
South Worcestershire Development Plan

Viability Study

Jointly commissioned by Malvern Hills, Worcester and Wychavon

Note: This report is an annex to the Worcestershire CIL Viability Study and should be read in conjunction with that report.

November 2012

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1. Introduction

Scope

- 1.1 The three South Worcestershire local authorities, Malvern Hills, Worcester and Wychavon Councils are working together towards producing The South Worcestershire Development Plan (SWDP). This has been several years in the making and nearing completion. The National Planning Policy Framework (NPPF) was published, and became effective, part way through this process¹.
- 1.2 The NPPF replaces the body of central government planning policies within which local authorities should work, including formalising the requirement for the Councils to ensure that Plan is deliverable and viable. The NPPF requires planning authorities to ‘... *assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk...*’². This brief paper brings together the various items of existing available evidence to inform the final stages of the plan making process.
- 1.3 In the spring of 2012, HDH Planning and Development was appointed by Worcestershire County Council to advise the three South Worcestershire Councils with Bromsgrove, Redditch and Wyre Forest Councils in connection with the introduction of Community Infrastructure Levy (CIL) – particularly in the context of viability testing as required by CIL Regulation 14. That work was based on a county wide viability study. HDH Planning and Development has now been asked to build on that CIL Viability Study in the context of paragraphs 173 and 174 of the NPPF. This report should be read as an Annex to the Worcestershire CIL Viability Study. It is based on further analysis of the data collected and presented in that document. The assumptions and methodology is carried forward from the Worcestershire CIL Viability Study and will not be repeated here.

¹ 27th March 2012

² NPPF Paragraph 174

- 1.4 In an ideal world, planning policies would be developed from the latest evidence that is all of the same vintage. That is not always possible as things change and evidence is rarely all up to date. There may be changes in the property market, changes in central government priorities or changes in best practice and guidance. The South Worcestershire Councils have had to address all three when obtaining and updating evidence. The councils have gathered a wide range of evidence that includes Strategic Housing Market Assessments, Affordable Housing Viability Assessment, Sustainability Appraisals, and developed policies from this that meet the local priorities. Now that the Councils are close to finalising the Plan for submission, and in the light of paragraphs 173 and 174 of the NPPF, they are taking the prudent step to check that, in terms of viability, the South Worcestershire Development Plan is deliverable.
- 1.5 The purpose of this project is to review the emerging South Worcestershire Development Plan and firstly to consider whether any particular policies will have an adverse effect on development viability and then to consider the cumulative impact of the policies on development viability.
- 1.6 The SWDP has emerged through a dynamic process of gathering evidence that has identified priorities (for example through the SHMA) and constraints (for example through viability evidence) and working with developers and other key stakeholders. That process is close to completion. This study reviews the impact of the policies contained in the Draft SWDP dated 24th September³. The draft results of this study were discussed with the South Worcestershire Councils' planning officers on 30th October 2012 and presented to the SWDP Joint Advisory Panel on 16th November 2012. The early findings of this study had identified some concerns around the cumulative impact of some of the policies. This has resulted in changes to the SWDP and further iterations to the SWDP.
- 1.7 We have based this work on the Worcestershire CIL Viability Study. In that study a number of 'typical' development types were modelled and from that an assessment of development to pay CIL was made. The Worcestershire CIL Viability Report is nearing completion, with a final stage of consultation took place on 30th October 2012. It is anticipated that the final CIL Viability Report will be published during mid-December. The Councils will then use that information, and other existing available evidence, to inform the CIL setting process and to 'strike the balance' in preparing the CIL Charging Schedules.
- 1.8 The study reflects current prices and tests sensitivity to price change of plus and minus 5%. This approach is appropriate as it is consistent with a focus on deliverability in the first five years of the plan whilst being mindful of the uncertainties from the current tumult in the global economy.

³ Some of the Policy Numbers in the final document have subsequently changed to those in this draft.

Report Structure

1.9 This report examines the viability of development across South Worcestershire and is structured as follows:

Chapter 2 We have set out the reasons for, and approach to, viability testing, including a short review of the requirements of the NPPF.

Chapter 3 We have set out the methodology used.

Chapter 4 We have set out the various policies within the Development Plan that have potential to impact on the plan's deliverability and viability.

Chapter 5 We have set out the results of the viability appraisals and considered the cumulative impact of the policies within the local plan.

Chapter 6 We have set out our conclusions and recommendations with regard to the effect on the delivery of local plan policies.

2. Viability Testing

- 2.1 The background to viability testing is set out in detail in the South Worcestershire CIL Viability Study so will not be discussed in detail here, however the purpose of this study is a little different from the CIL work. In March 2012 The Department for Communities and Local Government (CLG) published the National Planning Policy Framework (NPPF). This replaced the numerous Planning Policy Statements setting out the overarching principles and policies of planning. An important element of the NPPF is 'plan making' where it includes various new requirements and formalises the existing practices. A central element of plan making is the requirement to ensure that the local plan is deliverable. The key paragraphs are:

Ensuring viability and deliverability

173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

174. Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.

- 2.2 Essentially these paragraphs extend the provisions that were in paragraph 29 of the PPS3 (as clarified by the Blyth Valley decision) to ensure the affordable housing target was deliverable to all parts of the plan. Including consideration of viability is a sensible and logical part of the plan making process as it allows the Councils to understand the impact of their policies and for an assessment to be made as to whether they are actually deliverable. This is currently particularly important as the economy is not thriving and some types of development are severely curtailed.
- 2.3 This study will assess the impact of the Development Plan's policies on development viability, firstly individually and then it will look at the cumulative impact of the policy requirements.

Guidance

- 2.4 The Worcestershire CIL Viability Study includes a commentary of the guidance that is relevant to carrying out viability assessments. The NPPF requires the use of *existing available evidence*, the implication being that it is not necessary nor desirable for councils to be commissioning detailed and expensive reports.
- 2.5 The duty to test in the NPPF is a 'broad brush' one saying '*plans should be deliverable*'. It is not a requirement that every site should be able to bear all of the local authorities' requirements – indeed there will be some sites that are unviable even with no requirements imposed on them by the local authority. The typical site in the local authority should be able to bear whatever target or requirement is set. Some sites within the area will not be able to do so, but developers have scope to make specific submissions at the planning applications stage; similarly some sites will be able to bear considerably more than the policy requirements.
- 2.6 The viability testing under the CIL is different. CIL, once introduced, is mandatory on all developments (with a very few exceptions) that fall within the categories and areas where the levy applies. Unlike other policy requirements to provide affordable housing or to build to a particular environmental standard over which there can be negotiations, CIL must always be paid. This means that CIL must not prejudice the viability of most sites.

Viability Testing

- 2.7 There is no statutory and little formal guidance on how to actually go about viability testing and assessing when a site is or is not viable. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation, which has been standard for as long as land has been traded for development, is:

$$\begin{array}{r} \textbf{Gross Development Value} \\ \text{(The combined value of the complete development)} \\ \\ \text{LESS} \\ \\ \textbf{Cost of creating the asset, including a profit margin} \\ \text{(Construction + fees + finance charges)} \\ \\ = \\ \\ \textbf{RESIDUAL VALUE} \end{array}$$

- 2.8 The result of the calculation indicates a land value, the Residual Value, which is the top limit of what a bidder could offer for a site and still make a satisfactory profit margin. In this study, we have adapted this procedure a little. We ask, given the likely land values, what is the impact on viability of the Councils' policies and will the developer still makes a reasonable profit?

- 2.9 As in the Worcestershire CIL Viability Study we have followed the guidance *Viability Testing in Local Plans – Advice for planning practitioners*. (LGA/HBF – Sir John Harman), June 2012⁴ and had regard to The RICS Guidance Note *Financial viability in planning*, RICS guidance note, 1st edition (GN 94/2012) (August 2012).
- 2.10 The likely land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where informed assumptions have to be made about the ‘uplift’: the margin above the ‘existing use value’ which would make the landowner sell.
- 2.11 This study does not attempt to assess the specific price that could or should be paid for each site. The appraisal calculates what a typical site may be worth if a range of scenarios (such as different amounts of affordable housing) were to occur, and then compares that amount with the land’s value in some other use to which it could be put. The methodology used is therefore to consider the Residual Value of a scheme and then compare it to either the existing use value (EUV), or an alternative use value (AUV), plus an appropriate uplift to incentivise a landowner to sell. This EUV approach was recently endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012⁵ and is recommended in *Viability Testing in Local Plans*. In his report, the London Inspector dismissed the theory that using historical market value to assess the value of land was a more appropriate methodology than using EUV plus a margin.
- 2.12 There is no specific guidance on how to test the viability in the NPPF. It says: ‘..... To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.....’ This seems quite straightforward – although ‘competitive returns’ is not defined.

