
South Worcestershire Councils
Community Infrastructure Levy (CIL)
Viability Update

An annex to the South Worcestershire Councils, Local Plan Viability Update
(September 2014)

December 2014

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Issued 12th December 2014

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1. Introduction

Scope

- 1.1 The three South Worcestershire Councils have jointly prepared the South Worcestershire Development Plan which is in the process of undergoing the public examination into its soundness. This Community Infrastructure Levy (CIL) Viability Update has been commissioned to refine the viability aspects of the CIL setting process and inform rates of CIL for the Preliminary Draft Charging Schedule.
- 1.2 Over the last few years, HDH Planning and Development Ltd has been commissioned to undertake various viability studies in Worcestershire. Early in 2012 we were instructed to undertake the **Worcestershire CIL Viability Study**. This was finalised in January 2013. The study was managed by Worcestershire County Council and jointly carried out for all six of the Worcestershire Councils (Bromsgrove, Malvern Hills, Redditch, Worcester, Wychavon and Wyre Forest). Subsequently we produced the **South Worcestershire Development Plan Viability Study** (November 2012) and the **Bromsgrove District Council & Redditch Borough Council Local Plan Viability Study** (July 2014). We have recently completed the **South Worcestershire Councils, Local Plan Viability Update** (September 2014).
- 1.3 The South Worcestershire Development Plan Viability Study forms the ‘root’ document and sets out the detailed methodology and assumptions used. This current report must be read as an annexe to the South Worcestershire Councils, Local Plan Viability Update (September 2014), as the methodology and assumptions used are not repeated (although they are briefly summarised). The Local Plan Viability Update was finalised in mid-September 2014.
- 1.4 The Local Plan Viability Update concluded, in relation to residential development (at paragraph 12.5):
- a. *Within **Malvern Hills**, the cumulative impact of policies does not render development unviable where there is a 40% affordable housing requirement. However, if the affordable housing requirement is to be maintained at 40%, then a rate of CIL at £60/m² would reduce the viability margin which may prejudice the delivery of development. We recommend that the rate of CIL proposed in the PDCS is revisited.*
- This advice is supported by the fact that, in Malvern Hills, in all 13 planning consents approved since December 2013 that are subject to affordable housing the current 40% target has been achieved (and in some cases exceeded).*
- b. *In **Worcester City**, about 60% of future development in Worcester City District is anticipated to be on brownfield sites with the remainder on greenfield sites. We recommend that the affordable housing requirement on brownfield sites be reduced to 30%, but maintained at 40% in greenfield sites. Whilst reducing the affordable housing further would improve development returns, it is unlikely to bring further sites into viability.*
- With regard to CIL there is relatively little cushion between the Residual Value and the Viability Threshold where affordable housing is set at 30% and CIL at £40/m². At 30% affordable housing the cumulative impact of policies does not put residential development at serious risk and will not threaten delivery of the Plan within the Worcester City area. However, should CIL be set at £40/m² on market housing, the cumulative impact of CIL and affordable housing would*

result in policies being set close to the limits of viability which would introduce uncertainty over the deliverability of development. We recommend that the proposed rates of CIL are revisited.

Worcester City have considered a number of applications including several below the affordable housing threshold or for extracare / close support where affordable housing was not sought. Of the five sites that have been approved, all were brownfield with a wide range of affordable provision being agreed with zero on one site, 13%, 24%, 33% and the current full 40% provision on one illustrating the variability of viability of brownfield sites.

Paragraph F of the affordable housing policy (SWDP14) includes a provision for the affordable housing requirement to be varied on grounds of viability. The inclusion of this flex will ensure that even where the full affordable housing cannot be bourn development can still be permitted (all be it in exceptional circumstances).

- c. *Within **Wychavon**, just under 8% of future development is anticipated to come forward on brownfield land. The cumulative impact of policies does not render development unviable where there is a 40% affordable housing requirement, however as in Malvern Hills, the analysis shows that with 40% affordable housing and £60/m² CIL there is relatively little cushion between the Residual Value and the Viability Threshold. On this basis we confirm that the cumulative impact of the policies, including 40% affordable housing does not put residential development at serious risk and will not threaten delivery of the Plan within the Malvern Hills area. However, should CIL be set at £60/m² on market housing, the cumulative impact of CIL and affordable housing would result in policies being set close to the limits of viability, and this would introduce uncertainty over the deliverability of development. We recommend that the rate of CIL proposed in the PDCS is revisited.*

This advice is supported by the fact that, in Wychavon, in the 14 planning applications where the affordable housing policies apply, that have been approved since January 2014 the 40% target has been achieved on 9 sites, on 4 sites 30% or more affordable housing was agreed and on just one scheme less than 30% (27%) was agreed.

- d. *Sheltered Housing, outside of Worcester City, is able to bear the full policy requirement of affordable housing but this is not the case in Worcester City where neither greenfield or brownfield development is able to bear the policy requirements. We recommend that the levels of affordable housing sought from sheltered housing is as for market housing across the SWDP area.*

Generally extracare housing is unable to support the full policy requirements. We understand that the Councils' practice has not been to require affordable housing on such schemes.

- e. *Across the SWDP area, and bearing in mind that larger flatted schemes on brownfield sites and other development on larger brownfield sites are not showing as viable, we would suggest that relatively little weight is put on delivery on this type of land in the early years on the Plan.*

1.5 In relation to non-residential development, the Local Plan Viability Update concluded (at paragraph 12.7):

12.7 *The analysis of employment uses indicates that much development is not viable considered to be viable; however, it is not the Councils' policies that render this unviable – it is a factor of the current economic climate. This sets the Councils a real challenge when it comes to showing that the Plan is deliverable. The South Worcestershire Councils, in their capacity as Planning Authorities, are not developers and can only provide an environment conducive for development. This is particularly difficult at a time of budgetary constraint.*

12.8 *The Councils are advised to show that they are doing what they can to facilitate development. The Councils have a wide range of existing and emerging initiatives in this regard, although it must be noted that in the current economic climate there is little Government money to provide such help. These include:*

- a. *Being an active partner in the Local Enterprise Partnership (LEP) to secure any available external funding to the priority areas.*

- b. *Through using CIL to carry out public realm works that will contribute towards environmental quality therefore enabling the delivery of housing.*
- c. *Using CIL, other developer contributions and publicly owned land, to enable high quality employment space to continue to be developed.*

1.6 This present document takes this general advice forward and builds on these conclusions and the advice set out in Chapter 13 of the Local Plan Viability Update to make firm recommendations as to the rates of CIL.

