.m)[1]	£1,458
	Build Costs Flats - 6+ Storey	£1,563
Large Retail	Large Supermarket - out of town	£1,381
Large Retail	Retail Warehouse	£797
Small Retail	Convenience Store - various locations	£1,041
Business - Offices - Town Centre	Office Building	£1,829
Business - Offices - Out of town centre /Business Park	Office Building	£1,620
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,150
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£761
Hotel (budget)* **	Hotel - edge of town centre / edge of town	£1,907

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

C2 - Residential Institution	Care/Nursing Home	£1,673
Student Accommodation	100% Cluster type Accommodation with ensuite (150 rooms)	£1,850

The above costs exclude external works and contingencies (these are added to the above base build costs).

2.10.2. BCIS build costs do not include external works/site costs, contingencies, or professional fees (all added separately). An allowance for plot and site works has been allowed for 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, site works, and infrastructure costs of £300,000/ha have been assumed for the range of site typologies tested with more specific, higher allowances assumed for large scale greenfield development including for some of the specific strategic site allocations tested. These are based on a mixture of consultation feedback and experience as well as by reference to guidance in documents such as the Harman report[13]- discussed in 1.3, above.

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

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

[13] Local Housing Delivery Group: Viability Testing Local Plans – Advice for planning practitioners (June 2012)

2.10.5. An allowance of 5% of build cost has also been added in all cases (residential and commercial typologies) to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard allowance in our experience, although we do see some assumptions at lower levels. We have seen variations, again, either side of this level in practice, with higher levels usually relevant only for some types of conversions.

2.10.6. It is important to note that the interaction of costs and values levels will need to be considered again at future reviews of CIL or the Local Plan as base build cost levels typically vary over time. Appendix III includes some information on build cost trends, as viewed currently.

2.10.7. At this stage however, we cannot be sure how the UK's decision to leave the European Union or indeed now the Coronavirus (COVD-19) pandemic will play out in either the short or longer term on the economy, and potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seem likely to be at least as great as those on construction works and build costs. At the time of writing, a fall in new buyer enquiries and also in sales instructions has been seen. Therefore there is currently no change in the relative balance of supply and demand, however at this point Savills[14] anticipate a 10% fall in house prices in the short term, and note that reservation levels for new homes have fallen (partly because prospective buyers are unable to view properties). Savills also note that land values appear to be holding up, however there are concerns that housebuilders will hold back on construction if they are concerned about the ability to sell properties in this period of uncertainty. Housebuilding sites are re-opening and initial indications are that the fall in delivery may be less drastic than previously feared. Despite the uncertainty in the market, Savills conclude that '*there is currently no evidence of distressed sales or downward pressure on values*'. Anecdotal evidence from our local authority clients indicates that there has been a small drop in planning applications being submitted but so far applications continue to come in at a similar rate to normal.

[14] 'Coronavirus and residential development' – Savills, 7 May 2020

2.11 Development Costs - Fees, Finance & Profit

2.11.1. Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 12 and 13 below). Appendix I provides the full detail.

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 (17.5% assumed within testing)
	Affordable Housing - 6% GDV (affordable housing revenue)

(DSP 2020)

Figure 13: Commercial Development Costs – Fees, Finance & Profit

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

(DSP 2020)

2.12 Build Period

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

2.12.2. The specific strategic site allocations testing, which will be discussed further below, uses bespoke assumptions applied in connection with timings/phasing based on information provided by the Council and DSP experience.

2.13 Key Policy Areas for Testing – Summary

2.13.1 A number of the Council's emerging policies have an impact on development viability, both directly and indirectly. The direct impacts are those policies which ultimately result in a specific fixed cost assumption within the appraisal modelling (including the specific site testing) and those key elements not already considered (e.g. AH proportions, dwelling mix etc.) are discussed below. Appendix I provides and overall policy summary analysis categorising the LP policies using a traffic light system of the potential level impact on viability.

- **Space Standards** - introduces the requirement for all housing to be designed to comply with dwelling sizes to meet the **Nationally Described Space Standard (NDSS)**. The dwelling size assumptions for viability testing are set out in this study at Figure 6, consistent with the NDSS, should the Council continue to pursue this approach.

- **Open Space requirements** *(Policy OSR2*) – we understand a new Open Space (OS) Assessment in currently being prepared. According to the previous assessment (2016) the cost for OS provision is funded through CIL (as referenced in the former Regulation 123 List) alongside section 106 agreements (which deliver on site open space). Where available and specified within up to date evidence, we apply bespoke assumptions particularly in connection with any specific site testing. However, taking into account the above LDC context, our appraisal modelling has assumed OS to be funded via CIL and wider s106 obligations. Alongside this, we have also included a general land area adjustment of 15% (increased to 30% on larger sites), accounting for an element of additional physical space requirements as part of the development site.

- **Enhanced accessibility 'Access to and use of Buildings'** - following the Housing Standards Review, accessibility is now incorporated into Part M of the Building Regulations with all buildings now being built to a minimum of M4(1) 'visitable dwellings' with further enhanced requirements to M4(2) 'Accessible and adaptable dwellings' and M4(3) 'Wheelchair user dwellings' optional with implementation via policy but subject to evidence of need as well as viability. Upon review, the Council's emerging plan policies do not directly require enhanced accessibility standards described in Part M beyond M4(1) to M4(2)/M4(3). However, for completeness and potentially to aid further policy flexibility moving forward, we have conducted some sample sensitivity testing for the above standards as set out below.

    - **97% of units to be built to M4(2) 'Accessible and adaptable dwellings'** - broadly equivalent to the Lifetime Homes standards, requiring provision is made within new dwellings to meet the needs of occupants with differing needs including some older and disabled people and also allow for the adaptation of the dwelling to meet the changing needs of occupants over time. This means that features are provided to enable common adaptations to be carried out in the future to increase the accessibility and functionality of the building. *Cost of achieving this requirement (extra-over cost) assumed on a per unit basis at £1,646 (Flats) and £2,447 (Houses) based on the EC Harris DCLG Housing Standards Review Cost Impact.*

- **3% of units to be built to M4(3) 'Wheelchair user dwellings' -** a dwelling constructed with the potential to be adapted for occupation by a wheelchair user e.g. providing space for the future installation of a lift (a); or a dwelling constructed to be suitable for immediate occupation by a wheelchair user (b). Cost of achieving this requirement (extra-over cost) assumed on a per unit basis at £15,691 (Flats) and £26,816 (Houses) based on the EC Harris DCLG Housing Standards Review Cost Impact.

  It should be noted that the enhanced requirements as set out above, as part of the sample sensitivity testing, are independent of each other so that a dwelling may only be provided to meet either standard. 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.

- **Water Efficiency Standards –** (*Policy OSC1/OSC5)* all new dwellings are required to achieve the higher building regulations water consumption standard of no more than 110 litres per person per day. This base assumption has been used in all appraisal models. We note however, that the Council will need to demonstrate evidence of water stress in order to require this enhanced standard.

- **Sustainability** *(Policy OSS1/OSC1/OSC2/OSC4)* – the emerging Plan sets out strategic objectives for delivering sustainable development over the Plan period. As part of this, the Council seeks to reduce carbon emissions in all new development alongside promoting renewable energy development. On this basis, we have assumed an overall allowance for sustainable design/construction standards above buildings regulations at 2%, which additional contingency we consider includes also an allowance relating to the requirement for biodiversity off-setting as described in Policy ONR2/ONR4. However, if the Council decides to pursue further enhanced requirements for sustainability (e.g. moving further towards zero carbon) it is likely that the costs would increase over the above assumed base.

- **Cannock Chase SAC (SAMM)** *(Policy ONR3)* – The Council has confirmed that the SAC will be funded through CIL. Accordingly, no additional/explicit cost allowance has been made for this.

- **River Mease SAC** (*Policy ONR3)* – in contrast, LDC has confirmed that these costs will not be met by CIL, and therefore we have assumed the following costs based on information supplied by the Council[15] :

    - **1-bed properties - £228**
    - **2-bed properties - £335**
    - **3-bed properties - £453**
    - **4-bed properties - £633**

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

    There are a large number of different approaches to this housing type ranging from custom build with minimal involvement from the purchaser, through to an individual building their own home on a single plot. If self-build comes forward as part of a large residential scheme, or as 100% custom/self-build housing, we are of the opinion it should be treated as per market housing - an AH policy target should apply. Conversely, an individual self-build unit would not trigger an AH contribution. Finally, if a self-build scheme were to come forward as an affordable or community-led project, it would be likely to be subject to restrictions relating to subsidy and would be regarded as an exception to policy, thus not required to provide AH.

[15] Costs as described in Appendix F of the LDC Developer Contributions SPD and the River Mease Special Area of Conservation Water Quality Management Plan - Developer Contribution Scheme (June 2016)

2.14 Indicative land value comparisons and related discussion

2.14.1. In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of Value Levels, AH policy targets (%s) and trial CIL rates.

2.14.2. 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.

2.14.3. 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" ('EUV+' or 'existing use value plus') consistent with the updated PPG on Viability.

2.14.4. 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.

2.14.5. 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.

2.14.6. As part of our results analysis, we have compared the wide scope of appraisal RLVs 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 range of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the Appendix II 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).

2.14.7. The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this 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.

2.14.8. 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, we have also had regard to the published Government sources on land values for policy appraisal[16] providing industrial, office, residential and agricultural land value estimates for locations across the country - including Lichfield District.

2.14.9. 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.

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

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

[16] MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue)

- Lower quartile build costs;
- 17% developer's profit.

2.14.11. 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.

2.14.12. As set out in Appendices IIa and IIb (residential and commercial results overview tables), we have made indicative comparisons at land value levels in a range between £100,000/ha and £1,650,000/ha plus overall, 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 bulk greenfield land for greenfield land release, based on a circa ten times uplift factor (the "plus" element) from the EUV for agricultural land at not exceeding c. £25,000/ha. The BLVs range above that, from £850,000/ha to £1,650,000/ha, is representative of previously developed land (PDL) i.e. 'brownfield' land. Although some sites in most areas could be in existing residential use, underpinning relatively high BLVs, the mid to upper end of that range is most likely to be relevant in some of the main town/city centre areas with higher existing use values.

2.14.13. At this point, it is also 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, we consider the key BLVs for reviewing the results range from Viability Tests 2 to 5 at £850,000/ha to £1,650,000/ha (for PDL scenarios) and £250,000/ha (greenfield 'GF') but bearing in mind that especially for bulk GF land, that should not be regarded as a minimum of absolute cut-off. With that in mind as well as the importance of realistic land value expectations, the Appendix IIc results tables also show, on a "what-if" basis, the influence of a lower land value level (at £100,000/ha) – potential strategic sites context only.

2.14.14. Overall, we consider the BLV range noted above is appropriate and corresponds with the emerging housing delivery, whilst also keeping in mind the future planned site supply context as part of the emerging Plan. Figure 14 below shows, with some explanatory notes, the range of selected BLVs which have been used as 'viability tests' (filters) for the viewing and provision of the results interpretation/judgments informed by Appendix IIa and IIb results tables.

Figure 14: Range of BLVs ('Viability Tests')

Key:

	RLV beneath Viability Test 1 (RLV <£250,000/ha)
	Viability Test 2 (RLV £250,000 to £500,000/ha)
	Viability Test 3 (RLV £500,000 to £850,000/ha)
	Viability Test 4 (RLV £850,000 to £1,100,000/ha)
	Viability Test 5 (RLV £1,100,000 to £1,650,000/ha)
	Viability Test 6 (RLV>£1,650,000/ha)

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement (Lower)
£500,000	Greenfield Enhancement (Upper) – potentially e.g. smaller sites, paddock land or similar
£850,000	Low-grade industrial / office land values.
£1,100,000	Office PDL – upper commercial values
£1,650,000	Residential Land

(DSP 2020)

2.14.15. 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).

2.14.16. 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.

2.14.17. The PPG[17] states the following:

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

'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.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'

2.15 Specific Site Allocations/Strategic Site Viability

2.15.1 As part of building their evidence base, the Council also asked DSP to consider the potential viability, at a high level at this stage, of proposed strategic site allocations that are currently intended to be brought forward through the plan, following a comprehensive selection process.

2.15.2 Four sites are included as set out in Figure 15 below. We noted above that the emerging plan proposals also include a potential new settlement of 10,000 dwellings. However, with the details including a potential location or locations and nature of this proposal, together with other information yet to be confirmed beyond a high-level principle, this assessment does not give consideration to this.

Figure 15: Strategic Site Allocations (as tested in this assessment)

Site	Indicative Capacity (approx. no. of dwellings)	Assumed Gross Site Area (ha)	Estimated Net Site Area (ha)
Land to the north-east of Lichfield *SHLAA ID: 32* *SHLAA ID: 293* *SHLAA ID: 310*	**3,300 (comprises 3 no. sites)** *SHLAA ID: 32 - 2,780* *SHLAA ID: 293 - 200* *SHLAA ID: 310 - 506*	**231.04 (Total)** *SHLAA ID: 32 - 193.67* *SHLAA ID: 293 - 9.26* *SHLAA ID: 310 - 28.11*	**138.55 (Total)** *SHLAA ID: 32 - 116.2* *SHLAA ID: 293 - 5.55* *SHLAA ID: 310 - 16.8*
Land west of Fazeley *(Land at Mile Oak, Fazeley)* *SHLAA ID: 152*	**800** *(Potential dwelling yield up to 971 units)*	**53.90ha**	**32.34ha**
Land off Huddlesford Lane, Whittington *SHLAA ID: 115*	**75**	**3.04ha**	**1.82ha**
Land off Hay End Lane, Fradley *SHLAA ID: 148* *SHLAA ID: 314*	**500 (comprises 2 no. sites)** *SHLAA ID: 148 - 184* *SHLAA ID: 314 - 405* *(Total = 589)*	**50.57 (Total)** *SHLAA ID: 148 - 10.19* *SHLAA ID: 314 - 40.38*	**N/A**

2.15.3 Differing from the general range of residential site typologies noted above, within the appraisals representative of these strategic site allocations cost assumptions are included for site-specific mitigation through s106 as far as currently available LDC estimates permit at this stage. Other assumptions are applied as have been noted above.

