For:
Chiltern District Council &
South Bucks District Council

Local Plan and CIL
Viability Assessment

**FINAL** Report (DSP v3)

June 2019

DSP19526A
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Executive Summary

Context and assessment approach

1. The full report that follows, together with Appendices, describes in a final stage of reporting the viability assessment that Chiltern District and South Bucks District Councils (CDC & SBDC) commissioned Dixon Searle Partnership (DSP) to undertake.

2. This contributes to the Councils’ overall evidence base, now supporting their latest policy positions, having informed the development of policies for the new joint Local Plan and their intended Community Infrastructure Levy (CIL) charging schedules.

3. The new Plan reaches Publication stage for consultation in June 2019. Once in place, subject to a subsequent examination stage, the Plan will be used to determine planning applications, and will set out the strategic land allocations which will help to meet the needs of the Districts over the plan period, up to 2036.

3. In accordance with the NPPF (National Planning Policy Framework) 2018-19, a viability assessment is undertaken with a view to ensuring that the plan ‘sets out the contributions expected from development’ on the basis that: ‘Such policies should not undermine the deliverability of the plan.’

4. Along with the publication of the new NPPF, in July 2018 the national Planning Practice Guidance on ‘Viability’ was also updated. The previously established principles and good practice on viability assessment are carried through this assessment. They have continued to be reflected appropriately in an approach that is also consistent with the new guidance.

5. ‘Viability’ in this context refers to the financial “health” of development. This is viewed through considering the varying strength of the relationship between development values and costs – across a range of potential scheme types (used as ‘typologies’ to inform the review of viability, overall). For this assessment, an important part of the Council’s growth strategy involves proposals to release strategic scale sites from the Green Belt. Adding to the review of development typologies, therefore, a more specific approach has been taken to include considering the current stage viability potential of these strategic allocation sites.
6. The testing also includes the appropriate high-level review of the viability of commercial/non-residential scheme typologies, for CDC & SBDC’s information on the joint Local Plan and sought by the Councils to inform and support their CIL rates setting processes. The intended CILs (based on a separate charging schedule per charging authority i.e. for each district) would support the provision of infrastructure associated with the new joint local Plan identified growth.

7. This is all looked at using the residual valuation approach that consistently underpins all such assessments, based on an established and sound methodology taken through a number of Local Plan and CIL examinations.

8. The estimated development costs (build costs, fees, finance, costs of sale etc.) and CDC & SBDC proposed joint Local Plan policy costs - as impact viability - are considered together, to assess whether a sufficient level of land value as well as development profit can also be supported alongside those.

Findings – Overview

Local plan – policies and sites

9. Overall, the assessment undertaken here, using representative development typologies and current stage review of the larger sites (strategic site allocations), finds that CDC & SBDC are planning for a range of development and sites that can be expected to continue to have reasonable prospects of viability while supporting a mix of development contributions - including affordable housing (AH) and in support of infrastructure provision (through CIL/s.106).

10. The work finds that the policies are capable of informing and supporting a suitable balance between the acknowledged drivers of development (commercial side - i.e. land value and profit for risk reward), development quality and the residents’ and wider community needs (both through a reviewed CIL charging schedule and continued use of s.106). Based on the policies and other estimated development viability cost impacts, at a “whole plan” level, developments should be capable of coming forward viably in accordance with national policy and guidance.

11. This takes account of the affordable housing (at 40%) together with the policies on development standards such as accessibility, water usage efficiency and sustainability.
(enhanced over base building regulations) as well as s.106 infrastructure contributions/works and/or CIL as proposed. These have been found suitable positions in viability terms. Some observations on detail/implementation have been offered too.

**Community Infrastructure levy (CIL) – Draft charging schedules**

12. The assessment has also found the proposed CIL charging rates to be appropriate by and large when looking at viability, with the £150/sq. m simple single residential charging rate considered suitable and, at this level, not needing to be varied by location or other characteristics in our view.

13. We consider there to be some advantages in a retail charging rate set at the same level, as proposed. We have also offered some comments in respect of how this level of charge may have a greater impact on some retail types including smaller/local shops developments should there be any, and this could be a matter of considering the relevance to the Plan, overall, of various forms of development.

14. Similarly, we have provided commentary on the Councils’ proposals to charge CIL at a low level (£35/sq. m, which we have described as nominal) on all other forms of development that are not to be charged at £150/sq. m (except for the larger strategic site allocations which, as noted above, would be subject to nil-CIL charging).

15. However, wherever the charging rates are to be set, typically there are pros and cons associated with any selected approach to CIL. The levy is intended to be a relatively simple area wide mode of collecting infrastructure contributions to support development identified in a Local Plan, but this means there will usually be some imperfections unless it gets very complex and then becomes unwieldy. The key is that charging authorities need to be able to show that for their area they have struck an appropriate balance between the desirability of funding infrastructure and development viability (which are opposing tensions in the CIL setting process of course).

16. A range of other information is provided, the above being a very brief summary only. DSP will be happy to input further, should the Councils wish.
1. Introduction

1.1 Background to the Viability Assessment

1.1.1 Chiltern District Council and South Bucks District Council are preparing a joint Local Plan for Chiltern and South Bucks Districts. The joint Local Plan will provide the overall planning framework for the Districts for the period to 2036. It will set out the overall strategy for the whole Plan area and provide strategic and development management policies. It will also provide the policy context for neighbourhood and other community-led planning documents. The Councils’ currently adopted development plans consist of the Chiltern District Core Strategy (2011), Chiltern District Local Plan (consolidated 2011), South Bucks Core Strategy (2011) and South Buck Local Plan (consolidated 2011).

1.1.2 The Councils have undertaken a Regulation 18 Initial Consultation (January – March 2016) and Green Belt Preferred Options consultation (October – December 2016) and will undertake Regulation 19 consultation on the publication version of the joint Local Plan between June and July 2019.

1.1.3 At the same time as preparing the joint Local Plan, the Councils are also each preparing a Community Infrastructure Levy Charging Schedule in order to begin charging CIL in both Districts. Preliminary Draft Charging Schedule (PDCS) consultation was undertaken between November and December 2018.

1.1.4 The overall latest assessment of housing needs and other requirements can be summarised as a requirement for 15,260 new homes of which 11,000 are proposed to be accommodated within the Plan area (5,750 are to be accommodated within neighbouring Aylesbury Vale District). 56,000 sq. m of employment floorspace and 10,861 sq. m of additional gross retail space is also planned for through the emerging joint Local Plan.

1.1.5 The Councils cannot accommodate all of the required growth within the plan area or within the confines of the existing built up areas. The Plan will focus development on built-up areas and previously developed land (PDL) but also supplements this with the release of greenbelt land where sustainably built extensions can be achieved.
1.1.6 It is in the interests of the Councils, 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. This is equally true of the level(s) of CIL that may be required across the Districts.

1.1.7 The joint Local Plan must be prepared in accordance with the requirements set out in National Planning Policy Framework (NPPF)\(^1\) and the accompanying Planning Practice Guidance (PPG)\(^2\). Viability testing is an important part of the plan-making process. The NPPF introduces a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. In addition, further guidance on this requirement is covered by the national Planning Practice Guidance and other publications.

1.1.8 In light of the above, the Councils commissioned DSP to undertake a viability assessment of the joint Local Plan and advise on a potential CIL Charging Schedule for each District. This assesses and informs policies in the joint Local Plan that have direct development cost implications, provides a viability appraisal of the sites typologies likely to come forward through the joint Local Plan and provides a high-level assurance that the proposed sites (including strategic greenbelt release sites) and the scale of development identified in the plan would not be subject to such a scale of obligations (including CIL) and policy burdens that their ability to be developed viably is threatened.

1.1.9 This whole plan and CIL viability assessment builds on and consolidates work undertaken by Dixon Searle Partnership (DSP) over a number of years on behalf of Chiltern and South Bucks District Councils to both inform and support the progression of the joint Local Plan and potential CIL Charging Schedules.

1.1.10 This work includes a High Level Community Infrastructure Levy Feasibility Study (November 2016); Green Belt Preferred options viability analysis (2016); Chiltern & South Bucks Local Plan and CIL Preliminary Report\(^3\) and; a further preliminary report reviewing the potential viability of sites allocated through the new joint Local Plan\(^4\).

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\(^1\) MHCLG: National Planning Policy Framework (February 2019)
\(^2\) MHCLG: https://www.gov.uk/government/collections/planning-practice-guidance
\(^3\) DSP: Viability Assessment for Chiltern & South Bucks Councils to Inform the emerging Local Plan 2036 & Community Infrastructure Levy Charging Schedule Preliminary Report (November 2018)
\(^4\) DSP: Viability Assessment for Chiltern & South Bucks Councils to Inform the emerging Local Plan 2036 & Community Infrastructure Levy Charging Schedule Preliminary Report (2) (May 2019)
1.1.11 Each stage of our work has necessarily needed to adapt to and reflect costs and policies known at the time of running the development appraisals that inform the overall viability process. Policies and infrastructure costs estimates have evolved and have varied on a regular basis so that a number of iterations of the development appraisals have been undertaken on both the specific site allocation proposal sites as well as on our wider testing of site typologies across Chiltern and South Bucks - to inform and react to policy development and potential CIL charging scope. This report and assessment therefore draws together the various strands in a single report that considers the viability of the joint Local Plan as a whole and further informs the Councils’ positions on an appropriate level of CIL to charge on development across the Districts. Although this report can be used as a single point of reference, previous work upon which this is partly based should also be considered.

1.2 Background to the CIL

1.2.1 The Community Infrastructure Levy (CIL) came into force in April 2010 and has been revised on a number of occasions since. It allows local authorities in England and Wales to raise funds from developers undertaking new developments in their area.

1.2.2 Neither Chiltern District nor South Bucks District Council has a CIL in place and both are considering this for the first time, continuing for the time being to rely on s.106 for securing planning obligations to provide infrastructure to mitigate the effects of and support new development.

1.2.3 Alongside the evidence required to support the preparation of the joint Local Plan, the Councils decided to concurrently progress a consultation on the Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule (PDCS); undertaken in November 2018. There will be a further round of consultation on a CIL Draft Charging Schedule (DCS) before the Charging Schedule is considered at an independent examination.

1.2.4 It is probably worth noting at this point that in carrying out high level viability testing of key strategic site allocations within the joint Local Plan, allowances have had to be made for those developments to mitigate the burden that they are likely to place on the local infrastructure. These costs, using latest estimates provided by the Councils and based on information provided by Buckinghamshire County Council (amongst
others) relate to infrastructure provision such as for education and transport. Given that the emerging Local Plan needs to be considered in the context of both having CIL in place and not having CIL in place, those costs are necessarily included within the specific site allocation tests (as estimated s.106 contributions / works) both alongside CIL and on a nil-CIL basis (as sensitivity testing). In reality, the Councils acknowledge that this could lead to the possibility of ‘double-dipping’ if actually applied in this way, and as such the Councils would remove the required infrastructure provision from the policies (most likely through main modifications to the Plan) should the CIL be in place prior to the end of the Chiltern & South Bucks Joint Local Plan examination process.

1.2.5 In this case, Chiltern District Council and South Bucks District Council would be the CIL charging authority for their respective area.

1.2.6 CIL takes the form of a charge that may be payable on ‘development which creates net additional floor space’\(^5\). The majority of developments providing an addition of less than 100 sq. m in gross internal floor area will not pay. For example, a small extension to a house or to a commercial / non-residential property; or a non-residential new-build of less than 100 sq. m will not be subject to the charge. Additionally, the Community Infrastructure (Amendment) Regulations 2014 allows for a mandatory exemption for residential annexes and extensions regardless of size. However, development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the new dwelling has a gross internal floor area of less than 100 sq. m.\(^6\)

1.2.7 The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority’s area.

1.2.8 The CIL regulations require charging authorities to allocate a ‘meaningful proportion’ of the levy revenue raised in each neighbourhood back to those local areas. Where there is a neighbourhood development plan in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development that they have chosen to accept. Under the Regulations the money would be paid directly to the neighbourhood planning bodies and could be used for community projects. Planning

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\(^6\) Subject to the changes introduced in The Community Infrastructure Levy (Amendment) Regulations 2014 that provide a mandatory exemption for self-build housing, including communal housing.
Practice Guidance provides further information on spending of Levy receipts including distribution to local neighbourhoods⁷.

1.2.9 Typically, neighbourhoods without a neighbourhood development plan but where a CIL is still charged will receive a capped share of 15% of the levy revenue arising from development in their area.

1.2.10 Under the Government’s regulations, affordable housing and development by charities will not be liable for CIL charging. This means that within mixed tenure housing schemes, it is the market dwellings only that will be liable for the payments at the rate(s) set by the charging authority.

1.2.11 The Councils have been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated joint Local Plan level of growth to be accommodated across the plan area as a whole through the development of a draft Infrastructure Delivery Plan (IDP). This 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.

1.2.12 Infrastructure is taken to mean any service or facility that supports the Chiltern and South Bucks District Council areas 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.

1.2.13 Within this study, an allowance has been made for the cost to developers of providing affordable housing and other costs of policy compliance in addition to testing a range of potential CIL charging rates. In this sense, the collective planning obligations (including affordable housing, CIL and 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. 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.

1.2.14 In most cases, where adopted, CIL replaces s.106 as the mechanism for securing developer contributions towards required infrastructure. Indeed, Government guidance on CIL states that it expects LPAs to work proactively with developers to ensure they are clear about infrastructure needs so that there is no actual or perceived “double dipping” – i.e. charging for infrastructure both through CIL and s.106. Therefore s.106 should be scaled back to those matters that are directly related to a specific site and are not set out in a Regulation 123 list (a list of infrastructure projects that the local planning authority intends to fund through the Levy). This could be a significant consideration, for example, in respect of large scale development associated with on-site provision of infrastructure, high site works costs and particularly where these characteristics may coincide with lower value areas.

1.2.15 In a parallel with ensuring that the Local plan Policies do not unduly affect the ability of development to come forward viably, the CIL rate or rates should be set at a level that ensures development within the authority’s area (as a whole, based on the plan provision) is not put at serious risk.

1.2.16 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).

‘The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck 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 (see regulation 14(1), as amended by the 2014 Regulations), 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. ¹⁸

1.2.17 Later amendments to the CIL Regulations introduced:

- new mandatory exemptions for self-build housing, and for residential annexes and extensions;

- a change to allow charging authorities to set differential rates by the size of development (i.e. floorspace, units);

- the option for charging authorities to accept payments in kind through the provision of infrastructure either on-site or off-site for the whole or part of the levy payable on a development;

- a new ‘vacancy test’ - buildings must have been in use for six continuous months out of the last three years for the levy to apply only to the net addition of floorspace (previously a building to be in continuous lawful use for at least six of the previous 12 months);

- a requirement on the charging authority to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy on the economic viability of development across the area. Previously a charging authority had to ‘aim to strike the appropriate balance’;

- provisions for phasing of levy payments to all types of planning permission to deal fairly with more complex developments.

1.2.18 The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion the preparation of this study meets the requirements of all appropriate Guidance. However, the Council will be aware that the Government has published its response to its own consultation on supporting housing through developer contributions (October 2018).

1.2.19 This provided an indication of the direction of travel in relation to CIL and other planning obligations moving forward. It suggested that the Government favours lifting the pooling restrictions on s106 in all areas but still would like to incentivise the uptake and continued use of CIL. It states that the Government will ensure measures are in place to incentivise uptake and continued use of the Levy but at this stage no measures are identified. Further consideration was also given to legislating to change CIL by allowing Local Authorities to set differential rates based on the existing use of the land. In responding to the consultation the Government has decided not to take this further due to perceived complexities in the process. It does however recognise that the existing Regulations go some way to achieving these aims through the use of differential Levy rates; something that DSP suggested in our response to the Government.

1.2.20 Other changes that the Government intends to consult on include changing the indexation method for CIL after implementation (potentially through local area based house price indices rather than the current method of linking indexation to build cost).

1.2.21 Within their response document, the Government states: ‘Legislation will be required in order to implement the changes set out in the consultation document. Therefore, the Government will be consulting on the draft regulations later this year’. At this stage we have not been able to take into account any potential changes.

1.3 Chiltern District and South Bucks District Profiles

1.3.1. Chiltern District is located in Buckinghamshire County in south East England, covering an area of approximately 196 square kilometres within the Metropolitan Greenbelt 15-20 kilometres north west of London.

1.3.2. The main settlements include Amersham, Chesham and Chalfont St Peter with numerous rural small towns and villages. The district has a population of approximately 95,000. Approximately 88% of the district is within the Green Belt and 72% of the district is classified as an Area of Outstanding Natural Beauty (AONB).

1.3.3. South Bucks District, also located within Buckinghamshire covers an area of approximately 141 square kilometres immediately west of London. It is bordered by a number of large urban areas including Uxbridge to the east, Slough to the south, Maidenhead to the south east and High Wycombe to the north west.
1.3.4. The district lies wholly within the Metropolitan Green Belt with three larger settlements of Beaconsfield, Gerrard’s Cross and Burnham amongst about 25 small towns and villages.

1.3.5. The district has a population of approximately 69,600 and approximately 3% of the district is classified as AONB. Figure 1 (following page), taken from the Councils’ emerging joint Local Plan, sets out a spatial portrait of the joint plan area.
Figure 1: Chiltern & South Bucks Districts in Context
1.3.6. Both Chiltern and South Bucks Districts have generally high house prices. That, along with the constrained housing supply leads to increasing unaffordability of homes in Chiltern and South Bucks which in turn has significant impacts on those living and working in the area.

1.3.7. The joint plan therefore proposes to:

‘Support the vision of Chiltern and South Bucks as a growing and developing area. This growth will be associated with a liveable and sustainable environment that balances economic, social and environmental needs, ensuring that the two Districts remain a highly desirable place to live, work and visit.

Addressing the housing issue is a key priority and this Plan aims to provide more homes while protecting the natural and historic environment. The Plan seeks to support the growth in the economy in key sectors linked to the area’s economic strengths’. 9

1.4 Policy & Guidance

1.4.1 During the course of carrying out the various strands of this assessment over the past 3 years a revised NPPF (July 2018 and again in February 2019) was published alongside updated Planning Practice Guidance (in particular in relation to Viability both at plan making and decision taking stage of the planning process).

1.4.2 Previously the NPPF (2012) set out the overall approach to the preparation of Development Plans. It provided specific guidance on ensuring viability and deliverability. In particular, paragraphs 173-174 stated:

‘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

9 Chiltern & South Bucks Local Plan 2036 – Publication Version Draft
CDC & SBDC – Local Plan & CIL Viability Assessment – Final Report (DSP19526A)
and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable.