1.7 It is important to note that the Councils published a Preliminary Draft Charging Schedule (PDCS) in September 2013 and carried out a consultation between 27th September 2013 and 8th November 2013. Since then the South Worcestershire Developed Plan has developed further and time has passed. Whilst it is not a requirement of the CIL Regulations and/or CIL Guidance, the Councils plan to repeat the PDCS stage of the CIL setting process.

1.8 Like the earlier work, this study will draw on the existing available evidence. CIL is set having regard to a range of factors, one of which is viability. This report considers viability. Outside this report, the Councils are considering the need for infrastructure and other sources of funding. As set out at Chapter 13 of the Local Plan Viability Update, these matters include:

- a. Regulations and Guidance
- b. Differential Rates
- c. New Regulations and Guidance
- d. CIL v s106
- e. Infrastructure Delivery
- f. Uncertain Market
- g. Neighbouring Authorities
- h. S106 History
- i. Costs of Infrastructure and Sources of Funding
- j. Instalment Policy.

1.9 As when considering the viability aspects of deliverability of the SWDP, it is important to note at the start of a study of this type, that not all sites will be viable, even without any policy requirements or CIL imposed or sought by the Councils. It is inevitable that the Councils' requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is threatened.

1.10 We acknowledge that the viability testing process has been somewhat protracted. This has been unavoidable given the iterative plan-making process that has reflected the emerging findings of this, and other work. Further, in March 2014, Planning Practice Guidance (PPG) was published replacing much of the existing planning guidance. CIL Examiners' and Local Plan Inspectors' reports and planning appeal decisions have been published that have also had to be addressed. In addition, in February 2014, further changes were made to the CIL Regulations and CIL Guidance before the CIL Guidance was assimilated into the PPG in June 2014. We have discussed this in Chapter 2.

Report Structure

1.11 This report considers the viability aspects of the CIL setting process for three South Worcestershire Councils. This report follows the following format:

Chapter 2 A summary of the approach taken, including a review of the requirements of the CIL Regulations, guidance and of the methodology used.

Chapter 3 A recap of the findings of the main findings of the Local Plan Viability Study.

Chapter 4 Setting rates of CIL by development type and area.

Chapter 5 Conclusions.

2. Methodology

National Policy and Guidance

- 2.1 The background to viability testing is set out in Chapter 2 of the Development Plan Viability Study and Chapter 2 of the Local Plan Viability Update. In this section we have further considered the CIL Guidance that now forms part of the National Planning Practice Guidance (PPG).

Setting CIL

- 2.2 The CIL Regulations have been subject to a number of amendments¹. CIL Regulation 14 (as amended) sets out the core principle for setting CIL:

Setting rates

- (1) *In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between—*
- (a) *the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
 - (b) *the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.*
- (2) *In setting rates ...*

- 2.3 Viability testing in the context of CIL will assess the ‘effects’ on development viability of the imposition of CIL. The financial impact of introducing CIL is an important factor, but the provision of infrastructure (or lack of it) will also have an impact on the ability of the Councils to meet their objectives through development and deliver the Development Plan. The Plan may not be deliverable in the absence of CIL.

- 2.4 The test that will be applied to the proposed rates of CIL is clarified in the updated CIL sections of the PPG, putting greater emphasis on demonstrating how CIL will be used to deliver the infrastructure required to support the Plan.

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)), charging authorities should be able to show and explain how their proposed levy rate

¹ **SI 2010 No. 948.** The Community Infrastructure Levy Regulations 2010 Made 23rd March 2010, Coming into force 6th April 2010. **SI 2011 No. 987.** The Community Infrastructure Levy (Amendment) Regulations 2011 Made 28th March 2011, Coming into force 6th April 2011. **SI 2011 No. 2918.** The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. Made 6th December 2011, Coming into force 7th December 2011. **SI 2012 No. 2975.** The Community Infrastructure Levy (Amendment) Regulations 2012. Made 28th November 2012, Coming into force 29th November 2012. **SI 2013 No. 982.** The Community Infrastructure Levy (Amendment) Regulations 2013. Made 24th April 2013, Coming into force 25th April 2013. **SI 2014 No. 385.** The Community Infrastructure Levy (Amendment) Regulations 2013. Made 24th February 2014, Coming into force 24th February 2014.

(or rates) will contribute towards the implementation of their relevant plan and support development across their area.

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), 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. The same principle applies in Wales.

PPG ID: 25-009-20140612

2.5 The test is whether the sites and the scale of development identified in the Plan are subject to such a scale of obligations and policy burdens (when considered together) that their ability to be developed viably is threatened by CIL. This is somewhat more cautious than the approach set out in earlier guidance. In the March 2010 CIL Guidance, the test was whether the Plan was put at 'serious risk', and in the December 2012 / April 2013 CIL Guidance, the test was whether CIL 'threatened the development plan as a whole' – although it is important to note that the CIL Regulation 14 is clear that the purpose of the viability testing is to establish 'the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area' rather than specific sites.

2.6 On preparing the evidence base on economic viability, the Guidance says:

A charging authority must use 'appropriate available evidence' (as defined in the Planning Act 2008 section 211(7A)) to inform their draft charging schedule. The Government recognises that the available data is unlikely to be fully comprehensive. Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.

In addition, a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London)] relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).

The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.

PPG ID: 25-019-20140612

2.7 This update has drawn on the existing available evidence where it is available. In due course this study will form one part of the evidence that the Councils will use to set CIL. The Councils will also consider other 'existing available evidence', the comments of stakeholders and wider priorities. The NPPF, PPG and the Harman Guidance, as referred to below, recommend that the development and consideration of a CIL rate should be undertaken as part of the same exercise as the consideration of the Plan, which is what the South Worcestershire Councils have done. This report will form the basis of the evidence as required by the CIL Regulations (when read with the Local Plan Viability Update).

2.8 From April 2015, councils will be restricted in relation to pooling S106 or s278 contributions from more than five developments² (where the obligation in the s106 or s278 agreement is a reason for granting consent). This restriction will encourage councils to adopt CIL –

² CIL Regulations 123(3)

particularly where there are large items of infrastructure to be delivered that relate to multiple sites. This restriction on pooling may have the effect of bringing s106 tariff policies to an end.