⁴ Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

⁵ Paragraphs 7 to 9 of REPORT ON THE EXAMINATION OF THE DRAFT MAYORAL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE by Keith Holland BA (Hons) DipTP MRTPI ARICS an Examiner appointed by the Mayor Date: 27th January 2012

- 2.13 In this approach the amount of the uplift over and above the existing use value is absolutely central. It must be at a level to provide 'competitive returns' to the landowner, as if it does not the landowner will not sell their land for development. In this context we have given considerable thought as to the meaning of '*competitive returns*' as the test of viability will depend, in part, on this. We have also consulted the stakeholders through the CIL viability process. There does not seem to be any intention in the NPPF, in the supporting guidance, nor in any of the statements made by ministers and officials at CLG for a new test of viability to be introduced; indeed the NPPF says '*Evidence supporting the assessment should be proportionate, using only appropriate available evidence*' and the CIL Guidance says⁶ '*The legislation (section 212 (4) (b)) requires a charging authority to use 'appropriate available evidence' to inform their draft charging schedule. It is recognised that the available data is unlikely to be fully comprehensive or exhaustive. Charging authorities need to demonstrate that their proposed CIL rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole*'.
- 2.14 In this piece of work we have used exactly the same assumptions and approach as set out the Worcestershire CIL Viability Study. This recognises that different types of land owner are likely to have different priorities and different amounts of uplift will be applicable in different situations. It has been necessary in a high level, area wide piece of work like this to make broad assumptions that simplify the complexities of individual transactions, however in spite of those assumptions the methodology used is representative of the way the market works.
- 2.15 It is important to note that the analysis is not attempting to mirror any of the multitude of different business models that are used by developers in the market. There will be different models and approaches taken by different individuals, companies and other organisations, each working to different parameters.

Existing Available Evidence

- 2.16 The NPPF is clear that, wherever possible, plan making should be based on existing available evidence rather than new evidence. We have reviewed the evidence that is available from the Councils as part of the Worcestershire CIL Viability Study. This report is an annex to the Worcestershire CIL Viability Study and extracts information from that Study to enable the appropriate assessments to be made.

⁶ Paragraph 23

Stakeholder Engagement

Stakeholder engagement – particularly with members of the development industry – is a core part of the plan making process. From our experience, examiners and inspectors put considerable weight on the comments of the development industry. Whilst we have not engaged specifically on this document, all the assumptions and the methodology was subject to a thorough and comprehensive consultation as part of the CIL Viability Study process.

3. Methodology

- 3.1 The detailed viability methodology is set out in detail in the Worcestershire CIL Viability Study so will not be repeated here. In summary, it involves preparing financial development appraisals for a representative range of sites, and using these to assess whether sites are viable with and without the various policy requirements included in the South Worcestershire Development Plan.
- 3.2 In this annex to the Worcestershire CIL Viability Study, we have followed the guidance published in *Viability Testing in Local Plans – Advice for planning practitioners*. (LGA/HBF – Sir John Harman), June 2012⁷ and had regard to The RICS Guidance Note *Financial viability in planning*, RICS guidance note, 1st edition (GN 94/2012) (August 2012).
- 3.3 We have taken the sites modelled in the Worcestershire CIL Viability Study and started from the base appraisals. These are based on the assumption that the buildings are built to Part L of the Building Regulations, that the prices are the current prices in the market, that no CIL is payable (as it has not yet been introduced) and that a range of requirements imposed by the planning authorities are delivered. These requirements include affordable housing, significant amounts of open space/green infrastructure, and for homes to be built to environmental standards over and above those required by national legislation.
- 3.4 In this study we have used the same assumptions as in the CIL Viability Assessment but started from base appraisals that are based on the requirements of the SWDP. We have run further appraisals, firstly with no requirements to deliver any of the councils' policy requirements (i.e. no affordable housing, CIL, etc.), and then with variants to reflect the individual policy requirements. In these appraisals we have calculated the Residual Value and compared that with the Existing Use Value and viability thresholds as set out in the Worcestershire CIL Viability Study.
- 3.5 It is recognised in the NPPF and the Harman and RICS Guidance, that it is not only the impact of each policy requirement that needs to be considered, but also the combined and cumulative impact of the policies. It may be possible for a site to bear the affordable housing target or CIL, but can it bear both? To assess this, a further set of appraisals have then been run combining the policy requirements so that a judgement can be made as to the cumulative impact.

⁷ Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

- 3.6 It is important to note that the South Worcestershire Councils have not yet set CIL nor published Preliminary Draft Charging Schedules. We have therefore made some broad assumptions as to the levels of CIL that may be set. These should not be seen as an indication as to the level that CIL will actually be set. In due course each council will, in the context of CIL Regulation 14, strike the balance and set a locally appropriate level of CIL.



4. Policy Requirements

- 4.1 We have reviewed the latest draft version of the South Worcestershire Development Plan (SWDP) and tested the impact of the policies on new development in the plan area. It should be noted that many of these policies are very broad so we have only extracted those elements that may add to the cost of development.
- 4.2 It should also be noted that we have worked from the Draft Emerging SWDP document dated 24th September 2012. It should be noted that some of the policy numbers have subsequently changed in the final version of the SWDP.

Planning Policies

- 4.3 We have considered how the policies will impact on the implementation of the plan. We have listed the relevant sections below. The following quotations are selective quotations; for detail of the policies, readers should refer to the full draft policy documents. We have included policies that appear, on first reading, have an impact on development viability. For each we have set out how we have modelled the impact:

SWDP 4: Moving Around South Worcestershire

Proposals must demonstrate that the location for development will minimise demand for travel, offer genuine sustainable travel choices, improve road safety and support the delivery of Local Transport Plan Objectives. Travel Plans will be required for all major developments. These must set out measures to reduce the demand for travel by private cars and stimulate cycling, walking and public transport through agreed targets and monitoring arrangements.

New developments should accord with the design criteria and principles set out in Manual for Streets, Worcestershire County Council's Local Transport Plan 3 Highways Design Guide for new developments, the Design Guide Supplementary Planning Document and the Parking Standards in New Development Supplementary Planning Document.

Locally determined car parking standards will apply to all development proposals, which will be set out in Supplementary Planning Documents.

- 4.4 The policy then includes the following passage dealing with implementation.

Financial contributions towards strategic transport infrastructure will either be secured through the Community Infrastructure Levy charging schedule or the developer contributions Supplementary Planning Document as appropriate to the circumstances of the development. New development will need to be incorporated into a co-ordinated infrastructure and service delivery programme agreed with the South Worcestershire authorities and Worcestershire County Council, The Infrastructure Delivery Plan provides additional guidance about how this co-ordination will be achieved. Where appropriate site-specific transport improvements may be sought through s106 or other agreements in accordance with Worcestershire County Council's Design Guidance.

- 4.5 There is a cost to comply with this policy, however this is not a cost over and above the normal cost of development. The costs are covered in the 'Other normal development costs' heading of the South Worcestershire CIL Viability Study in the adjustment over and above the BCIS based construction costs. In most cases the requirements can be met through good design and will be covered by the infrastructure costs, CIL and s106 allowances made in the base appraisals as part of site modelling.
- 4.6 This policy will not impose an additional cost on developers that is not covered in the appraisals. We have not attempted to extract the costs of this policy from the base appraisals, as the requirements are so fundamental to being able to grant consent that, without compliance with this policy, consent could not be granted.
- 4.7 The requirements of this policy are not additional costs to the development over and above the base costs so we have not tested the impact of SWDP 4.

SWDP 5 Green Infrastructure

Development must contribute to the strategic aims and objectives of the Worcestershire Green Infrastructure Strategy (WGIS). All allocations and major planning proposals will need to set out at least 40% of their area for Green Infrastructure within the site. The precise form and function(s) of Green Infrastructure (GI) will depend on local circumstances and WGIS' priorities and must be agreed with the Local Planning Authority in advance of a planning application. Effective management arrangements must be clearly set out and secured.

- 4.8 In this policy 'major' is defined as proposals either exceeding five new dwellings (net), 50+ unit Extra Care facility or 500m² of commercial space. It is also defined that the 40% must include multifunctional open space and will also include private gardens.
- 4.9 We have considered the impact of this policy with SWDP 37 Provision for Open Space, Sport and Recreation Uses in New Development (see below). We have discussed the interpretation and implementation of this policy with officers. To comply with this policy we have assumed the following:
- a. Greenfield sites over 1 hectare have 40% open space
 - b. Brownfield sites NO Public Open Space
 - c. Greenfield sites less than 1ha but more than 5 units 20% open space
- 4.10 It is important to note that the policy counts enclosed and private gardens towards Green Infrastructure. In a typical scheme, a typical hectare will have relatively low building coverage. A 90m², 3 bedroom dwelling will have a footprint of a little over 45m² (the area being the Gross Internal Area) or so. A scheme with 35 units per hectare will therefore have a building coverage of about 1,650m². This is about 17% of the site area.