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’.

1.4.3 The requirement to consider viability now stems from the National Planning Policy Framework (NPPF) 2019 which says on ‘Preparing and reviewing plans’ at para 31: ‘The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.’

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

1.4.5 The updated national Planning Practice Guidance (PPG) also published in July 2018 and further revised in March and May 2019 on ‘Viability’ provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The new Planning Practice Guidance on Viability states:

‘Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).
These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development...Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan’.

1.4.6 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). 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 a Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.

1.4.7 This viability assessment has therefore been produced in the context of and with regard to the NPPF, Planning Practice Guidance, CIL Regulations, CIL Guidance and other Guidance applicable to studies of this nature.

1.5 Purpose of this Report

1.5.1 Viability testing is an important part of the plan-making process. In order to meet the requirements of the NPPF, Chiltern and South Bucks Councils commissioned Dixon Searle Partnership (DSP) to carry out a Viability Assessment with an objective to determine the impact on development viability of including the various relevant policy requirements of the emerging joint Local Plan including recommendations on affordable housing targets and potential options for the introduction of a Community Infrastructure Levy. As discussed above, this has not been a single stage process but an assessment that has evolved over the past three years in order to firstly inform and then latterly to assess the potential viability of the joint Local Plan and the policies contained within it.
1.5.2 The assessment involves the review of the financial viability of site typologies (representing a range of typical site types likely to come forward across the Plan) and specific sites where those are important in delivering the aims and objectives of the joint Plan. The assessment provides the evidence base for the viability of the joint Local Plan policies, informing and supporting the deliverability of the plan overall.

1.5.3 This approach does not require a detailed viability appraisal of every site anticipated to come forward over the plan period but rather the testing of a range of appropriate site typologies reflecting the potential mix of sites likely to come forward. Neither does it require an appraisal of every likely policy but rather potential policies that are likely to have a close bearing on development costs. In our experience this means a focus on the viability prospects and potential policies associated with housing development, because the scope of this or other Councils’ influence – i.e. through local policy positions - over the viability of other forms of development (non-residential/employment/commercial) is much more limited.

1.5.4 To this end, the study requires the policies and proposals in the joint Local Plan to be brought together to consider their cumulative impact on development viability including the potential scope for setting an appropriate CIL within Chiltern and South Bucks Districts.

1.5.5 The assessment approach applied sensitivity testing to policy costs including a range of affordable housing proportions, tested at different thresholds and combined with allowances for meeting the requirements for other optional housing standards - including relating to the access to and use of buildings, water efficiency and space standards. These were then further tested as the Councils refined and altered policy options.

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

1.5.7 The approach used to inform the study applies the well-recognised methodology of residual land valuation. ‘Viability’ in the sense of this assessment means the financial health of development, so that the assessment centres around the strength of the
relationship that is available between the completed development (sale) value and the development costs; and how the strength of this relationship varies across a range of development types, host site types and locations – all bearing in mind the types of sites and schemes expected to come forward here to support the emerging joint Local Plan overall, and the local characteristics.

1.5.8 The residual valuation technique has been used to run appraisals on sample scheme typologies representing development scenarios that are likely to come forward across the Districts under the emerging development strategy. The Councils also asked DSP to carry out more specific high-level appraisals of strategic sites in the Green Belt promoted through the Plan.

1.5.9 The study process produces a large range of results relating to the exploration of a range of potential affordable housing percentage targets as well as other variables. As with all such studies using these principles, an overview of the results and the trends seen across them is required - so that judgments can be made to inform the policy setting process.

1.5.10 A key element of the viability overview process is the comparison of the RLV results generated by the development appraisals and the potential level of land value that may need to be reached to ensure that development sites continue to come forward - so that development across the area is not put at risk owing to unrealistic policy burdens in combination with other development cost factors. These comparisons are necessarily indicative but are usually linked to an appropriate site value or benchmark. The results sets have been tabulated in summary form and those are included in Appendix IIa (residential general typologies), Appendix IIb (appraisal of proposed site allocations) and IIc (commercial/non-residential scenario tests).

1.5.11 In considering the relationship between the RLV created by a scenario and some comparative level that might need to be reached, we have to acknowledge that in practice this is a dynamic one – land value levels and comparisons will be highly variable in practice. It is acknowledged in a range of similar studies, technical papers and guidance notes on the topic of considering and assessing development viability that this is not an exact science. Therefore, to inform our judgments in making this overview, our practice is to look at a range of potential land value levels that might need to be reached allied to the various scenarios tested.
1.5.12 This report then sets out findings and recommendations on the viability of the Plan as a whole whilst also checking and confirming the previously set out assessment of the approach to and charging rates parameters for the potential local implementation of a CIL in both districts. Given the joint planning approach and degree of shared general characteristics across the areas, throughout the assessment process and the Councils’ working up of proposals there has been a continual aim to develop policy and CIL proposals that are as a simple and shared as far as is practical in order to provide clarity and consistency to the overall approach.
2 Methodology

2.1 Residual valuation principles

2.1.1 This assessment has been carried out in the context of the NPPF (July 2018 / 2019) as well as the PPG viability guidance as available at the time of undertaking a majority of this assessment (i.e. prior to May 2019 updates). The NPPF as now updated remains very high level in regard to viability directly, but retains the well-established principle on ‘development contributions’ that: ‘Such policies should not undermine the deliverability of the plan.’ The PPG provides useful guidance on plan preparation in regard to viability and contributions. Although this guidance is relatively new and has changed over the course of the assessment process as described above, DSP considers that its approach to and experience of LP and other strategic viability assessments remains appropriate – this project has been approached consistently with this new guidance, aided by checking and continually considering the detail and news developments / any other guidance or emerging decisions etc. as work has progressed.

2.1.2 Collectively this study investigates the potential viability and, therefore, deliverability of the joint Local Plan and its policies - including the affordable housing requirements and potential for appropriate CIL charging across both Districts.

2.1.3 There will be a number of policies that may have an impact on the viability of development. In running this study, we have had regard to typical policy costs and adapted and updated development appraisals as those policies have evolved. This study process considers how the cost of these potential obligations interact and therefore estimates the collective impact on viability of a range of 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.

2.1.4 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we undertake 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 enables us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above typical costs (for example utilising the costs information from established sources such as the Building Cost Information Service of the RICS (BCIS)). 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, affordable housing viability, CIL, and also for site-specific viability assessments, is Residual Valuation. This is as also recommended by the “Harman Report” on viability testing local plans; further guidance that we have also taken account of in the last few years of conducting these assessments. Figure 2 below sets out the residual valuation principles in simplified form.

Figure 2: Simplified Residual Land Valuation Principles

2.1.6 Having allowed for the costs of acquisition, development, finance, profit and sale, the resulting figure indicates the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).
2.1.7 In order to guide on a range of likely viability outcomes the assessment process also requires a benchmark against which to compare the resulting residual value. The RICS\textsuperscript{10} and Harman\textsuperscript{11} report differ on the approach to a Benchmark Land Value. Our latest work (both on strategic projects and DM stage viability) has for some time reflected the move towards a clearer “EUV plus” based approach to the all-important consideration of land values – for the assessment ‘benchmark land values’.

2.1.8 Undertaken as it has been, this assessment is also consistent with the new NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a willing land owner and willing developer. The emphasis has moved away from a market value approach that may have been used in the past. The latest Planning Practice Guidance on Viability makes 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+).’

2.1.9 The NPPF and associated PPG on Viability indicate that a balance will be required between the role of strategic level viability work such as this assessment and the application decision making stage (development management). The national requirements have moved more towards a general acknowledgement that the role of viability should be at the plan making stage. Indeed the Councils’ supporting text to Policy DM LP2 within the emerging joint Local Plan states: ‘Viability is considered at the plan making stage and should not need to be assessed on a case by case basis when determining planning applications’.

2.1.10 However, it appears that there is still a role 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\textsuperscript{12}. An illustrative list of those circumstances where viability should be assessed in decision taking is also included in the PPG. These include: ‘for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force’.\textsuperscript{13} The supporting text to Policy DMLP2 of the emerging joint Local Plan states in this regard: ‘If the Council determines that the full affordable housing contribution cannot be made at the time of the decision, the Council will require a review mechanism in the S106, to assess if circumstances have improved the position to increase the provision to the full policy compliant amount’. The Councils also acknowledge there is the potential for the development of some sites identified by them to need to overcome abnormal issues and support added costs when further master planning is undertaken. A number of the strategic sites are expected to be influenced to some extent by such factors. 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.

2.1.11 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. They reflect the local markets through research on local values, costs and types of provision, etc. At various project stages both DSP and the Councils’ officers sought soundings as far as were available from a range of local development industry stakeholders as we considered our assumptions. This included engagement with site promoters and the development industry in order to provide feedback on study assumptions and to provide the opportunity for the provision of information to help inform the assessment. On the whole, the process is informed as far as practically possible by the review of available information and making an overview from that. This approach reflects the expectations of the guidance.

\textsuperscript{12} https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 006 Reference ID: 10-006-20190509 Revision date: 09 05 2019

\textsuperscript{13} https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 007 Reference ID: 10-006-20190509 Revision date: 09 05 2019
2.2 **Scheme Development Scenarios (Typologies)**

**Residential Development Scenarios**

2.2.1 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. This enabled viability to be tested with reference to the potential housing supply characteristics based on experience of development to date and to inform the residential CIL setting process. Specific viability testing was also undertaken on site allocation sites.

2.2.2 Each of the development typologies was tested over a range of value levels (VLS) representing varying residential values as seen currently across the districts by scheme location / type. This approach also allows us to consider the 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) and by type or scale of development.

2.2.3 The scheme mixes are by their nature hypothetical – many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, local markets and requirements etc.

2.2.4 The assumed dwelling mixes are based on the range of information reviewed, including taking into account the recommendations contained within the Council’s Housing and Economic Needs Assessment (HEDNA)\(^\text{14}\) and that lead to the formulation of Policy DM LP1 in the emerging joint Local Plan.

2.2.5 The scheme mixes 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.

2.2.6 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 within small scheme numbers particularly. The affordable housing numbers (content) assumed within each scheme scenario can be seen at Appendix I – Assumptions overview spreadsheet.

\(^{14}\) ORS – Chiltern and South Bucks Housing and Economic Needs Assessment (April 2019)
2.2.7 A summary of the scheme typologies is shown below and the Affordable Housing numbers (content), dwelling mixes and further details assumed within each scheme scenario can be seen at Appendix I.

Figure 3: Site typologies summary

<table>
<thead>
<tr>
<th>Scheme Size Appraised</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Houses</td>
</tr>
<tr>
<td>5</td>
<td>Houses</td>
</tr>
<tr>
<td>8</td>
<td>Flats</td>
</tr>
<tr>
<td>10</td>
<td>Houses</td>
</tr>
<tr>
<td>11</td>
<td>Houses</td>
</tr>
<tr>
<td>15</td>
<td>Flats</td>
</tr>
<tr>
<td>15</td>
<td>Houses</td>
</tr>
<tr>
<td>30</td>
<td>Flats</td>
</tr>
<tr>
<td>30</td>
<td>Flats (Retirement/Sheltered)</td>
</tr>
<tr>
<td>30</td>
<td>Mixed</td>
</tr>
<tr>
<td>60</td>
<td>Flats (Extra Care)</td>
</tr>
<tr>
<td>100</td>
<td>Mixed</td>
</tr>
</tbody>
</table>

2.2.8 In addition to the site typologies based review, more specific viability testing was requested by CDC & SBDC to be undertaken on the site allocations. At this stage of testing we have reviewed the following sites utilising such information as available at the time of running our appraisals (see Figure 4 below – following page):
2.2.9 Two further sites are included as policies within the site allocations chapter of the emerging joint Local Plan - SP BP13 (North of Denham Roundabout) and SP BP14 (Land adjacent to Taplow Station). Both sites are entirely non-residential and although high level appraisals have been considered, those are not reported as they reiterate the results of the work undertaken to provide the Councils with information for their CIL Charging Schedules as set out both in earlier work and as discussed later in this report.

2.2.10 The dwelling sizes assumed for the purposes of this study are as follows (see figure 5 below):

Figure 5: Residential Unit Sizes

<table>
<thead>
<tr>
<th>Dwelling type</th>
<th>Dwelling size assumption (sq. m)*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Affordable</td>
</tr>
<tr>
<td>1-bed flat</td>
<td>50</td>
</tr>
<tr>
<td>2-bed flat</td>
<td>70</td>
</tr>
<tr>
<td>2-bed house</td>
<td>79</td>
</tr>
<tr>
<td>3-bed house</td>
<td>93</td>
</tr>
<tr>
<td>4-bed house</td>
<td>112</td>
</tr>
</tbody>
</table>

*based on nationally described space standard
**larger units tested on 3-unit scheme only
2.2.11 As with many other assumptions there will be a variety of dwelling sizes coming forward in practice, varying by scheme and location.

2.2.12 Since there is a relationship between dwelling size, value and build costs, it is the levels of those that are most important for the purposes of this study (i.e. expressed in £/sq. m terms); rather than the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative ‘Values Levels’ (‘VL’s) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. The approach to focus on values and costs per sq. m also fits with the way developers tend to assess, compare and price schemes. It provides a more relevant context for considering the potential viability scope.

2.2.13 The dwelling sizes indicated are expressed in terms of gross internal floor areas (GIAs) for houses; net internal areas for flats (for the latter we have assumed an 85% net:gross ratio except sheltered housing where a lower ratio is assumed). They are reasonably representative of the type of units coming forward within the scheme types likely to be seen most frequently providing on-site integrated affordable housing. All will vary, and from scheme to scheme. However, our research suggests that the values (£ sales values) applicable to larger house types would generally exceed those produced by our dwelling size assumptions but usually would be similarly priced in terms of the relevant analysis – i.e. looking at the range of £ per sq. m ‘Value levels’ basis. In summary on this point, it is always necessary to consider the size of new build accommodation in looking at its price; rather than its price alone. At this level of strategic overview, we do not differentiate between the value per sq. m for flats and houses although in reality there tends to be an inverse relationship between the size of the property and its value when expressed in terms of a rate per unit area. The range of prices expressed in £s per square metre (£/sq. m or £/m²) therefore the key measure used in considering the research, working up the range of value levels for testing, and in reviewing the results.

2.3 Commercial / Non-Residential Development Scenarios

2.3.1 In the same way, the commercial scheme scenarios reviewed through this assessment process were developed through the review of information supplied by, and through consultation with, the Councils. This was supplemented with and checked against wider information including the local commercial market offer – existing development and any new schemes / proposals. Figure 6 below sets out the various scheme types
modelled for this study, covering a range of development uses in order to test the impact on viability of requiring CIL contributions from different types of commercial development considered potentially relevant across the districts.

2.3.2 In essence, the commercial / non-residential aspects of this study consider the relationship between values and costs associated with different scheme types. Figure 6 below summarises the scenarios appraised through a full residual land value approach; again, Appendix I provides more information.

Figure 6: Commercial / Non-residential Development Types Reviewed – Overview

<table>
<thead>
<tr>
<th>Development Type</th>
<th>Example Scheme Type(s) and potential occurrence</th>
<th>GIA (m²)</th>
<th>Site Coverage</th>
<th>Site Size (Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Retail</td>
<td>Large Supermarket - out of town</td>
<td>2500</td>
<td>35%</td>
<td>0.71</td>
</tr>
<tr>
<td>Large Retail</td>
<td>Retail warehouse</td>
<td>1000</td>
<td>40%</td>
<td>0.25</td>
</tr>
<tr>
<td>Town Centre Retail</td>
<td>Comparison shops (general/non shopping centre)</td>
<td>300</td>
<td>75%</td>
<td>0.04</td>
</tr>
<tr>
<td>Small Retail*</td>
<td>Convenience Store - various locations</td>
<td>300</td>
<td>60%</td>
<td>0.05</td>
</tr>
<tr>
<td>Business - Offices - Town Centre</td>
<td>Office Building</td>
<td>500</td>
<td>60%</td>
<td>0.08</td>
</tr>
<tr>
<td>Business - Offices - Out of town centre /Business Park</td>
<td>Office Building</td>
<td>4000</td>
<td>40%</td>
<td>1.00</td>
</tr>
<tr>
<td>Business - Industrial / Warehousing</td>
<td>Smaller / Move-on type industrial unit including offices - industrial estate</td>
<td>500</td>
<td>40%</td>
<td>0.13</td>
</tr>
<tr>
<td>Business - Industrial / Warehousing</td>
<td>Larger industrial / warehousing unit including offices - industrial estate</td>
<td>2000</td>
<td>40%</td>
<td>0.50</td>
</tr>
<tr>
<td>120 bed hotel (budget)</td>
<td>Hotel - edge of town centre / edge of town</td>
<td>3000</td>
<td>50%</td>
<td>0.60</td>
</tr>
<tr>
<td>C2 - Residential Institution</td>
<td>Nursing Home</td>
<td>1230</td>
<td>60%</td>
<td>0.21</td>
</tr>
</tbody>
</table>

*Note: 300 sq. m retail (‘small retail’) scenarios representative of smaller shop types also permitting Sunday Trading Act related trading hours (see also subsequent information in this report).

2.3.3 As in respect of the assumptions for the residential scenarios, a variety of sources were researched and considered for guides or examples in support of our assumptions making process; including on values, land values and other development appraisal assumptions. DSP used information sourced from CoStar Commercial Real Estate Intelligence, the VOA Rating List and other web-based review as well as feedback from consultation. Additional information included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details. 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. Further information is provided within Appendix III to this report.

2.3.4 In addition to testing the commercial uses of key relevance above, further consideration was given to other development forms that may potentially come forward locally. These include for example non-commercially driven facilities (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.

2.3.5 Clearly there is potentially a very wide range of such schemes that could be developed over the life of a CIL charging schedule. Alongside their viability, it is also relevant for the Council to consider the likely frequency and distribution of these; and their role in the delivery of the development plan overall. For these scheme types, as a first step it was possible to review (in basic terms) the key relationship between their completed value per square metre and the cost of building. We say more about this in Chapter 3.

2.3.6 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 usual development sense being reviewed here and therefore also related to the realistic level of CIL contributions scope. We are also able to consider these value / cost relationships alongside the range of main appraisal assumptions and the results that those provide (e.g. related to business development). This is an iterative process in addition to the main appraisals, whereby a further deteriorating relationship between values and costs provides a clear picture of further reducing prospects of viable schemes. This starts to indicate schemes that require other support rather than being able to produce a surplus capable of some level of contribution to CIL.

2.3.7 Through this process we were able to determine whether there were any further scenarios that warranted additional viability appraisals.