- 2.9 Following the implementation of CIL, a Council will still be able to raise additional s106 funds for infrastructure, provided this infrastructure can be directly linked to the site-specific needs associated with the scheme in question, and that it is not for infrastructure specifically identified to be funded by CIL, through the Regulation 123 List³. Payments requested under the s106 regime (and s278 regime) must be (as set out in CIL Regulation 122):
- a. necessary to make the development acceptable in planning terms;
 - b. directly related to the development; and
 - c. fairly and reasonably related in scale and kind to the development.
- 2.10 As mentioned above, under CIL Regulation 123, from April 2015, there are restrictions on pooling contributions from five or more sites where the obligation is a reason for granting planning permission. It is important to note that the counting of the 'five or more sites' relates to the *'provision of that project, or type of infrastructure'* and is from the date of the CIL Regulations, being April 2010. The Councils will need to consider whether the threshold has already been exceeded for some items of infrastructure.
- 2.11 Under changes to CIL Regulation 73, a local authority (at its discretion and subject to strict rules) can accept CIL 'in kind'. The changes to this CIL Regulation have extended this provision from the payment of CIL through the transfer of land, to the payment through the transfer of infrastructure as well as land. These changes may give increased flexibility to both the Charging Authority and the developer allowing CIL to be 'paid' through the provision of infrastructure.

Differential Rates

- 2.12 CIL Regulation 13 (as amended) provides scope for CIL to be set at different levels by different area (zones) and type and size of developments.

Differential rates

- (1) *A charging authority may set differential rates—*
- (a) *for different zones in which development would be situated;*
 - (b) *by reference to different intended uses of development,*
 - (c) *by reference to the intended gross internal area of development;*
 - (d) *by reference to the intended number of dwellings or units to be constructed or provided under a planning permission.*
- (2) *In setting differential rates, a charging authority may set supplementary charges, nil rates, increased rates or reductions.*

- 2.13 The PPG expands on this saying:

³ This is the list of the items on which the Council spend CIL payments.

Charging authorities that decide to set differential rates may need to undertake more fine-grained sampling, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.

The focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy is likely to be most significant.

The outcome of the sampling exercise should be to provide a robust evidence base about the potential effects of the rates proposed, balanced against the need to avoid excessive detail.

A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust. In all cases, the charging authority should be able to explain its approach clearly.

PPG ID: 25-019-20140612

The regulations allow charging authorities to apply differential rates in a flexible way, to help ensure the viability of development is not put at risk. Differences in rates need to be justified by reference to the economic viability of development. Differential rates should not be used as a means to deliver policy objectives.

Differential rates may be appropriate in relation to

- *geographical zones within the charging authority's boundary*
- *types of development; and/or*
- *scales of development.*

A charging authority that plans to set differential rates should seek to avoid undue complexity. Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development. Charging authorities should consider the views of developers at an early stage.

If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area. The same principle should apply where the evidence shows similarly low viability for particular types and/or scales of development.

In all cases, differential rates must not be set in such a way that they constitute a notifiable state aid under European Commission regulations (see 'State aid' section for further information). One element of state aid is the conferring of a selective advantage to any 'undertaking'. A charging authority which chooses to differentiate between classes of development, or by reference to different areas, should do so only where there is consistent economic viability evidence to justify this approach. It is the responsibility of each charging authority to ensure that their charging schedules are state aid compliant.

PPG ID: 25-021-20140612

- 2.14 Any differential rates must only be set with regard to viability. It would be contrary to the guidance, for example, to set a high rate to deter a particular type of development, or to set a low rate to encourage it – a consistent approach must be taken across all development types.
- 2.15 CIL, once introduced, is mandatory on all developments (with a very few exceptions) that fall within the categories and areas where the levy applies, unlike other policy requirements to provide affordable housing or to build to a particular environmental standard over which there can be negotiations. This means that CIL must not prejudice the viability of most sites.

Viability Guidance

2.16 As set out in the Local Plan Viability Update, there is no specific technical guidance on how to test the viability in the CIL Regulations or Guidance. Paragraph 173 of the NPPF says: ‘... *To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable...*’ This seems quite straightforward – although ‘competitive returns’ is not defined.

2.17 There are several sources of guidance and appeal decisions⁴ that support the methodology used. In this update, as in the Development Plan Viability Study, we have followed the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012⁵ (known as the **Harman Guidance**). This contains the following definition:

An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.

2.18 The planning appeal decisions, and the HCA good practice publication suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with a competitive return and the inducement to sell. The Harman Guidance and *Financial viability in planning*, RICS guidance note, 1st edition (GN 94/2012) August 2012 (known as the **RICS Guidance**) set out the principles of viability testing. Additionally, the Planning Advisory Service (PAS)⁶ provide viability guidance and manuals for local authorities.

2.19 There is considerable common ground between the RICS and the Harman Guidance but they are not wholly consistent. The RICS Guidance recommends against the ‘current/alternative use value plus a margin’ – which is the methodology recommended in the Harman Guidance.

One approach has been to exclusively adopt current use value (CUV) plus a margin or a variant of this, i.e. existing use value (EUV) plus a premium. The problem with this singular approach is that it does

⁴ Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve: APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338 Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437

⁵ Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

⁶ PAS is funded directly by DCLG to provide consultancy and peer support, learning events and online resources to help local authorities understand and respond to planning reform. (Note: much of the most recent advice has been co-authored by HDH).

not reflect the workings of the market as land is not released at CUV or CUV plus a margin (EUV plus).....

Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012)

- 2.20 The Harman Guidance advocates an approach based on Threshold Land Value. Viability Testing in Local Plans says:

*Consideration of an appropriate **Threshold Land Value** needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.*

We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below).

Viability Testing in Local Plans – Advice for planning practitioners. (June 2012)

- 2.21 The RICS dismisses a Threshold Land Value approach as follows.

Threshold land value. A term developed by the Homes and Communities Agency (HCA) being essentially a land value at or above that which it is assumed a landowner would be prepared to sell. It is not a recognised valuation definition or approach.

- 2.22 On face value these statements are contradictory. The approach taken in all our viability work carried out for the Councils brings these two sources of guidance together. The methodology adopted is to compare the Residual Value from the viability appraisals, with the Existing Use Value (EUV) or an Alternative Use Value (AUV) plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the existing use value is central to the assessment of viability. It must be set at a level to provide 'competitive returns'⁷ to the landowner.

- 2.23 This approach is in line with that recommended in the Harman Guidance (as endorsed by LGA, HBF and PAS) – and is broadly in line with the RICS Guidance. It is relevant to note that the Harman methodology was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012⁸. In his report, the Inspector dismissed the theory that using historical market value (i.e. as proposed by the RICS) to assess the value of land was a more appropriate methodology than using EUV plus a margin.