2.15.4 Although specific appraisals have been carried out for the above strategic sites, in reality the length of time over which development is planned (over the lifetime of the emerging plan) in combination with detailed site information (including costings) available at this stage, means that the results can only provide a high-level assessment of the potential viability of these sites.

2.15.5 Appendix I provides a summary of the specific assumptions for each strategic site based on a mixture of reviewing site promotion documents, other key documents (e.g. IDP) discussions with key Council officers and our own experience. As noted above, the necessarily high-level nature of this viability testing process means that the specific costings provided to us at this stage are current stage indications which, through latter stages of the Plan development and then onto delivery processes, would normally be kept under review and could be further confirmed or updated in due course once more accurate estimates can be ascertained.

2.15.6 The 4 no. strategic sites have been tested on the following basis:

- **CIL** – testing undertaken at both nil (£0/sq. m) and the 2020 indexed rate currently applied (£17.31/sq. m) for the Council's information.
- **Site works and infrastructure** – current stage assumption @ £20,000 - per dwelling (applied to all dwellings), with the exception of the smaller site 'Land at Huddlesford Lane' (75 dwellings) for which the assumptions basis is as per the general residential sites typologies tests.
- **Affordable housing (AH) proportion (%)** – tested at 20%, 30% and 40%.
- **Sales values** – specific assumptions made for each site ranging from £2,700 - £3,400/sq. m. based on values research reflecting the relevant location. The approach taken also allows the sensitivity of the outcomes to changing sales value input (and/or build cost) also to be viewed (see Appendix IIb).
- **Land budget and costs.** These strategic site appraisals have been run with a fixed land cost assumption included. We understand that all of the strategic site allocations are planned to come forward on greenfield sites which basis, following review, has informed the display of results at both £100,000/ha and £250,000/ha applied to the gross (total) assumed site area in each case, with the key test result for current review purposes used at the upper end of this range (although, as above, not reflecting a fixed cut-off at this level of land value applied across the whole assumed ('gross') site areas. The assumed land 'budget' includes allowances at this same cost (assumed buy-in) rate, where appropriate to reflect emerging policies (and LDC advice) that other, non-residential uses will also come forward as an integral part of the schemes and accordingly need to be accommodated on suitable land areas - e.g.

school provision, neighbourhood centre/community uses, retail or other potential development.

- **Development profit.** Base assumption 17.5% GDV, again consistent with the middle of the range for plan making purposes noted in the Viability PPG.

2.15.7 The results of the appraisals are shown in Appendix IIb alongside summaries of the development appraisals. These show the potential residual surplus (or deficit) after allowing for typical build costs, site works and infrastructure, fees, finance, development profit, costs of sale and land purchase, as above. In addition, the displayed results show a grid of sensitivity tests, with the level of sales value and/or construction cost increased/decreased from the base position in 2.5% steps (values to +12.5% and -12.5%; build costs to +10% and -10%).

2.15.8 Similar to the general site typologies, AH remains the single most costly policy to support and will again tend to have the greatest single policy-based influence on the viability of residential led schemes i.e. the most significant influence outside the market itself or any viability issues that are inherent in the characteristics of particular sites. It is important to note that as more becomes known about these sites and the specific mitigation and infrastructure requirements needed to support their development, perhaps together with overcoming any significant abnormals, therefore could be need to be compromises considered within the overall process of finally settling the nature of developments and planning obligation packages etc.

2.15.9 The ‘Findings Review’ section below provides detailed analysis of the results for these Strategic Site Allocations as well as the general range of typologies (including those non-residential typologies). Appendix IIb specifically refers to the strategic site results summary tables for each of the 4 no. sites tested.

3 Findings Review – context and results discussion

3.1. Introduction/overview

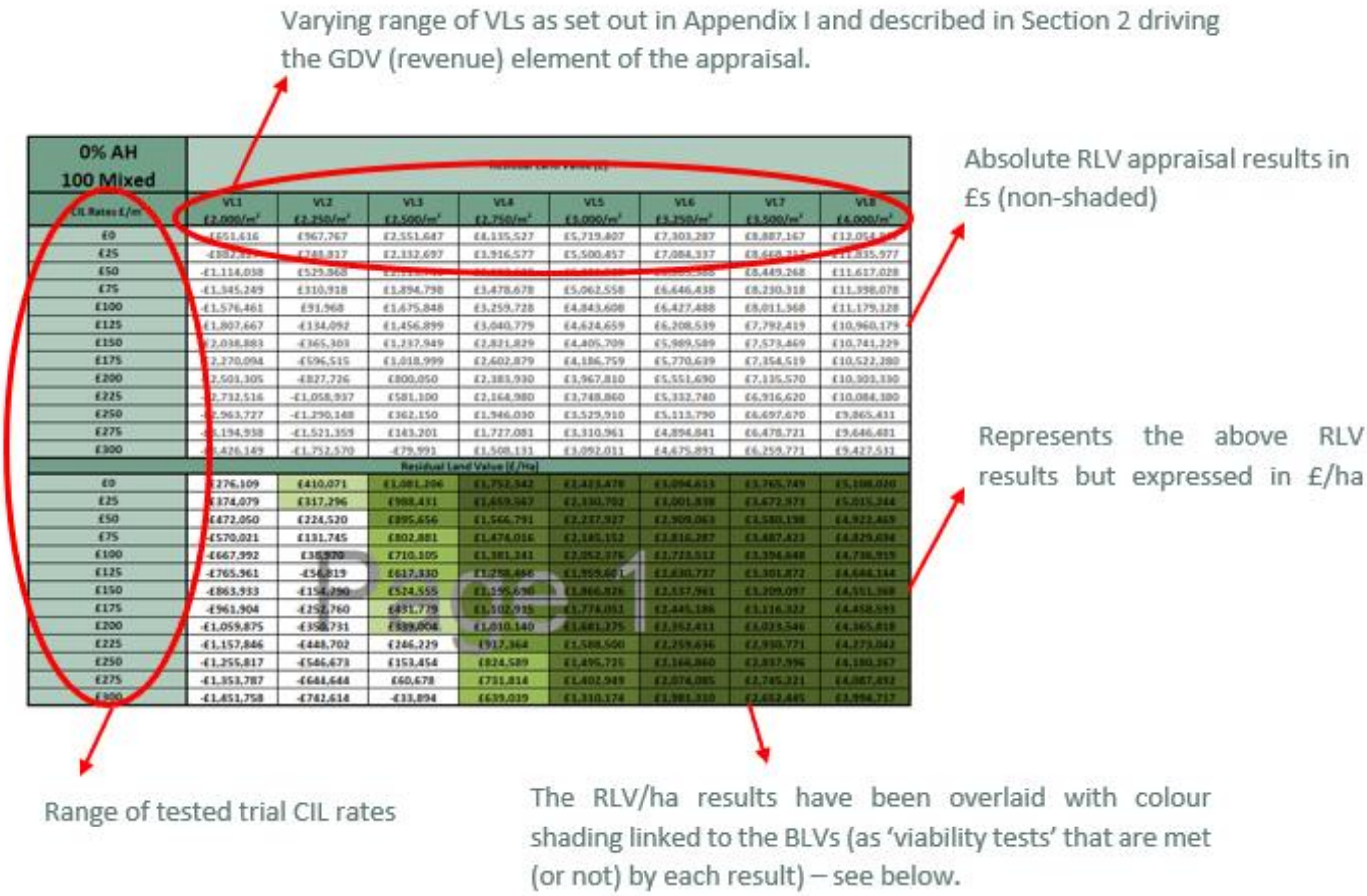
3.1.1 The appraisal results generated to inform this assessment together with the wider context for review are considered in the following sections below relating to both residential (typologies basis and strategic site allocations) and non-residential (commercial) results as shown respectively in Appendices IIa, IIb and IIc to this report.

3.2. Residential Results Context (Appendix IIa)

3.2.1 These scheme typologies represent developments of 1 to 250 dwellings (houses, flats (including sheltered / extra care) and mixed (houses and flats)). As discussed above, these typologies have been tested across a range of value levels (VLs) and trial CIL charging rates, alongside varying AH proportions from 0% to 40% – again as discussed above.

3.2.2 Appendix IIa displays the residential results tables, using a matrix type approach enabling us to consider and compare the wide range of results displayed according to the typology tested alongside the key assumptions used within each set (e.g. on AH %) and as discussed in Section 2 above. Figure 16 below overviews the results table structure.

Figure 16: Example Appendix IIa Residential Results – structure



(DSP 2020)

3.2.3 Allied to Figure 16 above, the boldness of the green colouring highlights the trends within the results and shows increasing confidence in these as viability is maintained while a wider range of BLVs are met. The RLVs are seen to increase and meet higher BLVs with increasing level of value (VL) assumed. These are also seen to reduce gradually once the level of the trial CIL charging is increased. See figure 17 below.

Figure 17: Results 'Key' illustrating relative shading for BLVs ('Viability Tests 1-6')

Key:

RLV beneath Viability Test 1 (RLV <£250,000/ha)
Viability Test 2 (RLV £250,000 to £500,000/ha)
Viability Test 3 (RLV £500,000 to £850,000/ha)
Viability Test 4 (RLV £850,000 to £1,100,000/ha)
Viability Test 5 (RLV £1,100,000 to £1,650,000/ha)
Viability Test 6 (RLV>£1,650,000/ha)

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement (Lower)
£500,000	Greenfield Enhancement (Upper) – potentially e.g. smaller sites, paddock land or similar
£850,000	Low-grade industrial / office land values.
£1,100,000	Office PDL – upper commercial values
£1,650,000	Residential Land

(DSP 2020)

3.2.4 The residential typologies generally represent our main assessment focus, as is the case here. This reflects the importance of new housing delivery in the district and the level of influence that the Council's policy selections will have on development viability, as well as ultimately the source of potential CIL income which again is typically largely weighted towards residential development owing to its quantum overall.

3.2.5 There are two key influences on viability under review as part of this assessment; the development of LP policy, and the review of the scope to support a potentially reviewed CIL. These elements are interdependent and therefore the overview of these can become circular to some extent. Overall, it is important to note that this is a complex testing process with a range of results combinations/outcomes possible. As discussed in Section 2, LDC currently has a CIL in place covering 4 no. areas (charging zones) with indexed rates of £17.31/sq. m (for Strategic Development Locations (SDLs) and Broad Development Locations (BDLs)), £30.92/sq. m (lower value zone) and £68.04/sq. m (higher value zone). We have not specifically tested these indexed rates other than on the reviewed proposed site allocations/strategic sites as we consider the range of CIL trial rates tested (£25/sq. m. intervals from £0 to £300/sq. m.) provides sufficient coverage of the both the currently charged range and the exploration of alternatives, alongside the ability to interpolate between results steps.

3.2.6 From this, we can consider how viability looks with CIL at varying levels (including around the current indexed rates), alongside varying AH levels as the assumed sales values (VLs) also vary. This approach enables the viewing of the influence of any potential upward (or downward) review of the existing CIL charging rates alongside the possible scope for and options on AH policy headlines as well as testing other policy requirements e.g. potential enhanced accessibility and sustainability standards. As discussed earlier, the Council's emerging policies have to be considered on a fully 'switched-on' basis rather than tested in a way that assumes reliance on any potential negotiation positions that may be seen at development management stage on a site-specific basis.

3.2.7 The following sections will suggest any adjustments and policy positions that in our view the Council should consider in relation to the potential viability of development coming forward over the emerging plan period. This may also be about considering options – potential alternatives and trade-offs, which will be noted where applicable. Overall, this involves considering the evidence collectively and setting out an approach that will respond as best possible to the need to achieve an appropriate balance between the community planning needs (e.g. for AH and the desirability of funding infrastructure) and viability. As stated in the PPG, the Council need not follow these report findings exactly in selecting CIL charging rates, for example.

3.2.8 In terms of a potentially revised CIL, the rate(s) will need to be a high-level district-wide response, set strategically. It is not possible for CIL to reflect and respond to all local levels of variation in values or in other matters. How it overlays with the planned site supply is the most important, even if that means some level of misfit in areas not supplying a significant level of development in the overall planned terms. The CIL principles are such that the charging schedule should ideally be as simple as possible, accepting that usually values and other characteristics do not actually respect any particular boundaries in more than a general way. All sites are different and varying values will be seen in practice, between and often even within sites.

3.2.9 Also included below, Figure 18 shows indicatively how the range of trial CIL charging rates tested appear when expressed as percentages of the tested market sales value levels (VLs) i.e. trial CIL rates as % of GDV. DSP has used this sort of guide as background information for clients when considering CIL viability.