2.4 Gross Development Value (Scheme Value)

Market housing (sale) values

2.4.1 In order to determine likely values for development across both districts, a range of information sources have been considered. As well as reviewing the Council’s existing evidence base alongside building on previous viability work carried out by DSP in 2016,
we also carried out a range of our own research on residential values across the Council’s area (see Appendix III) as part of an earlier project phase in October 2018. It is always preferable to consider information from a range of sources to inform the assumptions setting and review of results stages. Therefore, we considered existing information contained within previous research documents including previous viability studies; from sources such as the Land Registry, Valuation Office Agency (VOA) and a range of property websites. Our practice is to consider all available sources to inform our independent overview, not just historic data or particular scheme comparables.

2.4.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review of a number of information sources has been carried out to properly reflect the variation in residential property values occurring across both districts. This data was collected by settlement area and analysed by each district, by both sold and asking prices for new-build and re-sale property. This enabled us to consider the complete picture, whilst also providing the capability for further analysis if needed. Appendix III provides a more detailed explanation of the approach.

2.4.3 As above, this process provides comprehensive research and analysis of both datasets (new build and sold data currently available) for both districts, together with Zoopla current area statistics. This data has been gathered for an overview of the value patterns seen across both district areas in order to inform assumption setting prior to the appraisal modelling phase. It was particularly important to collect the residential values data by settlement areas as the strength of values varies by location across both districts. The data indicates, for example that values in South Bucks cover overall a marginally wider range for new build properties than compared to Chiltern. Equally, although there are no particularly ‘low value’ areas in a national context, areas to the north of the Plan area such as parts of Chesham generally attract slightly lower values than other parts of Chiltern and South Bucks Districts. We reiterate here that this is relative to the wider Plan area picture and by no means suggesting that house prices are low in any part of Chiltern or South Bucks; this is an area of high house prices, with acute affordability issues.

2.4.4 Taking into account the relatively flat house price picture since the earlier October 2018 phase viability work, we consider the research carried out at that time remains an appropriate basis for this study albeit whilst also seeking latest market soundings as necessary to understand how and whether the market (and therefore values...
picture) had changed since October 2018. Following this extensive process, we consider the overall market and values picture presented as part of the 2018 project phase has not significantly altered and remains an appropriate basis for assumption setting.

2.4.5 For the residential scheme types modelled in this study, and based on the research undertaken, a range of (sales) value levels (VLs) have been applied to each development scenario. This is in order to test the sensitivity of scheme viability to geographical values variations and/or with changing values as may be seen with further market variations. In the case of both district areas, we consider the VLs covered typical residential market values (average prices across a scheme) over the range £4,000/m² to £6,250/m². As further sensitivity testing we expanded this range beyond £6,250/m² up to £8,000/m² for both district areas, reflecting the very highest (mostly) re-sale property values. Again, Appendix III provides a more detailed analysis of the values patterns seen across the study area.

2.4.6 Values patterns can often be indistinct and especially at a very local level. However, in this study context we need to consider whether there are any clear variations between settlements or other areas where significant development may be occurring in the context of the future development strategy and the impact on the CIL charge setting process.

2.4.7 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 data-set for a given location at the point of gathering the information. In some cases, small numbers of properties in particular data samples (limited house price information) produce inconsistent results. This is not specific to Chiltern and South Bucks Districts. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between the settlements and localities, given the varying characteristics of the districts; as set out in these sections and as is suitable for the consideration of Local Plan viability and deliverability.

Affordable housing

2.4.8 Importantly, in addition to the market housing, the development appraisals also assume a requirement for affordable housing.

2.4.9 The new NPPF at para. 63 states:
‘Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount’

2.4.10 As this study seeks to test the viability of potential joint Local Plan policies holistically, at earlier stages of this process tested and reviewed a range of potential affordable housing policy targets from 0% to 40% depending on site size. This latest version tests the now settled likely policy approach of 40% affordable housing across all sites of 10 or more units (or 5 or more units on non-allocated sites in the AONB) - as per draft policies DMLP2 and DM LP3 of the emerging joint Local Plan.

2.4.11 More detail on the affordable housing assumptions is provided below and at Appendix I.

2.4.12 For the affordable housing, we have assumed that approximately 5% (of the overall housing) is affordable rented tenure, 25% (of the overall housing) is social rented tenure and 10% (of the overall housing) is ‘intermediate’ in the form of shared ownership (although again it should be noted that this tenure mix was accommodated as far as best fits the overall scheme mixes and affordable housing (AH) proportion in each scenario). The 40% AH element assumed is therefore comprised of 62.5% social rent, 12.5% affordable rent and 25% affordable home ownership (as per national policy within the NPPF) currently assumed as shared ownership (all subject to the noted “best fit” approach).

2.4.13 In reality, over time and through the life of the Plan, tenure will normally be decided based on an up to date housing market assessment ensuring that properties meet local needs at the time of the application. In practice many tenure mix variations could be possible; as well as many differing rent levels derived from the affordable / social rented tenure approach - as affected by local markets and by affordability. The same applies to the intermediate (currently assumed as shared ownership) affordable housing element in that the setting of the initial purchase share percentage, the rental level charged on the Registered Provider’s (RP’s - i.e. Housing Association or similar) or other affordable housing provider’s retained equity, and the interaction of these two,
would usually be scheme specific considerations. We understand that the Councils intend to cap the initial purchase share for shared ownership properties at 25%.

2.4.14 For the on-site affordable housing, the revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (social / affordable rent) or capitalised net rental stream and capital value of retained equity (in the case of shared ownership tenure). Currently Homes England (HE) expects affordable housing of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. At the very least this should be the starting assumption pending any review of viability and later funding support for specific scenarios / programmes. We have therefore made no allowance for grant or other public subsidy / equivalent.

2.4.15 The value of the affordable housing (level of revenue received for it by the developer) is variable by its very nature. This may be described as the ‘payment to developer’, ‘Registered Provider (RP) payment price’, ‘transfer payment’ or similar. These revenue assumptions were reviewed based on our extensive experience in dealing with affordable housing policy development and site-specific viability issues (including specific work on SPDs, affordable rents, financial contributions and other aspects for other authorities). The affordable housing revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of rental income after deduction for management and maintenance costs, voids allowances and the like).

2.4.16 The transfer values assumed for the study are shown in Appendix I. Social rent levels were provided by CDC and SBDC. For affordable rented properties we introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) levels will act as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the Local Housing Allowance (LHA) rate. The LHA rate for the Chiltern Broad Rental Market Area (BRMA) that covers a majority of the Chiltern District and South Bucks District Council area for the varying unit types was used as our cap for the affordable rental level assumptions.

2.4.17 In practice, as above, the affordable housing revenues generated would be dependent on property size and other factors including the provider’s (e.g. RP’s) own development strategies, and therefore could well vary significantly from case to case when looking at site specifics. The RP 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, 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.

2.5 **Gross Development Value – Commercial / Non-residential**

2.5.1 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. This was either through residual valuation techniques very similar to those used in the residential appraisals (in the case of the main development types to be considered) or a simpler value vs. cost comparison (where it became clear that a poor relationship between the two existed so that clear viability would not be shown - making full appraisals unnecessary for a wider range of trial scenarios).

2.5.2 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 the CoStar property intelligence database, Valuation Office Agency (VOA) and a range of development industry publications, features and web-sites. As with the residential information, Appendix III sets out more detail on the assumptions background for the commercial schemes.

2.5.3 Figure 7 below shows the range of annual rental values assumed for each scheme type. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme dependent on the combination of yield and rental values applied.

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

2.5.5 The amount and depth of available information varies considerably by development type. Once again, this is not a factor that is specific to Chiltern DC and South Bucks DC; it does not detract from the necessary viability overview process that is appropriate for this type of study.

2.5.6 These varying rental levels were capitalised by applying yields of between 5.0% and 7.0% (varying dependent on scheme type). As with the rents range, varying the yields enabled us to explore the sensitivity of the results given that in practice a wide variety of rentals and yields could be seen. Taking 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 deteriorate whilst still supporting the collective costs, including CIL.

2.5.7 It is important to note here that small variations can have a significant impact on the GDV that is 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 infrastructure funding needs and viability. Using overly optimistic assumptions in the local context (but envisaging new development and appropriate lease covenants etc. rather than older stock), could well act against finding that balance.

2.5.8 This approach enabled us to consider the sensitivity of the results to changes in the capital value of schemes and allowed us then to consider the most relevant results in determining the parameters for setting non-residential CIL rates across the study area. As with other study elements, particular assumptions used will not necessarily match scheme specifics and therefore we need to look instead at whether / how frequently local scenarios are likely to fall within the potentially viable areas of the results (including as values vary). This area of the assessment is considered further in Chapter 3.
2.5.9 As with residential development, consideration was given as to whether there should be any varying approach to CIL charging levels for commercial and other developments locally. On review, it was considered that variations in values and viability outcomes would be more likely to be the result of detailed site and scheme specific characteristics, and not necessarily driven by distinctions between general location (area) within the study area so far as the likely location of such development is concerned. This was borne out on review of the commercial values data and results.

2.5.10 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 within these districts. Whilst certain specific scheme types could create more value in one location compared with another across Chiltern and South Bucks, typically there was felt to be 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. Such is the nature of a CIL and its rates setting.
2.6 Development Costs – General

2.6.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, assumptions have to be fixed to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. As with the scheme scenario building, an overview of the various available data sources is required.

2.6.2 Each area of the development cost assumptions is informed by data - from sources such as the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS), any locally available soundings and scheme examples, professional experience and other research.

2.6.3 For this overview, we have not allowed for abnormal costs that may be associated with particular sites (except for where any are sufficiently well understood to inform any assumption on strategic sites) - these are highly specific and can distort comparisons at this level of review. In particular in relation to the strategic site allocations, the Council acknowledge there is the potential for the development of some sites identified by the Councils to need to overcome abnormal issues and support added costs when further master planning is undertaken and that viability may need to be reviewed further as more becomes known about those sites.

2.6.4 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 the currently assumed levels, this cannot be relied upon. Contingency allowances have, however, been made within all appraisals.

2.7 Development Costs – Build Costs

2.7.1 The base build cost levels shown below are taken from the BCIS. In each case the figure has been rebased using a locally appropriate location factor (an adjustment of the base figure indexed for study area). Costs assumed for each development type are provided in Appendix I. For the purposes of this exercise we have added an allowance for housing schemes of 10 units or less and made a deduction for flatted schemes of 10 units or less based on advice provided by the RICS BCIS within a report commissioned
by the Federation of Small Businesses (FSB)\textsuperscript{15}. Figure 8 below summarises the base build costs assumptions:

**Figure 8: Build Cost Data (BCIS Median)**

<table>
<thead>
<tr>
<th>Development Type</th>
<th>BCIS Build Cost (£/sq. m)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential C3</td>
<td></td>
</tr>
<tr>
<td>Build Costs Mixed Developments - generally (£/sq. m)</td>
<td>£1,429</td>
</tr>
<tr>
<td>Build Costs Mixed Developments - generally (£/sq. m) – Refurbishment</td>
<td>£1,861</td>
</tr>
<tr>
<td>Build Costs Estate Housing - generally (£/sq. m)</td>
<td>£1,421</td>
</tr>
<tr>
<td>Build Costs Flats - generally (£/sq. m)</td>
<td>£1,594</td>
</tr>
<tr>
<td>Build Costs (Supported Housing - Generally) (£/sq. m)</td>
<td>£1,741</td>
</tr>
<tr>
<td>Large Retail</td>
<td></td>
</tr>
<tr>
<td>Large Supermarket - out of town</td>
<td>£1,633</td>
</tr>
<tr>
<td>Large Retail</td>
<td></td>
</tr>
<tr>
<td>Retail warehouse</td>
<td>£944</td>
</tr>
<tr>
<td>Town Centre Retail</td>
<td></td>
</tr>
<tr>
<td>Comparison shops (general/non shopping centre)</td>
<td>£1,207</td>
</tr>
<tr>
<td>Small Retail</td>
<td></td>
</tr>
<tr>
<td>Convenience Store - various locations</td>
<td>£1,207</td>
</tr>
<tr>
<td>Business - Offices - Town Centre</td>
<td></td>
</tr>
<tr>
<td>Office Building</td>
<td>£2,013</td>
</tr>
<tr>
<td>Business - Offices - Out of town centre / Business Park</td>
<td></td>
</tr>
<tr>
<td>Office Building</td>
<td>£1,917</td>
</tr>
<tr>
<td>Business - Industrial / Warehousing</td>
<td></td>
</tr>
<tr>
<td>Smaller / Move-on type industrial unit including offices - industrial estate</td>
<td>£1,578</td>
</tr>
<tr>
<td>Business - Industrial / Warehousing</td>
<td></td>
</tr>
<tr>
<td>Larger industrial / warehousing unit including offices - industrial estate</td>
<td>£1,118</td>
</tr>
<tr>
<td>Hotel (budget)*</td>
<td></td>
</tr>
<tr>
<td>Hotel - edge of town centre / edge of town</td>
<td>£2,235</td>
</tr>
<tr>
<td>C2 - Residential Institution</td>
<td></td>
</tr>
<tr>
<td>Care Home</td>
<td>£1,858</td>
</tr>
</tbody>
</table>

*The above costs exclude external works, contingencies and any FSB cost allowance on small sites (these are added to the above base build costs).

2.7.2 Unless stated, the above build cost levels do not include for external works / site costs, contingencies or professional fees (added separately). An allowance for plot and site works has been allowed for on a variable basis within the appraisal depending on the 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 pitched at a level above standard levels in order to ensure sufficient allowance for the potentially variable nature of site works. Site works and infrastructure costs of £33,000/dwelling have been included within all strategic site allocation appraisals, with additional costs also...

\textsuperscript{15} RICS BCIS Report for The Federation of Small Businesses – Housing development: the economies of small sites - the effect of project size on the cost of housing construction (August 2015)
added for servicing of land proposed for mixed uses within such developments – e.g. education, community uses, employment land and retail development.

2.7.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always be a range of data and opinions on, and methods of describing, build costs. In our view, we have made reasonable assumptions which lie within the range of figures we generally see for typical new build schemes (rather than high specification or particularly complex schemes which might require particular construction techniques or materials). As with many aspects there is no single appropriate figure in reality, so judgments on these assumptions (as with others) are necessary. As with any appraisal input of course, in practice this will be highly site specific. In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.7.4 In all cases for the housing further allowances have been added to the total build cost in respect of meeting optional technical housing standards as discussed later in this chapter.

2.7.5 An allowance of 5% of build cost has also been added in all cases, to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard assumption in our recent experience. We have seen variations, again, either side of this level in practice.

2.7.6 The interaction of costs and values levels will need to be considered again at future reviews of CIL and the joint Local Plan. In this context it is important to bear in mind that the base build cost levels may vary over time.

2.7.7 At the time of reporting the latest available BCIS briefing (April 2019) stated on build cost trends:

The BCIS All-in Tender Price Index (TPI) for 4th quarter 2018 has been revised upwards to 322 from 321, the figure published in the March 2019 BCIS Quarterly briefing of
building costs and tender prices (BCIS QB). The quarterly increase stands at 0.6%, with the annual change at a fall of 1.5%.

The General Building Cost Index for 4th quarter 2018 has been revised downwards to 354 from 355, and now shows costs rising by 0.3% compared with the previous quarter and by 3.5% compared with a year earlier.

According to the Office for National Statistics (ONS), the total volume of construction orders in 4th quarter 2018 fell by 2% compared with 3rd quarter 2018 and by 11% on an annual basis.

Following the agreement to delay the UK’s exit from the EU until the end of October 2019, the BCIS central forecast has been revised accordingly.

The BCIS new work output forecast for the central scenario has been revised a little.

The following table shows the BCIS assumptions about the forecast of new work output. 16

<table>
<thead>
<tr>
<th>BCIS All-in TPI – Annual Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Table 4. Summary of forecasts – central scenario</strong></td>
</tr>
<tr>
<td>Percentage change</td>
</tr>
<tr>
<td>4Q2018 to 4Q2019</td>
</tr>
<tr>
<td>TPI</td>
</tr>
<tr>
<td>GBCI</td>
</tr>
<tr>
<td>New work output*</td>
</tr>
</tbody>
</table>

*Year on year (4Q2018 to 4Q2019 = 2018 to 2019), constant prices 2016.

The upside and downside scenarios have not been revised, but will be examined in the next edition of the BCIS QB.

Source: BCIS

2.7.8 Therefore, at the point of reporting we cannot be sure how the European scenario or other external influences will play out either short or longer term on the economics potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seems likely to be at least as great as that on construction and build costs particularly given the continuing uncertainty over Brexit and the future Government in general.

16 BCIS Quarterly Briefing - Five Year Forecast of Building Costs and Tender Prices (September 2018)  
CDC & SBDC – Local Plan & CIL Viability Assessment – Final Report (DSP19526A)
2.8  Key Policy Areas for Testing - Summary

2.8.1  A number of policies have an impact on development viability although the ability for Local Authorities to set local standards has diminished through a series of Government interventions. The following discusses key areas and Appendix I provides an overall policy summary.

Nationally Described Space Standard

2.8.2  The Government’s Technical Housing Standards have introduced national space standards for housing which can be used in a Local Plan policy if there is sufficient evidence of need and viability.

2.8.3  Policy DM DP17 of the emerging joint Local Plan states: ‘Planning permission will be granted for new homes provided that they secure good quality living accommodation. All proposals for new build market and affordable homes (across all tenures) must comply with the MHCLG’s Technical Housing Standards – Nationally Described Space Standard Level 1 – or any subsequent replacement.’

2.8.4  Compliance with dwelling sizes meeting the nationally described space standard has been assumed in the modelling for this viability assessment as a standard assumption. See Appendix I for detail.

Access to and use of Buildings

2.8.5  The Government’s Housing Standards Review has also resulted in changes being made with reference to Lifetime Homes and the Wheelchair Housing Design Standard. Accessibility is now incorporated into Part M of Building Regulations, applied by Local Planning Authorities as conditions and checked for implementation through the Building Control process.