- 4.11 In this study we have assumed that all Greenfield sites over 1ha have 40% public open space. This is not considered to an additional requirement of policy, as it would be required to achieve sustainable urban drainage and the like. This assumption is consistent with representations made by developers during the consultations on the CIL Viability Assessment. We have however carried out an alternative appraisal with the assumption that Greenfield sites of less than 1ha but with more than 5 units will have 20% open space.
- 4.12 During the CIL consultation process there was some concern from developers about the difference between net and gross development area as this has a dramatic effect on the price of land etc. We have taken the gross area to be the whole site area. We have taken the net area to be the developed area, which is subject to this policy – so we have modelled the development to be undertaken on the site on the net area.

SWDP 6- INFRASTRUCTURE

The three South Worcestershire Councils will work closely with their partners, especially the County Council, to bring forward the necessary and proportionate crucial infrastructure that is required in order to deliver the Spatial Strategy as set out in the Plan.

Development will be required to provide or contribute towards the provision of infrastructure needed to support it. Developers will also need to contribute towards community benefits related to the development.

Where new infrastructure is needed to support new development, the crucial infrastructure must be operational no later than the completion of the development, or the appropriate phase of development, for which it is needed.

The three South Worcestershire Councils each intend to introduce a co-ordinated Community Infrastructure Levy by March 2014.

The three South Worcestershire Councils intend to explore a range of funding mechanisms in order to finance the necessary and proportionate crucial infrastructure and these will be set out in more detail in the Infrastructure Delivery Plan in Autumn 2012

- 4.13 We have considered the range of each site's ability to bear CIL and s106 contributions, see below.

SWDP 12 – Effective use of land

To deliver places that are more sustainable, development will make the most effective and sustainable use of land, focusing on ...

... Subject to the above density criteria, on sites allocated for housing or for mixed use that includes housing, the following broad indications of appropriate average net densities shall apply: -

- (a) *For sites within the city of Worcester, urban extension allocations in all three districts, and allocations for more than 100 new dwellings in larger towns, development should achieve an average net density of 40 dwellings / ha*
- (b) *Worcester city centre and larger town centres development of mainly flatted units should achieve an average net density of 75 dwellings / hectare*

(c) *Where urban extensions and other large developments abut open land or sensitive locations such as conservation areas, listed buildings, areas of archaeological interest or areas of ecological / biodiversity value, their design should reflect the sensitivity of those areas; immediately adjacent development densities should be adjusted downwards as appropriate to ensure that impact on those areas is minimised, whilst maintaining the overall average density of the site*

(d) *In other towns, or on sites of less than 100 dwellings, average net densities for new development should be an average net density of 30 dwellings / ha.*

Windfall housing developments should be assessed against the density criteria relevant to their location and the character of the built and natural environments around them, including heritage assets.

- 4.14 We have modelled sites on the same basis as in the CIL Viability Appraisals where sites densities were formulated through the consultation process. We have not followed the above densities as we believe that they are higher than are likely to be delivered by developers in the current market. To achieve the requirements for sites of more than 100 new dwellings in larger towns, an average net density of 40 dwellings/ha is needed. To achieve this, a significant element of flats or three plus storey units needs to be introduced. The development industry does not consider such units to be saleable in the current market due to the constraints in mortgage availability.

SWDP 14: Meeting Affordable Housing Needs

All new residential development, including conversions (and including adjacent land if it is anticipated to form part of a larger site) will contribute to the provision of affordable housing.

The number, type, tenure and distribution of affordable dwellings to be provided will be subject to negotiation, dependent on recognised local housing need, specific site / location factors and development viability, having regard to the sliding scale approach set out below.

- *On sites of 15 or more dwellings, 40% of the units should be affordable i.e. social rented, affordable rented and intermediate tenure and provided on site.*
- *On sites of 10 – 14 dwellings, 30% of units should be affordable and be provided on site*
- *On sites of 5 – 9 dwellings, 20% of units should be affordable and be provided on site*
- *On sites of less than 5 dwellings a financial contribution towards local affordable housing provision will be required.*

- 4.15 We have tested these affordable housing targets. We have not tested the requirement to make a financial contribution on small sites, as this will be subject to individual viability testing.

SWDP 20: Design

All development will be expected to be of a high design quality. It will need to integrate effectively with its surroundings, reinforce local distinctiveness, conserve and where appropriate enhance heritage assets and their setting. New and innovative designs will be encouraged and supported where they enhance the overall quality of the built environment in established locations, or as extensions to more recent development.

- 4.16 Whilst this is a requirement imposed on developers, we do not believe that it adds significantly to the costs of development, so have not carried out further analysis of this.

SWDP 26: Renewable and Low Carbon Energy

To reduce carbon emissions and promote sustainable energy solutions:

- (a) All new developments will be required to incorporate the generation of energy from renewable or low carbon sources sufficient to reduce estimated carbon dioxide emissions from residual energy use in the development by at least 10%.
- (b) All new development (as part of the major developments at Worcester South, Worcester West, Worcester East, Worcester North, Droitwich Spa, Cheltenham Road, Hampton, Newland and north of Pershore) will be required to incorporate the generation of energy from renewable or low carbon sources sufficient to reduce estimated carbon dioxide emissions from residual energy use in the development by at least 20%.

- 4.17 There are a number of different ways and approaches to ensuring a 10% reduction. We have taken a relatively simple approach by assessing the costs of developing the homes to meet the requirements of the Code for Sustainable Homes (CfSH).
- 4.18 From April 2008, the Code's Level 3 has been a requirement for all homes commissioned by housing associations but would not necessarily be the case for affordable homes built by developers for disposal to a housing association, unless grant was made available from the Homes and Communities Agency.
- 4.19 The Department for Communities and Local Government (CLG) published a review of the costs of building to the Code for Sustainable Homes (CfSH) in August 2011. This provides useful guidance as to the costs of the implementation of the various environmental standards. Based on that, we have used the following additional costs for building to CfSH Level 4.

Table 4.1 Additional Cost of Building to CfSH Level 4 (per dwelling)					
	2b-Flat	2b-Terrace	3b-Semi	4b-Detach	Average dwelling
Small Brownfield (20 dwellings at 40 dph)		£3,500 4.4%	£4,580 5.3%	£5,140 5.5%	£4,260 5.0%
City Infill (40 dwellings at 160 dph)	£3,400 6.2%				£3,400 6.2%
Edge of town (100 dwellings at 40 dph)	£3,950 7.2%	£4,280 5.3%	£5,360 6.2%	£5,920 6.4%	£4,787 6.2%
Urban Regeneration (1000 dwellings at 160 dph)	£3,330 6.1%	£3,210 4.0%	£4,300 5.0%	£4,930 5.3%	£3,435 5.4%
Strategic Greenfield (2000 dwellings at 40 dph)	£3,930 7.2%	£4,260 5.3%	£5,340 6.2%	£5,900 6.4%	£4,846 6.1%
Large edge of town (3,300 dwellings at 40 dph)	£3,930 7.2%	£4,260 5.3%	£5,340 6.2%	£5,900 6.4%	£4,705 6.2%

Source: Cost of building to the Code for Sustainable Homes, Updated cost review. CLG (Aug 2011)

- 4.20 Bearing in mind the move towards higher standards, we have included testing the impact of building to CfSH Level 4, and testing the impact of the on-site energy generation. To test the impact of on-site energy generation, we have assumed an additional construction cost of 2.5%.

SWDP 30 Waste

To minimise waste and pollution and reduce the impact of waste on climate change:

Proposals for new development will be required to incorporate adequate facilities into the design to allow occupiers to separate and store waste for recycling and recovery unless existing provision is adequate.

- 4.21 This requirement will not impose a significant extra cost on development and is reflected in the overall design of the house so we have not run a variable for this requirement.

SWDP 37 Provision for Open Space, Sport and Recreation Uses in New Development

Any development proposals exceeding 5 dwellings (net) must provide open space together with secure arrangements for its long term management and on-going maintenance. Enhancing connectivity e.g. through improvements to the Rights of Way Network is strongly encouraged. The total amount of open space will be within the overall requirement to deliver 40% Green Infrastructure (SWDP 5 refers). The precise amount, form and type of open space will be informed by the standards and local evidence e.g. Parish / Town Plans. The type and size of the residential proposal will also be a factor in determining the make-up of the various typologies. Over-provision in any single typology does not negate the need to provide for the other typologies.

- 4.22 We have assumed that the requirements of this policy are picked up under SWDP 5, as set out above, so have not tested this separately.

Community Infrastructure Levy (CIL) and s106 Payments

- 4.23 CIL is a new charge on development to ensure that new developments contribute to the cost of infrastructure. In March 2010 The Department for Communities and Local Government (CLG) published *Community Infrastructure Levy Guidance, Charge setting and charging schedule procedures* to support the CIL Regulations, this sets out the framework for councils to work within and introduce the levy. As mentioned above, the South Worcestershire councils are working with the other Worcestershire local authorities and Worcestershire County Council to introduce the CIL. At this stage no firm decision has been taken to adopt CIL, nor if it is introduced, at what level it would be set.