Figure 18: CIL rates as a percentage of GDV

CIL Rate £/m²	CIL Trial Rates as % GDV							
	VL1 £2,000	VL2 £2,250	VL3 £2,500	VL4 £2,750	VL5 £3,000	VL6 £3,250	VL7 £3,500	VL8 £4,000
	2000	2250	2500	2750	3000	3250	3500	4000
0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	0.70%	0.62%	0.56%	0.51%	0.47%	0.43%	0.40%	0.35%
17.31	0.87%	0.77%	0.69%	0.63%	0.58%	0.53%	0.49%	0.43%
25	1.25%	1.11%	1.00%	0.91%	0.83%	0.77%	0.71%	0.63%
30.92	1.55%	1.37%	1.24%	1.12%	1.03%	0.95%	0.88%	0.77%
50	2.50%	2.22%	2.00%	1.82%	1.67%	1.54%	1.43%	1.25%
55	2.75%	2.44%	2.20%	2.00%	1.83%	1.69%	1.57%	1.38%
68.04	3.40%	3.02%	2.72%	2.47%	2.27%	2.09%	1.94%	1.70%
75	3.75%	3.33%	3.00%	2.73%	2.50%	2.31%	2.14%	1.88%
95	4.75%	4.22%	3.80%	3.45%	3.17%	2.92%	2.71%	2.38%
100	5.00%	4.44%	4.00%	3.64%	3.33%	3.08%	2.86%	2.50%
125	6.25%	5.56%	5.00%	4.55%	4.17%	3.85%	3.57%	3.13%
150	7.50%	6.67%	6.00%	5.45%	5.00%	4.62%	4.29%	3.75%
158	7.90%	7.02%	6.32%	5.75%	5.27%	4.86%	4.51%	3.95%
175	8.75%	7.78%	7.00%	6.36%	5.83%	5.38%	5.00%	4.38%
200	10.00%	8.89%	8.00%	7.27%	6.67%	6.15%	5.71%	5.00%
225	11.25%	10.00%	9.00%	8.18%	7.50%	6.92%	6.43%	5.63%
250	12.50%	11.11%	10.00%	9.09%	8.33%	7.69%	7.14%	6.25%
275	13.75%	12.22%	11.00%	10.00%	9.17%	8.46%	7.86%	6.88%
300	15.00%	13.33%	12.00%	10.91%	10.00%	9.23%	8.57%	7.50%

KEY:

LDC originally adopted rate (pre-indexed)

LDC Indexed CIL Rates (as at January 2020)

(DSP 2020)

3.2.10 This additional information does not represent additional viability testing, but in our view may be useful in purely a general health-check type way to help make sure that CIL charging rates are not set too high. DSP's view over many years of CIL viability and rates setting experience has been that, as a guide, realistic CIL charging rates should not exceed a range of approximately 3% to 5% of GDV as a maximum. After considering buffering, we tend to see appropriate levels of CIL charging that will remain suitable as the development values and costs inevitably move around, will be nearer to 2% to 3% of GDV equivalent. When viewed on this basis, and applied to VLs 3-6, this guide indicates CIL charging scope based around the range £50 to £75/sq. m. Again, as noted above, this is only a guide to provide a general feel for CIL potential and is of course subject to the full viability testing carried out as part of this study. In reviewing our full range of results (see the following sections) we will see how the viability tested outcomes compare with this general additional guide (only) as to the likely realistic CIL parameters overall.

3.2.11 Sample appraisal summaries are included as a second part to Appendices IIa-IIc. The aim of including the examples is to further illustrate the structure of the residual calculations (the methodology) and their content in summary. We include examples as the full sets are too extensive to include.

3.3. Residential Results discussion (Appendix IIa)

3.3.1 There are some key points/themes to keep in mind when reviewing and interpreting the residential appraisal results which are summarised below:

- Outside of the operation of the market itself, the requirement for affordable housing (AH) is typically one of the most significant impacting factors on development viability – its impact is significantly greater than that of a CIL. This is essentially because the cost of building the AH is broadly the same as for the market sale homes, but it supports only around half the revenue level, broadly.
- Some schemes may be unviable regardless of the level of AH, CIL or other policy requirements. The viability of these types of sites is unlikely to be solely caused by CIL charging but more closely associated with market conditions, AH, scheme design/construction/specification requirements and/or wider planning objectives – inevitably some prioritisation will be tend to be required (noting that CIL takes the form of a fixed, non-negotiable top—slice from the development proceeds).
- Testing the emerging policy requirements involved these assumed as fully "switched-on", fixed as part of this process at test levels, with some further bespoke sensitivity testing.
- Typically, greenfield sites present the most positive viability results with a mixed picture emerging for PDL sites. The latter often mean higher EUVs, represented then by higher BLVs. This tends to be particularly relevant to flatted-only scenarios, where typically higher development costs also combine to generally influence weaker outcomes unless very high sales values are available to support such cost factors.
- A prudent approach to appraisal assumptions has been taken to ensure viability is not taken to the margins.

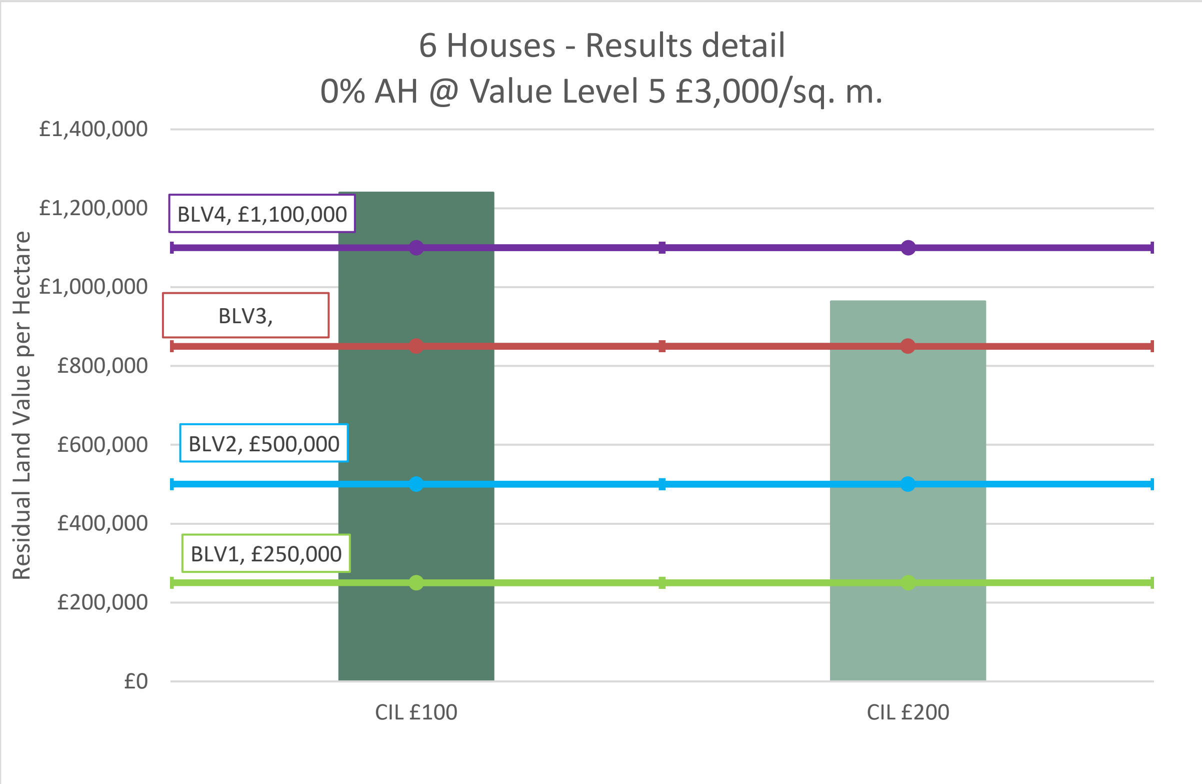
- A ‘buffer’ element also needs to be in place when setting CIL charging rates. Although this by its nature varies from one scenario to the next and is essentially arbitrary, the principle is intended to help keep within the viability margins. Typically, depending on the circumstances up to a 50% buffer has been applied in DSP’s experience as part of exploring the realistic parameters for the CIL charging scope i.e. rates reduced significantly from their potential maximum (sometimes referred to as theoretical maximum or similar) levels.
- The results tables show the theoretical maximum CIL rates that can be supported on the basis of meeting or beating a particular land value comparison (as above illustrated by results filtering – colour shading to help illustrate trends and relativities).
- Each appraisal has been tested at a range of sales value levels (VLs) which are discussed in detail in Section 2. However, to summarise, we consider the VLs most representative of new-build property values in the district to cover VLs 3-6 at £2,500/sq. m. to £3,250/sq. m. (i.e. covering the range approx. £232 to £302/sq. ft.)
- We understand that residential development sites are planned to come forward on a mix of greenfield land and PDL, focusing principally on Lichfield City and the larger settlement hubs.
- As noted, CIL charging does not need to be set by reference to development Use Class. All references to this reflect the position at the point of undertaking the work, noting that at the point of this final report issue, the designations have been altered as part of recent planning system changes. These do not affect the viability findings.

3.3.2 The NPPF sets out a “default” national policy threshold of 10 units to trigger AH, other than in designated rural areas where a lower threshold of <10 units may be set. This is not applicable in the LDC context, with policy proposed to reflect the national theme, and therefore has not been considered further. Our approach then sought to test the impact on viability of varying proportions (%s) of AH, based on mixed-tenure provision and as applied to the range of typologies – results as below.

Smallest schemes – beneath proposed AH policy (OHF4) threshold

3.3.3 Generally, the appraisal results representing development beneath the national AH minimum threshold i.e. with 0% AH, indicate broadly positive viability at VLs 3-6. For example, Figure 19 below shows a positive result assuming a PDL site type (and corresponding BLV) when combined with a CIL rate (after maximum buffering as above) of approaching £100/sq. m (for example based on meeting viability test 5 (BLV at c. £1.1m/ha equivalent)

Figure 19 – Table 1b: 6 Houses – example results detail



(DSP 2020)

3.3.4 Although the 1 House typology presents a poorer viability picture than the above, this is not unusual in our experience at this level of review, as such developments will often have higher costs although often they also are supported by relatively high values associated with more individual builds – potentially beyond the example level here. Schemes of this type often come forward as a self-build projects, which will not pay CIL based on the current regulations.

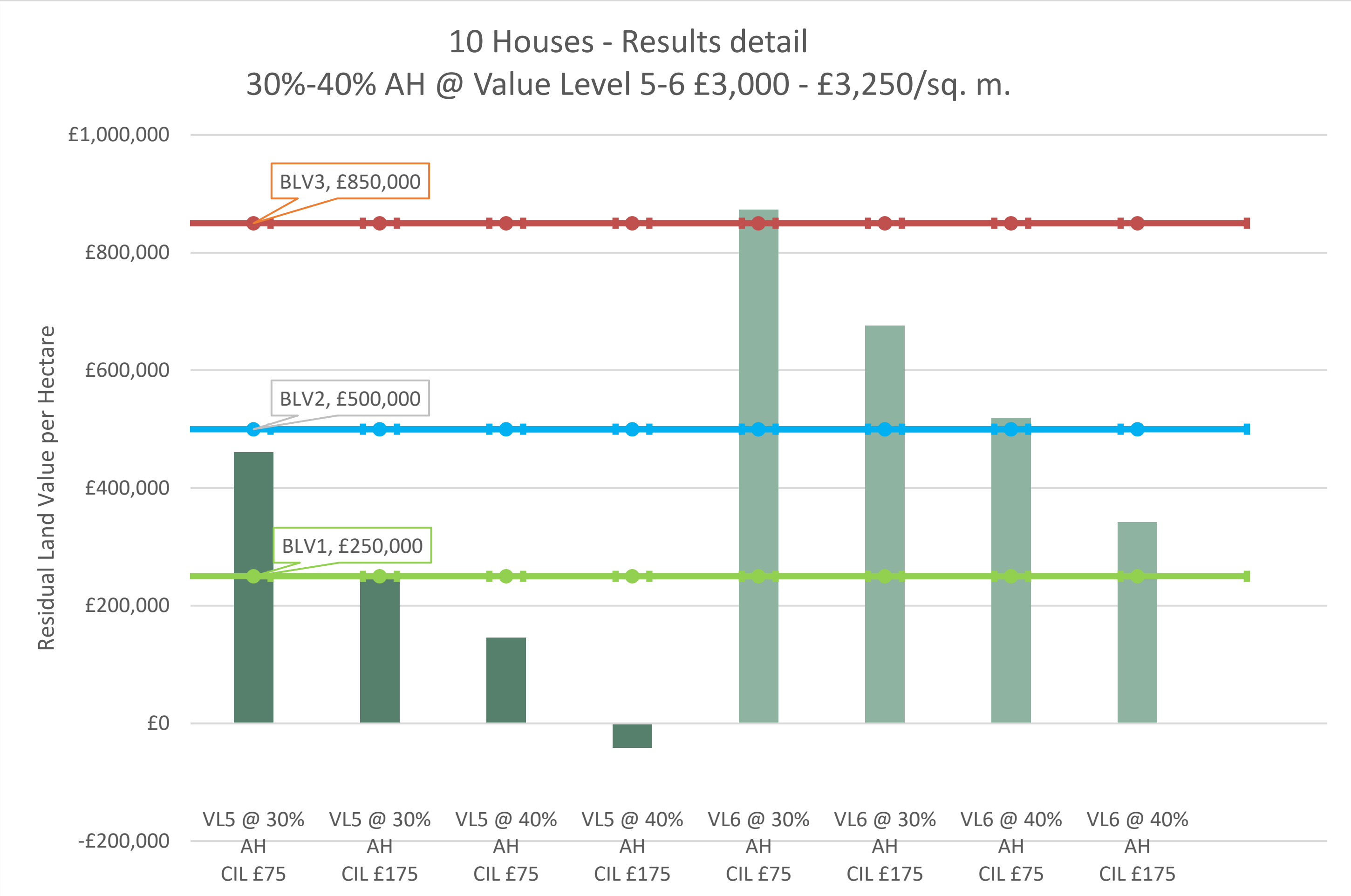
3.3.5 On this basis we consider that a differential (higher) CIL rate is supportable for sites falling below the LDC proposed (& national default minimum AH) threshold of 10 units at not more than approximately £100/sq. m. (buffered) which we consider would not unduly impact the viability of this scale of development coming forward over the emerging plan period.

Schemes providing affordable housing – above proposed policy OHF4 threshold

3.3.6 It is clear from the following review of results that once AH provision (which has been assumed on-site) is added to the appraisal tests it has the effect of pulling down overall scheme viability and therefore also the available scope to support the cost of CIL. The typologies above the AH threshold have been tested at 20%, 30% and 40% AH (including 35% AH on the typologies representing 50+ dwellings). As a key overall theme we can see that the viability of PDL site types is often going to be more challenging compared with that of GF hosted development, having the effect of reducing overall viability scope and particularly on flatted development typologies (discussed further below).

3.3.7 The typologies of 10 and 15 houses both present positive viability prospects on a greenfield site type (exceeding BLVs of £250,000-£500,000/ha) with 30% AH at VL5 when combined with up to £75/sq. m. CIL (buffered). However, the viability scope becomes more challenging at 40% AH on the same review basis with a higher level of sales values required to support the same scope. See Figure 20 below. Clearly if we assume a PDL site type with a higher level of BLV likely needing to be met, to achieve a similar level of viability, a lower proportion of AH would be needed – indicatively at c. 20%.