Outline Methodology

- 2.24 There is no statutory technical guidance on how to go about viability testing. In this and our earlier studies we have therefore followed the Harman Guidance. The availability and cost of

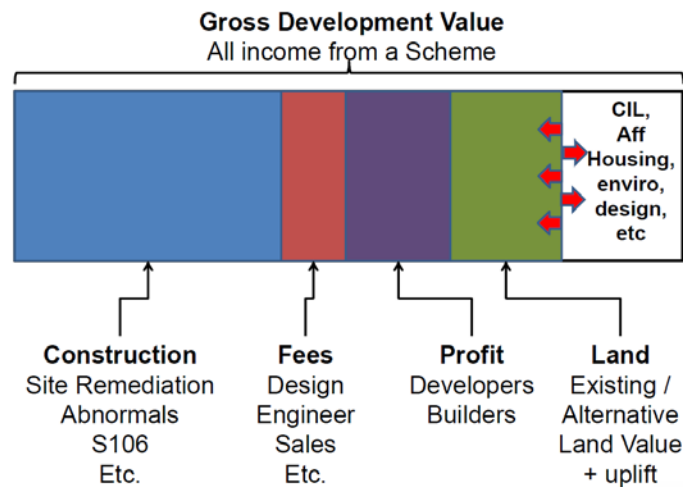
⁷ As required by 173 of the NPPF

⁸ Paragraphs 7 to 9 of REPORT ON THE EXAMINATION OF THE DRAFT MAYORAL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE by Keith Holland BA (Hons) DipTP MRTPI ARICS an Examiner appointed by the Mayor Date: 27th January 2012

land are matters at the core of viability for any property development. The format of the typical valuation, which has been standard for as long as land has been traded for development is:

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

- 2.25 The result of the calculation indicates a land value, the Residual Value, which is the top limit of what a bidder could offer for a site and still make a satisfactory profit margin.
- 2.26 In the following graphic, the bar illustrates all the income from a scheme. This is set by the market (rather than by the developer or local authority) so is, to a large extent, fixed. The developer has relatively little control over the costs of development (construction and fees) and whilst there is scope to build to different standards and with different levels of efficiency the costs are largely out of the developer's direct control – they are what they are depending on the development.



- 2.27 It is well recognised in viability testing that the developer should be rewarded for taking the risks of development. The NPPF terms this the 'competitive return'. The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions the planning authority asks for the less the developer can afford to pay for the land. The purpose of this study is to quantify the costs of the Councils' various policies and CIL on development and then make a judgement as to whether or not land prices are squeezed to such an extent that, in the NPPF context, that the Plan is put at 'serious risk', or in the context of CIL, whether development is 'threatened' to such an extent that the Plan is not delivered.

- 2.28 It is important to note that this study is not trying to exactly mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the NPPF and PPG.
- 2.29 As evidenced through the consultation process the 'likely land value' is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift': the margin above the 'Existing Use Value' which would make the landowner sell.
- 2.30 The assessment of viability as required under the NPPF and the CIL Regulations is not done through a calculation or a formula. It is a quantitative and qualitative assessment based on professional judgment. The NPPF requires that *'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'*⁹ and whether *'the cumulative impact of these standards and policies should not put implementation of the plan at serious risk'*¹⁰. The CIL Regulations require that *'councils must strike an appropriate balance between (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability'*¹¹.
- 2.31 The basic viability methodology involves preparing financial development appraisals for a representative range of sites and actual sites and using these to assess whether the development anticipated over the plan-period is likely to be viable when subject to the Councils' policies and the effect CIL may have. Details of the site modelling are set out in Chapter 9 of the Local Plan Viability Update.
- 2.32 The sites were modelled based on discussions with Council officers, the existing available evidence supplied to us by the Councils, and on our own experience of development. In particular we drew on the sites in the SHLAA and the strategic sites that are included in the Plan. This process ensures that the appraisals are representative of typical development.
- 2.33 The appraisals are based on the policies set out in the 22nd May 2014 iteration of South Worcestershire Development Plan (proposed Minor Track Changed Version) and considered the cumulative impact of these policies. It is important to note that this document was a working draft containing not only the May 2013 changes submitted to the Planning Inspectorate but also the more recent changes and policy developments as of May 2014. This is the most recent version of the Development Plan and it is important to note that this is different to that that was used to provide the context in the original (January 2013) Worcestershire CIL Viability Study. For appropriate sensitivity testing we assessed a range

⁹ NPPF Paragraph 173

¹⁰ NPPF Paragraph 174

¹¹ CIL Regulation 14

of scenarios including different levels of affordable housing provision and different levels of developer contributions.

- 2.34 We surveyed the local housing and commercial markets, in order to obtain a picture of sales values. We also assessed land values to calibrate the appraisals and to assess alternative use values. Alongside this we considered local development patterns, in order to arrive at appropriate built form assumptions for those sites where information from a current planning permission or application was not available. These in turn informed the appropriate build cost figures. A number of other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still return a target profit level.
- 2.35 The Residual Value was compared to the Existing Use Value (EUV) for each site. Only if the Residual Value exceeded the EUV, and by a satisfactory margin, could the scheme be judged to be viable.
- 2.36 We have used a bespoke viability testing model designed and developed by us specifically for area wide viability testing as required by the NPPF and CIL Regulations¹². As mentioned earlier it is important to note that the purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations and people involved in property development. The purpose is to capture the generality and to provide high level advice to assist the Councils in assessing the deliverability of the Local Plan and to set CIL.

The meaning of 'competitive return'

- 2.37 The meaning of '*competitive return*' is at the core of a viability assessment. The RICS Guidance includes the following definition:

Competitive returns - A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.

- 2.38 Whilst this is useful it does not provide guidance as to the size of that return. To date there has been much discussion within the industry as to what may and may not be a competitive return, as yet the term has not been given a firm definition through the appeal, planning examination or legal processes.

¹² This Viability Model has is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS.

2.39 Competitive return was considered at the Shinfield appeal¹³ (January 2013). More recently, further clarification has been added in the Oxenholme Road Appeal (October 2013)¹⁴ where the inspector confirmed that the principle set out in Shinfield is very site specific and should only be given limited weight.

2.40 It should be noted that this study is about the economics of development. Viability brings in a wider range than just financial factors. The PPG says:

Understanding Local Plan viability is critical to the overall assessment of deliverability. Local Plans should present visions for an area in the context of an understanding of local economic conditions and market realities. This should not undermine ambition for high quality design and wider social and environmental benefit but such ambition should be tested against the realistic likelihood of delivery.

2.41 The above methodology and in particular the differences between the Harman Guidance and the RICS Guidance were presented and discussed through the consultation process. There was a universal agreement that it was appropriate to follow the Harman Guidance which is what we have done.

Existing Available Evidence

2.42 The NPPF, the PPG and the CIL Regulations are clear that the assessment of the potential impact of CIL should, wherever possible, be based on existing available evidence rather than new evidence. This study builds on the existing available evidence, the most recent being the Local Plan Viability update, rather than starting anew.