- 4.24 In the CIL Viability Report, a strategy of setting CIL is recommended, although specific rates are not. Each council will approach the setting of CIL differently, and when 'striking the balance' put different priority and importance on different parts of their own development plans.

- 4.25 In order to inform the wider plan making process, in this report we have tested a range of rates of CIL ranging from £10/m² to £90/m².

5. Viability Appraisals

- 5.1 This chapter sets out the results of the development appraisals for the various policy requirements set out in the previous chapter and for different levels of CIL. We have looked at the impact on viability of the individual policies before looking at the cumulative impact of the different requirements. We have started by running base appraisals that assume the requirements of the South Worcestershire Development Plan but without CIL.
- 5.2 In the results in the following tables, to show which sites are viable, we have colour coded the results as follows:
- Green Viable** – where the Residual Value exceeds the Existing Use Value plus the appropriate uplift to provide a competitive return for the landowner.
 - Amber Marginal** – where the Residual Value exceeds the Existing Use Value but not the Existing Use Value plus appropriate uplift to provide a competitive return for the landowner. These sites should not be considered as viable as it is unlikely that the land would be made available to a developer at this level.
 - Red Non-viable** - where the Residual Value does not exceed the Existing Use Value.

Base Appraisals

- 5.3 As set out above, in the previous chapters and the Worcestershire CIL Viability Report, the base appraisals are based on the policies set out in the SWDP (24th September 2012 version).
- 5.4 We have used the same methodology and assumptions used in the CIL Viability report. The assessment of viability is made by comparing the Residual Value with the Existing Use Value and the Viability Threshold. For ease of reference, the base assumptions are as follows:
- Public Open Space**
Greenfield sites over 1 hectare have 40% open space
Brownfield sites NO Public Open Space

Greenfield sites less than 1ha but more than 5 units 20% open space
 - Density** As per the modelled sites used in the CIL Viability Study
 - Renewables** CfSH level 4 assumed, plus 10% on-site generation
 - Affordable Housing** 15 or more dwellings, 40%
10 – 14 dwellings, 30%

5 – 9 dwellings, 20%

e. s106

£1,000 per unit – applied to all units (market and affordable).

- 5.5 The policy SWDP 14 requires that, on sites of less than 5 dwellings, a financial contribution towards local affordable housing provision will be required. We have not made any allowance for this as we understand that there is considerable flexibility around this requirement.

Table 5.1 Base Viability Appraisals. Full Policy Requirements – NO CIL
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	218,251	0	0	0	25,000	280,000	80,699
Site 2	SUE 2	25,000	280,000	223,909	0	0	0	25,000	280,000	103,637
Site 3	Greenfield 1	25,000	280,000	450,848	0	0	0	25,000	280,000	282,163
Site 4	Greenfield 2	25,000	280,000	525,581	25,000	280,000	322,609	25,000	280,000	347,849
Site 5	Greenfield 3	0	0	0	25,000	280,000	239,889	25,000	280,000	626,916
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-292,137	350,000	420,000	634,317
Site 7	Urban Flats	0	0	0	350,000	420,000	-2,048,052	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	633,442	350,000	420,000	932,511	350,000	420,000	1,197,757
Site 9	Medium Brownfield	350,000	420,000	361,544	350,000	420,000	89,196	350,000	420,000	-30,053
Site 10	Medium greenfield	25,000	280,000	991,346	25,000	280,000	701,754	25,000	280,000	151,304
Site 11	Urban edge	50,000	310,000	1,050,650	50,000	310,000	1,132,277	50,000	310,000	862,335
Site 12	Town centre flats	350,000	420,000	1,083,111	350,000	420,000	1,334,701	350,000	420,000	548,379
Site 13	Ex garage site	350,000	420,000	643,792	350,000	420,000	-83,603	350,000	420,000	1,107,512
Site 14	Town Village Infill	750,000	900,000	1,922,648	750,000	900,000	1,266,867	750,000	900,000	3,523,165
Site 15	Small Village Scheme	50,000	310,000	1,512,381	0	0	0	50,000	310,000	2,500,000
Site 16	Village House	50,000	310,000	722,386	0	0	0	50,000	310,000	1,316,871

Source HDH October 2012

- 5.6 It is clear from these results that not all sites can bear the full requirements of all the policies set out in the Draft SWDP, even before the introduction of CIL. This is not surprising, as few sites currently in the planning system are delivering the full requirement for affordable housing and the additional environmental requirements.
- 5.7 The sites in Worcester City fare less well than those in the more rural areas. It is interesting to note the amount of the difference between the Viability Threshold and the Residual Value as it is from this amount that all the requirements of the policy and CIL must be paid. There is clearly considerable scope for developer contributions on most sites.



No policy requirements

- 5.8 The SWDP contains a wide range of policies, as set out in the previous chapter, however, as part of the process of informing the plan making process, we have run a set of appraisals with no policy requirements. In these we have assumed the net development area is the gross area, that there is no requirement for affordable housing, and that the buildings are simply built to basic Building Regulation Standards (Part L). We have however, assumed a s106 payment of £1,000 per unit to reflect site specific costs, and assumed that large (over 1ha) sites incorporate 40% open space/green infrastructure.

Table 5.2 Viability Appraisals – NO POLICY REQUIREMENTS.
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	650,432	0	0	0	25,000	280,000	621,823
Site 2	SUE 2	25,000	280,000	621,867	0	0	0	25,000	280,000	596,858
Site 3	Greenfield 1	25,000	280,000	995,236	0	0	0	25,000	280,000	932,853
Site 4	Greenfield 2	25,000	280,000	1,126,237	25,000	280,000	994,779	25,000	280,000	1,060,508
Site 5	Greenfield 3	0	0	0	25,000	280,000	922,171	25,000	280,000	1,596,523
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	757,823	350,000	420,000	2,315,869
Site 7	Urban Flats	0	0	0	350,000	420,000	1,347,757	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	1,626,764	350,000	420,000	2,639,944	350,000	420,000	3,154,171
Site 9	Medium Brownfield	350,000	420,000	1,453,344	350,000	420,000	1,453,344	350,000	420,000	1,312,746
Site 10	Medium greenfield	25,000	280,000	2,426,809	25,000	280,000	2,232,961	25,000	280,000	1,145,242
Site 11	Urban edge	50,000	310,000	1,881,763	50,000	310,000	2,236,383	50,000	310,000	1,881,763
Site 12	Town centre flats	350,000	420,000	2,237,069	350,000	420,000	2,377,585	350,000	420,000	1,393,974
Site 13	Ex garage site	350,000	420,000	1,211,920	350,000	420,000	464,046	350,000	420,000	1,964,321
Site 14	Town Village Infill	750,000	900,000	2,132,497	750,000	900,000	1,476,716	750,000	900,000	3,728,997
Site 15	Small Village Scheme	50,000	310,000	1,714,651	0	0	0	50,000	310,000	2,651,247
Site 16	Village House	50,000	310,000	805,244	0	0	0	50,000	310,000	1,398,921

Source HDH October 2012

5.9 In all cases the residual value exceeds the viability threshold indicating that almost all sites are viable in almost all areas.

Affordable Housing

5.10 The provision of affordable housing is a high priority for all three of the Councils. The following appraisals show the Residual Values based on the following assumptions:

- a. Public Open Space Greenfield sites over 1 hectare have 40% open space
- b. Affordable Housing 15 or more dwellings, 40%
 10 – 14 dwellings, 30%
 5 – 9 dwellings, 20%
- c. s106 £1,000 per unit – applied to all units (market and affordable).



Table 5.3 Viability Appraisals – Current Affordable Target, No CIL, No CfSH.
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	332,757	0	0	0	25,000	280,000	195,205
Site 2	SUE 2	25,000	280,000	324,151	0	0	0	25,000	280,000	203,879
Site 3	Greenfield 1	25,000	280,000	574,023	0	0	0	25,000	280,000	405,338
Site 4	Greenfield 2	25,000	280,000	656,141	25,000	280,000	453,169	25,000	280,000	478,409
Site 5	Greenfield 3	0	0	0	25,000	280,000	379,850	25,000	280,000	769,128
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-448	350,000	420,000	906,356
Site 7	Urban Flats	0	0	0	350,000	420,000	-1,163,134	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	951,958	350,000	420,000	1,239,168	350,000	420,000	1,513,254
Site 9	Medium Brownfield	350,000	420,000	625,000	350,000	420,000	361,330	350,000	420,000	245,641
Site 10	Medium greenfield	25,000	280,000	1,464,601	25,000	280,000	1,100,887	25,000	280,000	419,301
Site 11	Urban edge	50,000	310,000	1,259,642	50,000	310,000	1,341,269	50,000	310,000	1,071,326
Site 12	Town centre flats	350,000	420,000	1,357,721	350,000	420,000	1,630,041	350,000	420,000	844,132
Site 13	Ex garage site	350,000	420,000	872,319	350,000	420,000	144,924	350,000	420,000	1,333,809
Site 14	Town Village Infill	750,000	900,000	2,132,497	750,000	900,000	1,476,716	750,000	900,000	3,728,997
Site 15	Small Village Scheme	50,000	310,000	1,714,651	0	0	0	50,000	310,000	2,651,247
Site 16	Village House	50,000	310,000	805,244	0	0	0	50,000	310,000	1,398,921

Source HDH October 2012

5.11 Affordable housing does have an adverse impact on the Residual values, and in some cases the full affordable housing requirement reduces viability to such an extent as to make sites are unviable. This is particularly the case in Worcester.