Figure 20 – Table 1c: 10 Houses – example results detail (greenfield site basis)



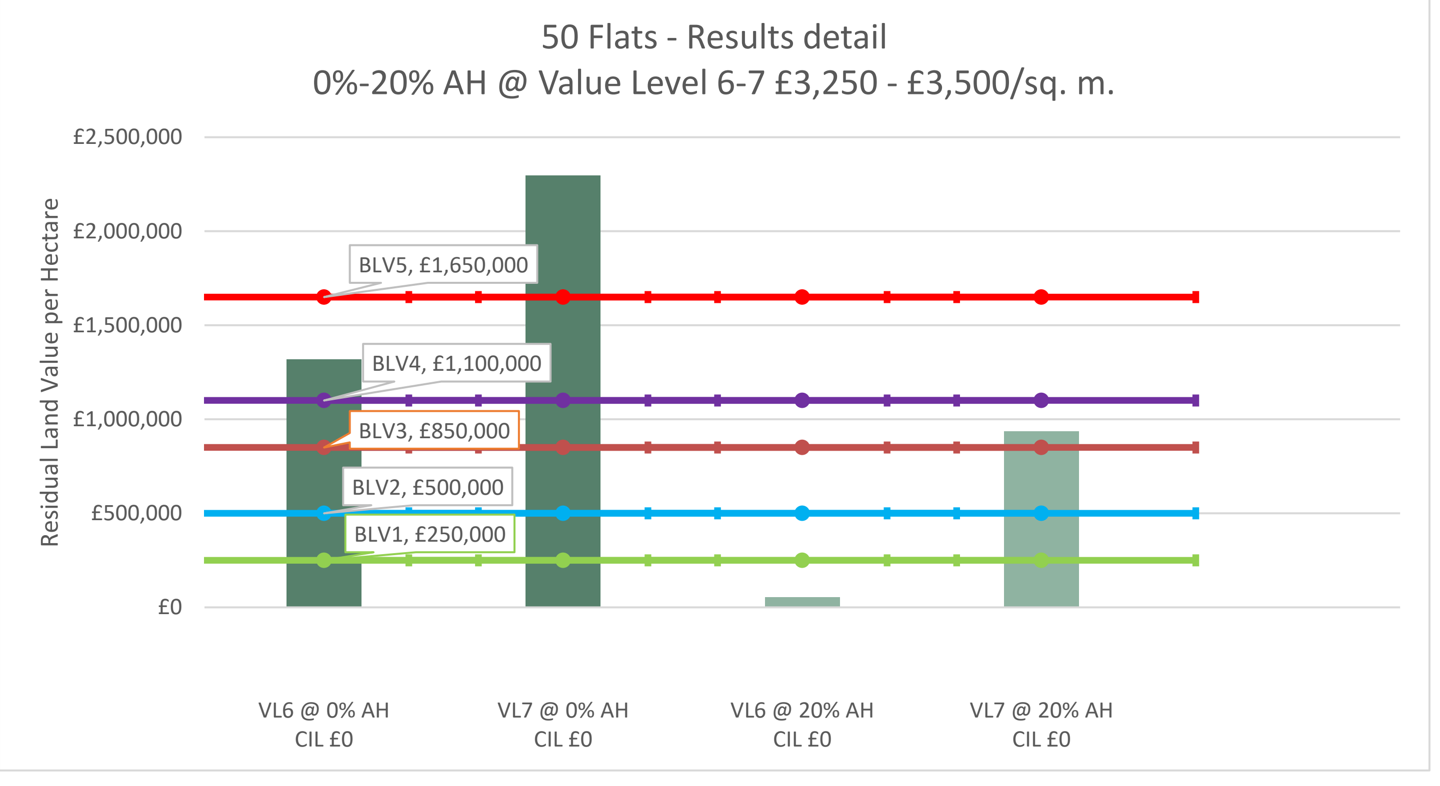
(DSP 2020)

3.3.8 For flatted schemes, we often observe reduced viability scope, unless relatively high sales are available to support the typically higher development costs. This is a common theme in the assessment of development viability in our experience, i.e. found within a range of projects and is seen here in the LDC context – across each of the tested flatted scenarios (15 Flats and 50 Flats) (and also seen further in the review of specialist housing types, again apartments based (see below).

3.3.9 Although we have tested a smaller and larger flatted typology (15 and 50 flats), these come with slightly different characteristics. For example, we consider the larger flatted would typically be at a higher density most likely in the city centre context, and therefore also potentially with increased levels of build cost. However, following our in-depth research analysis, we understand in a city centre context, values around the upper end of our assumed new build range are seen in which case a proportion of AH could be supportable albeit at a level of circa 20% rather than higher proportions that in our view should be regularly achievable (and a suitable policy basis) in other circumstances and particularly on GF sites.

3.3.10 From the results it is clear that flatted scenarios are likely to typically present a much more challenging viability scenario than seen for both houses and mixed development typologies. As illustrated below, when tested at 20% AH, the appraisal result presents a positive viability scenario at VL7 (£3,500/sq. m) tested with nil CIL and exceeding the £850,000/ha BLV, but with that becoming much more marginal at VL6 (so highly sensitive to assume sales value). Once 0% AH is applied however, the strength of the results and therefore the viability scope improves even with a higher BLV assumed.

Figure 21 – Table 1i: 50 Flats – example results detail (PDL site basis)



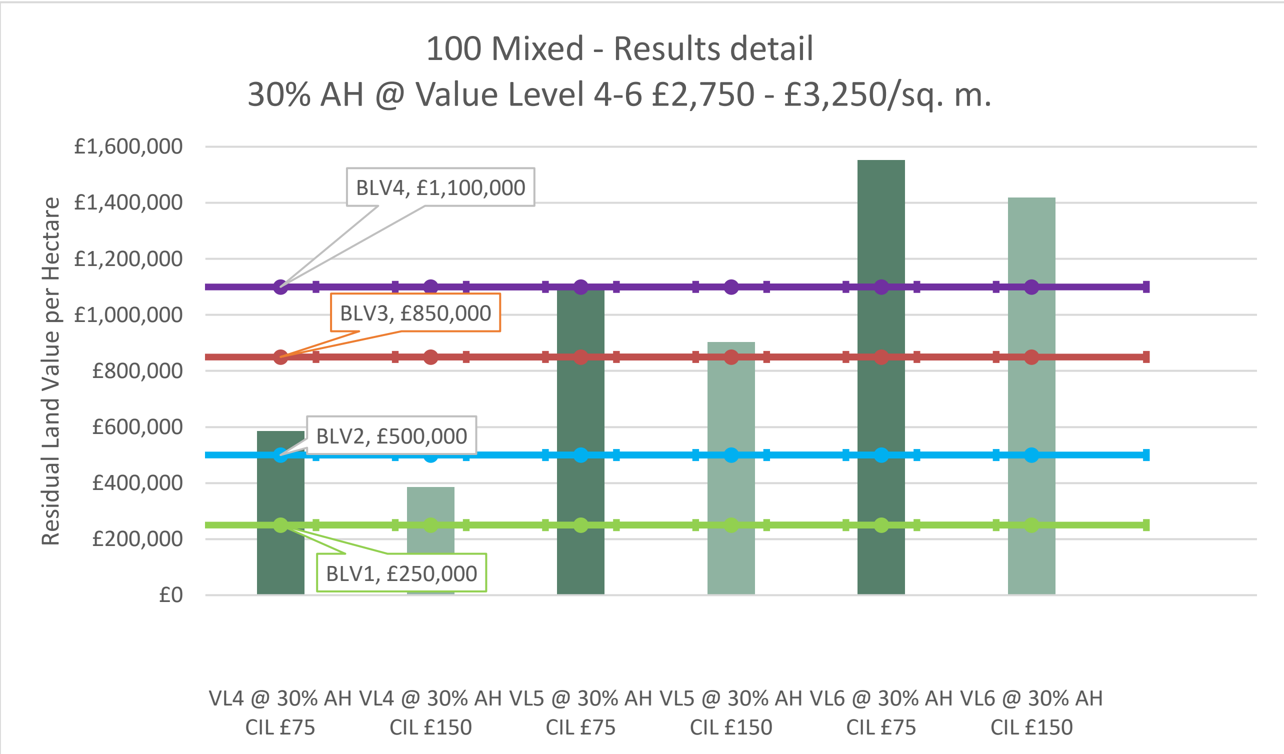
(DSP 2020)

3.3.11 We understand the Council's housing strategy looks to encourage a mix of housing types but with particular emphasis on 2 and 3-bed homes. Taking into account the emerging wider housing supply (discussed in more detail in Section 2), which according to Strategic Policy OSS2 looks to focus new development in Lichfield City including Streethay ('Strategic Centre') alongside Burntwood ('Other Main Centre') and also taking into account that the existing charging schedule specifically nil-rates flats, the Council will need to consider the relevance of flatted development and site type to the emerging supply picture both from an AH policy point of view and in regard to a suitable ongoing approach to CIL charging.

3.3.12 From the discussion above, it is clear that this type of scheme faces challenging viability prospects even when 20% AH is applied alongside any meaningful level of CIL charge, unless higher sales values i.e. at the top of or above our assumed range are achievable. Typically, we would consider the tone of the results above indicates a challenging viability scenario regardless of the level of CIL applied (i.e. CIL is not the determining factor in whether such a scheme is viable or not viable). The more likely causes of viability pressure are closely associated with site type, development costs and collective policy requirements, particularly in relation to the provision of affordable homes.

3.3.13 In terms of mixed scenarios (comprising houses and flats) tested at 25, 50, 100 and 250 units, in the LDC context we could expect these to come forward on both PDL and greenfield site types. These results overall present a positive viability scenario with 30% - 35% AH within our assumed new build values range when combined with a CIL rate of £50 - £75/sq. m.

Figure 22 – Table 1k: 100 Mixed – example results detail (Greenfield site basis)



(DSP 2020)

3.3.14 The assessment shows that as expected different sizes and types of mixed housing schemes could show variable results. Along with site-specific characteristics in some case, as in other respects this variance may well need to be addressed at planning application stage to some degree - through site specific discussions where proven to be necessary. It is not uncommon for this type of development to indicate lower overall viability prospects than that seen with the development of houses alone, generally owing to the use of higher build cost assumptions. However, there may also be a balancing effect to some degree from further optimised land-use (higher densities) that could reasonably be expected – in this case for example at an assumed 55dph compared with development at 35 - 40dph (houses only).

3.3.15 Overall based on the viability appraisal results, we consider a meaningful level of AH approaching or similar to that under current policy combined with a modest CIL charge to be viable on the majority of greenfield (GF) sites that do not have typical strategic site characteristics (usually including significant development mitigation / scheme-specific infrastructure provision) . AH provision at more than 30% could be supportable in some circumstances and perhaps particularly if the Council considered a more flexible AH approach in terms of tenure application i.e. in any circumstances where less emphasis on social rented tenure could be relevant or acceptable. Overall, on smaller and relatively straightforward GF developments, a 35% AH policy headline should have reasonable prospects of being delivered viably in our view. In practice, there is no particular point (or therefore threshold) at which sites would “switch” into usually or at least more frequently having strategic site type characteristics although we note that in this case the Council proposes to allocate only one ‘Strategic Site’ that is likely to provide fewer than circa 500 dwellings. In our experience, development at fewer than say 400 – 500 dwellings is much less likely than a larger scheme to carry high levels of site-specific costs related to substantial new infrastructure provision like new schools, major new highways provision or adaptations, etc.

3.3.16 We understand the Council has identified a particular need for specialist housing for older people, reflecting the needs of the changing demographic profile in the district (again, a common factor across many aeras). On this basis we have tested both a sheltered/retirement (30 no. apartments) and an Extra Care typology (60 no. apartments). Typically, we see premium values achieved for such new build schemes together with high densities and frequently a reduced scope of site and external works. These are positive influences on viability which can act as something of a counter-balance to the higher build costs associated with the particular nature of the construction in these cases, which typically includes enlarged communal (non-saleable) areas in comparison with general market developments (usually at 25% or more, compared to 15% as assumed more typically for general needs apartments development).

3.3.17 For ‘standard’ sheltered/retirement schemes (assumed clearly within C3 Use Class), we consider that no specific differential approach or policy response – i.e. to AH policy proportions or CIL rate(s) should apply to this particular form of development when considered alongside general needs flatted schemes. Our viability testing supports this indication.

3.3.18 With the changing backdrop to the nature of housing needs and supply, it is now becoming increasing relevant to consider other forms of specialist housing – for example extra care housing; a form of development undoubtedly being seen more frequently. We have therefore also tested a 60 Flats Extra-Care typology, again using tailored assumptions adapted further from those relevant for the retirement/sheltered typology tests and also informed by our experience of scheme specific (planning application stage) reviews, as follows:-

- Increased VLs from £3,250/sq. m. to £4,250/sq. m.
- Enlarged communal space – assumption increased to 35% (from 15% base; 25% sheltered/retirement apartments)
- Specific category build cost data based on BCIS median for ‘Supported Housing’
- Reduced external works allowance at 7.5%
- Increased allowance for ‘empty property costs’ (unsupported running costs pending full occupancy) at £5,000 per unit equivalent
- Longer sales periods

3.3.19 These extra care tests indicate a reduced level of viability compared to the results seen from the above noted retirement typology, which finding is consistent with our increasing experience of this area of review generally, largely due to the varying characteristics detailed above, and which can be significant for emerging policy and CIL charging scope unless very high sales values are available to support such scenarios. This is particularly relevant where (as often) extra care development falls between fully care-led provision

(C2) and market led housing for older people (C3). Inevitably, this is a difficult boundary to navigate and therefore potentially warrants careful description within a CIL charging schedule if any differential CIL treatment is to be pursued.