¹³ APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

¹⁴ APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

3. Viability work to date

Introduction

3.1 As set out at the start of this report, the Local Plan Viability Update concluded (at paragraph 12.5):

- a. *Within **Malvern Hills**, the cumulative impact of policies does not render development unviable where there is a 40% affordable housing requirement. However, if the affordable housing requirement is to be maintained at 40%, then a rate of CIL at £60/m² would reduce the viability margin which may prejudice the delivery of development. We recommend that the rate of CIL proposed in the PDCS is revisited.*

This advice is supported by the fact that, in Malvern Hills, in all 13 planning consents approved since December 2013 that are subject to affordable housing the current 40% target has been achieved (and in some cases exceeded).

- b. *In **Worcester City**, about 60% of future development in Worcester City District is anticipated to be on brownfield sites with the remainder on greenfield sites. We recommend that the affordable housing requirement on brownfield sites be reduced to 30%, but maintained at 40% in greenfield sites. Whilst reducing the affordable housing further would improve development returns, it is unlikely to bring further sites into viability.*

With regard to CIL there is relatively little cushion between the Residual Value and the Viability Threshold where affordable housing is set at 30% and CIL at £40/m². At 30% affordable housing the cumulative impact of policies does not put residential development at serious risk and will not threaten delivery of the Plan within the Worcester City area. However, should CIL be set at £40/m² on market housing, the cumulative impact of CIL and affordable housing would result in policies being set close to the limits of viability which would introduce uncertainty over the deliverability of development. We recommend that the proposed rates of CIL are revisited.

Worcester City have considered a number of applications including several below the affordable housing threshold or for extracare / close support where affordable housing was not sought. Of the five sites that have been approved, all were brownfield with a wide range of affordable provision being agreed with zero on one site, 13%, 24%, 33% and the current full 40% provision on one illustrating the variability of viability of brownfield sites.

Paragraph F of the affordable housing policy (SWDP14) includes a provision for the affordable housing requirement to be varied on grounds of viability. The inclusion of this flex will ensure that even where the full affordable housing cannot be bourn development can still be permitted (all be it in exceptional circumstances).

- c. *Within **Wychavon**, just under 8% of future development is anticipated to come forward on brownfield land. The cumulative impact of policies does not render development unviable where there is a 40% affordable housing requirement, however as in Malvern Hills, the analysis shows that with 40% affordable housing and £60/m² CIL there is relatively little cushion between the Residual Value and the Viability Threshold. On this basis we confirm that the cumulative impact of the policies, including 40% affordable housing does not put residential development at serious risk and will not threaten delivery of the Plan within the Malvern Hills area. However, should CIL be set at £60/m² on market housing, the cumulative impact of CIL and affordable housing would result in policies being set close to the limits of viability, and this would introduce uncertainty over the deliverability of development. We recommend that the rate of CIL proposed in the PDCS is revisited.*

This advice is supported by the fact that, in Wychavon, in the 14 planning applications where the affordable housing policies apply, that have been approved since January 2014 the 40% target has been achieved on 9 sites, on 4 sites 30% or more affordable housing was agreed and on just one scheme less than 30% (27%) was agreed.

- d. *Sheltered Housing, outside of Worcester City, is able to bear the full policy requirement of affordable housing but this is not the case in Worcester City where neither greenfield or brownfield development is able to bear the policy requirements. We recommend that the levels of affordable housing sought from sheltered housing is as for market housing across the SWDP area.*

Generally extracare housing is unable to support the full policy requirements. We understand that the Councils' practice has not been to require affordable housing on such schemes.

- e. *Across the SWDP area, and bearing in mind that larger flatted schemes on brownfield sites and other development on larger brownfield sites are not showing as viable, we would suggest that relatively little weight is put on delivery on this type of land in the early years on the Plan.*

3.2 In relation to non-residential development, the Local Plan Viability Update concluded (at paragraph 12.7):

12.7 *The analysis of employment uses indicates that much development is not viable considered to be viable; however, it is not the Councils' policies that render this unviable – it is a factor of the current economic climate. This sets the Councils a real challenge when it comes to showing that the Plan is deliverable. The South Worcestershire Councils, in their capacity as Planning Authorities, are not developers and can only provide an environment conducive for development. This is particularly difficult at a time of budgetary constraint.*

12.8 *The Councils are advised to show that they are doing what they can to facilitate development. The Councils have a wide range of existing and emerging initiatives in this regard, although it must be noted that in the current economic climate there is little Government money to provide such help. These include:*

- a. *Being an active partner in the Local Enterprise Partnership (LEP) to secure any available external funding to the priority areas.*
- b. *Through using CIL to carry out public realm works that will contribute towards environmental quality therefore enabling the delivery of housing.*
- c. *Using CIL, other developer contributions and publicly owned land, to enable high quality employment space to continue to be developed.*

3.3 This advice was based on the updated viability evidence. The earlier viability work had been based in 2012 and since then there have been a number of important changes. These relate not only to the new Guidance but also movements in property prices and construction costs. There has been an increase in property values but, to a large extent, this has been offset by increases in construction costs.

3.4 Since the publication of the Local Plan Viability Update the study has been subject to a period of formal consultation. The consultation end on the 17th November 2014. Before considering the next steps we have reviewed the representations from developers and their agents:

- i. On the whole the comments are about the lack of detail in relation to the infrastructure requirements of the larger strategic sites. They are not objecting as such, but raising concerns about how the infrastructure costs have been derived and how they are allocated to the different sites. They do not go into the numbers (costs and values) around viability.
- ii. Concerns are raised around the lack of clarity around developer contributions (through the Annex 1 'Crucial Infrastructure Table') but no detailed viability points are made.
- iii. None say that the affordable housing target is too high, or that the developer contributions would render a development unviable.

- iv. Pegasus / Robert Hitchins do raise viability of affordable housing on Swinesherd Way – but do not challenge the viability evidence. The following quote distils much of what is said:

26. Without either an adopted (or emerging) charging schedule or an assessment of the requirement for other contributions, the viability of infrastructure requirements and the impact on the allocations cannot be assessed in the longer term. Therefore, Annex I should be seen as providing an initial wish list, which will be refined to reflect both emerging infrastructure needs and viability prior to the adoption of a charging schedule.