2.8.6  The 2015 edition of Approved Document M – Access to and use of buildings: Volume 1 – Dwellings introduces three categories of dwellings (details tabled below):
<table>
<thead>
<tr>
<th>Category 1</th>
<th>Visitable dwellings</th>
<th>M4(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>This is mandatory for all new dwellings and is not optional. This means that reasonable provision should be made for people to gain access to and use the dwelling and its facilities. This should include most people, including wheelchair users.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category 2</th>
<th>Accessible and adaptable dwellings</th>
<th>M4(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>This optional standard is broadly equivalent to Lifetime Homes standards. This requires that provision is made within new dwellings to meet the needs of occupants with differing needs including some older and disabled people and allow for the adaptation of the dwelling to meet 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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category 3</th>
<th>Wheelchair user dwellings</th>
<th>M4(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>An optional standard with two sub-categories:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M4(3)(2)(a): wheelchair adaptable: 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; or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M4(3)(2)(b): wheelchair accessible: a dwelling constructed to be suitable for immediate occupation by a wheelchair user e.g. by installing a lift.</td>
</tr>
</tbody>
</table>

2.8.7 Again, as with residential space standards, there needs to be evidence addressing both need and viability. According to the Council’s draft joint Local Plan Policy DM LP6, ‘The HEDA identifies a need for homes to be adaptable to cater for long term illness or disability. The policy below provides for enhanced accessibility or adaptability in line with the optional Building Regulation M4(2) Accessible and Adaptable Homes and M4(3) Wheelchair User Homes.

Planning permission for residential development will be granted provided that it delivers:

a) non-specialist housing – all affordable homes and 25% of general market homes on the site are constructed to the Category M4(2) standard, of which 10% must be provided to Category M4(3) standards, (or at least one home for sites below 20 units); and

b) specialist housing for older people – all homes on the site are constructed to the Category M4(2) standard, of which at least 25% must be constructed to the Category M4(3) standards.
2.8.8 As part of the viability testing process and through earlier iterations of this assessment, the Councils requested that testing be carried out to look at the likely viability impact of including policies on the access to and use of buildings. The final policy iteration has been tested in this current version of the assessment as far as possible. We set out below the likely additional costs for including policies that meet the optional Category 2 and/or 3 requirements of Part M4 of the Building Regulations. It should be noted that enhanced requirements (where implemented) are independent of each other so that a dwelling may only be provided to meet either standard.

2.8.9 As part of the Government’s Housing Standards Review consultation, cost analysis was produced by EC Harris (and subsequently updated) relating to areas that included Access. Within the 2014 update to that review document, approximate costs of complying with the optional Category 2 requirements of Part M4 were included. This indicates various costs for different types of dwelling and on different forms of development. For the purposes of this report, the average extra over access cost per dwelling is approximately total of £2,447 for houses and £1,646 for flats for meeting Part M4 (2) standards. This is based on an average extra over access cost per dwelling (£682/dwelling) alongside the average access related space cost per dwelling but without allowing for cost recovery (£1,444/dwelling).

2.8.10 For Part M4 (3) the same report indicates average extra over (E/O) costs to be £15,691 for flats and £26,816 for houses.

2.8.11 Within this latest viability assessment, the assumption is that for non-specialist housing the above allowances have been included. 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.

2.8.12 It should be noted however that Part M4(2) and Part M4(3) would not be required on the same individual unit; in respect of individual dwellings the standards are on an “either or” basis.

Energy & Water

2.8.13 As a result of the Housing Standards Review, local authorities will need to ensure that any specific policy in regard of water consumption is set at no more than 110
litres/person/day. The emerging joint Local Plan at Policy DM DP20 states that ‘Planning permission will be granted for new homes provided that they meet the higher water efficiency standard set out in Approved Document Part G of the Building Regulations or any subsequent replacement’. We have assumed the higher standard within our testing (compared with a base 125 l/p/d requirement).

2.8.14 This study also assumes that the Sustainable Design / Construction Standards are based on meeting the requirements of the building regulations in terms of energy use due to the Government’s withdrawal of the Code for Sustainable Homes. There has been a significant amount of confusion created by the WMS, the Deregulation Act 2015 and the potential changes to the Planning and Energy Act 2008.

2.8.15 Our understanding has been that until the adoption of the new NPPF, although local planning authorities could set energy efficiency targets that were higher than the building regulations current at the time, those could not exceed the equivalent of Code Level 4 of the previous Code for Sustainable Homes standards. As noted by others:\(^\text{17}\): ‘The Secretary of State can amend section 1 of the 2008 Act by bringing into force the provisions in the Deregulation Act 2015. These would remove the right for local authorities to add energy efficiency policies to their local plans which exceed the requirements of Building Regulations in relation to dwellings…It is noticeable that over the course of the last three years no government has brought into force the amendments to the 2008 Act which would have stopped local authorities from adopting energy efficiency standards above the requirements of Building Regulations’.

2.8.16 Accompanying the publication of the NPPF 2018, was the Government’s response to the NPPF consultation exercise. In response to concerns from local planning authorities, the Government stated: ‘To clarify, the Framework does not prevent local authorities from using their existing powers under the Planning and Energy Act 2008 or other legislation where applicable to set higher ambition. In particular, local authorities are not restricted in their ability to require energy efficiency standards above Building Regulations. The Government remains committed to delivering the clean growth mission to halve the energy usage of new buildings by 2030’.

2.8.17 This in itself does not contradict the general view above that LPAs have the ability to set higher targets than Building Regulations but equally also does not state that LPAs

can go beyond the equivalent of the former CfSH Level standards. Further advice is now included within the Planning Practice Guidance that states:

‘Different rules apply to residential and non-residential premises. In their development plan policies, local planning authorities:

- Can set energy performance standards for new housing or the adaptation of buildings to provide dwellings, that are higher than the building regulations, but only up to the equivalent of Level 4 of the Code for Sustainable Homes.

- Are not restricted or limited in setting energy performance standards above the building regulations for non-housing developments.

The Planning and Energy Act 2008 allows local planning authorities to set energy efficiency standards in their development plan policies that exceed the energy efficiency requirements of the building regulations. Such policies must not be inconsistent with relevant national policies for England. Section 43 of the Deregulation Act 2015 would amend this provision, but is not yet in force.

The Written Ministerial Statement on Plan Making dated 25 March 2015 clarified the use of plan policies and conditions on energy performance standards for new housing developments. The statement sets out the government’s expectation that such policies should not be used to set conditions on planning permissions with requirements above the equivalent of the energy requirement of Level 4 of the Code for Sustainable Homes (this is approximately 20% above current Building Regulations across the build mix).

Provisions in the Planning and Energy Act 2008 also allow development plan policies to impose reasonable requirements for a proportion of energy used in development in their area to be energy from renewable sources and/or to be low carbon energy from sources in the locality of the development.18

2.8.18 For the purposes of this study we have based all modelling on a baseline that assumes increased energy efficient over Building Regulations up to an equivalent of former CfSH Level 4. Appendix I provides the detail but data taken from the DCLG Housing

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Standards Review Impact Assessment (average £ per unit extra-over (E/O) cost) for meeting the energy requirements for former CfSH Level 4 equivalent has been used as a proxy (assumption at 2% over base build costs). An additional allowance placed at 2% of base build costs has also been included to cover potential costs associated with Policy DM DP6 – Low Carbon Development which states: ‘Planning permission will be granted for developments of 10 or more homes, homes or other development of 1,000 square metres or more, or on land of 0.25 hectares or more, provided that they achieve at least 20% of their energy needs (regulated and unregulated) from on-site renewable or low-carbon technologies. Exceptions will be made only where it can be demonstrated that such provision is not feasible. The energy statement must include details of how the target will be achieved...For developments less than the above thresholds applicants are expected to demonstrate their consideration of and inclusion of low carbon design features’.

Affordable Home Ownership, Custom & Self-Build

2.8.19 The Housing and Planning Act 2016 introduced a requirement for Local Planning Authorities in England to promote the supply of Starter Homes. The exact proportion is not set out in the Act, but previous consultation suggested that it would be in the region of 20% of new homes on all new developments (with certain exceptions). The publication of the NPPF 2019 indicates a change of position leading to a requirement for 10% of new homes to be provided as ‘affordable home ownership’ products. It states:

‘Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership [as part of the overall affordable housing contribution from the site], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups’

2.8.20 Policy DM LP2 requires that 25% of the affordable housing requirement (i.e. 10% of the overall housing on a site) must be in the form of shared ownership. DSP has assumed the tenure mix as set out in Policy DM LP2 and as described above.

2.8.21 From DSP’s experience of considering custom / self-build to date (albeit limited to early stages exploratory work on viability) we consider that the provision of plots (serviced and ready for development) for custom-build has the potential to be a sufficiently
profitable activity so as not to prove a significant drag on overall site viability. Broadly, from review work undertaken so far, 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.

2.9 Development Costs – Fees, Finance & Profit

2.9.1 The following costs have been assumed for the purposes of this study alongside those noted within section above and vary slightly depending on the scale and type of development. Other key development cost allowances for residential scenarios are as follows - *for the purposes of this assessment only* (Note: Appendix I also provides a summary):

**Professional fees:** Total of 8-10% 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:** 6-7% p.a. interest rate (assumes scheme is debt funded and includes all ancillary fees)

**Marketing costs:** 1-3% sales agent & marketing fees
£750 per unit legal fees

**Developer Profit:** Open Market Housing – 15% - 20% GDV
Affordable Housing – 6% of GDV (affordable housing revenue).

2.10 Development Costs – Fees, Finance & Profit (Commercial)

2.10.1 Other development cost allowances for the commercial development scenarios are as follows:

**BREEAM:** 5% of build cost

**Professional and other fees:** 8-10% 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: 6-7% p.a. interest rate ((assumes scheme is debt funded and includes all ancillary fees)

Marketing / other costs: (Cost allowances – scheme circumstances will vary)
1% promotion / other costs (% of annual income)
10% letting / management / other fees (% of assumed annual rental income)
5.75% purchasers’ costs – where applicable

Developer Profit: 15% - 20% of GDV

2.11 Build Period

2.11.1 The build period assumed for each development scenario has been based on BCIS data (using its Construction Duration calculator - by entering the specific scheme types modelled in this study) alongside professional experience and informed by examples where available. The build periods are for the build only; lead-in and extended sales periods have also been allowed-for on a variable basis according to scheme type and size, having the effect of increasing the periods over which finance costs are applied. Appendix I provides the detail.

2.12 Community Infrastructure Levy (CIL) & Other Planning Obligations

2.12.1 As noted above, neither Chiltern District Council nor South Bucks District Council has a Community Infrastructure Levy in place. Part of the purpose of this assessment is to provide advice on the potential viability of development across the Plan area and the level of CIL that may be chargeable from different forms of development.

2.12.2 The Councils expect to use CIL as the main way of collecting contributions from Developers to fund infrastructure and support growth.
2.12.3 The Councils have determined that a threshold approach to CIL will most likely be introduced. Policy BP SP1 states: ‘Once the Community Infrastructure Levy (CIL) is adopted, contributions from the developments caught by the thresholds below will be secured through Section 106 and Section 278 planning obligations.

The thresholds for developments to be excluded from CIL are:

- Sites of 10 hectares and greater; or
- Developments of 400 homes and greater; or
- Development of 10,000 square metres and greater.

Pooled contributions will be used, where appropriate, to facilitate the necessary infrastructure in line with the development’.

2.12.4 As discussed briefly above but worth reiterating here, in carrying out high level viability testing of key strategic site allocations within the emerging joint Local Plan, allowances have had to be made for those developments to mitigate the burden that they are likely to place on the local infrastructure. These costs (current stage latest available estimates), provided by the Councils and based on information provided by Buckinghamshire County Council (amongst others) relate to infrastructure provision such as for education and transport. The interaction and timing of the Local Plan and CIL production is such that the emerging Local Plan needs to consider both having CIL in place and not having CIL in place. As such, those costs are necessarily included within the specific site allocation tests (as estimated s.106 contributions / works) both alongside CIL and on a nil-CIL basis (as sensitivity testing). In reality, the Councils acknowledge that this could lead to the possibility of ‘double-dipping’ if actually applied in this way, and as such the Councils would remove the required infrastructure provision from the policies (most likely through main modifications to the Plan) should the CIL be in place prior to the end of the Chiltern & South Bucks Joint Local Plan examination process.

2.12.5 Although on the non-strategic site allocations (sites below the above thresholds) CIL will replace a majority of s106, the appraisals do include a notional sum of £3,000 per dwelling (for all dwellings – including affordable - and all schemes) purely for the purposes of this study and in the context of seeking to allow for a range of potential scenarios and requirements – effectively as an additional contingency in respect of any
residual s.106 requirements, acting alongside the CIL payments in terms of the collective development costs to be considered.

2.12.6 The strategic sites allocation appraisals provide results derived from our appraisals run with an estimate of costs of known s106 requirements specific to each site with the outcome in each case shown as a resultant surplus/deficit. Those therefore provide a current stage indication of the sums potentially available to support any further additional infrastructure (e.g. through s.106 obligations) and/or other currently unidentified/abnormal costs after other usual development costs are allowed for.

2.13 Strategic Site Allocations

2.13.1 As part of building their evidence base, the Councils also asked DSP to consider the potential viability, at a high level at this stage, of strategic site allocations being brought forward through the plan.

2.13.2 The sites reviewed are as set out below:

Figure 4 (repeated): Site allocations

<table>
<thead>
<tr>
<th>Emerging Joint Local Plan Policy Reference</th>
<th>Site</th>
<th>Residential Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP BP2 - Chesham</td>
<td>Land North East of Chesham</td>
<td>500</td>
</tr>
<tr>
<td>SP BP3 - Holmer Green</td>
<td>Area South of Holmer Green</td>
<td>300</td>
</tr>
<tr>
<td>SP BP4 - Amersham</td>
<td>Amersham Old Town, London Road</td>
<td>40</td>
</tr>
<tr>
<td>SP BP5 - Amersham</td>
<td>Amersham Old Town, South East of Whielden</td>
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</tr>
<tr>
<td>SP BP6 - Little Chalfont</td>
<td>Little Chalfont</td>
<td>700</td>
</tr>
<tr>
<td>SP BP7 - Chalfont St Peter</td>
<td>National Epilepsy Centre, Chalfont St Peter¹</td>
<td>360</td>
</tr>
<tr>
<td>SP BP8 - Chalfont St Peter</td>
<td>South East of Chalfont St Peter</td>
<td>200</td>
</tr>
<tr>
<td>SP BP9 - Beaconsfield</td>
<td>Land to South &amp; East of Beaconsfield</td>
<td>1,600</td>
</tr>
<tr>
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<td>Land to West of Iver Heath</td>
<td>360</td>
</tr>
<tr>
<td>SP BP11 - North of Iver Station</td>
<td>Area North of Iver Station</td>
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</tr>
<tr>
<td>SP BP12 - Iver</td>
<td>East of Ridgeway Business Park</td>
<td>90</td>
</tr>
</tbody>
</table>

2.13.3 Specific assumptions were made relating to each site - on areas such as average value levels and site specific mitigation through s106; based on information available at the
time of carrying out the assessment. It should be noted that this information evolved though out the assessment process such that alterations to costings were being applied up to the point of finalising this work. This is typical in our experience and is likely that the costs assumed for this study will not be in their final form moving forward.

2.13.4 It needs to be made clear that although specific appraisals have been carried out for these sites, in reality the length of time over which the development is planned (over the life of the joint Local Plan) means that the results can only provide a high level assessment of the potential viability of the sites. The information set out in Appendix I provides a summary of our assumptions for each site based on a mixture of reviewing site promotion documents, consultation responses, information provided by CDC and SBDC and our own experience. None of the schemes have been subject to Master Planning or costing advice as far as we are aware, and therefore all costs are purely estimates at this stage.

2.13.5 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, infrastructure and site works, fees, finance, development profit, costs of sale and land purchase.

2.13.6 As a starting point, the land purchase cost included (as a fixed allowance) has been assumed at £250,000/Ha applied to the gross (total) assumed site area; equivalent to the use of a benchmark land value (BLV) outside an appraisal. As in other cases, the land value assumption here does not indicate or guide on a price to be paid or accepted; it is simply used to begin further exploring the viability parameters. It could be the case across some sites that lower land values on the EUV+ basis could well be a valid consideration, and that would have the effect of increasing the outcomes (indicative surpluses) compared with those at £250,000/Ha for example. Conversely, we are aware that some of the sites contain elements of other uses or a mix of uses that could have an upward influence on land values on the EUV+ basis where those uses are to be acquired for the development. However, in many cases the development areas appear likely to proceed with existing uses retained and worked around or incorporated in some way.

2.13.7 Appendix I and the Argus Developer appraisal summary prints included in Appendix IIb provide further information.
2.14  **Indicative land value comparisons and related discussion**

2.14.1 Land value in any given situation should reflect the specifics on existing use, planning potential and status / risk, development potential (usually subject to planning) and constraints, site conditions and necessary works, costs and obligations. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value, as has been recognised by Local Plan and CIL Examiners as well as Planning Inspectors.

2.14.2 As discussed previously, in order to consider the likely viability of any development scheme relevant to the emerging joint Local Plan and its policies, the outturn results of the development appraisals (the RLVs viewed in £/ha terms) need to be somehow measured against a comparative level of land value. This is a key part of the context for reviewing the strength of the results as those change across the range of assumptions on sales values (GDVs) and crucially including the effect of affordable housing policy targets (%s).

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

2.14.4 The levels of land values selected for this comparison context are often known as ‘benchmark land values’ (BLVs) or similar. 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 to enable the review of those. They help to highlight the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change, with the key relevant assumptions (variables) in this case being the GDV level (value level – VL) and affordable housing proportion (%).

2.14.5 Our practice is to compare the wide scope of appraisal residual land value results with a range of potential benchmark land values based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide range of potential scenarios and outcomes, and the viability trends across those. The coloured shading within the Appendix II results tables is a graded effect intended only to show the general transition of results through the range clearly viable (most positive – boldest green
coloured) to likely less viable and non-viable based on the assumptions used (least positive - RLVs low or showing a deficit against the BLVs – palest green shading and then white/non-shaded areas of results).

2.14.6 Viewing the scale of the difference between the RLV and EUV (i.e. surplus after all costs (including policy costs), profit and likely land value expectations have been met) in any particular example, and as that changes between scenarios, allows us to judge the potential scope across the various development circumstances to meet the tested policy costs / requirements. It follows that, in the event of little or no surplus or a negative outcome (deficit), we can see a poor viability relationship, and vice versa.

2.14.7 The land value comparison levels are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. In our experience, sites will obviously come forward based on very site-specific circumstances, including in some cases beneath the levels assumed for this purpose. Many results also show a clear capacity to accommodate increased cumulative costs, which may include a higher land value where that is appropriate and justified.

2.14.8 As discussed above, the recently updated PPG on Viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of a site for development (EUV+).

2.14.9 The PPG\(^{19}\) states the following:

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

Benchmark land value should:

be based upon existing use value
allow for a premium to landowners (including equity resulting from those building their own homes)
reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and
be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. 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.