Non Affordable Housing Requirements

- 5.12 The SWDP contains three broad types of requirement: the provision of affordable housing, design matters such as open space and densities, and finally the payment of CIL. In the following table we have modelled the impact of public open space polices and of building to CfSH Level 4. The development assumptions are as follows:
- a. Public Open Space Greenfield sites over 1 hectare have 40% open space
 Brownfield sites NO Public Open Space

 Greenfield sites less than 1ha but more than 5 units 20% open space
 - b. Density As per the modelled sites used in the CIL Viability Study
 - c. Renewables CfSH level 4 assumed plus 10% on-site generation
 - d. s106 £1,000 per unit – applied to all units (market and affordable)



Table 5.4 Viability Appraisals – No of Affordable Target, Density Requirements, CfSH Level 4 and 10% On-site Generation
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	535,926	0	0	0	25,000	280,000	507,317
Site 2	SUE 2	25,000	280,000	521,654	0	0	0	25,000	280,000	496,645
Site 3	Greenfield 1	25,000	280,000	872,062	0	0	0	25,000	280,000	809,678
Site 4	Greenfield 2	25,000	280,000	995,676	25,000	280,000	864,218	25,000	280,000	929,947
Site 5	Greenfield 3	0	0	0	25,000	280,000	779,958	25,000	280,000	1,454,311
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	484,376	350,000	420,000	2,037,874
Site 7	Urban Flats	0	0	0	350,000	420,000	524,622	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	1,311,267	350,000	420,000	2,349,470	350,000	420,000	2,841,637
Site 9	Medium Brownfield	350,000	420,000	1,199,472	350,000	420,000	1,199,472	350,000	420,000	1,057,528
Site 10	Medium greenfield	25,000	280,000	1,762,806	25,000	280,000	1,607,728	25,000	280,000	735,859
Site 11	Urban edge	50,000	310,000	1,674,752	50,000	310,000	2,029,372	50,000	310,000	1,674,752
Site 12	Town centre flats	350,000	420,000	1,941,730	350,000	420,000	2,082,246	350,000	420,000	1,120,071
Site 13	Ex garage site	350,000	420,000	995,333	350,000	420,000	235,519	350,000	420,000	1,738,024
Site 14	Town Village Infill	750,000	900,000	1,922,648	750,000	900,000	1,266,867	750,000	900,000	3,523,165
Site 15	Small Village Scheme	50,000	310,000	1,512,381	0	0	0	50,000	310,000	2,500,000
Site 16	Village House	50,000	310,000	722,386	0	0	0	50,000	310,000	1,316,871

Source HDH October 2012

5.13 The requirement to build to higher environmental standards does have an adverse impact on viability.

Sensitivity Testing +5% and -5% price change

5.14 The CIL Viability Study includes a commentary on the current state of the market. To enable a judgement to be made about the impact of price changes, the following Tables show the impact of a 5% decrease, and a 5% increase, in house prices on the base appraisals. All other assumptions in the appraisals have been held constant.



Table 5.5 Base Viability Appraisals. Full Policy Requirements – NO CIL Prices PLUS 5%
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	321,916	0	0	0	25,000	280,000	183,505
Site 2	SUE 2	25,000	280,000	316,087	0	0	0	25,000	280,000	195,065
Site 3	Greenfield 1	25,000	280,000	569,001	0	0	0	25,000	280,000	398,445
Site 4	Greenfield 2	25,000	280,000	651,833	25,000	280,000	444,917	25,000	280,000	472,129
Site 5	Greenfield 3	0	0	0	25,000	280,000	367,353	25,000	280,000	776,863
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-57,100	350,000	420,000	899,106
Site 7	Urban Flats	0	0	0	350,000	420,000	-1,409,438	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	933,519	350,000	420,000	1,252,051	350,000	420,000	1,541,709
Site 9	Medium Brownfield	350,000	420,000	625,000	350,000	420,000	361,666	350,000	420,000	241,596
Site 10	Medium greenfield	25,000	280,000	1,195,482	25,000	280,000	899,815	25,000	280,000	327,713
Site 11	Urban edge	50,000	310,000	1,308,271	50,000	310,000	1,402,429	50,000	310,000	1,119,956
Site 12	Town centre flats	350,000	420,000	1,396,895	350,000	420,000	1,708,559	350,000	420,000	884,070
Site 13	Ex garage site	350,000	420,000	927,651	350,000	420,000	169,863	350,000	420,000	1,418,696
Site 14	Town Village Infill	750,000	900,000	2,266,834	750,000	900,000	1,578,263	750,000	900,000	3,942,628
Site 15	Small Village Scheme	50,000	310,000	1,826,886	0	0	0	50,000	310,000	2,809,805
Site 16	Village House	50,000	310,000	861,373	0	0	0	50,000	310,000	1,484,579

Source HDH October 2012



Table 5.6 Base Viability Appraisals. Full Policy Requirements – NO CIL Prices LESS 5%
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	147,873	0	0	0	25,000	280,000	11,615
Site 2	SUE 2	25,000	280,000	160,872	0	0	0	25,000	280,000	41,742
Site 3	Greenfield 1	25,000	280,000	368,502	0	0	0	25,000	280,000	201,689
Site 4	Greenfield 2	25,000	280,000	436,846	25,000	280,000	240,000	25,000	280,000	261,086
Site 5	Greenfield 3	0	0	0	25,000	280,000	152,118	25,000	280,000	518,310
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-446,987	350,000	420,000	441,647
Site 7	Urban Flats	0	0	0	350,000	420,000	-2,437,676	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	448,113	350,000	420,000	707,161	350,000	420,000	968,147
Site 9	Medium Brownfield	350,000	420,000	180,971	350,000	420,000	-94,939	350,000	420,000	-209,804
Site 10	Medium greenfield	25,000	280,000	847,322	25,000	280,000	566,416	25,000	280,000	34,147
Site 11	Urban edge	50,000	310,000	862,693	50,000	310,000	931,789	50,000	310,000	687,536
Site 12	Town centre flats	350,000	420,000	842,438	350,000	420,000	1,079,959	350,000	420,000	305,335
Site 13	Ex garage site	350,000	420,000	436,110	350,000	420,000	-260,893	350,000	420,000	880,348
Site 14	Town Village Infill	750,000	900,000	1,648,413	750,000	900,000	1,035,523	750,000	900,000	3,172,312
Site 15	Small Village Scheme	50,000	310,000	1,265,299	0	0	0	50,000	310,000	2,204,210
Site 16	Village House	50,000	310,000	611,018	0	0	0	50,000	310,000	1,188,105

Source HDH October 2012

Community Infrastructure Levy

5.15 Having considered the above we have run further sets of appraisals assuming CIL at £10/m², £30/m², £50/m², £70/m², £9/m², on the Base Appraisals. In these we have worked from the following initial assumptions:

- a. Public Open Space Greenfield sites over 1 hectare have 40% open space
Brownfield sites NO Public Open Space



Greenfield sites less than 1ha, but more than 5 units 20% open space

- b. Density As per the modelled sites used in the CIL Viability Study
- c. Renewables CfSH level 4 assumed plus 10% on-site generation
- d. Affordable Housing 15 or more dwellings, 40%
10 – 14 dwellings, 30%
5 – 9 dwellings, 20%
- e. s106 £1,000 per unit – applied to all units (market and affordable)

5.16 It should be noted that these rates of CIL have been applied across all sites, it is possible that some councils will introduce variable rates of CIL that are set by different zones.