Sensitivity Testing – Enhanced accessibility - 'Access to and use of Buildings'

3.3.20 Although the Council's emerging plan policies do not set out specific requirements for enhanced accessibility standards at this stage, as described at 2.13.1 above, we have conducted some sample sensitivity testing assuming 97% M4(2) and 3% M4(3) on 3 of the tested scheme typologies (15 Houses, 50 Flats (6+ Storey) and 50 Mixed (houses and flats)). This enables us to consider how sensitive scheme viability is to the potential application of these enhanced standards and whether their inclusion within emerging policy is considered likely to be viable alongside other policy costs and/or what associated trade-offs might be needed to ensure that viability does not become over-stretched with these in place. Inevitably an assumption needs to be made as to the policy level or combination of M4(2) and/or M4(3) provision to be tested. At this stage this has been viewed at likely maximum levels, as a guide to likely worst case viability impacts, although alternatively consideration could be given to a lower proportion of homes being assumed to meet the optional standards (also subject to evidence of need, as well as viability). Some alignment with the affordable housing element of schemes, or a similar proportion, could perhaps be considered on more of a target basis – for example. This might also link with any additional funding availability to support higher costs, especially for any small element of M4(3) provision perhaps. In looking at this information and considering comparisons, however, it should be kept in mind that the additional cost associated with M4(3) provision is approximately 10x that of meeting the significantly lower requirements associated with M4(2). Therefore, indicatively, the cost of seeking 1% dwellings to M4(3) is considered to be broadly the same as that of 10% to M4(2).

3.3.21 Overall, the results of the sensitivity testing as set out in Tables 1m to 1o of Appendix IIa show, reduced viability scope compared to the base set of tests, as expected. Looking at the 15 Houses and 50 Mixed typologies with the tested cost added (based on assuming 97% M4(2) and the remaining 3% dwellings to M4(3)), we can see that for example the upper greenfield BLV of £500,000/ha is only met and exceeded once values reach £3,250/sq. m. (VL6) when also including 30% AH combined a CIL cost of approximately £50-£100/sq. m. Similarly, a PDL BLV of £850,000/ha is only met and exceeded with 20% AH at VL6 when combined with up to £50/sq. m CIL.

3.3.22 In summary, enhanced accessibility requirements as tested (i.e. at 97% M4(2) and 3% M4(3)) have a notable impact on scheme viability, indicating that the AH proportion sought will in practice need to be considered alongside this and other factors rather than set to a fuller extent if these requirements are also priority. It appears that there is not always sufficient scope to support both to what would probably be considered desirable extents – i.e. 30%+ AH across a range based on current policy expectations, together with extensive optional accessibility standards. However, we understand the Council does not currently have evidence of need in place to support the above enhanced accessibility requirements and perhaps unless a specific need level is identified and a lower requirement level could be settled upon, a possibility could be to consider a flexible policy approach - so to "encourage" this provision (where viable or similar) as opposed to placing a fixed policy requirement to meet these enhanced standards, and especially on a high proportion of dwellings. Ultimately, the Council will need to consider the relative policy priorities and the potential selections and trade-offs that could best represent those in Lichfield District, including looking perhaps at how enhanced accessibility need and standards and fit within that overall picture.

Affordable Housing Thresholds and Proportions (%s)

3.3.23 Over the emerging plan period, we understand residential development sites are planned to come forward on a relatively balanced mix of greenfield land and PDL, focusing on Lichfield City including Streethay and surrounding key larger settlement hubs e.g. Burntwood as main proposed locations for delivery. This is important context in order to consider the relative weight associated with different types of sites in the results analysis.

3.3.24 Overall, a key theme from our results is the negative influence on viability likely to be found typically when considering PDL sites compared with greenfield development; the effect of reducing overall viability scope, particularly for the flatted development typologies when AH provision is factored in. In our view, this needs to weigh into the Council's settling of policy positions, reviewed further in the context of the importance to and nature of the overall sites supply; the regularity of these types of development coming forward in the LDC context in support of the planned growth. The relevance of new flatted developments will be important to consider as part of this mix, in regard to the focus on the Lichfield City area for example.

3.3.25 At this stage, following review of the planned site supply and bespoke assumptions and characteristics of development potentially coming forward in a city centre context, we do not consider that a differential approach to AH is necessary by reference to locality (geographically based policies for example) and suggest that putting in place more policy differentiation than necessary would probably not aid the overall clarity of and expectations to be set; clarity being a key ingredient for the development industry, including landowners and others.

3.3.26 With this context in mind, in our view the Council could consider a **district-wide 20% AH headline on PDL and a 35% AH headline on greenfield site types** above the national minimum threshold i.e. on sites of 10+ dwellings. As above, at the higher AH% this potential differential assumes developments on GF that are of non-strategic scale in terms of their characteristics and therefore their typical overall development costs (generally up to around 400 – 500 dwellings, but only as a guide). The strategic sites, and particularly those of a larger scale, need more specific consideration – as reviewed additionally within this assessment and see the further commentary below.

3.3.27 This approach seeks to optimise AH delivery on those sites presenting the likely strongest viability prospects as supported through our appraisal modelling, whilst also acknowledging the potentially more challenging viability position presented on PDL in some circumstances, particularly for the development of flats at values that are likely to be regularly achievable locally. As above, it will be important for the Council to consider the overall relevance of these site types over the emerging plan period with a view to ultimately balancing as far as possible between a challenging and positive expectation reflected the need and a regularly achievable level of AH provision i.e. with potential viability challenge at decision making stage reduced as far as possible. On the smallest sites especially, it will be found that factors such as the dwelling types and mix, numbers rounding and so forth can influence matters as much as the tested/stated AH headline. For example, at 10 dwellings, being the smallest scheme to include AH provision, a 35% AH test means the same assumed AH content as at 40% in terms of whole dwelling numbers (3.5 rounded to 4 in that example). It follows that in implementing some of the detail of this, depending on final policy positions the Council could be looking at aspects such as payments-in-lieu for part units or another practical approach to considering the effects of the application of the straight AH%, as appropriate. However, such details are probably more for guidance outside rather than within the strategic nature of the Local Plan considerations and context.

3.3.28 Although inevitably no particular policy position can be guaranteed to be deliverable all the time, even when reduced to reflect likely viability, we consider this potential approach may represent a suitable balance. We also note the potential opportunity to consider adaptable/flexible policy application relating to AH tenure (so not just its quantum) which has to this stage been tested with an even split of social and affordable rent as a fixed input based on the needs and emerging policy direction. Clearly if that split were to 'flex' as needed depending on individual circumstances, scheme viability could improve as a result of a greater proportion of Affordable Rent over Social Rent and/or increased proportions of Shared Ownership products. We consider this flexible approach to policy application would provide the Council with the greatest opportunity for provision of AH whilst continuing to reflect varying viability by scheme, typically.

3.3.29 We understand that based on the existing policy set and CIL the Council is currently successful on the whole, with a rate of about 35% AH across the district against the existing 40% AH policy target. As above, the potential differential approach indicated for the Council's consideration could both respect the greater viability pressure that is likely to be seen on PDL schemes (hence suggested consideration of a 20% AH policy headline for those) whilst looking to balance that and optimise the provision of affordable homes on most GF developments (based on say 35% AH).

3.3.30 Looking at the delivery to be progressed, the strategic sites are discussed separately at 3.4 below, where the policy themes discussed in these sections will be considered again – particularly of affordable housing.

CIL Charging Rates

3.3.31 In our view, it will be possible and appropriate to look at any necessary or suggested fine-tuning of the residential CIL rates that may be included within a reviewed charging schedule once the LP policy positions have been further settled – within or around the parameters set out here at this stage of review. This reflects both the circularity that is to some involved in considering both policies and CIL, before the plan basis is fully settled, and the need to strike an appropriate balance between the desirability of funding infrastructure to support the plan and the potential viability of development including the emerging policy set.

3.3.32 For ease of reference, the current CIL charging schedule (implemented June 2016) set differential rates for 4 no. zones:

- Strategic Development Locations (SDLs) and Broad Development Locations (BDLs) - £14/sq. m adopted > £17.31/sq. m (indexed 2020)
- Lower value zone - £25/sq. m adopted > £30.92/sq. m (indexed 2020)
- Higher value zone - £55/sq. m adopted > £68.04/sq. m (indexed 2020)
- All other development including residential apartments - £0/sq. m. (nil rated – remains the case after indexing 2020)

3.3.33 Overall, we consider there to be appropriate justification and likely scope at this stage to revise the current approach to CIL – charging rates as apply to residential developments.

3.3.34 The strength of the appraisal results **beneath the AH threshold** (i.e. 1-9 units), indicates broadly positive viability at the key VL range of £2,500 to £3,250/sq. m. (representative of most plan relevant new build property, overall, across the district) on both PDL and greenfield site types. On this basis we consider there is potential for **a differential (higher) CIL rate to be supportable on sites providing fewer than 10 new dwellings, with the scope potentially up to £100/sq. m.** after allowing for buffering.

3.3.35 Although the development costs may be higher on a unit basis, without AH, the overall strength of results increases, and viability comes under less pressure. On this basis, in our view the level of CIL could respond to this relative viability improvement compared to that which would be applicable above the AH policy threshold.

3.3.36 With this context in mind alongside the wider commentary above, **we consider that suitable parameters for CIL rate(s) for sites above the proposed LDC AH threshold supportable district-wide, to be approximately £50 to £75/sq. m,** again after allowing for buffering.

3.3.37 The Council's existing charging schedule provides a differential 'nil' rate applied to flatted development district wide. Although the application of CIL at rates within the above noted parameters would not in our view be significant enough to tip a viable scheme clearly into non-viability, as noted above, the continued suitability of this approach will depend largely on the relevance of this type of development to the emerging supply picture. Again, subject to settling the AH and policy expectations, this could be considered further, but in our view considering a differential charging approach (reduced or low/nil CIL) could well remain appropriate for apartments schemes at this time.

3.3.38 Our findings in relation to CIL and strategic sites and likely CIL scope are discussed in the section below at 3.4.

3.3.39 When setting or revising a CIL, it is important to keep in mind that some schemes may be unviable regardless of the level of AH, CIL or other policy requirements. The viability of these types of sites is unlikely to be solely caused by these factors but more closely associated with market conditions, site selection, scheme design and specification requirements.

3.3.40 Although theoretically, a CIL charge higher than the rates described above could be considered viable in some circumstances (i.e. usually only in the case of smaller, straightforward greenfield site types), it is likely that too much reliance may be placed on sales values more towards the upper end of our typical range to support this, with potential short-term market uncertainties at least then also a factor to bear in mind. As with all aspects of viability testing, it is important for viability not to be pushed to the margins and therefore for the fixed top-slicing effect of a CIL not to add unduly to the risk of developments being able to come forward viably.

Other emerging policies

3.3.41 As discussed in Section 2.13, a number of the Council's emerging policies have either a direct or indirect impact on viability. Key to this study process is considering those emerging policy positions with a direct cost impact – i.e. those that are appropriate to monetise within the appraisal modelling. The above recommendations on parameters to consider for AH policies, other matters and CIL reflect the following policy positions:

- **Space Standards**
  Appropriate dwelling sizes allowed for meeting the Nationally Described Space Standard (NDSS), considered to be viable assuming that early stage planning and feasibility work suitably reflects the criteria.

- **Open space requirements** *(Policy OSR2)*

In considering land value (land cost) the assumed site areas make allowances beyond the density based net developable area assumptions.

- **Enhanced accessibility**
  As considered above, the Council wished to explore the opportunity to viably support enhanced policy requirements relating to accessibility in new homes. Following the results analysis and commentary at 3.3.20 – 3.3.22 above, in our opinion, the Council could consider applying these additional optional standards (or similar) at a modest level and/or as an aspirational policy (subject to suitability and viability as opposed to a by way of a fixed policy requirement that could become too onerous to be achieved regularly or involved other potential compromises. Overall, an encouragement and adaptable approach could be applied with potential practical issues encountered for some schemes and in any event the requirement to have in place evidence of the relevant needs is noted.

- **Water usage efficiency** *(Emerging Policy OSC1/OSC5)*
  The base appraisal assumption of consumption not exceeding 110 litres per person per day is considered to be viable on the range of typologies and sites tested as part of this study.

- **Sustainability** *(Emerging Policies OSS1/OSC1/OSC2/OSC4)*
  An additional contingency allowance for sustainable design/construction has been adopted at - 2% over BCIS base build costs, which we consider also includes scope for an allowance relating to the requirement for biodiversity off-setting as described in emerging policies ONR2/ONR4. We consider this approach to be viable. If the Council decides to pursue a further enhanced requirement for sustainability (e.g. moving more significantly towards zero carbon), there would be a corresponding notable impact on viability as currently viewed, with the effects seen most on PDL sites, consistent with other influences and findings here, which would result in an adjustment to our above recommendations – viable parameters for considering other policies and CIL.

- **Cannock Chase SPA and River Mease SAC** *(Emerging Policy ONR3)*

Associated costs have been tested also taking into account the location and distribution of the planned site supply following discussion with the Council. We consider this approach to be viable as part of the above parameters too.

- **Custom & Self-build**
  We consider there to be no significant implication for overall viability but, as a proportion of a development, this is likely to be a more deliverable element as a small proportion of larger developments as our experience of policy development to date in this area suggests that any issues are more likely to be associated with the practicalities of operating this than necessarily directly related to viability.

3.3.42 As noted above, with these emerging policy requirements assumed fully "switched-on", our findings in relation to viable parameters for AH and CIL present an overall positive picture with the plan proposals having reasonable prospects of being delivered viably on the whole; there is the capacity to see that the viability potential is not unduly impacted by what is considered a suitable approach that is under consideration overall.

3.4. Strategic Sites context

3.4.1. As discussed at 2.15 above, the emerging plan identifies 4 no. strategic site allocations which have been more specifically tested based on currently available information, although acknowledged as still at a high-level as is typical and appropriate at this plan making stage in order to inform the further development of the emerging plan and support it moving forward. Specific assumptions were made for each site (again see the detail at 2.15 and as part of Appendix I) based on information available at the time of carrying out the assessment through discussions with the Council. It should be noted that this information (leading to assumption setting) evolved over the assessment process and it may be that some updating or refinement becomes appropriate subsequently as the Council progresses towards the Local Plan submission and examination stages.