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams’ locally held evidence...

The premium (or the ‘plus‘ in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land
for development while allowing a sufficient contribution to comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).’

2.14.10 In order to inform the BLVs for use here, we have reviewed existing evidence, typical existing use values for various property typologies, previous viability studies, site-specific viability assessments and in particular have had regard to published Government sources on land values for policy application20.

2.14.11 The Government data contains ‘land value estimates for policy appraisal, with residential land value estimates by local authority and average industrial and agricultural values for England. This includes an estimate of a ‘typical’ residential site in each of England’s local authorities, along with an average industrial and agricultural land value for England’. Although the MHCLG make it clear that the report does not present estimates of market value, it does imply that the data can be used for policy appraisal and we note its use within Housing Infrastructure Funding tools. In our opinion the data is a legitimate source of land value estimates for the purposes of plan (policy) making where a high level view is appropriate.

2.14.12 The data provides industrial, office, residential and agricultural land value estimates for the local sub-region including Chiltern and South Bucks; but not all areas are covered. Where there are no direct land value indications, we have made use of our own experience in order to inform a “best fit” EUV from the available data. This data is shown in Appendix III and in the footnotes to the results tables. The residential land

20 MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue)
value estimates in particular 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 for the residential land value estimate. This (and other) viability assessments, assume 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.

2.14.13 The MHCLG truncated valuation model provides a much higher level of land value as it assumes all land and planning related costs are discharged, assumes that there is a nil affordable housing requirement (whereas in practice the Affordable Housing requirement can impact land value by around 50% on a 0.5 ha site with 40% AH) with no CIL or other planning obligations allowance. That level of land value would also assume that full planning consent is in place, whereas the risk associated with obtaining planning consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point. Lower quartile build costs and a 17% developer’s profit are additional assumptions that lead to a view of land value well above that used for comparison (benchmark purposes) in viability assessments such as this. So, 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 those factors.

2.14.14 The figure that we consider representing the minimum land value likely to incentivise release for development under any circumstances in the Chiltern and South Bucks context is around £100,000/ha, based on gross site area. In our experience of dealing with site specific viability, prior to the new guidance on viability in the PPG, greenfield land values have tended to be expected or assumed at indicative minimum option to purchase price agreement levels, or similar. These have been typically quoted at around £100,000 and not exceeding £150,000 per gross acre (i.e. approx. £250,000 to maximum £370,000 per gross hectare). Depending on scale and circumstances, land values at up to those levels could be relevant to development on greenfield land (such as agricultural land or in cases of enhancement to amenity land value). We have “filtered” our results against greenfield based BLVs at £100,000 and £250,000 per gross hectare (£/ha) for the Council’s information. The upper level noted here, at £250,000/ha applied to the gross site area, is the key level – our base assumption in respect of bulk greenfield land purchase on the EUV+ basis. This is an assumption that
we have used in a number of recent assessments and that has been through examination as part of our established approach.

2.14.15 These represent enhancement (sale incentive uplift) to greenfield land values (with agricultural land reported by the VOA and a range of other sources to be valued at circa £20,000 - £25,000/ha in existing use, and its EUV varying mainly through land quality or type of agricultural holding rather than varying significantly according to location e.g. area/region). A number of years ago, the former HCA (which became Homes England) issued a transparent assumptions document which referred to guide parameters of an uplift of 10 to 20 times agricultural land value. This sort of level of land value could also be relevant to a range of less attractive locations or land for improvement. As noted above, the basis of EUV+ is now clearly in national policy and it is also recognised that land value should reflect development requirements. For example, the costs of relevant planning policies and any CIL will be reflected in appropriate land values; it is not appropriate to consider land values in a way that disregard these factors. This is not to say that land value expectations in such scenarios would not go beyond these levels either – they could well do in a range of circumstances.

2.14.16 The EUV+ BLVs used within the study therefore range overall between £100,000/ha (for bulk greenfield land including a significant uplift from existing agricultural values, as above) to approximately £1.3m/ha for commercial land. A further filter has been included to cover land in existing residential use up to £4.5m/ha. The appendices to this report set out the specific BLVs used in considering the strength of the RLV £/Ha results for each test scenario – as a series of ‘Viability Tests’ used to filter the results.

2.14.17 Once again, it is important to note that all RLV results indicate the receipts available to landowners after allowing, within the appraisals, for all development costs. 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 or ‘viability tests’) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.14.18 Matters such as realistic site selection for the particular proposals, allied to realistic land owner expectations on site value, will continue to be vitally important. Even moving away from a ‘market value’ led approach, site value needs to be proportionate
to realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.
3 Findings

3.1 General context for results review

3.1.1 The following report sections consider the 3 groups of appraisal results carried out across this assessment, as updated at this final stage May to June 2019 to reflect the Councils’ latest, further refined Local Plan Policy positions and the latest available information they have provided on infrastructure costs estimates.

3.1.2 The 3 groups are:

1. Residential scheme typologies – 3 to 100 dwellings. Results set out at Appendix IIa. Appraised as above across a wide range of value levels (VLs) and trial CIL charging rates. Within this wide testing range assumed at the proposed 40% AH (a 5+ dwellings, reflecting worst case viability in respect of any non-allocated sites in the AONB/national policy), the Councils’ proposed residential charging rate of £150/sq. m is tested.

2. Strategic allocation sites. Results tabled at Appendix IIb. Ranging between 40 and 1,600 dwellings, tested at both nil CIL and £150/sq. m CIL in each case alongside estimated s.106 costs related to infrastructure (development mitigation).

3. Typology based tests of commercial/non-residential developments. Results included at Appendix IIc. Undertaken across a range of rental value and investment yield assumptions, and again tested across a wide range of trial CIL rates. The Councils’ proposals to include within their CIL charging schedules retail development as per residential at £150/sq. m and all other development at £35/sq. m can be viewed in the context of the tests and results range.

3.1.3 The findings considered here relate to the information provided in each of these Appendices as follows:

1. Appendix IIa (Tables 1a to 1o) - appraisal RLV results from the general residential test typologies (as per Figure 3 above). For each typology the upper (non-shaded) table section shows the RLVs (£s) and in the lower section the RLVs (£/Ha) overlaid with colour shading linked to the BLVs (‘viability tests’ that
are met by each RLV £/ha result). 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 value level (VL) assumed, and to reduce gradually with each increase in the trial CIL rate applied.

2. **Appendix IIb** (Table 2) – after displaying key assumptions on the scenario tested, including the assumed infrastructure costs included, this shows for each site on both a nil CIL (£0/sq. m) and £150/sq. m CIL the estimated potential deficit/surplus outcome. The total sums are shown as well as the equivalent in £/dwelling terms. As above, the land costs (‘BLV’ column) are based on £250,000/ha applied across the gross (whole) site area in each case.

3. **Appendix IIc** (Tables 3a to 3e) - commercial development tests results, equivalent to Appendix IIa in general format. The £RLV results are seen on the left side of each table, with the part green shaded sections to the right being those same results expressed in RLV £/Ha and filtered against the range of BLVs. The table formatting again uses the varying boldness of green shading to illustrate the changing strength of results according to the assumptions combination used. The results deteriorate from the most positive set, Table 3a, which shows the 5% yield tests through to those in Table 3e (based on a 7% yield, and therefore a significantly lower capitalisation rate). They also reduce gradually with increasing trial CIL rate increment (moving left to right). However, the results are seen to step up as increasing annual rental assumptions are used, and particularly in the case of the more positive, lower yield % tests.

**Appendix IIa Residential typologies results tables – review context**

3.1.4 First, we consider residential development. In common with other similar projects, this is the main assessment focus here, owing to the importance of new housing delivery to the districts and their new Local Plan; and also because this is the area in which local authority policy has by far the most influence on development viability (most significantly in relation to affordable housing). The same cannot be said of a Council’s level of influence over the viability of commercial / non-residential development; that is much more limited.
3.1.5 Secondly, invariably the scale of residential development (quantum of new accommodation to come forward) is such that the source of CIL income is going to be largely weighted towards residential. This will be the case in these districts.

3.1.6 The testing of the viability scope available to support AH requirements is a key element of such an assessment. This is because the inclusion of AH has the largest single cost impact – far greater than that from other policies, because the affordable homes cost approximately the same to build as the market sale ones but support a much lower level of revenue, as noted. These requirements always have a significant impact the on development finances; a consistent finding from our work across a large number of studies.

3.1.7 The cumulative effect of the proposed LP affordable housing and other now settled and refined policy positions plus a £150/sq. m CIL charge proposed for application to all but the largest sites is the reporting focus – verification of these in combination is needed to make sure that developments will be able to come forward viably, as above.

3.1.8 The results presented each have an appraisal behind them, based on the assumptions approach and assumptions set out above and in Appendix I. This means that the CDC & SBDC proposed policy positions on matters that add development cost, such as enhanced accessibility (M4(2) and (3) standards) and other matters, together with the stated affordable housing (AH) levels are all reflected within the full range of outcomes.

3.1.9 Affordable housing has been tested at the headline 40% requirement on all sites of 5+ dwellings. This reflects national policy scope in the case of the AONB, within which the Councils will require 40% AH on non-allocated sites of 5+; and therefore represents a worst case type scenario for viability. On most sites of 5-9 dwellings, i.e. beneath the main national policy (NPPF) threshold, the Councils’ relevant policy (DM LP3 – relevant to minor development) will not require AH provision. The AH headline requirement will take effect in the most part at 10+ dwellings, meaning that some (relatively) lower values developments (in some urban areas/typically lower value locations for example) will only be required to provide AH at 10+ homes. This context is relevant to consider in the typologies review section at 3.4 below in particular.
3.1.10 A CIL takes a fixed, non-negotiable top-slice from the development revenue. If other policy related costs are applied too extensively and too rigidly, those will tend to have the same effect.

3.1.11 Consistent with supporting the growth associated with the up to date joint Local Plan, and not related to any other existing deficits in infrastructure provision, if implemented CIL will be a high-level district-wide response and contributor in each Council’s case. It is not possible for CIL to reflect and respond to all levels of local variation in values in other matters. How it overlays with the planned site supply is 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 even be seen within sites.

3.1.12 The Councils need not follow these report findings exactly. Rather, they need to be able to show how the evidence has informed their approach. Overall, this is about considering the evidence collectively and progressing with policies that will respond to an appropriate balance between the needs side (e.g. for affordable housing and the desirability of funding infrastructure) and viability. The guidance recognises that it will not be necessary to consider all potential scenarios, and that a pragmatic approach may be taken to CIL setting for example.

3.1.13 Also included below is a grid (see Figure 9) showing indicatively how the potential residential CIL trial charging rate proposed in both Chiltern and South Bucks Districts appears when expressed as a percentages of sales values i.e. trial CIL rate as a percentage of GDV. DSP has used this sort of guide as background information for clients it advises on CIL viability.

3.1.14 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 several years of CIL viability and rates setting experience has been that, as a guide, realistic CIL charging rates should not exceed a range approximately 3% GDV to 5% GDV (maximum). The proposed £150/sq. m rates can be seen to fall within or well within appropriate areas of this guide – equivalent to around 2.5% to 3% GDV based on typical sales values.
They are not excessive by this measure, albeit not a part of the viability testing and a back-up check only.

Figure 9 – Rates context - Residential CIL (trial and indexed charging rates) as %GDV

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<th>VL3</th>
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<th>VL7</th>
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DSP 2019

**KEY:**
- CDC & SBDC proposed CIL charging rate - residential

3.1.15 Sample appraisal summaries are included as a second part to Appendix IIa. The appraisals are too numerous to include all summaries, or even a wide range of them. Those shown include examples for the specialist housing scheme typology tests (sheltered/retirement and extra care developments) for which bespoke adjustments to assumptions were made. Those include a greater assumed proportion of communal (non-saleable) floor space that typically has to be constructed (range 25-35% compared with the 15% assumption for general market apartments), as well as other additional cost elements. A sample appraisal summary is also included for the larger, 100 dwellings typology. The aim of including these appraisal summaries is to further illustrate the structure of the residual calculations, and summary content.

3.2 Appendix IIb Table 2 – Strategic Sites - Review context

3.2.1 As discussed above, the more tailored appraisals all undertaken using Argus Developer software reflect the strategic site allocation proposals SP BP 2-11 – also based on latest
(as updated) CDC & SBDC policy positions and infrastructure costs estimates as updated to the point of finalising this assessment in late May – early June 2019.

3.2.2 Again it should be noted that given the current stage inclusion of significant s.106 infrastructure mitigation costs alongside the £150/sq. m residential CIL throughout one set of these (CIL “on and off”) appraisals, a significant improvement would be likely to be seen in at least some results, once the Councils’ commitment or otherwise to CILs is established (whether or not charging schedules are put in place).

3.2.3 The yellow shaded (highlighted) surplus/deficit outcomes (‘Nil CIL’ / ‘Residential CIL’) shown in the final 2 columns at the right hand side of Table 2 indicate the relevance of the results to the Council’s proposed threshold approach to charging CIL on these sites. So 3 sites, the ones set to provide the lowest new housing numbers, are indicated to be likely to carry the residential CIL charge, with the larger ones (over the proposed threshold) likely to attract a nil-CIL charge instead. However, as above, we were asked to provide information in this way so that the Councils can progress with the Local Pan viability considerations prudently allowed, including a full assessment of potential cumulative development costs, whether or not the districts’ CILs are progressed and implemented.

3.2.4 As well as the significant and probably overlapping s.106 infrastructure costs/CIL costs assumptions, the appraisals of all of these ‘strategic’ labelled sites include a significant allowance (at £33,000/dwelling) for site-wide works and infrastructure. While there are other elements to these sites and it is expected that their greenbelt locations will demand particularly sensitive developments and landscaping etc. it could be that the sites of 40, 50, 90 and perhaps the slightly larger ones (range 200-360 dwellings) will not require the same level of costs to be supported for such matters as the larger strategic sites are likely to need. The full allowances have been made at this stage for the purposes of informing and supporting the LP viability, but in time these and other matters may be able to be looked at differently.

3.2.5 The estimated infrastructure cost levels included per site under main headings ‘Primary School’, ‘Secondary School’ and ‘Transport’ Costs are shown within the central columns of Table 2.

3.2.6 As per the footnotes to Table 2, the education related assumptions are based on latest estimated costs and yield rates, with an indicative contribution at a cost of £7,240 per
new home assumed for primary schools and £6,450 per home for secondary school places, except where on-site provision is assumed and alternative assumptions are included as per the latest IDP (Infrastructure Development Plan) information. We note again that while the Buckinghamshire County Council (BCC) Planning Contributions for Education Provision includes cost estimates for school places, this is under review as a result of the April 2019 Department for Education guidance on securing planning contributions for school places. In the interim, proxy figures (as supplied by CDC and SBDC) have been used to provide an estimate for the current version of the Councils’ IDP.

3.2.7 The assumed contributions to transport infrastructure costs, also use information provided by the Councils from the IPD Appendix 2 information, again sourced from BCC. These include the relevant Iver Relief Road (IRR) cost/contributions revised estimate provided to DSP at £12m, with those estimated costs apportioned together with other transport infrastructure costs taken from the most up to date version of the IDP, with (for the current purpose of LP viability) the maximum in the indicated range of costs used in each case.

3.2.8 Development profit is allowed for at 17.5% on the GDV (i.e. mid-range figure with reference to the PPG on ‘Viability’) for the private sale homes; and 6% GDV of the affordable homes, which appropriately reflects the expected delivery mode and therefore a contractor’s type approach rather than a full market delivery level of risk.

3.2.9 There are 2 further sites within the plan that are not included within Table 2. Those are:

- SP BP 13 (North of Denham roundabout), for which in brief summary c. 16,000 sq. m office space and a c. 120-bed hotel is proposed.

- SP BP 14 (land adjacent to Taplow Station), where c.4,000 sq. m office space is proposed along with, as above, other works and improvements.

3.2.10 We ran some exploratory appraisals in the background to finalising this assessment. However, these or further findings are not reported at this stage, as we found that the appraisal revisits for larger scale office development, as well as for the hotel tests, do not enable us to add to the information and findings reported at preliminary stage in November 2018 – work undertaken to inform the initial (PDCS) stage CIL consultations. So, with no change to those findings on current further review, we will summarise our
earlier findings and come back to this aspect of the assessment in our rounding-up below.

3.3 Appendix IIc tables - Commercial / non-residential development – Review context

3.3.1 As noted above, at this final stage of assessment supporting the Local Plan policies, we have revisited our earlier stage commercial/non-residential information and appraisals, and particularly in respect of office and hotel development types (having regard to the relevance of those to 2 of the strategic sites in particular).

3.3.2 Final version Appendix IIc again includes the results within Tables 3a – 3e, all as above and as previously described. The range of scenario tests are shown top to bottom - by development use type. Each one of those has been tested at 3 trial value i.e. rent levels (L- lower, M- mid/medium and H - higher) simply to explore the sensitivity of the RLV outcomes to that assumption varying in combination with a yield % test ranging from most positive (at 5% - Table 3a) to least positive for the study purposes (at 7% - Table 3e RLV indications). It can be seen that the viable scenarios range reduces very significantly by the time we use a 7% test yield to inform the capitalisation of the assumed rental values – across L, M and H levels as above.

3.3.3 This deterioration in results with increasing yield % reflects a progressively less positive view in relation to the capitalisation rate applied to the rental assumptions, indicating a less secure, higher risk income stream assumed for the commercial property investor as the yield % increases.

3.3.4 After considering the residential findings and potential implications / recommendations (including for the strategic sites), we will go on to round up our review of the likely variable viability of commercial development across the study area – more on that follows (primarily in respect of our review of the potential CIL charging scope, based on viability). With relevant policy impacts limited in scope and those not affected by later updates, largely this element of the assessment (tests leading to Appendix IIc results) is carried forward from our preliminary typologies based reporting work on LP and CIL viability in November 2018. Accordingly, the emphasis for the purpose of this element of the work continues to be on the proposed CILs.

3.3.5 The approach to this aspect is consistent with the typical scope required in our experience, and with assumptions informed by our research and experience, so as to
be representative of local circumstances – again, based on a high-level overview approach rather than site-specific level detail.

3.3.6 As will be seen, using assumptions appropriate for the assessment purpose and ensuring no reliance on pushing to the margins of viability in order to support CIL charging, this proportional approach requires only a much smaller number of appraisals for the commercial typologies testing. These were developed as sets to the point where viability in each case falls away to a negative RLV - ‘indicated non-viability’ positions as shown in the Appendix IIc tables. Once a very low, nil or negative outcome is reached it is not necessary to explore further.