Table 5.7 Base Viability Appraisals. Full Policy Requirements – CIL at £10/m²
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	229,977	0	0	0	25,000	280,000	92,425
Site 2	SUE 2	25,000	280,000	233,714	0	0	0	25,000	280,000	113,442
Site 3	Greenfield 1	25,000	280,000	460,703	0	0	0	25,000	280,000	292,018
Site 4	Greenfield 2	25,000	280,000	535,009	25,000	280,000	332,037	25,000	280,000	357,277
Site 5	Greenfield 3	0	0	0	25,000	280,000	254,840	25,000	280,000	641,726
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-263,361	350,000	420,000	662,002
Site 7	Urban Flats	0	0	0	350,000	420,000	-1,987,244	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	677,114	350,000	420,000	976,182	350,000	420,000	1,241,015
Site 9	Medium Brownfield	350,000	420,000	399,461	350,000	420,000	127,487	350,000	420,000	8,237
Site 10	Medium greenfield	25,000	280,000	1,007,534	25,000	280,000	716,563	25,000	280,000	168,130
Site 11	Urban edge	50,000	310,000	1,067,317	50,000	310,000	1,148,944	50,000	310,000	879,002
Site 12	Town centre flats	350,000	420,000	1,106,761	350,000	420,000	1,353,632	350,000	420,000	567,870
Site 13	Ex garage site	350,000	420,000	658,505	350,000	420,000	-68,890	350,000	420,000	1,122,081
Site 14	Town Village Infill	750,000	900,000	1,929,789	750,000	900,000	1,274,008	750,000	900,000	3,530,168
Site 15	Small Village Scheme	50,000	310,000	1,514,977	0	0	0	50,000	310,000	2,500,000
Site 16	Village House	50,000	310,000	721,184	0	0	0	50,000	310,000	1,315,681

Source HDH October 2012



Table 5.8 Base Viability Appraisals. Full Policy Requirements – CIL at £30/m²
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	207,307	0	0	0	25,000	280,000	70,416
Site 2	SUE 2	25,000	280,000	214,298	0	0	0	25,000	280,000	94,026
Site 3	Greenfield 1	25,000	280,000	436,128	0	0	0	25,000	280,000	267,443
Site 4	Greenfield 2	25,000	280,000	509,902	25,000	280,000	306,930	25,000	280,000	332,170
Site 5	Greenfield 3	0	0	0	25,000	280,000	227,998	25,000	280,000	615,136
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-315,024	350,000	420,000	612,298
Site 7	Urban Flats	0	0	0	350,000	420,000	-2,090,260	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	612,872	350,000	420,000	911,941	350,000	420,000	1,188,649
Site 9	Medium Brownfield	350,000	420,000	345,498	350,000	420,000	72,992	350,000	420,000	-46,258
Site 10	Medium greenfield	25,000	280,000	969,104	25,000	280,000	684,622	25,000	280,000	128,186
Site 11	Urban edge	50,000	310,000	1,015,777	50,000	310,000	1,097,404	50,000	310,000	833,333
Site 12	Town centre flats	350,000	420,000	1,045,873	350,000	420,000	1,285,378	350,000	420,000	497,598
Site 13	Ex garage site	350,000	420,000	596,886	350,000	420,000	-130,509	350,000	420,000	1,061,063
Site 14	Town Village Infill	750,000	900,000	1,857,520	750,000	900,000	1,213,578	750,000	900,000	3,459,282
Site 15	Small Village Scheme	50,000	310,000	1,455,253	0	0	0	50,000	310,000	2,443,581
Site 16	Village House	50,000	310,000	696,926	0	0	0	50,000	310,000	1,291,660

Source HDH October 2012



Table 5.9 Base Viability Appraisals. Full Policy Requirements – CIL at £50/m²
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	184,636	0	0	0	25,000	280,000	47,530
Site 2	SUE 2	25,000	280,000	194,882	0	0	0	25,000	280,000	75,000
Site 3	Greenfield 1	25,000	280,000	411,553	0	0	0	25,000	280,000	242,868
Site 4	Greenfield 2	25,000	280,000	484,794	25,000	280,000	281,823	25,000	280,000	307,063
Site 5	Greenfield 3	0	0	0	25,000	280,000	201,156	25,000	280,000	588,546
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-367,852	350,000	420,000	562,594
Site 7	Urban Flats	0	0	0	350,000	420,000	-2,193,275	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	559,336	350,000	420,000	847,699	350,000	420,000	1,124,408
Site 9	Medium Brownfield	350,000	420,000	294,407	350,000	420,000	18,497	350,000	420,000	-100,752
Site 10	Medium greenfield	25,000	280,000	930,674	25,000	280,000	645,824	25,000	280,000	88,241
Site 11	Urban edge	50,000	310,000	964,236	50,000	310,000	1,045,863	50,000	310,000	791,061
Site 12	Town centre flats	350,000	420,000	984,985	350,000	420,000	1,240,872	350,000	420,000	427,327
Site 13	Ex garage site	350,000	420,000	535,268	350,000	420,000	-192,128	350,000	420,000	1,009,898
Site 14	Town Village Infill	750,000	900,000	1,785,250	750,000	900,000	1,140,597	750,000	900,000	3,388,396
Site 15	Small Village Scheme	50,000	310,000	1,395,530	0	0	0	50,000	310,000	2,383,858
Site 16	Village House	50,000	310,000	672,668	0	0	0	50,000	310,000	1,267,639

Source HDH October 2012



Table 5.10 Base Viability Appraisals. Full Policy Requirements – CIL at £70/m²
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	161,965	0	0	0	25,000	280,000	24,880
Site 2	SUE 2	25,000	280,000	175,467	0	0	0	25,000	280,000	55,718
Site 3	Greenfield 1	25,000	280,000	386,977	0	0	0	25,000	280,000	218,293
Site 4	Greenfield 2	25,000	280,000	459,687	25,000	280,000	256,715	25,000	280,000	281,955
Site 5	Greenfield 3	0	0	0	25,000	280,000	174,314	25,000	280,000	561,957
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-420,982	350,000	420,000	512,890
Site 7	Urban Flats	0	0	0	350,000	420,000	-2,296,291	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	493,840	350,000	420,000	783,458	350,000	420,000	1,060,166
Site 9	Medium Brownfield	350,000	420,000	239,912	350,000	420,000	-35,998	350,000	420,000	-155,247
Site 10	Medium greenfield	25,000	280,000	892,244	25,000	280,000	607,026	25,000	280,000	48,296
Site 11	Urban edge	50,000	310,000	912,695	50,000	310,000	994,322	50,000	310,000	738,514
Site 12	Town centre flats	350,000	420,000	924,097	350,000	420,000	1,171,286	350,000	420,000	357,055
Site 13	Ex garage site	350,000	420,000	473,649	350,000	420,000	-253,747	350,000	420,000	948,279
Site 14	Town Village Infill	750,000	900,000	1,712,981	750,000	900,000	1,067,616	750,000	900,000	3,317,510
Site 15	Small Village Scheme	50,000	310,000	1,335,806	0	0	0	50,000	310,000	2,324,134
Site 16	Village House	50,000	310,000	648,411	0	0	0	50,000	310,000	1,250,000

Source HDH October 2012



Table 5.11 Base Viability Appraisals. Full Policy Requirements – CIL at £90/m²
Residual Values compared with Alternative / Viability Threshold (£/ha)

		Malvern Hills			Worcester			Wychavon		
		Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value	Alternative Land Value	Viability Threshold	Residual Value
Site 1	SUE 1	25,000	280,000	139,295	0	0	0	25,000	280,000	1,828
Site 2	SUE 2	25,000	280,000	156,051	0	0	0	25,000	280,000	36,464
Site 3	Greenfield 1	25,000	280,000	362,402	0	0	0	25,000	280,000	193,717
Site 4	Greenfield 2	25,000	280,000	434,580	25,000	280,000	233,803	25,000	280,000	256,848
Site 5	Greenfield 3	0	0	0	25,000	280,000	148,884	25,000	280,000	535,367
Site 6	Brownfield redev. L	0	0	0	350,000	420,000	-474,111	350,000	420,000	463,186
Site 7	Urban Flats	0	0	0	350,000	420,000	-2,399,306	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	428,345	350,000	420,000	719,216	350,000	420,000	995,924
Site 9	Medium Brownfield	350,000	420,000	185,417	350,000	420,000	-90,493	350,000	420,000	-209,742
Site 10	Medium greenfield	25,000	280,000	853,813	25,000	280,000	568,228	25,000	280,000	8,351
Site 11	Urban edge	50,000	310,000	861,155	50,000	310,000	942,782	50,000	310,000	685,968
Site 12	Town centre flats	350,000	420,000	863,209	350,000	420,000	1,101,700	350,000	420,000	286,783
Site 13	Ex garage site	350,000	420,000	412,030	350,000	420,000	-315,366	350,000	420,000	886,660
Site 14	Town Village Infill	750,000	900,000	1,640,712	750,000	900,000	994,635	750,000	900,000	3,246,624
Site 15	Small Village Scheme	50,000	310,000	1,276,082	0	0	0	50,000	310,000	2,264,410
Site 16	Village House	50,000	310,000	624,153	0	0	0	50,000	310,000	1,231,612

Source HDH October 2012



6. Conclusions and Recommendations

- 6.1 In the previous chapter we set out the various appraisals for the different policy requirements in order to assess the impact of those on development viability. In this chapter we build on those results and assess the cumulative impact that these may have on the delivery of the South Worcestershire Development Plan.
- 6.2 The results from the previous chapter must be considered in the context of paragraph 174 of the NPPF. This says Planning Authorities ... *should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk....* There is no suggestion that all sites should be viable, the test is whether or not the Plan is put at serious risk.
- 6.3 In order to be able to compare the results of the above appraisal we have produced several comparative tables that show the cumulative impact of introducing the requirements under the emerging SWDP and of introducing CIL.