3.4.2. The appraisals have been run on essentially a "what-if" scenario testing basis, using land cost assumptions (BLVs) at both £100,000/ha and £250,000/ha, with the latter used for the principal reviewing of the results and likely viability prospects. However, this also reflects the fact that, as with the other benchmarks/viability tests, at any particular selected level used for gauging the results they do not represent an absolute cut-off or indeed a guarantee of viability. The results as set out in the Appendix IIb tables show the surplus/deficit outcomes on a £ total and then a £ per dwelling and basis, with additional sensitivity testing to indicate from the central base point in each grid the potential influence on viability of varying sales values and/or construction costs (viewed via 2.5% steps – both increasing and decreasing in). The base result in each table is specifically highlighted – shown with a bolder boxed outline as 'BASE' where a 0% adjustment is made to the base VL level and construction costs assumptions. The "what-ifs" have been run at a range of AH proportions from 20% to 40% with CIL at the adopted rate for the SDAs and BDLs. Testing is included both at nil CIL (£0/sq. m) and the current indexed rate that is applicable now (£17.31/sq. m). As above, all other known emerging policy requirements have been included as assumed fixed costs (inputs) as part of the appraisal modelling process.

3.4.3. These assumed costs levels are as set out specifically – see sheet 3 of the residential appraisal assumptions overview within Appendix I – although at the time of writing we understand the IDP information is evolving – remains under review (which is typical in our experience at this stage).

3.4.4. The appraisal results of the strategic site allocations will be reviewed and discussed individually by site in the following section, which should also be viewed in combination with Appendix IIb – above described results tables.

Strategic Site Allocations results discussion (Appendix IIb)

3.4.5. As above, Appendix IIb sets out an overview of the results of the viability testing (followed by corresponding appraisal summaries) relating to the above sites proposed to be included within the emerging Local Plan. The tables show the results as tested both with a nil CIL (£0/sq. m) and the currently applied rate (2020 indexed rate at £17.31/sq. m). The specific sites considered range in size from an indicative 75 to 3,300 dwellings with each located in the north/north-east of the district and are all on greenfield sites.

3.4.6. At this stage it is not unusual for there to be a range of unknowns and it is not possible to say exactly what level and detailed combination of planning requirements and obligation packages will ultimately be supported at these sites. Where possible, we have used current stage cost estimates as listed within the Council's developing IDP information alongside other information reviewed and through discussions with the Council. In addition, at this stage, it is not known how (procurement route) or when (timing) the majority of key infrastructure items (planning obligations, e.g. relating to education provision, community uses etc.) will be delivered. As appropriate, assumptions have been made based on our general experience where no detail has been available to inform the review at this stage.

Land NE of Lichfield – c. 3,300 units *(Greenfield Site) Tables 2a - 2b*

3.4.7. This strategic allocation is made up of 3 no. sites with the majority of new homes to be delivered on the main allocation site; indicatively as follows:

- Land north east of Lichfield (SHLAA ID: 32) – 2780 dwellings
- Land north of Roman Heights (SHLAA ID: 293) – 200 dwellings
- Land north east of Roman Heights (SHLAA ID: 310) – 506 dwellings

3.4.8. In addition, we understand the proposed allocation adjoins another scheme already with planning approval for 750 dwellings. This may have an impact on the testing of the above strategic allocation, as once further information is made available through development of the Council's IDP, the level of infrastructure requirements may change with some having already been provided through this adjoining site i.e. the cost of required infrastructure provision may decrease compared with currently available estimates.

3.4.9. The above results indicate that at this stage of review for plan making, an AH provision level closer to 20% than 30% is more likely to be supportable in viability terms with the assumptions set currently made, including the level of infrastructure requirements identified as an estimate and assumed within the appraisal. However, with more detail known in relation to the level of s106 requirements and any other costs to be clarified in due course, an AH provision level closer to 30% should not be ruled out and may be viable. The current adopted level of CIL as indexed (at £17.31/sq. m has a relatively low level of viability impact on the overall picture, when compared to other key policies/positions, although as currently appraised this is a sum that is reflected in those outcomes and should be regarded as part of the overall s106/infrastructure cost assumption at this stage. The results layout enables comparison with the nil-CIL set, with the CIL level assumption shown in each sub-table.

Land west of Fazeley – 800 units *(Greenfield Site) Tables 2c - 2d*

3.4.10. These results indicate an AH level of up to around 20% appears supportable in viability terms on the currently appraised basis (with the low CIL charged). Similarly, it appears that higher achievable sales values and/or reduced costs would be needed to viably support a greater proportion of AH with certainty. At this stage it should also be noted that the estimated infrastructure requirements on this site include a primary school and financial contributions towards secondary schools provision, so reflecting significant costs there. Clearly if those requirements were reduced in scope once more detailed information is available, for example, it appears that an AH level closer to 30% could become supportable in terms of viability scope.

Land at Huddlesford Lane – 75 units *(Greenfield Site) Tables 2e - 2f*

3.4.11. This site is the smallest of the 4 no. strategic site allocations tested and is a much more straightforward site essentially not sharing typical strategic site characteristics as far as we can see - more akin to the typology tests as there are limited other requirements currently estimated by LDC as applicable on the site (for example with off-site financial contribution only towards education provision). Again, the level of infrastructure and s106 requirements overall may change as more details become available, including on the latest requirements set out in the Council's IDP which we understand is in the process of being updated as part of the wider Plan evidence base, again as is typical in our experience.

3.4.12. Overall, the appraisal results for this site indicate positive viability scope across all AH proportions (%s) and BLVs tested.

3.4.13. Although this demonstrates that theoretically this site could come forward viably with an increased AH proportion of up to say 40% and also support CIL charging (including at a level above the current indexed rate), it will remain important to keep in mind the wider planning objectives and requirements and proportional demands on sites. These findings are considered consistent with those relating to generally smaller, sub-strategic scale developments on GF land.

Land off Hay End Lane, Fradley – 500 units *(Greenfield site) Tables 2g - 2h*

3.4.14. The overall tone of results and potential viability prospects for this site as currently viewed are broadly comparable to the two other larger sites discussed above, owing to the similar assumed scale of on-site and off-site education requirements.

3.4.15. At 20% AH and using other current assumptions, the results present at best a marginally negative outcome (in deficit) when assuming a land cost at £250,000/ha BLV (considered the key test at this stage). As expected, the outcome is a greater deficit when viewed with the existing indexed CIL assumption than when tested with nil CIL. However, it can also be seen that a small upward movement from the base value (VL) assumption puts this indication into marginally positive viability, so this appears around the "cusp" of viability with this combination of assumptions producing a marginal deficit of -£93 per dwelling i.e. indicating a broadly deliverable outcome on the currently assumed basis.

Strategic Sites - Generally

3.4.16. Looking at these sites generally, on this basis, an AH baseline of 20%+ appears supportable as a prospect in viability terms in the context of likely delivery through varying market cycles and particularly with other factors considered as needed, such as on the potential to review AH tenure mixes. In viability terms, AH being achievable at more than 20% should not be ruled out, subject to wider objectives and the criteria for framing policy that is both considered to have reasonable prospects of viability and deliver towards meeting AH needs as far as possible.

3.4.17. At this stage, in our view the results are pointing towards a nil-CIL or continued very low (effectively nominal) charging rate applicable only to the larger strategic sites under review, given the likely scale of on-site community infrastructure provision and a probable priority to balance as far as possible with contributing towards meeting affordable housing needs.

3.4.18. The results for each of the 4 no. strategic site allocations, particularly those sites planned to deliver a larger quantity of units, illustrate just the high level of sensitivity of the appraisal results to minor looking changes to the assumed values and costs, which can be seen to significantly improve or reduce viability scope. This emphasises the need for the overall requirements and/or their rigidness not to be reliant on the margins of viability.

3.4.19. It is clear from the above results that the impact of the current estimated on-site and off-site s106 contributions will have a significant impact on viability, as is to be expected. Given the high-level nature of this type of site-specific appraisal testing, there are a range of uncertainties/unknowns around likely cost requirements and obligation packages for each strategic site allocation alongside the associated timing of these elements coming forward**.** With this in mind, at this stage with the current information, AH provision in the range of 20-30% appears supportable on viability, with the scope for CIL having been considered further given that even a low level CIL is seen to contribute to what essentially becomes a trade-off with other aspirations or requirements within the overall balance. **This points to a potential baseline of 20% AH (not lower) but we suggest with an aim to deliver more if this is workable and considered supportable in a wider policy sense as well as in viability terms on further review,** although in any event unlikely to exceed 30% on the larger strategic sites in our view based on available information at this stage). As the Council's further Local Plan development work progresses and/or moving beyond that towards the delivery stages, any additional information that becomes available subsequently on the detail of likely infrastructure requirements for specific sites may inform some refinement of this.

3.4.20. In addition, it is considered worth reflecting further on the wider discussion above, whereby the role of potential AH tenure variation may be amongst the other factors to weigh-up – as well as its quantum (overall %). This indicates in our view the scope that there could be to more positively support and pursue a higher overall AH proportion (i.e. towards or at 30% AH more securely) on such sites were the AH tenure content considered differently, compared with the lower outcomes seen from the currently assumed emerging approach to the AH tenure basis (overall baseline closer to 20% AH). Wider potential revisions to the understanding of an affordable housing tenure mix may also prove relevant here – for example in relation to the noted Government consultation scope, including on the 'First Homes' proposals. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the existing 'affordable home ownership' route in the form of shared ownership. The early indications are that while viability may not improve as a result of First Homes, it appears unlikely to be significantly negatively affected by that proposed new AH tenure model.

3.4.21. Allied to this, the NPPF recognises that there could be sound reasons for site specific viability evidence to be brought forward at the delivery stage of a site as part of ultimately refining and settling development details and the exact degree of support that can be maintained for planning obligations to secure the necessary infrastructure.

3.5. Commercial results context (Appendix IIc)

3.5.1. As noted in Section 2, we have undertaken a typical range of commercial/non-residential typology-based testing, applying the same methodology and residual valuation principles as per the residential element of the study. The results are set out in Appendix IIc and although the mode of the results display remains the same as within Appendix IIa, the display of appraisal outcomes differs as follows:

- Range of scenario tests are set out by development use type – retail, offices industrial, hotel, and residential institution (care home) and purpose-built student accommodation
- Tested at 3 trial rental value levels (L – lower, M – mid/medium and H – higher) informed by our research process (discussed at 2.7.3 - 2.7.4, and see Figure 10 together with Appendices I and III)
- Tested across a range of investment yields from 5% to 7% - with the results seen to deteriorate with increasing yield % assumption, indicating a less secure, higher risk income stream which is reflected in a lower capitalisation rate (100/assumed yield %)
- Trial CIL rates tested using the same principles as per the residential typologies, in this case from £0/sq. m. to £200/sq. m using £25/sq. m increments
- The absolute (£) RLV results are seen in the upper table sections, with the green shaded sections showing the RLV £/per hectare equivalent outcomes in the lower tables providing an illustration of the viability outcomes and trends, with the results "filtered" against the above noted BLVs or 'viability tests' range (as per the table footnotes).
- As noted, CIL charging does not need to be set by reference to development Use Class. All references to this reflect the position at the point of undertaking the work, noting that at the point of this final report issue, the designations have been altered as part of recent planning system changes. These do not affect the viability findings.

3.5.2. For ease of reference, the current adopted CIL charging schedule includes CIL set on implementation for retail uses only at £160/sq. m. (supermarket), £70/sq. m. (retail warehouse), £20/sq. m. (convenience retail). After indexing the rates have increased (effective January 2020 for this calendar year) to £189.03/sq. m. (supermarket), £82.70/sq. m. (retail warehouse), £23.63/sq. m. (convenience retail). All other non-residential uses are currently nil rated (charged at £0/sq. m). The impact of these charging rates can be viewed between points on the scale of trial tests.

3.5.3. Initially through Brexit and politically induced uncertainty, with that remaining, the property market (and more so as affects commercial property investment and development prospects) is now subject to considerably increased negative sentiment and risk owing the Coronavirus (COVID-19) pandemic. Whilst a balanced view is needed and it is not appropriate to project as such, in our view this current and foreseeable future backdrop will need to be considered as Councils look to strike an appropriate balance, particularly in respect of CIL charging and bearing in mind that charging schedules may be revisited relatively regularly, now through a lighter-tough approach.

3.5.4. Following the information review at the early project phases together with discussions with the Council, we understand the emerging Plan proposes the following strategy for commercial/non-residential development:

- **Employment uses** – the emerging Plan identifies provision of approximately 61 hectares of land for employment use or approximately 273,500sq. m. of floorspace (B1, B2 and B8 uses), to be focused around the existing urban and employment areas with limited options for further employment growth in other locations.
- **Retail uses** – development proposals encouraged in line with the centre hierarchy e.g. Lichfield city, Burntwood town centre and other local centres.
- **Hotel uses** – according to the Staffordshire Accommodation Strategy (2019), we understand that a range of potential accommodation uses is needed in the County as a whole, including new budget hotels in the County's towns and cities.
- **Purpose built student housing**- although the emerging Plan at this stage makes no specific reference to student accommodation, given Staffordshire University has a campus based in Lichfield we consider it is a typology warranting testing and the inclusion of information within this assessment – enabling further consideration of this by LDC.

3.5.5. In addition to the above, there are some key points/themes to keep in mind when reviewing and interpreting the commercial results as set out below:

- Relevant policy impacts on the viability of commercial/non-residential developments are likely to be limited in scope based on the emerging plan development to date. The level of policy rooted influence on viability directly is considered to be low. This looks like remaining to be the case, and this is typical in our experience.
- As with residential development, the strength of the market and therefore the strength of relationship between development values and costs is the most significant factor alongside reviewing these results against appropriate, corresponding BLVs – as discussed in section 2, above.
- Broadly, we consider the main results set indicates very mixed prospects for the viability of development, should there be demand to drive its progression. This does not necessarily mean that development will not be delivered through flexibility in actual development appraisal inputs and negotiations – factors that we cannot assume in prudently assessing viability in this strategic context – informing plan making and CIL rate(s) setting.