- 3.5 In summary, few of the representations mention viability explicitly. Based on the consultation responses (and responses from the earlier consultation on the SWDP Proposed Submission Document that ran from 11th January 2013 to 22th February 2013 – which included the earlier iteration of the Development Plan Viability Study) we have seen no reason to revisit the methodology or the assumptions in the viability studies. We therefore consider it appropriate to continue with the CIL setting process based on the existing available evidence.
- 3.6 It may be notable that several consultees mentioned CIL. The comments that are made are on not in relation to the impact on viable, but are in relation to the relationship with infrastructure to be delivered under the s106 and s278 regimes or through CIL.
- 3.7 This present document takes this general advice forward, and builds on these conclusions and the advice set out in Chapter 13 of the Local Plan Viability Study, to make firm recommendations as to the rates of CIL for the new Preliminary Draft Charging Schedule (PDCS).
- 3.8 In large part these findings were based on the findings set out in Chapter 10 of the Local Plan Viability Update, showing the relationship between affordable housing and total infrastructure contributions. The relevant results are set out below.
- 3.9 The appraisals use the Residual Valuation approach – that is, they are designed to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developers' profit. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the Existing Use Value by a satisfactory margin.
- 3.10 We ran multiple sets of appraisals. The initial appraisals were based on the full policy requirements of the Plan, including the 40% affordable housing requirement. As this project progressed, a decision (informed by the evidence) was taken, based on the evidence, to reduce the requirement from 40% to 30% on brownfield sites in Worcester.
- 3.11 For each development type we calculated the Residual Value. In the tables we colour coded the results using a simple traffic light system:
- a) **Green** Viable – where the Residual Value per hectare exceeds the indicative Viability Threshold Value per hectare (being the Existing Use Value (EUV) plus the appropriate uplift to provide a competitive return for the landowner).

- b) **Amber** Marginal – where the Residual Value per hectare exceeds the EUV, but not Viability Threshold Value per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.
- c) **Red** Non-viable – where the Residual Value does not exceed the EUV.

3.12 The results are set out and presented for each site and per gross hectare to allow comparison between sites.

Residential Development

3.13 We prepared financial appraisals for each of the modelled and strategic residential sites using a bespoke spreadsheet-based financial analysis package. These appraisals are based on the full policy requirements of the Local Plan, but with a range of affordable housing and developer contribution assumptions base options:

- a) **Public Open Space** Greenfield sites over 1 hectare have 40% open space
Greenfield sites less than 1ha but more than 0.2ha units 20% open space
Brownfield sites no Public Open Space
- b) **Density** Greenfield 35 units/ha, Urban sites 65 /ha
- c) **Environmental** Building Regulations as enhanced (BCIS +2%)
SUDS on brownfield sites 5%
- d) **Affordable Housing** As shown
- e) **Strategic Site Infrastructure** As summarised below:

	Total (£)	£/ unit
Worcester South Urban Extension	27,450,000	10,521
Worcester West Urban Extension	24,350,000	11,326
Gwillam's Farm	1,894,092	7,731
Crown Packaging, Worcester.	1,858,295	7,743
Kilbury Drive	1,968,347	7,842
Vine's Lane (Droitwich)	525,956	5,260
Cheltenham Road Evesham	1,973,823	4,935
Pershore Urban Extension	3,343,713	5,144
Qinetiq	3,817,868	12,726
North East Malvern	5,264,669	6,581

- f) **s106** £2,500 per unit – applied to all units (market and affordable) on modelled sites.

g) CIL assumed rate As shown

3.14 The Residual Value is compared to the Existing Use Value and Viability Thresholds in the following tables. In each case the results were related to the development expected to come forward over the plan-period. This second element of analysis has been updated in this study from that set out in Tables 10.12, 10.14 and 10.16 of the Local Plan Viability Update.

Table 3.1 Malvern Hills. Residual Value for Affordable Housing from 10% to 40% and CIL from £0/m² to £60/m²

40% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	507,691	496,525	485,359	474,193	463,027	451,861	440,694
Site 2	Greenfield2	25,000	330,000	523,965	512,315	500,665	489,015	477,366	465,716	454,066
Site 3	Greenfield3	25,000	330,000	539,405	525,074	510,743	496,412	482,081	467,750	453,419
Site 4	Greenfield4	25,000	330,000	599,558	585,357	571,156	556,954	542,753	528,552	514,350
Site 5	Greenfield5	25,000	330,000	761,773	743,032	724,291	705,550	686,809	668,068	649,327
Site 6	Brown Redevel	350,000	420,000	-117,488	-149,385	-181,281	-213,178	-245,074	-276,971	-308,868
Site 7	Urban Flats	350,000	420,000	-3,168,602	-3,212,346	-3,256,089	-3,299,833	-3,343,577	-3,387,321	-3,431,065
Site 8	Brown Redevel M	350,000	420,000	318,645	286,996	255,348	225,903	193,943	161,982	130,022
Site 9	Brown Medium	350,000	420,000	315,179	299,641	280,997	262,354	243,710	225,067	206,423
Site 10	Green Medium	25,000	330,000	710,949	691,054	671,159	651,264	631,370	611,475	591,580
Site 11	Urban Edge	50,000	360,000	577,255	563,531	549,807	536,082	522,358	508,634	494,910
Site 12	Town Centre Flats	350,000	420,000	619,373	597,448	575,523	553,598	531,674	509,749	487,824
Site 13	Ex Garage	25,000	330,000	-246,359	-275,405	-304,452	-333,498	-362,544	-391,590	-421,575
Site 14	Village/Town Infill	50,000	360,000	146,221	143,775	141,329	138,882	136,436	133,989	131,543
Site 15	Small Village	50,000	360,000	651,834	628,502	605,170	581,838	558,506	535,173	511,841
Site 16	Village House	50,000	360,000	278,377	269,806	261,235	252,664	244,093	235,522	226,951
35% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				£0	£10	£20	£30	£40	£50	£60
Site 1	Greenfield1	25,000	330,000	566,268	554,454	542,640	530,545	518,448	506,352	494,255
Site 2	Greenfield2	25,000	330,000	584,532	571,911	559,291	546,670	534,049	521,428	508,808
Site 3	Greenfield3	25,000	330,000	604,146	588,621	573,096	557,571	542,046	526,521	510,995
Site 4	Greenfield4	25,000	330,000	666,726	651,342	635,957	620,572	605,187	589,802	574,418
Site 5	Greenfield5	25,000	330,000	851,142	830,840	810,537	790,234	769,931	749,629	729,326
Site 6	Brown Redevel	350,000	420,000	-945	-35,500	-70,055	-104,609	-139,164	-173,718	-208,273
Site 7	Urban Flats	350,000	420,000	-2,926,228	-2,973,617	-3,021,006	-3,068,395	-3,115,784	-3,163,173	-3,210,563
Site 8	Brown Redevel M	350,000	420,000	452,314	418,028	383,742	349,456	315,170	280,884	246,598
Site 9	Brown Medium	350,000	420,000	398,398	378,398	358,397	338,397	318,397	301,337	281,140
Site 10	Green Medium	25,000	330,000	792,519	771,171	749,822	728,474	713,892	692,340	670,787
Site 11	Urban Edge	50,000	360,000	634,851	620,268	605,685	591,102	581,395	572,900	558,032
Site 12	Town Centre Flats	350,000	420,000	738,374	714,622	690,871	667,119	643,367	619,615	595,863
Site 13	Ex Garage	25,000	330,000	-235,368	-266,835	-298,302	-329,768	-361,235	-392,702	-424,169
Site 14	Village/Town Infill	50,000	360,000	160,380	157,730	155,080	152,429	149,779	147,129	144,478
Site 15	Small Village	50,000	360,000	777,053	751,776	726,500	701,223	675,947	650,670	625,394
Site 16	Village House	50,000	360,000	331,695	322,409	313,124	303,839	294,554	285,268	275,983
30% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				£0	£10	£20	£30	£40	£50	£60
Site 1	Greenfield1	25,000	330,000	624,562	611,839	599,117	586,394	573,671	560,948	547,816
Site 2	Greenfield2	25,000	330,000	645,099	631,507	617,916	604,324	590,733	577,141	563,550
Site 3	Greenfield3	25,000	330,000	668,888	652,168	635,449	618,729	602,010	585,291	568,571
Site 4	Greenfield4	25,000	330,000	733,894	717,326	700,758	684,190	667,622	651,053	634,485
Site 5	Greenfield5	25,000	330,000	931,881	910,022	896,783	874,918	853,054	831,189	809,325
Site 6	Brown Redevel	350,000	420,000	114,470	77,620	41,172	3,960	-33,253	-70,466	-107,678
Site 7	Urban Flats	350,000	420,000	-2,683,854	-2,734,888	-2,785,923	-2,836,957	-2,887,992	-2,939,026	-2,990,060
Site 8	Brown Redevel M	350,000	420,000	574,768	538,552	502,335	475,213	438,290	401,367	364,443
Site 9	Brown Medium	350,000	420,000	481,616	460,078	438,539	417,000	395,462	373,923	352,385
Site 10	Green Medium	25,000	330,000	880,828	857,838	834,847	811,857	788,866	765,875	742,885
Site 11	Urban Edge	50,000	360,000	703,496	687,791	672,086	656,381	640,676	624,971	609,266
Site 12	Town Centre Flats	350,000	420,000	849,011	831,797	806,218	780,639	755,060	729,481	703,902
Site 13	Ex Garage	25,000	330,000	-109,931	-143,818	-177,706	-211,593	-245,480	-279,367	-313,255
Site 14	Village/Town Infill	50,000	360,000	174,539	171,685	168,831	165,977	163,122	160,268	157,414
Site 15	Small Village	50,000	360,000	902,272	875,051	847,830	820,609	793,388	766,167	738,946
Site 16	Village House	50,000	360,000	385,012	375,012	365,013	355,013	345,014	335,014	325,015
25% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				£0	£10	£20	£30	£40	£50	£60
Site 1	Greenfield1	25,000	330,000	682,857	669,225	655,593	641,962	628,330	614,698	601,067
Site 2	Greenfield2	25,000	330,000	705,666	691,103	676,541	661,978	647,416	632,854	618,291
Site 3	Greenfield3	25,000	330,000	733,629	715,715	697,802	679,888	661,974	644,061	626,147
Site 4	Greenfield4	25,000	330,000	801,062	783,311	765,559	747,807	730,056	712,304	694,552
Site 5	Greenfield5	25,000	330,000	1,020,211	997,005	973,799	950,592	927,386	904,180	880,974
Site 6	Brown Redevel	350,000	420,000	225,476	186,750	149,701	111,430	72,658	32,787	-7,084
Site 7	Urban Flats	350,000	420,000	-2,441,480	-2,496,159	-2,550,839	-2,605,519	-2,660,199	-2,714,879	-2,769,558
Site 8	Brown Redevel M	350,000	420,000	705,879	667,076	628,272	589,468	550,665	511,861	482,288
Site 9	Brown Medium	350,000	420,000	564,835	541,758	518,681	495,604	472,527	449,450	426,372
Site 10	Green Medium	25,000	330,000	969,138	944,505	919,872	895,240	870,607	845,974	821,342
Site 11	Urban Edge	50,000	360,000	772,141	755,314	738,487	721,660	704,834	688,007	671,180
Site 12	Town Centre Flats	350,000	420,000	966,852	939,713	912,574	885,436	858,297	831,158	804,019
Site 13	Ex Garage	25,000	330,000	15,506	-20,802	-57,110	-93,417	-129,725	-166,033	-202,341
Site 14	Village/Town Infill	50,000	360,000	188,698	185,640	182,582	179,524	176,466	173,408	170,350
Site 15	Small Village	50,000	360,000	1,027,490	998,325	969,160	939,995	910,829	881,664	852,499
Site 16	Village House	50,000	360,000	438,329	427,615	416,902	406,188	395,474	384,760	374,047

Source: Table 10.11 SWDP LP Viability Update (July 2014)



3.15 As would be expected, within each set of appraisals the Residual Value increases as the amount of CIL decreases. In order to consider these results they need to be related to the expected future development:

Table 3.2 Malvern Hills, Expected future development by typology					
Site	Typology	Sites		Units	
Site 1	Greenfield1	0	0%	0	0%
Site 2	Greenfield2	1	1.8%	190	8.8%
Site 3	Greenfield3	3	5.4%	278	12.8%
Site 4	Greenfield4	14	25%	693	31.9%
Site 5	Greenfield5	9	16.1%	296	13.6%
Site 6	Brown Redev L	2	3.6%	359	16.5%
Site 7	Urban Flats	0	0%	0	0%
Site 8	Brown Redev M	3	5.4%	69	3.2%
Site 9	Brown Medium	6	10.7%	77	3.5%
Site 10	Green Medium	11	19.6%	166	7.6%
Site 11	Urban Edge	0	0%	0	0%
Site 12	Town Centre Flats	0	0%	0	0%
Site 13	Ex Garage	0	0%	0	0%
Site 14	Village/Town Infill	1	1.8%	6	0.3%
Site 15	Small Village	6	10.7%	36	1.7%
Site 16	Village House	0	0%	0	0%
		56		2,170	

Source: South Worcestershire Councils

3.16 Within Malvern Hills, the vast majority of development is anticipated on the greenfield typologies with over 77% of new development being expected on such sites and about 23% in brownfield sites. The majority of the brownfield land is anticipated to be in the main settlement of Great Malvern.