Cumulative Impact of Planning Policies

- 6.4 The following tables show the residual values from the tables in Chapter 5. The results with the least requirements are shown in the left hand of the coloured columns and requirements (or levels of CIL) increase in the columns to the right.

Table 6.1 Viability Appraisals. Cumulative Impact of Policy Requirements – No CIL										
Residual Values compared with Alternative / Viability Threshold (£/ha)										
			Alternative Land Value	Viability Threshold	Residual Value					
					No Requirement	CfSH4 + 2.5%	Affordable Target	Affordable, CfSH4 + 2.5% and Density		Affordable, CfSH4 + 2.5% and Density Prices less 5%
MALVERN HILLS										
Site 1	SUE 1		25,000	280,000	650,432	535,926	332,757	218,251		147,873
Site 2	SUE 2		25,000	280,000	621,867	521,654	324,151	223,909		160,872
Site 3	Greenfield 1		25,000	280,000	995,236	872,062	574,023	450,848		368,502
Site 4	Greenfield 2		25,000	280,000	1,126,237	995,676	656,141	525,581		436,846
Site 5	Greenfield 3		0	0	0	0	0	0		0
Site 6	Brownfield redev. L		0	0	0	0	0	0		0
Site 7	Urban Flats		0	0	0	0	0	0		0
Site 8	Brownfield redev. M		350,000	420,000	1,626,764	1,311,267	951,958	633,442		448,113
Site 9	Medium Brownfield		350,000	420,000	1,453,344	1,199,472	625,000	361,544		180,971
Site 10	Medium Greenfield		25,000	280,000	2,426,809	1,762,806	1,464,601	991,346		847,322
Site 11	Urban edge		50,000	310,000	1,881,763	1,674,752	1,259,642	1,050,650		862,693
Site 12	Town centre flats		350,000	420,000	2,237,069	1,941,730	1,357,721	1,083,111		842,438
Site 13	Ex garage site		350,000	420,000	1,211,920	995,333	872,319	643,792		436,110
Site 14	Town Village Infill		750,000	900,000	2,132,497	1,922,648	2,132,497	1,922,648		1,648,413
Site 15	Small Village Scheme		50,000	310,000	1,714,651	1,512,381	1,714,651	1,512,381		1,265,299
Site 16	Village House		50,000	310,000	805,244	722,386	805,244	722,386		611,018
WORCESTER CITY										
Site 1	SUE 1		0	0	0	0	0	0		0
Site 2	SUE 2		0	0	0	0	0	0		0
Site 3	Greenfield 1		0	0	0	0	0	0		0
Site 4	Greenfield 2		25,000	280,000	994,779	864,218	453,169	322,609		240,000
Site 5	Greenfield 3		25,000	280,000	922,171	779,958	379,850	239,889		152,118
Site 6	Brownfield redev. L		350,000	420,000	757,823	484,376	-448	-292,137		-446,987
Site 7	Urban Flats		350,000	420,000	1,347,757	524,622	-1,163,134	-2,048,052		-2,437,676
Site 8	Brownfield redev. M		350,000	420,000	2,639,944	2,349,470	1,239,168	932,511		707,161
Site 9	Medium Brownfield		350,000	420,000	1,453,344	1,199,472	361,330	89,196		-94,939
Site 10	Medium greenfield		25,000	280,000	2,232,961	1,607,728	1,100,887	701,754		566,416
Site 11	Urban edge		50,000	310,000	2,236,383	2,029,372	1,341,269	1,132,277		931,789
Site 12	Town centre flats		350,000	420,000	2,377,585	2,082,246	1,630,041	1,334,701		1,079,959
Site 13	Ex garage site		350,000	420,000	464,046	235,519	144,924	-83,603		-260,893
Site 14	Town Village Infill		750,000	900,000	1,476,716	1,266,867	1,476,716	1,266,867		1,035,523
Site 15	Small Village Scheme		0	0	0	0	0	0		0
Site 16	Village House		0	0	0	0	0	0		0
WYCHAVON										
Site 1	SUE 1		25,000	280,000	621,823	507,317	195,205	80,699		11,615
Site 2	SUE 2		25,000	280,000	596,858	496,645	203,879	103,637		41,742
Site 3	Greenfield 1		25,000	280,000	932,853	809,678	405,338	282,163		201,689
Site 4	Greenfield 2		25,000	280,000	1,060,508	929,947	478,409	347,849		261,086
Site 5	Greenfield 3		25,000	280,000	1,596,523	1,454,311	769,128	626,916		518,310
Site 6	Brownfield redev. L		350,000	420,000	2,315,869	2,037,874	906,356	634,317		441,647
Site 7	Urban Flats		0	0	0	0	0	0		0
Site 8	Brownfield redev. M		350,000	420,000	3,154,171	2,841,637	1,513,254	1,197,757		968,147
Site 9	Medium Brownfield		350,000	420,000	1,312,746	1,057,528	245,641	-30,053		-209,804
Site 10	Medium greenfield		25,000	280,000	1,145,242	735,859	419,301	151,304		34,147
Site 11	Urban edge		50,000	310,000	1,881,763	1,674,752	1,071,326	862,335		687,536
Site 12	Town centre flats		350,000	420,000	1,393,974	1,120,071	844,132	548,379		305,335
Site 13	Ex garage site		350,000	420,000	1,964,321	1,738,024	1,333,809	1,107,512		880,348
Site 14	Town Village Infill		750,000	900,000	3,728,997	3,523,165	3,728,997	3,523,165		3,172,312
Site 15	Small Village Scheme		50,000	310,000	2,651,247	2,500,000	2,651,247	2,500,000		2,204,210
Site 16	Village House		50,000	310,000	1,398,921	1,316,871	1,398,921	1,316,871		1,188,105

Source HDH October 2012



- 6.5 It can be clearly seen that, as more requirements are introduced through policy, more sites move from viable through marginal and then to un-viable. When looked at as a whole, across the SWDP area, and before considering CIL, it is clear that most sites are able to bear the Councils' principal policy requirements (Affordable Housing, Green Infrastructure and increased environmental standards).
- 6.6 If the Councils do not adopt CIL, then we consider that the South Worcestershire Development Plan would not be put at *serious risk* by the set of policies proposed.
- 6.7 It should however be noted that when looked at in isolation, Worcester City's sites are adversely impacted by the policies, such that a significant proportion of modelled sites cannot bear all the policy requirements in the current market. To ensure that delivery is not adversely impacted, but that the Councils' objectives are still met, including growth at Worcester, we would recommend that the Green Infrastructure Policy (SWDP 5), the Open Space Policy (SWDP 37), the Effective Use of Land (SWDP 12), and the Affordable Housing Policy (SWDP 14) all incorporate the option whereby, where the developer believes the scheme to be unviable, the developer may submit a site specific viability assessment as part of the planning application process. We would recommend that this is carried out in strict accordance with The RICS Guidance Note *Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012)* (August 2012) so as to impose rigour and consistency on the process.

Impact of CIL

- 6.8 The CIL Viability Study does not recommend rates of CIL. It is for each of the Charging Authorities to weigh up its own priorities in the context of the CIL Regulations and CIL Guidance and to 'strike the balance' between funding infrastructure and raising CIL. The report concludes by recommending a strategy for setting CIL.
- 6.9 The recommended strategy for setting CIL is to take a cautious approach, to set CIL well within the margins of viability so it can be borne by most development sites. It is also recommended that the councils develop a limited Regulation 123 list⁸. This approach will reflect and be appropriate to the current uncertain market. Importantly, this will also allow the developers to maintain control of the delivery of infrastructure for large sites – thus giving more certainty of delivery.
- 6.10 The limited Regulation 123 List will enable the councils to develop and implement a strategy of further, site specific, payments under s106 and balance the provision of affordable housing. This advice is pragmatic and will ensure that the Development Plans are delivered. This approach will maximise the overall contribution (both financial and in terms of affordable

⁸ The 123 list is prepared in line with CIL Regulation 123 and sets out those items of infrastructure that CIL will be spent on.

housing) of developers but allow the flexibility to negotiate on a site by site basis. CIL will be paid by all viable sites and then the councils will be able to ensure that each site contributes to the maximum possible extent – be that through s106 payments, or through the delivery of affordable housing.