3.5.6. Allied to the above, the Council could also consider the following types of areas and initiatives in relation to more general Local Plan delivery considerations on commercial/employment and non-residential development uses, which are particularly relevant to those sites with marginal/mixed viability prospects:

- **Market cycles** – Plan delivery is usually about long term growth as well as short term promotion and management of growth opportunities contributing to the wider delivery picture;

- **Work with the market** – be responsive to changes in demand in the market as suitable opportunities are identified;

- **Regenerate/improve** and protect key existing employment areas;

- **Provide land where assessed to be most needed** – consider/explore all options including PDL;

- **Choice of sites and opportunities** – working with the development industry to facilitate appropriate development and employment/economic improvement generating activity when the timing and market conditions are right;

- **Consideration of how location is likely to influence market attractiveness** and therefore values available to support development viability. Alignment of growth planning with existing transport links and infrastructure, together with planned improvements. Consideration of high value locations for particular development use types;

- **Specific sites/locations and opportunities** – for example in relation to Plan proposals and what each are most suitable for. Focus on the most accessible, best, and most valuable locations for particular uses;

- **Mixed-use development** – potential for cross-subsidy for example from residential/retail to help support the viability of employment (business) or other development – balance the element in deficit or with reduced viability;

- **Scenarios for particular/specialist uses** – e.g. the local knowledge-based employment economy; or that may be non-viable as developments but are business-plan/economic activity led;

- **Explore any local specialisms or particular industries/sectors** from which economic advantage and stimulation of other activities can be made;

- As with residential, **consideration of the planning obligations packages** including timings (triggers) as well as the extent of obligations;

- A likely acceptance that **business development overall is unlikely to be a significant regular contributor** to general community infrastructure provision in the short-term at least;

- **Seek other investment and consider incentive schemes**.

Commercial results discussion (Appendix IIc)

3.5.7. As noted earlier, alongside the corresponding BLV and value level, the yield rate is also important in reviewing the viability of these commercial results. Across all commercial typologies tested, these are highly sensitive to an increasing yield, particularly at the lower rental values.

3.5.8. On this basis and when reviewing results, we have also had regard to the latest available guide on commercial property yields[18] together with analysis provided as part of our own extensive research utilising commercial property resource, CoStar – see Appendix III for more detail. Following this information review, we consider the following current yield levels are relevant to consider on reviewing the currently presented results and findings, as considered through our range of typology tests:

- **Retail** (supermarket/foodstore, retail warehousing, comparison town centre and convenience stores) – typically ranging from c. 4.25% to 10% + overall. Market sentiment noted to be 'negative' overall (and including for other allied uses such as car show rooms and department stores), except for 'Foodstores' where it is 'Stable' to 'Positive'.
- **Offices** (larger and smaller) – typically ranging from 6% to 10% + overall. Market sentiment noted to be 'negative'.
- **Industrial Warehousing** (larger and smaller) – typically ranging from 5% to 10%. Market sentiment noted be 'stable' only for prime distribution, South East and other good modern estates; 'negative' otherwise.
- **Hotels** (budget, edge of centre) – typically ranging from 5% to 6%, sometimes lower assuming a prime location. Market sentiment noted to be 'negative'.
- **Residential Institution** (nursing home) –4% to 6%. Market sentiment noted to be stable.
- **Student Accommodation** – typically 4% to 6%. Market sentiment noted to be stable.
- **Other uses** (e.g. community halls, cafes, etc.) – typically 10% +.

3.5.9. With this review context in mind, overall, it is clear retail uses present the most viable set of results as shown in Appendix IIb. In particular, the strongest results are for larger format retail development for **foodstore/supermarket** and **retail warehousing** uses with RLVs per ha broadly exceeding Viability Tests 4-6 when combined with a CIL of up to £150 - £200/sq. m. (after buffering), assuming an 'M' ('Medium') rental value. We have noted that currently the LDC charging schedule includes a lower rate for retail warehousing compared

[18] Knight Frank Investment Yield Guide (to August 2020) and Knight Frank Secondary Investment Yield Guide (July 2019)

to that applied to supermarket/foodstore developments. However at this stage our results show that should the charging schedule be reviewed, whilst a continued lower rate of CIL for retail warehousing relative to foodstores would be within the viability scope, the findings would also support an upwards review of that rate – i.e. whereby there could be no differentiation between the rates for these uses. In our view, as part of any review, in the same way and to potentially remove this differential, the existing foodstore rate could come down.

3.5.10. We note that the current approach to the CIL for **convenience and other smaller/local Stores** is a lower rate compared to the other retail uses above and our appraisal testing continues to support this approach. For example, assuming a 5.5% yield, we consider CIL around the current indexed rate of £25/sq. m. (buffered) is supportable in viability terms.

3.5.11. It is important to note that although the current pressure on the retail trading environment could begin to ease, there is very considerable ongoing market uncertainty currently to bear in mind, however. The consideration of a wider range of rents and higher, less positive yield assumptions becomes more relevant with this context in view. On this basis, we consider that a continued differential treatment – a lower rate (or nil/nominal rate) should be considered for retail use development other than that of the types noted at 3.5.9 above.

3.5.12. Overall, in considering the different forms of retail development above, there are options for the Council to consider a charging approach that differentiates between retail types. For example, large format retail (e.g. foodstores, retail warehousing) could be charged at the suggested rates above, whereas the rates applicable to smaller shops (including any new town centre shopping), could be set on the basis of a significant (lower) differential approach. An alternative could be a low single “all retail” charging rate applicable to any schemes deemed viable enough to be progressed, although in our view this approach would be less likely to reflect the probable highly variable nature of any new proposals – it would not be as responsive to various circumstances and might not be as representative of a suitable balance between the viability prospects and desirability of funding infrastructure.

3.5.13. However, in practice, the Council may consider it more likely that adjustments will be made to existing shop units or conversions be formed from other uses in order to provide the smaller shops offer, and therefore consideration may also be given to the extent to which CIL liability on this type of development may occur over the emerging plan period.

3.5.14. If a differential approach is pursued for retail development on this basis, it will be important for the Council to clearly set out how the differentiation is set up and described as part of any charging schedule. Further information on this is included below. Any differential approach needs to be based on viability evidence as included within this report and accompanying appendices.

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

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

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

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

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

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

3.5.21. With this approach, a threshold could be used to clarify the nature of the development use to which a differential CIL rate could be linked. We consider that creating this link with the size of sales floorspace associated with the Sunday Trading provisions (3000sq. ft./ approximately 280sq. m.) may provide the most appropriate threshold as a secondary measure to the development use description.

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

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

3.5.24. In summary, our results indicate positive viability results warranting CIL charging for some retail development types, should any schemes come forward short term – foodstores/supermarket and retail warehousing types. Assuming relatively cautious rental and yield assumptions in each circumstance, these results are strong enough to support a positive level of CIL charging. The results indicate that the existing charging levels are within the scope of the overall findings, but we suggest also that consideration could be given to an equalised rate for these 2 larger format retail uses, at a single level between the existing differential rates. Smaller scale retail development uses (as will apply to any town centre comparison and convenience/local neighbourhood stores) indicate some potential viability scope in more limited circumstances (through a combination of higher rental values and yield assumptions). While the latter also suggests that the existing charging approach could be continued, in our view this aspect could also be adjusted more in favour of viability within the overall balance, if the charging schedule is to be reviewed.

3.5.25. The results for both **smaller town centre and larger out of town office uses** provide a similar tone of results, with the 'low' rental values indicating poor viability prospects regardless of the level of CIL, even when combined with very positive yield assumption at 5%. When 'medium' rental value assumptions are adopted, a similar picture is still seen. Viability scope improves when the most positive scenario is assumed: 'high' rental values combined with a 5% yield, although at this point this type of scenario is considered unlikely to be relevant in the Lichfield DC CIL charging area in the foreseeable future.

3.5.26. Given the reliance of this type of development on a combination of higher rental values and lower yield rates in order to support a meaningful CIL charge, we need to be conscious of not pushing results to the margins of viability. On this basis, we consider the office typologies tested indicate no clear CIL charging potential, aligning with the Council's current charging schedule approach.

3.5.27. The results for the two **industrial typologies** tested, also indicate, that there is no clear CIL charging scope that can be viably supported. On this basis, the Council's current approach of nil rating this type of development continues to be appropriate.

3.5.28. The budget **hotel** typology indicates likely challenging viability based on the range of test runs. On this basis, we consider there to be nil charging scope based on the viability evidence, again as per the Council's current approach.

3.5.29. Although the emerging Plan does not specifically plan for the provision of **purpose-built student accommodation,** given that South Staffordshire College has a Lichfield Campus (currently not providing any living accommodation we understand) we consider there to be potential for future provision of student accommodation and again therefore that this warranted including within the viability testing scope here.

3.5.30. Based on our own experience of reviewing such proposals for Local Authorities at planning application stage, we are aware that in areas of strong demand, this type of development offers very strong investment prospects – represented by low, positive yield assumptions (around 4-5%) that means a high capitalisation rate of the adopted rental assumptions (set out in Appendix I).

3.5.31. There are different forms of student housing, typically 'cluster' type accommodation and 'studio' based accommodation. The 'cluster' type provides traditional 'Halls of Residence' style accommodation with individual study bedrooms arranged around a communal kitchen/lounge area. 'Studio' type accommodation provides typical studio flats that could be expected to include their "own" kitchen as well as bathroom facilities.

3.5.32. Following an extensive information review of currently available student accommodation in and around the wider are, we consider the 'cluster' type accommodation would probably be more typically representative of any potential purpose-built student accommodation.

3.5.33. With this context in mind, the results indicate a range of clear positive viability scenarios and therefore a corresponding positive CIL rate is supportable at £100/sq. m. However, it will be important for the Council to keep in mind the potential (or otherwise) Plan relevance of this development type in terms of wider need and the driving demand.

3.5.34. Only the results relating to key commercial/non-residential development typologies (relevant to the emerging plan) are discussed in detail as above and contained in Appendix IIc. **Other minor development uses (e.g. cafes, community centres, garages etc.)** have also been considered at a high-level, based on the strength of the relationship between values and build costs. On this basis, we find it is not necessary to carry out full appraisal tests as we consider a simple comparison of the potential completed value against build cost assumptions from BCIS, indicates poor to marginal development viability. This is one of the key reasons why these forms of development are generally not seen in isolation but tend to be provided as part of mixed-use schemes that are financially driven by the residential and/or retail development for example.

3.5.35. Following the commercial results analysis above, we can see that once values fall to a certain level there is simply not enough development revenue to support the costs of development, even before CIL scope is explored. That is, adding CIL cost simply increases the nominal or negative numbers produced by the residual land value results – the RLVs and therefore viability prospects are reduced or moved further into negative territory.

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

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

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

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

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

3.5.41. On this basis, Figure 23 below provides examples of this high-level review only of the general relationship between values and costs - in a range of these other scenarios. This is not an exhaustive list by any means, but it enables us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support anything more than a nil or nominal CIL charge. Otherwise, the added viability burden could be likely to delay or frustrate schemes, mean other compromises, or add to funding requirements. The Council may also wish to consider the administrative aspects – CIL charging implementation. These points are not key to the viability assessment overall.

3.5.42. These types of value / cost relationships are not unique to LDC. Very similar information is applicable and findings are seen in a wide range of locations in our experience, although across the area the Council may be able to consider the likely relevance of certain types of development uses and therefore the potential need to ensure that any essential delivery is not unduly undermined. (See Figure 23 below).

Figure 23: other development uses – viability prospects (indicative cost/value relationship)

(DSP 2020 – continued on following page)

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications – BCIS**	Viability prospects and Notes
Cafés	£81 - £800	£810 - £8,000	Approx. £2,100 - £2,750	Clear lack of development viability
Community Centres	£17.50 - £105	£175 - £1,050	Approx. £1,570 - £2,350	Insufficient viability to clearly and reliably outweigh the costs
Day Nurseries (Nursery School /Creches)	£115 - £135	£1,150 - £1,360	Approx. £1,950 - £2,750	Clear lack of development viability
Garages and Premises	£20 - £55	£200 - £560	Approx. £550 - £1,190	Low grade industrial (B uses) - costs generally exceed values
Halls - Community Halls	£20 - £40	£200 - £410	Approx. £1,800 - £2,350	Clear lack of development viability – subsidy needed
Leisure Centre - Health and Fitness (Sports Centres/ recreational centres) generally	£105 - 145	£1,050 - £1,450	Approx. £1,500 - £2,000	Likely marginal development viability at best - probably need to be supported within a mixed-use scheme; or to occupy existing premises
Leisure Centre Other - Bowling / Cinema	No Available Data			Likely marginal development viability at best - probably need to be supported within a mixed-use scheme; or to occupy existing premises
Museums	No Available Data		Approx. £1,050 - £3,500	Likely clear lack of development viability – subsidy needed
Storage Depot and Premises	£38 - £40	£380 - £410	Approx. £550 - £1,400 (mixed storage types to purpose-built warehouses)	Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in support of regular viability.

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications – BCIS**	Viability prospects and Notes
Surgeries	£52 - £110	£520 - £1,110	Approx. £1,800 - £2,700 (Health Centres, clinics, group practice surgeries)	Insufficient viability to clearly and reliably outweigh the costs
Car Showroom	£50 - £120	£500 - £1,200	Approx. £1,060 - £1,350	Insufficient viability to clearly and reliably outweigh the costs
Restaurant	£80 - £800	£800 - £8,000	Approx. £1,800 - £2,750	Insufficient viability to clearly and reliably outweigh the costs
Vehicle Repair Centre	£20 - £95	£200 - £950	Approx. £1,200 - £1,400	Low grade industrial (B uses) - costs generally exceed values

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*£/sq. m rough guide prior to all cost allowance (based on assumed 10% yield for illustrative purposes - unless stated otherwise).
**Approximations excluding external works, fees, contingencies, sustainability additions etc.
***BCIS Latest available data average of Lichfield Location Factor

3.5.43. There are potentially a wide range of considerations here, as above, going beyond viability in the usual development sense. Our recommendation at this stage is indicatively there is insufficient viability scope to support a positive CIL charge i.e. we recommend nil (£0/sq. m.) or at most a nominal charging rate in respect of the range of other uses. We recommend that beyond those, specific charging rates are likely to be appropriate (residential, retail and student accommodation). As in all other respects, this could be reviewed in the future.