3.3.7 Unlike in the case of residential development (and in particular the role in setting policy as affects affordable housing impacts), there is little scope for a Council (whether CDC / SBDC or any another authority) to influence the viability of commercial and non-residential development provided it does not add, through unnecessary policy, to the development costs usually associated with such development.

3.3.8 DSP also has considerable wider experience of commercial and non-residential development viability for CIL setting and Local Plan policy purposes. From this, together with review of the market and updated information gathering (information as at Appendix III and subject to further consideration of any readily available new data or pointers as the assessment concludes), we are of the view that at this point we would not expect to see materially expanded viability scope to support additional policy related costs compared with that seen at the assessment stage. These and other matters will be considered below.

3.3.9 As with residential, the strength of the market and therefore of the strength of relationship between development values and costs is key; the most significant factor. However, there are considered to be no significant instances of CDC & SBDC local policy influence that will have a direct development cost and therefore a clear negative viability impact compared with a typical approach that we see.

3.3.10 Although key information will be contained within other assessments and data also contributing to the evidence base, we have some general points to offer as the Council considers the employment and other commercial/non-residential development aspects of its Plan-making process. These will be picked up briefly in later sections below.
3.3.11 From this part of the exercise, using this review process we have checked the earlier stage positions re-confirm findings on:

- Where they come forward, those scenario types/development uses likely to be consistently viable on a sufficient basis to support a full level of CIL charging (in this case again noted as retail development, and especially certain forms of that - larger formats such as retail warehousing, supermarkets/foodstores). As part of the Councils aim for a relatively simple, pragmatic approach they have proposed a £150 sq. m charging rate for retail development, consistent with their proposed residential rate in each case.

- The extent to which more positive assumptions are required and may or may not be realistic in the short term (next few years, as applicable to a reviewed CIL charging schedule) for those potential development uses that currently appear unable to support any significant level of CIL charging. This covers a wide range of uses, within an “all other development uses” type approach that the Councils proposed to continue with. Again aiming for a pragmatic approach as part of the appropriate balance between the desirability of funding infrastructure and the ability of developments to come forward viably, the Councils’ propose a single £35/sq. m CIL charging rate across all other developments in both districts – effectively a nominal and evenly applied charging rate aimed to secure a modest level of infrastructure funding from and effectively share a low-level burden across the wider range of developments.

3.3.12 We have taken the view that overall the same range of comparison/benchmark land values (as used for the other study elements) are applicable. In most cases, broadly it is considered that meeting or exceeding the £1.1 – 1.3m/Ha BLV tests should prove sufficient. However, in the case of larger format retail and town centre development it is anticipated that higher land values potentially exceeding the higher commercial land BLV at £1.3m/Ha equivalent could sometimes be justified and need to be met.

3.3.13 On the other hand, commercial/non-residential proposals could also come forward on land in lower value or relatively low value existing uses. LP policy proposals SP BP 13 and 14 (see 3.2.9) are examples of the likely relevance of this, where the additional viability scope related to land buy-in costs based uplift to existing greenfield land
values (at say £250,000) could have a positive effect if demand the space drives sufficiently positive values for schemes to be progressed. Our results (within Appendix IIc) show how this could influence matters. Development of offices taking this form appears likely to have the best prospects of viability as far as we can see, and the Plan will be delivered through a long period during which the wider economic backdrop, broader and local property markets, policy climate and other matters are likely to all vary.

3.3.14 As with all results (appraisal RLV indications) and the reporting around them, many of the results for the relevant more valuable development types do indicate that higher land values could be or could need to be supported.

3.3.15 Our round-up of findings for the Commercial / non-residential scenarios is included in later sections below, following the further residential findings commentary that we set out next.

3.4 FINDINGS REVIEW – Residential scenarios (Appendix IIa)

3.4.1 We will not repeat the values research or findings on that here, and this has also been commented on previously. Appendices I and III provide more detail. Overall, we have found that the values likely to be supported by typical new build housing are similar between the 2 districts. We consider that variations tend to be more localised based on scheme type, transport and commuting connections etc. as well as local amenities and schools etc. than affected by general location.

3.4.2 On this basis there are typically lower value (relatively only), mid-range and higher value settlements / areas, which overlapping ranges are shown as general indications only within the overview included in Appendix I. Our information shows the greater likelihood of seeing typical / average new build values in South Bucks that are slightly lower than in Chiltern, but overall only by a small margin.

3.4.3 With the position similar to that seen on building up our November 2018 assessment stage, the available information suggests that we could reasonably expect to see values for most new-builds in the range approximately £5,000 – 6,000/sq. m (approx. £465 - 557/sq. ft.). This is represented by VLs 5 to 9 within our overall range. It is a broad picture is appropriate for the high-level, strategic purpose of Local Plan policy development and also remains appropriate to considering what could be a clear,
simple CIL charging approach across both districts, with each having a charging schedule but with the potential for providing clarity through most or all of their content being consistent between them. Values falling outside this range are seen, and their potential relevance should also be kept in mind.

3.4.4 Generally, values up to or at the lower part of this range have been assumed at this stage in assessing the strategic sites viability for the study purpose. While we consider it likely that in at least some of those cases there will be a positive “place-making” effect on likely values, at this stage we have used a slightly lower range of values than those we consider most relevant to the typologies overview as set out in this section. At this stage, that approach has been chosen to also reflect higher volume, less individual development scenarios.

3.4.5 Accordingly, as reported earlier, we suggest that for providing clarity to stakeholders involved in the local development market it should not be necessary to vary the AH and other key policy headlines by district, or by settlement / other area basis. We highlight AH here again because as above it has consistently the most significant impact on viability as its development costs are essentially the same as for market dwellings, but it produces a much lower level of revenue (usually no more than around half of market sale revenue overall, based on mixed AH tenure).

3.4.6 However, in reviewing the below, the context noted above at 3.1.9 is important to bear in mind – re policy DM LP3. The sites requiring AH provision will generally be those at 10+, rather than in the range 5-9 dwellings, except for non-allocated sites in the AONB.

3.4.7 The same applies for the other emerging LP policies that are likely to have an identifiable direct cost impact affecting viability – we do not think that area-based policy differentials will be necessary on matters such as accessibility (M4(2)/(3)) for example.

3.4.8 However, we will consider these high level points further having reviewed the Appendix IIa results by typology, as follows.

3.4.9 Viewed overall, the results are seen to be quite strong – generally very positive with the above noted sales values assumptions used. However, the generally positive outcomes also seen to be quite sensitive to lower values, which will be seen in some instances and could combine with PDL sites (including higher EUVs) to result in some
more challenging viability situations, as will be noted in this section. This is all on the basis of 40% AH as used throughout these test scenarios (a figure that we understand to be higher than the assessed need level, but that has been set to help balance out the fact that many sites locally are very small and will not support provision towards meeting AH needs).

3.4.10 In reviewing the results to inform the new Charging Schedule, whilst prudent assumptions have been used throughout as part of ensuring that viability is not taken to the margins when CIL charging and policy costs are being considered, we also give consideration to “buffering”, following on from the principles noted above. This means stepping back from the CIL charging rates indicated to be possible in theory from each assumptions combination as per the tabled results; those show the maximum CIL charging rates that can be supported by that particular assumptions set on the basis of meeting or beating a particular land value comparison – the results “filtering” (‘Viability Tests).

3.4.11 A ‘buffer’ factor essentially arbitrary, and intended only as a guide aimed at keeping well within the margins of viability – it need not be adhered to rigidly as it is still quite hypothetical and the viability work does not have to be followed precisely in any event. Instead, as with other Local Plan and CIL evidence, the Council should be able to show how the assessment has informed its overall approach.

3.4.12 Nevertheless, reviewing in this ways helps to focus in on certain most relevant areas of the results. We have tested the graduated effect of the intended CILs using a fine-grained review approach at £25/sq. m increments at up to £300/sq. m and from there to £500/sq. m have used larger steps of £50/sq. m. This testing well beyond the Councils’ £150/sq. m. proposed residential rates means that we can consider a substantial buffering allowance. We will explore the scope for up to £300/sq. m CIL to be supported by each typology i.e. allowing the £150/sq. m to be buffered back by from 50% (halved) from the £300/sq. m trial outcomes.

**Small scheme scenarios (<10 dwellings)**

3.4.13 Some of the single unit developments (or parts of developments of 2 or 3 units) are likely to be self-builts in some form, potentially attracting CIL exemption.
3.4.14 The “default” national policy threshold for AH has been reconfirmed at 10 dwellings (within the NPPF). Subject also to having in place suitable local evidence of affordable housing needs combined with an ongoing housing supply significantly reliant on the smallest sites, Policy DM LP2 and LP3 will seek 40% AH on non-allocated sites of 5+ dwellings inside the AONB. 40% AH will be required on all sites of 10+ elsewhere. This context, as at 3.1.9 and 3.4.6 above is relevant in considering the likely worst case viability shown with 40% AH on the site typologies of 5 and 8 dwellings.

3.4.15 Typically, we find there can be a range of practical challenges involved in securing on-site provision of affordable homes within the smallest schemes unless the local development market and affordable housing providers become adjusted to this owing to the nature of site supply. There can be issues with design integration, management and affordability. Owing to the severe local affordability issues (the driver for seeking the high proportion social tented housing) and the great preference for direct provision, we have appraised the 5 and 8 dwellings typologies with 40% AH assumed on site, reflecting the worst-case type impact of policy (for non-allocated AONB sites). There is also a calculation approach provided in policy for payments in lieu (financial contributions) where, exceptionally, that route is agreed. Although developments should be planned and sites purchased in the full knowledge of the policies, overall this is considered to provide a practical approach.

3.4.16 Beneath these, so for CIL testing purposes and general information, the 3 dwellings typology assumes larger houses and as per policy attracts no AH.

3.4.17 From experience there is no general evidence, however, to suggest that viability is necessarily worse on smaller compared with larger schemes and the results here bear this out.

3.4.18 On review and re-running for the latest LP policy set, the AH tenure mix (but only where the AH requirement is triggered) sought in policy DM LP3 (and LP2) is strongly weighted towards social rent provision owing to the needs and significantly greater affordability levels that supports. This has been seen to have a notable viability impact compared with earlier stage results based on an AH tenure mix less favourable for affordability but more favourable towards viability.

3.4.19 We offer a general comment that, as this in an aspect that is likely to need to be considered at a site-specific level in any event, there may be the potential to balance
this with viability as well as with the practical delivery and sustainable AH management principles. This will often be a site-specific matter, and it may be particularly relevant to consider on some smaller developments. (Note: Although we consider this to be a general point for the Councils to consider in terms of policy implementation, again we will not repeat this theme in reviewing the further typologies outcomes as below).

3 houses (Table 1a)

3.4.20 For this typology of 3 larger market sale only homes (below AH policy threshold including in respect of the AONB element under DM LP3, and with some other LP policies also not adding directly to development costs at this level), although the assumed unit-rate build costs are higher, we see a wide sweep of strong results across the tests.

3.4.21 This scenario should only look marginal with the lowest values tested, in combination with a site already in residential use (e.g. replacement dwellings or similar). However, a combination of those factors is considered unlikely to be seen regularly for this this type of scheme context, and the results show how even the lower-end more typical new values (moving up from the lowest VLs tested) restore strong viability. The results also suggest that there is scope for this typology to be at a lower density than has been assumed purely for this purpose – scheme types may vary from relatively high density mews types/terraces or similar, to more traditionally designed homes on larger footprints, depending on setting etc.

3.4.22 The results clearly support scope for the £150/sq. m CIL charging proposals across the areas.

5 houses (Table 1b)

3.4.23 Looking at the £300/sq. m CIL results (considerable buffering allowing the above noted halving-back approach as a guide), we see RLVs of approximately £1.5 to 3m/ha generated across the range of VLs considered most relevant, as above. (Note: This VLs context for review will not be repeated in discussing each of the typologies outcomes in a similar way below).

3.4.24 Again, in our view these indications are sufficiently strong to support the policy set as applies to such a scheme, including the proposed CIL charges.
3.4.25 While the results also show that the supporting of collective costs may be more challenging or marginal on some PDL sites, again developments should be selected and planned accordingly and we note again that the results displayed are those with AH included.

8 flats (Table 1c)

3.4.26 Overall these scenario tests are seen to support very similar outcomes to those reported above for the 5 houses tests.

3.4.27 The above comments are applicable again.

3.4.28 Using BCIS information, the assumed cost rate for smaller schemes of apartments, such as this (of fewer than 10 units) is lower, having some positive influence on their viability as assessed.

8 houses (Table 1d)

3.4.29 Again, overall we are looking at broadly similar results here, and especially across what is considered to be the most relevant VLs range.

3.4.30 The indications are that with lower values the viability is likely to be better than in the case of the flatted scheme, but that this switches to the flats potentially offering greater viability at mid to high-end VLs. This reflects the likelihood in our experience that apartment schemes tend to need the support of relatively strong values to support their typically higher development costs and more likely PDL settings.

3.4.31 Again, the above commentary, including regarding the support of the CIL proposals and policy set in general, applies.

3.4.32 To reiterate, based on Policy DM LP3, affordable housing requirements will not universally apply across the districts across schemes of 5 – 9 dwellings (i.e. not other than on non-allocated sites within the AONB). Their inclusion amounts to a significant element of buffering in many instances, but they have been appraised in this way to indicate likely worst-case type viability for such scenarios.
Districts-wide AH threshold and 40% policy (headline policy trigger point)

10 houses (Table 1e)

3.4.33 These results each the picture noted above, with similar RLVs shown with the £300/sq. m CIL tests (at twice the Councils’ selected rates) and therefore similar commentary to offer, bearing in mind that the AH requirements at and from this point are universal, so the comments offered in regard to tenure mix and PDL developments, for example, may become more regularly relevant.

11 Houses (Table 1f)

3.4.34 At this level, using BCIS data the scenarios include a higher assumed build cost rate than at 11+houses. At the assessment high-level approach, this largely explains the less strong viability than indicated for the 11 houses scenario – see below.

3.4.35 As noted above, these results show stringer viability, with RLVs in the range approximately £2 to 3.5m/ha across the most relevant VLs range and with the same CIL review scope principle used.

3.4.36 Otherwise, although from a higher base, the above noted potential influences on actual outcomes may again be relevant.

15 flats (Table 1g) & 30 flats (Table 1i)

3.4.37 These results indicate viability beneath that seen from the 8 flats tests (with AH included) and this reflects a higher assumed build cost rate together with, potentially, a relatively low density assumption at this level of development.

3.4.38 In general, as noted above, it can be expected that relatively high £/sq. m (or £/sq. ft.) values will be often be needed to support apartments development, and perhaps particularly on some PDL sites.

3.4.39 The results continue to suggest the likely workability of the policies and CIL applied to such developments, however, given the typical local areas values available to support most developments.
15 houses (Table 1h)

3.4.40 These tests indicate a level of viability slightly beneath that seen for the 11 houses typology, but overall very similar. On this basis, again the same commentary broadly applies.

30 apartments - retirement/sheltered (specialist housing) (Table 1j)

3.4.41 Although at the same VLs as assumed for the general market flatted schemes these scenario tests support reduced viability from those in direct comparison, they are likely to achieve higher than general market sales values as new builds.

3.4.42 The tests overall show that this differential has the likely capacity to balance out, or go a considerable way towards balancing out, the higher costs associated with the construction of larger communal areas and the other adjusted (added) costs assumptions made. The typically reduced extent of external works may also contribute to this balancing effect.

3.4.43 Based on the results, we do not consider that policy or CIL differentials should be necessary for this element of the wide overall spectrum of market housing provision – all schemes vary in some way.

3.4.44 However, the comments offered around AH tenure mix and on-site provision vs financial contribution are in our experience likely to be relevant on a regular basis in the case of these developments.

3.4.45 The findings are consistent with our wide experience of site-specific viability assessments across a variety of local authority areas. Schemes of this type are regularly supporting CIL payments alongside making some level of contribution towards meeting local affordable housing needs, although with viability regularly discussed and a variety of PDL scenarios the norm. Our experience and general wider practice has been that financial contributions are typically the mode of provision from such schemes, although this need not affect the policy starting point or mean that the policy scope should be restricted to this, particularly as different forms of development and tenure formats could become a growing part of the overall picture in the coming period, with a greater national level emphasis on and need for housing for the elderly.
30 mixed dwellings (houses and flats) (Table 1k)

3.4.46 Again these outcomes are considered to reflect the above – similar findings overall to those on the housing scheme typologies already considered. The above commentary applies.

3.4.47 For added context, the assumed 40 dph density may well be conservative and if so having the effect of reducing the view of the RLVs when looked at in £/ha terms. This will be dependent on the scheme location, type and mix.

60 apartments – extra care (specialist housing) (Table 1l)

3.4.48 With further increased communal areas and other appraisal adjustments made over and above those for the retirement/sheltered tests, as expected (and beginning to be seen through some experience we have of site-specifics on these too) as may be expected, these results show viability beneath those schemes (compared with Table 1j).

3.4.49 Assuming a likelihood of C2 use rather than C3 being applicable in at least some, if not most, of these scenarios (with a minimum care package and other characteristics of C2 often involved for example) then we understand these would not be required to support the AH policy. They have been appraised with AH included, again in order to look at a likely worst case type viability scenario, as has been noted in other cases above – some sites beneath the headline policy threshold).

3.4.50 The indications are that if such a scheme falls into C3 use, then the £150/sq. m CIL should be supportable as above, especially bearing in mind these comments. However, if considered within the scope of C2 then certainly the £35/sq. m CIL charges proposed by the Councils would certainly be supportable.

3.4.51 Following the above CIL scope review principles, at the £75/sq. m CIL trial rate the RLVs exceed a greenfield EUV+ based land value (BLV) assuming a VL applied at VL10. Viability then potentially extends to PDL developments at VL11. These are acknowledged to be high levels of sales values assumptions, but in our experience are not out of the question in areas such as these.
100 mixed dwellings (Table 1m)

3.4.52 In the main the £RLVs/ha are again at broadly similar levels to those seen from other mixed development and housing typology tests.

3.4.53 Policies compliant development should be workable on a range of sites. Although we would remind on our above points, such as on AH tenure mix (particularly without grant as is an appropriate assumption on s.106 and at this level of review), in balance with those it is likely that this typology is relevant on greenfield or other land with relatively low EUVs as well as it may be on PDL.