- 6.11 In considering the impact on viability of CIL, it is important to note that CIL is the ‘first slice’ of the developers’ profit over and above the reasonable profit (i.e. that to provide a *competitive return*), and is paid before affordable housing or other policy requirements are considered. The CIL Regulations are worded in such a way that payment of CIL should be considered to be mandatory. There is some scope to negotiate over both the precise amount of affordable housing to be provided, and the details of the environmental requirements.
- 6.12 In the following table the Residual Value is compared with the Viability Threshold for different levels of CIL. These are based on the Base Appraisals – that is to say the following policy requirements.
- a. Public Open Space Greenfield sites over 1 hectare have 40% open space
 Brownfield sites NO Public Open Space

 Greenfield sites less than 1ha but more than 5 units 20% open space
 - b. Density As per the modelled sites used in the CIL Viability Study
 - c. Renewables CfSH level 4 assumed plus 10% on-site generation
 - d. Affordable Housing 15 or more dwellings, 40%
 10 – 14 dwellings, 30%
 5 – 9 dwellings, 20%
 - e. s106 £1,000 per unit – applied to all units (market and affordable)

Table 6.2 Viability Appraisals. Base Appraisals. Impact of CIL										
Residual Values compared with Alternative / Viability Threshold (£/ha)										
			Alternative Land Value	Viability Threshold	Residual Value					
					No Requirement	CIL @£10	CIL @£30	CIL @£50	CIL @£70	CIL @£90
MALVERN HILLS										
Site 1	SUE 1		25,000	280,000	218,251	229,977	207,307	184,636	161,965	139,295
Site 2	SUE 2		25,000	280,000	223,909	233,714	214,298	194,882	175,467	156,051
Site 3	Greenfield 1		25,000	280,000	450,848	460,703	436,128	411,553	386,977	362,402
Site 4	Greenfield 2		25,000	280,000	525,581	535,009	509,902	484,794	459,687	434,580
Site 5	Greenfield 3		0	0	0	0	0	0	0	0
Site 6	Brownfield redev. L		0	0	0	0	0	0	0	0
Site 7	Urban Flats		0	0	0	0	0	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	633,442	677,114	612,872	559,336	493,840	428,345	
Site 9	Medium Brownfield	350,000	420,000	991,346	399,461	345,498	294,407	239,912	185,417	
Site 10	Medium greenfield	25,000	280,000	991,346	1,007,534	969,104	930,674	892,244	853,813	
Site 11	Urban edge	50,000	310,000	1,050,650	1,067,317	1,015,777	964,236	912,695	861,155	
Site 12	Town centre flats	350,000	420,000	1,083,111	1,106,761	1,045,873	984,985	924,097	863,209	
Site 13	Ex garage site	350,000	420,000	643,792	658,505	596,886	535,268	473,649	412,030	
Site 14	Town Village Infill	750,000	900,000	1,922,648	1,929,789	1,857,520	1,785,250	1,712,981	1,640,712	
Site 15	Small Village Scheme	50,000	310,000	1,512,381	1,514,977	1,455,253	1,395,530	1,335,806	1,276,082	
Site 16	Village House	50,000	310,000	722,386	721,184	696,926	672,668	648,411	624,153	
WORCESTER CITY										
Site 1	SUE 1		0	0	0	0	0	0	0	0
Site 2	SUE 2		0	0	0	0	0	0	0	0
Site 3	Greenfield 1		0	0	0	0	0	0	0	0
Site 4	Greenfield 2	25,000	280,000	322,609	332,037	306,930	281,823	256,715	233,803	
Site 5	Greenfield 3	25,000	280,000	239,889	254,840	227,998	201,156	174,314	148,884	
Site 6	Brownfield redev. L	350,000	420,000	-292,137	-263,361	-315,024	-367,852	-420,982	-474,111	
Site 7	Urban Flats	350,000	420,000	-2,048,052	-1,987,244	-2,090,260	-2,193,275	-2,296,291	-2,399,306	
Site 8	Brownfield redev. M	350,000	420,000	932,511	976,182	911,941	847,699	783,458	719,216	
Site 9	Medium Brownfield	350,000	420,000	89,196	127,487	72,992	18,497	-35,998	-90,493	
Site 10	Medium greenfield	25,000	280,000	701,754	716,563	684,622	645,824	607,026	568,228	
Site 11	Urban edge	50,000	310,000	1,132,277	1,148,944	1,097,404	1,045,863	994,322	942,782	
Site 12	Town centre flats	350,000	420,000	1,334,701	1,353,632	1,285,378	1,240,872	1,171,286	1,101,700	
Site 13	Ex garage site	350,000	420,000	-83,603	-68,890	-130,509	-192,128	-253,747	-315,366	
Site 14	Town Village Infill	750,000	900,000	1,266,867	1,274,008	1,213,578	1,140,597	1,067,616	994,635	
Site 15	Small Village Scheme	0	0	0	0	0	0	0	0	
Site 16	Village House	0	0	0	0	0	0	0	0	
WYCHAVON										
Site 1	SUE 1		25,000	280,000	80,699	92,425	70,416	47,530	24,880	1,828
Site 2	SUE 2		25,000	280,000	103,637	113,442	94,026	75,000	55,718	36,464
Site 3	Greenfield 1		25,000	280,000	282,163	292,018	267,443	242,868	218,293	193,717
Site 4	Greenfield 2		25,000	280,000	347,849	357,277	332,170	307,063	281,955	256,848
Site 5	Greenfield 3		25,000	280,000	626,916	641,726	615,136	588,546	561,957	535,367
Site 6	Brownfield redev. L	350,000	420,000	634,317	662,002	612,298	562,594	512,890	463,186	
Site 7	Urban Flats		0	0	0	0	0	0	0	0
Site 8	Brownfield redev. M	350,000	420,000	1,197,757	1,241,015	1,188,649	1,124,408	1,060,166	995,924	
Site 9	Medium Brownfield	350,000	420,000	-30,053	8,237	-46,258	-100,752	-155,247	-209,742	
Site 10	Medium greenfield	25,000	280,000	151,304	168,130	128,186	88,241	48,296	8,351	
Site 11	Urban edge	50,000	310,000	862,335	879,002	833,333	791,061	738,514	685,968	
Site 12	Town centre flats	350,000	420,000	548,379	567,870	497,598	427,327	357,055	286,783	
Site 13	Ex garage site	350,000	420,000	1,107,512	1,122,081	1,061,063	1,009,898	948,279	886,660	
Site 14	Town Village Infill	750,000	900,000	3,523,165	3,530,168	3,459,282	3,388,396	3,317,510	3,246,624	
Site 15	Small Village Scheme	50,000	310,000	2,500,000	2,500,000	2,443,581	2,383,858	2,324,134	2,264,410	
Site 16	Village House	50,000	310,000	1,316,871	1,315,681	1,291,660	1,267,639	1,250,000	1,231,612	

Source HDH October 2012



- 6.13 As would be expected, the introduction of CIL does have an adverse impact on site viability. CIL set at £50/m² renders 4 of the sites that are viable with no CIL unviable, and at £70/m², a further 2 become unviable.
- 6.14 If the councils follow the recommendation to incorporate a viability test into policies SWDP 5, SWDP 37 and SWDP 14, the introduction of CIL at rates of up to £70/m² on residential property will '*not put implementation of the plan at serious risk*'. The councils have not yet made a firm decision to adopt CIL. If they do, then CIL will need to be set with regard to the flexibilities incorporated into these policies.

Conclusion

- 6.15 The policies set out in the South Worcestershire Development Plan, and the proposals to introduce CIL, will not put implementation of the Development Plan at serious risk. Some sites will be rendered unviable but not in sufficient numbers so as to prejudice the overall plan.
- 6.16 This study has informed the final refinements to the SWDP including, in line with the recommendation at 6.7 above, the inclusion of the option for developers to submit a site specific viability assessment as part of the planning application process where the developer believes the cumulative impact of the SWDP policies would render a scheme unviable. This will ensure that delivery is not adversely impacted, but that the Councils' objectives are still met, including growth at Worcester. We recommend that this site specific viability testing is carried out in strict accordance with The RICS Guidance Note *Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012)* (August 2012) so as to impose rigour and consistency on the process.
- 6.17 The NPPF suggest the use of 'existing available evidence' when preparing plans. This report will form part of the evidence base but the Councils will also draw on other evidence that is available to them. The viability testing carried out in the CIL Viability Study and in this report is based on a suite of modelled sites that are broadly representative of the types of scheme that are likely to come forward over the plan period. Large strategic sites often have their own specific characteristics and development costs associated with them – particularly in relation to the provision of infrastructure so may require special on-going consideration. The Councils recognise this and are in a process of on-going dialogue, with the owners and developers involved with the promotion of the large strategic sites. This process is in line with the recommendations of the Harman Guidance⁹. The results of those discussions have also informed and will continue to inform the plan making process.

⁹ Page 20 and 21. Viability Testing in Local Plans – Advice for planning practitioners. (LGA/HBF – Sir John Harman), June 2012