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

3.5.45. For LDC's wider information, there is some limited experience of a nominal CIL charging rate being applied to some or all of the range of 'other development uses' – i.e. those which do not clearly support a meaningful level of CIL charging based on the viability evidence. Looking to such an approach would be driven by the overall balance to be struck, i.e. relating to the desirability of funding infrastructure and not to the viability picture alone. Related to this, and while a range other matters such as any potential ‘state aid’ related unintended consequences would need to be considered if this applied only to some such development types, we have noted that there is some room for pragmatism in CIL setting. Again, the viability evidence need not be exactly mirrored – the prospective charging authority should be able to shoe how it has informed the selected approach.

4. Findings Summary

4.1. Overview

4.1.1. It is important to note that each scenario produces differing outcomes. Judgements and an overview are necessary. However, this is unavoidable and is appropriate for the purpose - noting the high-level nature of this study.

4.1.2. Following the results analysis and discussion in Section 3, we consider the strength of the results presented confirms that the overall strategy and range of policy requirements set out in the new Local Plan provides scope for development to come forward viably. This is the case in terms of development type and sites - for both site types (PDL/GF) - which we consider as overall having reasonable viability prospects, whilst also striking an appropriate balance between affordable housing needs alongside other planning policy costs (including a revised potential CIL) and objectives being achievable.

4.1.3. In our view, at a strategic “Whole Plan” level, looking appropriately at the range of proposed development scenarios - residential (including strategic sites) and commercial - and policy areas supporting the new Local Plan, these appear to be capable of meeting the requirements of the NPPF and also being consistent with the related PPG alongside good practice and other guidance as noted in this report.

4.1.4. This is provided that LDC implements the policy approach in a practical way where that is necessary and considers the accompanying CIL in a complimentary way to that. Landowners’ expectations being at realistic levels will also be vital. These will need to reflect the requirements set out and the constraints as well as the opportunities side associated with the value uplift that development usually creates. Any alternatives at reduced / lower targets for affordable housing, or other policy cost areas, could not guarantee that those positions would always be met in any event. Specific full policy performance cannot be certain to be always achieved at any given policy level. This viability evidence will need to continue to be considered in conjunction with the Councils’ wider evidence on housing needs and evolving site supply, the developing picture on infrastructure needs and planning, employment land and so on.

4.1.5. As we have commented above, it is not necessary for local authorities to exactly follow their viability evidence, rather they should be able to show how the information (along with other sources and drivers) has informed its overall approach. There is some room for Councils to take a pragmatic view as CIL charging authorities, as the national guidance recognises.

4.1.6. Overall, the results analysis also discusses the viability scope for a likely revised from current/suggested approach to the AH policies, alongside acknowledgement of the likely viability benefits of considering a potential variable or flexible approach to AH tenure. These findings and recommendations also support wider identified policy requirements relating to, for example, sustainability standards, SPA mitigation etc. alongside further consideration of a level of enhanced accessibility standards incorporated within policy through a flexible approach so as not to adversely impact wider priorities in the LDC context (e.g. as relate to the affordable housing needs).

4.1.7. We consider there also to be justification to revise the current approach to CIL in relation to the rates (for both residential and commercial) as well as the existing CIL zones (residential only). Having said this, our overview of these current CIL findings and the likely parameters for appropriate charging rates viewed alongside the emerging Local Plan policies may also be viewed as indicating that the currently charged CIL rates (as indexed) are also serving reasonably well. They could continue to do so, for the time being at least. This could well be relevant bearing in mind the noted current circumstances and also the likelihood that any amended CIL charging schedule may need to be reviewed again in the relatively short term in any event. We have noted the evolving and in various ways uncertain circumstances – with the uncertain economic backdrop (as regards Brexit and now COVID-19 related, as well as general market cycles), evolving national policy and the Local Plan policy under review. Final review of any CIL revision proposals may be appropriate once there is a settled LP policy set moving ahead. Such an approach may also offer an opportunity to consider further the latest available information, including as regards the external influences on a review of the LDC CIL.

4.1.8. Generally, from the wide-ranging results basis, we can see a common theme emerging relating to the overall strength of results when comparing greenfield and PDL site types – this has a direct impact on the BLV applied to the RLV results. As discussed above, the results indicate a clear trend of the strength of results declining when a PDL site type is assumed (representative of the upper range of BLV tests). This effect is most evident on flatted development typologies which are more sensitive to the compounding effects of BLV on top of varying VLs, AH and a varying amount of CIL. However, as above, LDC will need to consider the relevance of this type of development over the emerging plan period and therefore whether the existing differentiation warrants further review. Each scenario produces differing outcomes and as above, judgements and an overview are necessary as appropriate for the study purpose.

4.1.9. The results discussion in relation to the strategic site allocations echoes the above in terms of the likely need for an adaptable application of policy in connection with AH tenure and perhaps especially with reference to the most affordable homes i.e. social rented tenure in balance with less affordable home ownership (potentially shortly including 'First Homes' or similar as per current Government proposal consultations). We consider this approach could in some cases provide more scope to enable potentially a greater overall proportion of AH in the 20% - 30% range generally indicated above as supportable based on the currently assumed AH tenure mix. However, the indicated baseline at not less than 20% AH on those sites assumes that LDC needs to provide as much clarity of expectations in the Local Plan as possible. In the case of the strategic sites, however, the exact level and type of affordable homes and other scheme ingredients that are deliverable ultimately would also be dependent on more closely understanding the specific infrastructure requirements and wider planning obligations for each site (subject to a more settled view of those as more information becomes available in the normal way). Again, it is worth noting that at this stage the currently available information is not complete in that respect, and the results as presented are sensitive to relatively small positive or negative changes in sales values and/or wider development costs. These observations and the use of information as far as available at this point are not unusual in our experience. Indeed, the deliverable level of planning obligations may vary and could be or need to be reviewed during the lengthy overall timeframe of typical delivery on such sites.

4.1.10. Broadly, the viability impact of the currently adopted nominal CIL rate on these key strategic sites is relatively minimal and overall continues to remain supportable in viability terms when considered relative to the slightly better results that are seen through the nil CIL (£0/sq. m CIL) tests (see Appendix IIb). This may also play into finally settling the balance given the nature of the current results indications. Overall, setting a nil CIL rate or continuing with an effectively nominal CIL rate for these sites goes as far as possible in terms of respecting the likely viability prospects from the CIL angle. This is not sufficient in isolation to present a more positive viability scenario that supports an increased AH % though. Affordable housing represents a much greater scheme cost than CIL, but with all costs contributing to the cumulative effect on viability and the fixed nature of the CIL cost also being relevant to consider.

4.1.11. The commercial/non-residential results have been discussed in detail above. Overall, in our experience when tested for the purposes of viability in plan making and CIL review/setting, it is not unusual for these forms of development to generally show poor viability or at best mixed results, other than those representing certain forms of retail development – typically any foodstores and retail warehousing that may come forward, as is the case here. This is especially relevant to the employment related uses (offices, industrial, warehousing) tested as part of this study. Such outcomes do not necessarily mean that development will not be delivered through flexibility in development appraisal inputs and negotiations – factors that we cannot assume in prudently assessing viability for the study purpose. On the other hand, some development uses have been identified that would in our view support or continue to support CIL charging should they be progressed locally, having appraised purpose-built students housing as an additional potentially chargeable development use for example.

4.1.12. As additional rather than core/viability-based information, we have also noted a potential nominal rate approach for other uses (involving adding a low impact cost as a very small proportion of development value of cost, for example). All for potential consideration, informed and principally led-by but not necessarily only following viability directly. Any consideration towards applying nominal charging rates for development uses that do not support the viability of CIL directly through this evidence would need to be considered with striking the overall balance in mind – i.e. between the desirability of funding infrastructure and the potential impact on the viability of development.

4.1.13. The following sets out a quick summary overview of our main findings.

4.2. Residential – potential options summary

4.2.1. Drawing the above together, the key findings and recommendations for consideration by LDC are summarised below:

Figure 24 – Residential – Scope/Potential Options Summary

Residential Development	Policy / CIL Recommendation *Note: after buffering allowance*
Affordable Housing & Commentary *(policy scope - %)*	We suggest LDC consideration of a **baseline 20% AH for PDL developments and 35% as headline for greenfield (GF) land, applied - in both cases on sites of 10 or more dwellings** as per national policy. The application of this differential envisages the generally less costly non-strategic GF developments, noting that the proposed strategic developments principally provide more than approximately 500 dwellings. With viability more constrained and likely lower scope for AH indicated so far, those require different consideration - as discussed in this assessment and summarised below. This basis assumes as a starting point mixed AH tenure as indicated - an even 50/50 split between affordable and social rented alongside affordable home ownership (currently assumed as shared ownership or similar). **Specific site allocations** – Strategic Sites **With the AH tenure proportion assumed at the same 50/50 affordable rented/social rented, we suggest consideration of a baseline AH proportion of not less than 20% for the larger strategic sites reviewed.** Subject to the framing of policy, we have also noted that in viability terms this could be considered in a way that does not rule out potential greater provision if that is possible, and in which case most likely in the range 20 - 30% AH.
CIL (£/sq. m scope)	Potential to revise the existing zoned approach to a simpler district-wide one with a differential CIL rate above and below the AH threshold, as follows:

	Beneath AH threshold (<10 dwellings) – CIL supportable at up to £100/sq. m. **Above AH threshold (>10 dwellings)** – CIL supportable at up to £50 – 75/sq. m. **Retirement/Sheltered housing** – supportable based on the same residential rates parameters as above. **Extra Care Housing** – consideration of a nil or low level (nominal) rate likely to be required (as per that for care homes). **Additionally, in the meantime - on the CIL findings generally:** Potentially a view could be taken that for the short term the current CIL charging schedule rates are considered likely to continue to relate and function reasonably well, being largely within the available parameters on viability as reported here; and including when bearing in mind the likely emerging policies of the new Local Plan. **Specific Site Allocations** – Strategic Sites – A nil rate (£0/sq. m) or continued low (effectively nominal) level) is considered appropriate i.e. continued reflection of the currently applied rate. Possible alternative consideration regarding a smaller site such as that for c. 75 dwellings tested (e.g. Land at Huddlesford Lane) has also been noted - with that considered to share more characteristics with the general typology tests based on current information, and therefore likely not to necessarily warrant a nil-rate or nominal rate CIL treatment on this basis.
Other policies	Emerging policies discussed above are considered viable in combination with the above recommendations relating to AH and CIL.

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4.2.2. It is important to note that there will always be certain site-specific circumstances with inherent viability pressures regardless of the CIL or other LDC generated or influenced development costs through policy requirements. In these circumstances, site-specific viability will usually need to be reviewed.

4.3. Commercial/Non-Residential Summary

4.3.1. Following the above, in summary the following parameters and guides are also offered to LDC for consideration in regard to the CIL charging schedule – bearing in mind again the scope in our view to either maintain the adopted schedule short term or consider review incorporating the following potential elements:

Figure 25 – Commercial/non-residential – Scope/Potential Options Summary

Non-residential / commercial Development	**Recommended CIL Rate (£/sq. m)** *Note: after buffering allowance*
Foodstore/supermarket and retail warehousing – district-wide	Potential to revise current approach and rates - suggest alignment of foodstore/supermarket with retail warehousing – indicates CIL supportable at potentially beyond £100/sq. m but suggested not taken higher at this review stage (for both types). No differential considered necessary, should the schedule be reviewed.
Other forms of retail – district-wide *(e.g. smaller shops)*	Nil rate (£0/sq. m) or low-level (nominal) rate; or as an alternative include within a general significantly lower overall retail rate. *Note: if a differential approach is pursued, the Council will need to clearly set out how the differentiation is set up as part of the charging schedule – see further detail described above.*
Student Accommodation – district-wide	Indicates scope for charging at around the upper-end of the parameters discussed above across a range of development types – i.e. rate of up to c. £100/sq. m. *Note: The Council may wish to consider the potential (or otherwise) plan relevance of this development type in terms of wider need and demand – see Section 3.*

All other non-residential/commercial development uses *(e.g. range of other non-residential uses that may come forward - offices, industrial warehousing, hotels, care homes etc.)*	Nil rate (£0/sq. m). Alternatively, considering the scope for some pragmatism in departing from the viability evidence alone, potentially a nominal level CIL rate (but with suggested careful consideration of the applicability of such an approach within the overall balance).

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4.4. Additional Commentary (rounding up)

4.4.1 Based on the above discussion and subsequent recommendations relating to AH, CIL and key policy areas, we consider the Council's emerging Plan provides scope for residential development to come forward viably on the whole, striking an appropriate balance as required by the NPPG and PPG.

4.4.2 For commercial development, although some positive CIL rates can be viably supported (principally on large format retail and student housing), the overall picture presents poor or marginal to mixed viability scope, leading to the wider recommendations for consideration, and not unusually in our broad experience of these matters. On this basis, we consider the Plan does not have the effect of unduly adding development cost and, alongside suitably set CIL charging rates, we consider that the findings reflect the variable (including non) viability of many of these development types at present in the LDC context. We stress that this is not an unusual set or circumstances or finding in our wide experience of Local Plans (plan making stage) and CIL viability.

4.4.3 It is not necessary for local authorities to exactly follow their viability evidence, rather they should be able to say how the information (along with sources and drivers) has informed its overall approach. There is some room for prospective charging authorities to take a pragmatic view on CIL charging rates setting as part of striking their appropriate overall balance for the local circumstances, as the guidance notes.

4.4.4 DSP will be pleased to assist LDC further if required – for example with any queries and supplementary information, or updating that may be considered appropriate as the

Council's Local Plan development work progresses and the need or potential to revisit the local CIL basis is also kept under review.

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September 2020