3.4.54 Again, the results support the proposed CILs charging level – proposed prevailing rate at £150/sq. m.

3.4.55 As an expanded comment related not just to this typology, from the above, and as reported previously, it is worth noting that a 40% AH target / requirement, or level approaching that, appears likely to be challenging on some PDL sites bearing in mind the (EUV based) land values that will need to be met in some circumstances whilst also applying optional (enhanced) policy positions going beyond base building regulations standards. However, overall, the frequency and plan-wide relevance of significant schemes that combine the typically most challenging viability ingredients is considered to be low in these two districts (e.g. higher density/flatted related higher build costs, relatively high site values, town centre/site assembly type scenarios).

3.4.56 In any event the viability tests used should not be regarded as specific figures or cut-offs; they are guides enabling the strength of the results to be considered and trends to be seen more clearly. Where a BLV is not reached, and especially marginally, this does not necessarily mean that a development would not happen. Equally, in many instances the results show RLVs at levels significantly exceeding the viability tests (BLVs).

3.4.57 To reiterate the AH tenure mix point, having updated all appraisals to reflect cumulative costs associated with the CDC and SBDC latest policy positions, there has been a notable impact (compared with previous stages) observed across the board within these appraisal sets from adjusting to reflect the high social rent content (now appraised at 62.5% of the 40% AH), and especially as appropriately assumed on a nil grant basis.
3.4.58 Again, how the particular local needs are most appropriately met site-by-site will of course vary and need to be considered at an individual site level. Our findings suggest that AH tenure may need to be discussed in this way, and sometimes also from a viability point of view – bearing in mind the comments reiterated above around some sets of circumstances probably being challenging at 40% AH (expected to be PDL cases only, where this is seen).

3.4.59 Site-specifics will, unavoidably, be variable and no reduced level of AH policy or affordability responsive AH tenure mix could be guaranteed to be met all the time in any event.

3.5 Other policy requirements influencing residential viability

3.5.1 As set out above and summarised at Appendix I, all appraisals as now updated include cost allowances for the other policy requirement matters that have been considered to have a direct cost and therefore viability impact.

3.5.2 Allowed for in this way the policies have been tested cumulatively – they can be considered viable together, alongside the proposed CIL charging.

3.5.3 Access to and use of buildings – enhanced accessibility. The DM LP 6 policy positions requiring the provision of enhanced optional building regulations standards M4(2) and (3) are reflected in this assessment.

3.5.4 We offer a comment on this element in terms of implementation, which is that these standards are mutually exclusive – they are alternatives, so that on a particular home one or the other can be met; not both.

3.5.5 The Nationally Described Space Standard (assumed compliant dwelling sizes throughout all testing) and Water usage efficiency (assumed not to exceed 110 l/person/day) have been allowed for, although the direct costs associated with those are less significant.

3.5.6 Self/custom-build. We consider that it should be possible to viably accommodate an element of serviced, ready to develop, self-build plots as part of larger scale development – subject to monitoring of demand which we understand can be highly variable from area to another. From initial consideration of such potential policies, it
appears likely to remain a profitable aspect of the overall development activity and have a broadly neutral effect on viability provided there are not too many restrictions on its workings. Specific thresholds or cut-offs are difficult to identify, however.

3.5.7 We are of the view that capacity and viability are more likely to vary in relation to particular sites, rather than follow general trends.

3.5.8 However, in our experience, in many areas the majority part of the active self-build sector effectively satisfies itself through the market, acquiring individual plots or existing dwellings / conversion opportunities for “one-off” type developments. It is usually not clear that a particular initiative or planning-led approach would necessarily satisfy a significant element of recorded demand, if indeed those records reflect the type of above noted self-builders’ requirements or market activity on this. We consider that these characteristics are likely to be relevant in these 2 Council areas.

3.6 FINDINGS REVIEW - Larger / Strategic scale development

- Strategic site allocations (Appendix IIb)

3.6.1 The updated surplus/deficit positions are reported as follows (the below, Figure 10) is extracted from Table 2 at Appendix IIb):

Figure 10: Extract of strategic sites results summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SP BP2 - Chesham</td>
<td>£3,324,050</td>
<td>£5,844</td>
<td>-£2,523,224</td>
<td>-£7,059</td>
</tr>
<tr>
<td>SP BP3 - Holmer Green</td>
<td>-£2,381,164</td>
<td>-£9,667</td>
<td>-£6,597,288</td>
<td>-£12,991</td>
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<td>SP BP4 - Amersham</td>
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<td>£2,782,464</td>
<td>£99,562</td>
</tr>
<tr>
<td>SP BP5 - Amersham</td>
<td>£3,320,684</td>
<td>£86,414</td>
<td>£2,786,956</td>
<td>£95,740</td>
</tr>
<tr>
<td>SP BP6 - Little Chalfont</td>
<td>£39,907,860</td>
<td>£55,582</td>
<td>£12,989,088</td>
<td>£42,815</td>
</tr>
<tr>
<td>SP BP7 - Chalfont St Peter</td>
<td>£6,190,016</td>
<td>£17,472</td>
<td>£9,277,212</td>
<td>£25,770</td>
</tr>
<tr>
<td>SP BP8 - Chalfont St Peter</td>
<td>£10,179,691</td>
<td>£50,813</td>
<td>£7,816,675</td>
<td>£39,083</td>
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<tr>
<td>SP BP9 - Beaconsfield</td>
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<td>£43,333</td>
<td>£63,349,829</td>
<td>£27,405</td>
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<td>SP BP10 - West of Iver Heath</td>
<td>£4,630,147</td>
<td>£12,862</td>
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<td>SP BP11 - North of Iver Station</td>
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<tr>
<td>SP BP12 - Iver</td>
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<td>£41,831</td>
<td>£2,756,321</td>
<td>£50,628</td>
</tr>
</tbody>
</table>

(DSP 2019 – Extracts only. Source: Table 2, Appendix IIb)
3.6.2 As noted above, the yellow shaded (highlighted) scenarios shown here are those considered likely to be relevant if the Councils’ CILs are implemented as currently proposed (with s.106 amended accordingly) – i.e. show to which sites a nil-CIL would be applied, with 3 of the smaller sites likely to carry CIL.

3.6.3 Following the Table 2 overview of main assumptions and results, the appraisal summaries provide a further view of their content – arranged by site in the above order; first with nil-CIL and then with the proposed residential CIL at £150/sq. m (both positions tested in all cases).

3.6.4 At the final sheet (page 4) of each appraisal summary print appears a ‘Sensitivity Analysis Report’ grid. This shows in the grid centre in each case the Table 2 appraisal reported result (additional ‘profit’ residual i.e. indicative potential surplus) where a ‘0.00/m2’ increase or decrease in sales values and a ‘0.00/m2’ increase or decrease in base construction costs are assumed – i.e. the current base assumptions combination. Moving either side, up and down around that are then sensitivity test outcomes that show how the base reported surplus (or deficit) as additional ‘profit’ alters with varied combination of increasing or decreasing sales value and/or construction cost assumption.

3.6.5 Where bracketed, the additional ‘profit amount’ outcomes indicated are negative residuals, i.e. financial shortfalls indicated by using that combination of reduced market sales value and/or increased construction costs – moving to the left and/or downward from the sensitivity grid centre. These additional indications may be useful to the Councils in considering how sensitive the positive results could be to negative development value:cost relationship influences; and, although considered likely to be relevant only in limited cases aside from the s.106 costs adjustments that would be made with CIL in place, how increased values and/or reduced costs compared with those assumed could be seen to move any current negative viability outcomes into positive territory.

3.6.6 On the basis of the current stage assumptions, including on the Councils’ provided estimates on education and transport infrastructure costs, it can be seen that our strategic sites results all remain in surplus except for SP3 Holmer Green (which, as appraised, shows a deficit of around £2.9m).
3.6.7 However that outcome reflects what is considered to be a worse-case scenario in relation to education provision costs, and we understand that provision may not be required to the assumed level. As appraised currently, this site is carrying almost £12.5m worth of s.106 infrastructure cost assumptions in total. Also a factor here, however, is that we consider this location likely to support sales values at around the lowest level that appear relevant at this time across the range of strategic sites.

3.6.8 It can also be seen that the SP BP2 Chesham outcome is currently indicated to be a low level of surplus compared with the much higher general tone of others – i.e. potentially a marginal scenario as appraised but especially if further development/infrastructure costs are identified. The assumed values too here are lower than for most others (although a relative comment in the context of these high value districts). Currently this site is also assumed to carry a relatively high infrastructure costs burden for its scale, including the assumed on-site education provision.

3.6.9 In these lower outcome cases, as with all others, the potential to see a different outcome including a more positive one can be seen on viewing the sensitivity tests noted again at 3.6.4 - 3.6.5 above.

3.6.10 The results overall are considered positive or very positive, bearing in mind the levels of cost currently included within the assumptions. In most cases, they show capacity for further costs to be supported, if necessary – i.e. alternative assumptions to be included.

3.6.11 At a plan-wide level, the policies and sites proposed are considered to present reasonable prospects of viable delivery.

3.6.12 The findings show the 40% AH headline to be appropriate.

3.6.13 It is acknowledged that there is the potential for the development of some sites identified by the Councils to need to overcome abnormal issues and support added costs when further master planning is undertaken. A number of the strategic sites are expected to be influenced to some extent by such factors. 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.
3.6.14 We are aware that the Councils intend to prepare a ‘Technical Advice Note’ or similar with the intention of informing any future dialogue on viability where it becomes necessary to consider a robust justification for that (for example covering information requirements and expected assumptions for use) at a site and scheme-specific level, as part of the development management process.

3.6.15 As well as being dependent on the local CIL proposals, unavoidably, how the use of s.106 and CIL may actually be workable and managed moving ahead will be dependent on the Government’s finalising of its ongoing review of the use of CIL and other development contributions.

3.6.16 The outcomes could of course vary considerably with timing, scheme details, further national policy developments and so on. With, not unusually, a range of unknowns at this stage it is not possible to say exactly what level and detailed make up of planning requirements and obligations packages will ultimately be appropriate or supported at these locations. It is not known at this stage how (procurement route) or exactly when (timing) all the elements of community and social benefit and other planning obligations will be delivered.

3.6.17 The results indicate scope to support strong levels of uplift to the likely appropriate EUVs. On this basis, overall, there is good potential for a balance to be found between the acknowledged commercial drivers (land owner and developer returns) and the community/infrastructure side of the development economics.

3.7 FINDINGS REVIEW – Commercial / non-residential scenarios (Appendix IIc)

3.7.1 Our assessment work on the review of commercial and non-residential development has focused on our typical approach to CIL viability, again using an established approach to apply the same principles as used in the residential assessment aspects.

3.7.2 For this part of the assessment, the purpose of review has been primarily to inform the CIL charging scope. To recap, this is because typically for non-residential development a local authority’s planning policy obligations have relatively little influence on development viability. There is usually no significant policy area that creates such an influence as is found in the case of residential (e.g. affordable housing). From a review of the local context and policies, this is also likely to be the case for CDC and SBDC’s new joint Local Plan.
3.7.3 Therefore, in the main this aspect of the assessment continues to provide additional background information in the context of informing and supporting the emerging LP, rather than being critical to understanding key policy impacts and to ensuring that developments are not unduly burdened with LP policy related costs.

3.7.4 As noted previously, the findings are highly varied and both this and the patterns / relativities seen here are fairly typical in our experience. In our wide experience of CIL viability, generally poor viability or at best mixed results tend to be seen from most test scenarios other than those representing certain forms of retail development. This has been seen in this assessment too.

3.7.5 Usually we find that this is especially the case for most of the B (business/employment) use class types. As noted, 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 informing the joint Local Plan development and CIL setting purposes.

3.7.6 Prospective occupiers may have particular drivers for pursuing developments and / or may be able to work with different costs than those that we need to assume for this assessment purpose (bearing in mind CIL principles and ensuring that CIL is not set to the margins of viability by removing assumed cost from appraisals and/or relying on potentially excessive values assumptions, for example). Nevertheless, as per our preliminary stage views, the needs evidence also suggests a likely continued picture for the next few years of mainly low scale, ad hoc commercial development, and particularly with little speculative development of a significant scale being likely. From our wider review and work to date, neither district is regarded as a key / established location for significant commercial development; or likely to be promoted as such.

3.7.7 Unfortunately, it continues to be necessary to restate our acknowledgment that, particularly when viewed in terms and using assumptions appropriate to this type of strategic level local authority viability assessment, the viability of many non-residential forms of development looks likely to remain challenging.

3.7.8 Therefore, the previously stated themes and findings, identified as our assessment work has built through a staged approach, remain valid. These are outlined again below. As we commented within our November 2018 reporting, they also fit with our
wider experience and seem consistent too with the ORS commentary on employment and other forms of development in the local markets – related to the Council’s updated HEDNA evidence.

3.7.9 In respect of these other forms of development, many of which are unlikely to be brought forward speculatively, and especially in the current/short term uncertain wider economic circumstances, it appears more to be case of working with the market, being open, incentivising and engaging with development interests as far and productively as possible. This will involve aiming to review and promote or protect / select the most appropriately and accessible sites for relevant uses, seek necessary development that also meets other strategies and policies, and so on.

3.7.10 However, this does not necessarily mean that suitable schemes will not come forward; they will when their promoters deem them to be sufficiently viable. Generally, it suggests though that the Council should look to continue proceeding in a way that presents to the market and requires the least controlling policy intervention and additional development cost measures over and above usual planning and design criteria, including national base standards. From what we can see, the firmed-up emerging policy approach reflects this.

3.7.11 We expect that the Councils will continue to work on the basis of promoting and encouraging development focused on improvements to the offer presented by existing town centres as well as other district and local centres that serve a more localised catchment through neighbourhood and village shopping etc. The intended provision of retail developments alongside some new housing is also noted.

3.7.12 With a CIL in place, this does not necessarily mean a significant added impact on viability, however. The consequence is that the CIL will be chargeable at the stated rate(s) on any relevant developments that the market deems viable enough to bring forward while the schedule is in operation. If a development is considered sufficiently viable to proceed, the likelihood is that an appropriately set CIL will not unduly impact that viability. S.106 will usually be scaled-back with CIL implemented.

3.7.13 In re-considering the below, and CIL charging rate setting generally, it is worth noting that it is necessary only to describe clearly the form(s) of development that the charging levels(s) are to apply to. These, and any differentiation, need not be by reference to Planning Use Class. Reference to that may be of assistance with some
descriptions though – assisting the clarity of how a charging schedule is intended to apply.

3.7.14 It is not proportionate or necessary to appraise all forms of development. So, appraisals have been carried out for larger format retail (supermarkets/larger foodstores/retail warehousing), small shops (local shops/convenience stores/parades/potential farm shops etc.), offices (both in-town and out of town), industrial/warehousing (smaller and larger), hotels and care homes. However, for a range of other highly variable forms of development that could also come forward on an ad hoc basis (community and assembly uses, health, education, leisure, rural areas related, etc.) it is sufficient and proven appropriate not to go beyond considering at a high-level the likely strength of the relationship between the development value (where applicable) and costs. Other than for purpose built students’ housing (which has not been appraised as it is not considered relevant here) we usually find, and will expect the same here, that wider development is not viable in a commercial sense and / or may be regarded as infrastructure anyway (e.g. health, education and other public / community services).

3.7.15 As noted, the Councils (prospective charging authorities) need to strike an appropriate balance between viability and the desirability of funding infrastructure; and do not have to precisely follow the viability evidence in doing so.

Retail (A Use Classes)

3.7.16 Large retail units (supermarkets, foodstores, retail warehousing) remain amongst the most clearly viable forms of development “on paper” as per this exercise, particularly in retail warehouse form (the strongest results), and are considered able to support the CIL charging (as proposed at £150/sq. m) if they come forward. Should they be pursued, these developments would not be entirely speculative and they could expect to be underpinned by rental and yield combinations towards or at the more positive end of our assumptions (lower end yield within our range tested (5-6%); if not lower).

3.7.17 Potentially the same could apply to any high value town centre shopping development driven by high values – strong rent and yield combinations. As is well documented presently, however, in the current climate there may not be much of an appetite for this. CIL charges at the same level £150/sq. m could therefore be viewed as potentially counter-productive. On the other hand, we are aware, however, that these use types
are unlikely to produce significant volumes of development (new floorspace) locally. The degree of whole plan relevance may be considered. Therefore, in the event of the Councils progressing to implement CILs as is intended, this may be more a case of such development being liable for CIL at the prevailing rate if it comes forward. If it does, then a suitable CIL charging rate (not exceeding the range £100-£150/sq. m) is unlikely to make a significant difference to the overall viability prospects. These findings are based on yield assumptions at the lower %s appraised – i.e. more positive value assumptions.

3.7.18 The proposed £150/sq. m is well within the trial CIL rates testing range to £250/sq. m for non-residential development uses, pointing to such an approach allowing for a large buffer bearing in mind that at the lower yield tests, the RLVs remain significant compared with the commercial land use based BLVs (viability tests) with CIL tested at £250/sq. m.

3.7.19 Whilst the investment yield could be as low as our most positive 5%, or in some cases lower still, a charging rate at this level does not look excessive if we also allow for a less positive (higher) yield %.

3.7.20 The extent to which such development (or indeed other forms of new shop units) is considered key to the LP delivery overall is likely to be relevant. Therefore, so is the extent to which this area of the CILs may need to be considered further by the Councils in settling any final proposals adjustments, subject to the Local Plan progression as well. In general, it may be that any non-viability of particular schemes is not critical to the Plan overall in any event. This is an acceptable consequence of the of the CIL principles where relevant, and may also apply to other forms of development (see below). There is also the key element of the balance – the Councils considering infrastructure needs as well as viability.

3.7.21 Development of individual and smaller shop units – e.g. either within existing settlements, new settlement areas / neighbourhood centres or individually, appear to have reasonable prospects of viability using the selected assumptions in some circumstances. However, although their build costs will often be lower, such schemes will typically attract more modest rents and higher yield %s will be relevant in at least some cases too (indicating, often, less secure investment prospects). This means that in practice, if these forms of development are going to be relevant to the Plan delivery
overall, often we could expect to see a differential approach considered, with a lower charging rate possibility looked at for smaller / local shops development.

3.7.22 On the other hand, setting similar charging rates across the range of residential and retail developments (latter as far as they occur) may also be viewed as a practical and even-handed approach bearing in mind that these uses could be competing for sites or sites could be transferring from one of these uses to the other in redevelopment scenarios and some other scenarios.

3.7.23 In many cases (and as will be relevant also to other forms of development) new uses will be formed within existing or altered / extended premises and so CIL may have a reduced level of relevance and limited likely infrastructure funding receipts potential in any event. The assessment does not allow for the netting-off of any existing floorspace as this will be such a variable and site-specific factor. In practice this means in some cases that an additional element of buffering will exist within the assumptions, as CIL may not be charged across the entire floor areas.

3.7.24 Overall, we suggest that a rate up to or similar to the proposed £150/sq. m residential rate should not be problematic for the larger format retail development types and some others, should schemes come forward. However it may be appropriate to further consider the implications of a simple, single rate approach – as above, in moving further towards intended implementation.

3.7.25 On this basis, with the Councils pursuing a simple approach based on the required balance, we are not including here further background information on the detailed considerations around differential CIL rates setting in the case of retail developments. We have significant experience of this, and more information can be supplied to the Councils in further evidence if required.

**Employment (B Use Class) development – offices and industrial / warehousing**

3.7.26 Office developments have been considered further in particular, with the Councils allocating 2 sites for or including this use, as noted above re strategic sites assessment, and others may include an element of it.

3.7.27 With reference to Appendix IIc, we see that some very positive RLVs are generated for our ‘out of town / business park’ offices typology using the most positive assumptions
combinations on values. These rely on the ‘M’ or ‘H’ (mid or higher) rental level tests at a 5% yield and fall away with a higher (less positive) yield than 5% at ‘M’ rents (moving from Appendix IIC Table 3a to 3b) but remain positive with the ‘H’ rents assumption through to a 6.5% yield where with £50/sq. m CIL tested it can be seen that a greenfield uplift (EUV+) based land value (RLV) of approximately £275,000/ha is indicated (exceeding £250,000 and within the ‘viability test 2’ BLVs bracket) – Table 3d).

3.7.28 While this can by no means be a confident endorsement of such a scheme’s viability prospects at this time or in the near future, it suggests that with the support of appropriate rental income from top quality space, the viability prospects should not be ruled-out; especially on low value land – greenfield as per the proposed allocations (see 3.3.13 above – re SP BP 13 (North of Denham roundabout, which includes 16,000 sq. n office proposed) and SP BP 14 (Land adjacent to Taplow station, where 4,000 sq. m office space is proposed)).

3.7.29 We can see that the outcomes are highly sensitive to the assumptions combinations and this suggests again that once a scheme tips into viability and comes forward on that basis, then the Councils’ proposed nominal CIL charge at £35/sq. m for a wide range of development uses is very unlikely to tip such a scenario back into non-viability.

3.7.30 Looking at other forms of employment (B Use Class) development, the smaller town centre offices scenario testing produces poorer results still, across a wider range of tests and bearing in mind that significantly higher land values (BLVs) could be expected to be relevant (all would be on PDL rather than greenfield). While these again are potentially strongly positive at 5% and to a lesser extent 5.5% yields with ‘H’ rent assumptions, but are negative otherwise.

3.7.31 With a poor relationship between development value and costs likely, and even the most positive assumptions tested not showing viability, the industrial and warehousing scenarios provide weaker still results.

3.7.32 Coming back to the overview, a nominal CIL level would in itself not make the difference between viability and non-viability – the viability issues are inherent in the relationship between the much larger figures involved in considering development values and costs. Potentially a theme also for a wider range of CIL assessment assumptions based non-viable scheme types, we acknowledged earlier that there is
room for pragmatism; and that the viability evidence need not be exactly followed in the Councils’ approach (the CIL viability guidance within the PPG refers to this).

3.7.33 Overall, therefore, although the viability evidence alone cannot specifically support the proposed £35/sq. m CIL charges, there is a wider context to look at here and perhaps particularly in relation to the ‘out of town offices’ scenarios/plan relevance.

**Hotels (C1) and Care Homes / similar (C2)**

3.7.34 The hotel test scenarios have been re-run. They too show a very limited breadth of positive viability based on the assumptions used.

3.7.35 Using a 5% yield test at the ‘M’ value level, on a greenfield site we could see viability with up to approaching £50/sq. m CIL maximum (Appendix IIc - Table 3a). This then falls away with a range of individual sensitivities applied - more CIL, a lower value or a higher yield %.

3.7.36 Using the ‘H’ values assumption, the results are significantly more positive, indicating viability on greenfield and a likely range of commercial sites and with that continuing through to the 7% yield tests (although at ‘H’ values only) – Tables 3a – 3e.

3.7.37 Essentially this places the hotel findings in essentially the same category as the out of town office viability findings noted above; the same themes and commentary is applicable. This may be useful in respect of allocation site policy SP BP 13 (North of Denham roundabout) where a hotel development is part of that proposal on greenfield land (again as was noted at 3.3.13 above).

3.7.38 In respect of care/nursing homes, at the more “institutional” end of C2 uses, where full care provision is on-site and the accommodation may not be self-contained, our tests indicated non-viability throughout (tables 3a – 3e). On those again we are only able to reiterate the above commentary that might be considered alongside our findings.

3.7.39 At this latest, final stage of work and based on recent CIL examination experience, as reported above within the discussion on residential typologies (see section 3.4 above) we have added an appraisal typology for Extra Care development (see Appendix IIa table 1l). Those tests include a larger communal floor area and other input
assumptions adjustments over those made for the retirement/sheltered typology (Appendix IIa Table 1j).

3.7.40 As were reported in section 3.4, the findings for retirement/sheltered housing are significantly more positive for those from the Extra care typology tests. Whilst the Extra Care findings were significantly more positive than those for the Care Home typology at Appendix IIc, they showed that the C3 residential charging rate of £150/sq. m may well be excessive for such developments. Therefore, in respect of Extra Care and assuming closer alignment typically to C2 than C3 (which is our increasing experience of these schemes more often than not), although a higher rate could be justified, the Councils’ proposed £35/sq. m rate would certainly be realistic.

3.7.41 Affordable sheltered housing (within C3) and nursing / care homes (C2 uses) will be exempt from CIL charging through the regulations.

3.7.42 We reiterate that, as in all cases, the above does not mean that all developments subject to CIL charging will be inherently viable; or that all development types ultimately subject to a nil CIL charge will not come forward at all.

3.7.43 In addition to continuing to ensure that the approach to planning obligations (including CIL) does not add unduly to the inherent viability pressures causing uncertainty to or frustrating potential investment, the Councils could continue to consider the following types of areas and initiatives. (Outside the scope of this assessment, but put forward purely as practical indications in relation to the more general joint Local Plan delivery considerations on commercial / employment and other non-residential development uses where non-viability is currently indicated or that is at best marginal/relatively weak):

• Consideration of market cycles – plan delivery is usually about longer term growth as well as short term promotion and management of growth opportunities that will contribute to the bigger picture;

• Work with the market – be responsive etc. as suitable opportunities are identified;

• Regenerate / improve and protect key existing employment areas;

• Provide land where assessed to be most needed;
• A 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 the values available to support development viability. Alignment of growth planning with existing transport links and infrastructure, together with planned improvements to those. Considering higher value locations for particular development use types;

• Specific sites / locations and opportunities – for example in relation to the 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 with 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 activity can be made;

• As with residential, consideration of the planning obligations packages again including their timing (triggers) as well as their extent.

• 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.
Other development uses

3.7.44 The Councils propose (for each area and charging schedule) district-wide CIL charging at £35/sq. m across a range of other specified and all other (non-specified) development uses. Looking at the overall balance between an infrastructure funding stream, this type of approach may be considered a nominal charge. The comments offered in these sub-sections reflect the general principles considered throughout on the varying strength of development costs: values relationships, but are for consideration in a wider context; also going beyond viability.

3.7.45 As a regular component of our CIL viability assessment work, we also consider a range of other development uses – their likely viability. These may also be considered relevant in the background to Local Plan viability, although the “whole plan” relevance and delivery is not considered dependent on these elements where, as with many other forms of non-residential development (noted above), planning authorities’ scope of policy influence as affects viability is limited.

3.7.46 So, in common with most of our other CIL studies, we have also carried out some initial high-level consideration of other development uses such as leisure (e.g. bowling / fitness / gym) or other D class elements such as health / clinics / nurseries etc.

3.7.47 Bearing in mind the key development value / cost relationship that we are examining here, we find that it is not necessary to carry out full appraisals of these because a simple comparison of the completed value with the build cost indications from BCIS (before consideration of other development costs) points to poor to (at best) marginal development viability. This one of the key reasons why these forms of development are generally not seen stand-alone, but tend to be provided as part of mixed use schemes that are financially driven by the residential and/or retail development.

3.7.48 Much the same applies to elements such as health / clinics and other similar, more community oriented development.

3.7.49 Following our extensive iterative review process, throughout this assessment we can see that once values fall to a certain level there is simply not enough development revenue to support the developments costs, even before CIL scope is considered (i.e. where adding CIL cost simply increases the nominal or negative numbers produced by
the residual land value results – makes the RLVs, and therefore viability prospects, lower or moves them further into negative).

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

3.7.51 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 that many of these uses would frequently occupy existing / refurbished / adapted premises.

3.7.52 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 very significant levels 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.

3.7.53 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.

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

3.7.55 On this basis, Figure 11 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 Councils may also wish to consider the administrative aspects – CIL charging implementation. These points are not key to the viability assessment.

3.7.56 These types of value / cost relationships are not unique to Chiltern or South Bucks districts. Very similar information is applicable in a wide range of locations in our experience, although across the 2 areas the Councils 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 11 below – following page).
Figure 11: Other development uses - Broad consideration of viability prospects (indicative value/cost relationships (DSP 2019))

<table>
<thead>
<tr>
<th>Example development use type</th>
<th>Indicative annual rental value (£/sq. m)</th>
<th>Indicative capital value (£/sq. m) before sale costs etc.*</th>
<th>Base build cost indications – BCIS**</th>
<th>Viability prospects and Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafés</td>
<td>£80 - £300 per sq. m.</td>
<td>£800 - £3,000 per sq. m.</td>
<td>Approx. £2,000 - £3,500</td>
<td>Insufficient viability to clearly and reliably outweigh the costs</td>
</tr>
<tr>
<td>Community Centres</td>
<td>£10 - £50/ per sq. m.</td>
<td>£100 - £500 per sq. m.</td>
<td>Approx. £1,800 - £3,000</td>
<td>Clear lack of development viability</td>
</tr>
<tr>
<td>Day Nurseries (Nursery School/Crèches)</td>
<td>£80 - £150 per sq. m.</td>
<td>£800 - £1,500 per sq. m.</td>
<td>Approx. £1,700 - £2,500</td>
<td>Clear lack of development viability</td>
</tr>
<tr>
<td>Garages and Premises</td>
<td>£30 - £100 per sq.</td>
<td>£300 - £1,000 per sq. m.</td>
<td>Approx. £650 - £1,200</td>
<td>Low grade industrial (B uses) - costs generally exceed values</td>
</tr>
<tr>
<td>Halls - Community Halls</td>
<td>£10 - £50 per sq. m.</td>
<td>£100 - £500 per sq. m.</td>
<td>Approx. £1,800 - £3,000</td>
<td>Clear lack of development viability – subsidy needed</td>
</tr>
<tr>
<td>Leisure Centre - Health and Fitness (Sports Centres/recreational centres) generally</td>
<td>£60 - £130 per sq. m.</td>
<td>£600 - £1,300 per sq. m.</td>
<td>Approx. £1,200 - £2,700</td>
<td>Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises</td>
</tr>
<tr>
<td>Leisure Centre Other - Bowling / Cinema</td>
<td>No information available</td>
<td>Approx. £2,000 - £2,500</td>
<td></td>
<td>Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises</td>
</tr>
<tr>
<td>Museums</td>
<td>No information available</td>
<td>Approx. £1,500 - £4,000</td>
<td></td>
<td>Likely clear lack of development viability – subsidy needed</td>
</tr>
<tr>
<td>Storage Depot and Premises</td>
<td>£10 - £100 per sq. m.</td>
<td>£100 - £1,000 per sq. m.</td>
<td>Approx. £400 - £1,300 (mixed storage types to purpose built warehouses)</td>
<td>Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in support of regular viability.</td>
</tr>
</tbody>
</table>
Above: Figure 11 - continued (DSP 2019)

*£/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)

3.7.57 There are potentially a wide range of considerations here, as above, going beyond viability in the usual development sense. Our recommendation is for the Council to consider certainly not more than (as a maximum) a similar to proposed nominal (£35/sq. m) or a nil a (£0/sq. m) rate in respect of a range of other uses such as included within the above table. As in other cases, this could be reviewed in future - in response to monitoring information.

3.8 Rounding up - additional commentary

3.8.1 We consider that the above confirms the scope under the joint Local Plan for developments to come forward viably, with sites and schemes overall having good viability prospects; and with an appropriate balance between this and affordable housing needs, other planning policy costs (including CIL) and objectives being achievable.

3.8.2 This is consistent with DSP’s wide experience of successful CIL, Local Plan and Affordable Housing viability evidence and outcomes through to examination and on to adoption stages, as well as in the detail of affordable housing and other planning policies and viability factors in operation in practice.

3.8.3 In our view, at a strategic “Whole Plan” level, looking appropriately at the range of proposed development scenarios and policy areas supporting the joint Local Plan, these appear to be capable of meeting the requirements of the NPPF and being consistent with the related Planning Practice Guidance as well as good practice and other guidance as noted in this report.
3.8.4 This is provided that CDC & SBDC implement the policies approach and CILs in a practical way where that is necessary; and that landowners’ expectations are also at realistic levels reflecting the requirements set out and constraints as well as the opportunities side associated with the value uplift that development usually creates.

3.8.5 Any alternatives at reduced / lower targets for affordable housing, or other policy cost areas, could 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.

3.8.6 This viability evidence will need to continue to be considered in conjunction with the Councils’ wider evidence on housing needs and evolving site supply, developing picture on infrastructure needs and planning, employment land and so on.

3.8.7 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. Councils are able to take a pragmatic view, as the national guidance recognises.

3.9 Brief summary – main observations – Local Plan and CIL viability

3.9.1 Following this comprehensive viability review and based on the findings and recommendations as discussed above, as a quick guide, the table below (Figure 12 – following pages) provides an overview of the key findings offered to CDC & SBDC. The full report text should be referred to for the explanations behind this.
Overall, the viability findings here are relatively strong – good viability prospects available to support the Plan delivery across the mix and spread of sites and locations.

A confirmed picture whereby the policy set is such that developments should be able to come forward viably – in accordance with national policy and guidance. From a viability point of view, the strategy and policies appear capable of supporting the required mix of affordable housing and other policies, balanced with other objectives (including supporting infrastructure – through the proposed CILs and complimentary continued use of s.106 (particularly on larger strategic sites)).

### Affordable Housing (AH) & Commentary

| **40% AH policy headline** | This has been tested across all typologies and strategic allocation sites and is considered workable. As previously, we have noted that there are likely to be some PDL scenarios where this becomes more challenging, but AH tenure mix (see below) and other delivery stage details could offer the necessary scope to balance viability where considered necessary and appropriate. |
| **AH tenure mix** | We have acknowledged that reflecting the Councils’ final policy approach as updated within our latest appraisal re-runs (as reported in this final stage assessment) has impacted viability negatively compared with earlier runs that were based on a mix less favourable for affordability but more favourable for viability. Accordingly, and as the affordable housing and other delivery details are usually site and specific scheme level considerations that need to be addressed in any event (variable by site), we have offered a comment that this aspect could be an area in which any necessary and appropriate flexibility is... |
considered. This is particularly the case with 62.5% of the AH content assumed as social rent and, appropriately at this stage if review, without grant.

**Enhanced accessibility**

<table>
<thead>
<tr>
<th>Optional enhanced standard (Bldg. Reg.s) M4(2) &amp; (3) – in accordance with DM LP6</th>
<th>Included as per policy across all tests and supportable in viability terms.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We have offered a comment - re implementation - that only one of these standards can apply per relevant property – standards are mutually exclusive.</td>
</tr>
</tbody>
</table>

**Open Space**

The assessment approach reflects the expected land areas provision as provided by the Councils to inform our appraisals – approach supportable in viability terms.

**Energy efficiency (carbon reduction)**

An enhanced build costs uplift has been assumed within all appraisals – approach incorporated. (Note: In our experience there remains uncertainty at a national level about how far individual planning authorities may go with bespoke policies in these respects.)

**Nationally described space standard**

Appropriate dwelling sizes allowed for and considered viable (more of an early stage planning and feasibility factor).

**CILs**

Residential (all forms of C3, including for the elderly - retirement / sheltered) | Our assessment considers the proposed £150/sq. m. across each district (2 charging schedules) to be viable and at this level to not require differentiation for particular areas/zones of sub-sets of development type. |
The Councils' propose nil-CIL rating of the larger strategic sites, however, which is also considered a suitable approach given their characteristics, including the acknowledged and usual element of ongoing work on settling infrastructure costs. S.106 can provide a more direct and timely mode for securing site-specific infrastructure works especially, and also bespoke development mitigation contributions.

<table>
<thead>
<tr>
<th>Retail</th>
<th>The Councils propose a uniform charging rate at £150/sq. m (consistent with residential) on all A use class developments across both districts. Whilst from our findings the strong viability related to any larger format developments (retail warehousing and also foodstores) that may come forward will support this, overall across our retail typologies we also found mixed results and have offered observations accordingly. Having said this, the approach of rating as per residential also appears a practical one that could help with clarity of expectations, with these uses potentially competing for or sharing sites. Overall Plan relevance of various development types will probably be key to this.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All other development uses, including employment (Offices / industrial / warehousing – B1 – B8); Hotels (C1); Care Homes (C2) together with D uses and others.</td>
<td>The Councils propose, as an intended nominal and evenly applied charge (widely spread low scale burden, effectively) CIL rates for both areas at £35/sq. m Commentary has been provided on the wide applicability of the proposed £35/sq. m rate on all other uses, and the types of considerations thought to be involved in that aspect of the proposed CIL charging schedules.</td>
</tr>
</tbody>
</table>
Notes and Limitations

1. The purpose of the assessment reported in this document is to inform and support the Councils’ work on progressing through further consultation the policies of the emerging Chiltern and South Bucks Joint Local Plan 2036 and their work towards the intended introduction of Community Infrastructure Levy (CIL) Charging Schedules for each district.

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

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

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

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

6. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated, therefore the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. This is also true in respect of the long timescales in Local Plan development and implementation over which the economy and development climate (national and more local influences and impacts) are very likely to vary. Nevertheless, the assumptions used within this study reflect the policy and strategy direction of the Councils as far as known at the time of carrying out this assessment and therefore take
into account the cumulative cost effects of policies where those are relevant to viability at this level of assessment.

7. Dixon Searle Partnership conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We are not involved in any other work within the CDC or SBDC areas at the current time, nor have we been during the course of this assessment.

8. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time.

Report ends — FINAL (DSP v3)
June 2019

Assessment work undertaken by:

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DSP wider research team