3.17 In the Local Plan Viability Update, it was concluded, bearing in mind that most future development will be on greenfield land, that there is little difference between the amount of viable development where the Residual Value exceeds the Viability Threshold with 40% affordable housing and £60/m² CIL, and the lower amounts of CIL and affordable housing. However, with 40% affordable housing and £60/m² CIL there is relatively little cushion between the Residual Value and the Viability Threshold and the policy burden would be close to the margins of viability.

3.18 On this basis we confirmed that the cumulative impact of the policies, including 40% affordable housing, does not put residential development at serious risk and will not threaten delivery of the Plan within the Malvern Hills area. However, should CIL be set at £60/m² on market housing, the cumulative impact of CIL and affordable housing would result in policies being



set close to the limits of viability and this would introduce some uncertainty over the deliverability of development. To ensure that the policy burden of affordable housing and CIL is not set at the limits of viability, we recommended that the rate of CIL is revisited.

Table 3.3 Worcester City. Residual Value for Affordable Housing from 10% to 40% and CIL from £0/m² to £60/m²

40% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	413,572	402,406	391,240	380,073	368,907	357,741	346,575
Site 2	Greenfield2	25,000	330,000	474,853	463,203	451,553	439,903	428,253	416,603	404,953
Site 3	Greenfield3	25,000	330,000	435,937	421,606	407,276	392,945	378,614	364,283	349,952
Site 4	Greenfield4	25,000	330,000	626,174	611,972	597,771	583,570	569,368	555,167	540,966
Site 5	Greenfield5	25,000	330,000	870,158	851,417	832,676	813,935	795,194	776,453	757,712
Site 6	Brown Redevel	350,000	420,000	359,292	328,605	299,401	269,788	238,807	207,826	176,845
Site 7	Urban Flats	350,000	420,000	-2,784,497	-2,828,240	-2,871,984	-2,915,728	-2,959,472	-3,003,216	-3,046,960
Site 8	Brown Redevel M	350,000	420,000	933,785	902,742	871,699	840,656	809,613	778,571	747,528
Site 9	Brown Medium	350,000	420,000	464,399	445,937	427,475	409,014	390,552	372,090	353,629
Site 10	Green Medium	25,000	330,000	763,189	743,483	723,776	710,808	690,913	671,018	651,124
Site 11	Urban Edge	50,000	360,000	697,484	684,023	670,561	657,100	643,638	630,177	616,715
Site 12	Town Centre Flats	350,000	420,000	760,815	738,890	716,965	695,040	673,115	651,190	629,266
Site 13	Ex Garage	25,000	330,000	-360,805	-389,851	-419,764	-449,784	-479,803	-509,822	-539,841
Site 14	Village/Town Infill	50,000	360,000	88,891	86,420	83,950	81,479	79,009	76,538	74,068
Site 15	Small Village	50,000	360,000	194,659	171,327	147,995	124,663	101,330	77,998	54,666
Site 16	Village House	50,000	360,000	111,297	102,726	94,155	85,584	77,013	68,442	59,871
35% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	468,664	456,567	444,471	432,374	420,277	408,181	396,084
Site 2	Greenfield2	25,000	330,000	533,305	520,685	508,064	495,443	482,823	470,202	457,581
Site 3	Greenfield3	25,000	330,000	496,225	480,700	465,174	449,649	434,124	418,599	403,074
Site 4	Greenfield4	25,000	330,000	694,489	679,104	663,719	648,334	632,950	617,565	602,180
Site 5	Greenfield5	25,000	330,000	955,118	935,006	914,894	903,263	882,960	862,658	842,355
Site 6	Brown Redevel L	350,000	420,000	486,840	453,596	420,351	387,107	353,862	320,618	290,123
Site 7	Urban Flats	350,000	420,000	-2,532,428	-2,579,817	-2,627,206	-2,674,595	-2,721,984	-2,769,373	-2,816,762
Site 8	Brown Redevel M	350,000	420,000	1,074,750	1,041,439	1,008,128	984,146	950,516	916,886	883,256
Site 9	Brown Medium	350,000	420,000	552,697	532,697	512,696	492,696	472,696	452,696	432,696
Site 10	Green Medium	25,000	330,000	854,059	832,710	811,362	790,014	768,665	747,317	725,969
Site 11	Urban Edge	50,000	360,000	770,626	756,043	741,460	726,877	712,293	697,710	683,127
Site 12	Town Centre Flats	350,000	420,000	874,768	851,248	833,333	812,130	788,378	764,627	740,875
Site 13	Ex Garage	25,000	330,000	-235,368	-266,835	-298,302	-329,768	-361,235	-392,702	-424,168
Site 14	Village/Town Infill	50,000	360,000	100,812	98,136	95,459	92,783	90,106	87,430	84,754
Site 15	Small Village	50,000	360,000	300,012	274,735	249,458	224,182	198,905	173,629	148,352
Site 16	Village House	50,000	360,000	156,847	147,561	138,276	128,991	119,706	110,420	101,135
30% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	523,756	510,729	497,702	484,675	471,647	458,620	445,593
Site 2	Greenfield2	25,000	330,000	591,758	578,167	564,575	550,984	537,392	523,800	510,209
Site 3	Greenfield3	25,000	330,000	556,512	539,793	523,073	506,354	489,635	472,915	456,196
Site 4	Greenfield4	25,000	330,000	762,804	746,235	729,667	713,099	696,531	679,962	663,394
Site 5	Greenfield5	25,000	330,000	1,048,249	1,026,590	1,004,930	983,271	961,612	939,953	918,293
Site 6	Brown Redevel L	350,000	420,000	608,619	578,586	548,553	518,520	488,487	458,454	428,421
Site 7	Urban Flats	350,000	420,000	-2,280,359	-2,331,393	-2,382,427	-2,433,462	-2,484,496	-2,535,531	-2,586,565
Site 8	Brown Redevel M	350,000	420,000	1,224,566	1,188,693	1,152,820	1,116,946	1,081,073	1,045,200	1,009,326
Site 9	Brown Medium	350,000	420,000	628,727	619,456	610,185	600,914	591,643	582,372	573,101
Site 10	Green Medium	25,000	330,000	944,928	921,938	898,947	875,957	852,966	829,976	806,985
Site 11	Urban Edge	50,000	360,000	843,769	828,064	812,359	796,654	780,949	765,244	749,539
Site 12	Town Centre Flats	350,000	420,000	996,143	970,814	945,485	920,155	894,826	869,496	844,167
Site 13	Ex Garage	25,000	330,000	-109,931	-143,818	-177,706	-211,593	-245,480	-279,367	-313,255
Site 14	Village/Town Infill	50,000	360,000	111,633	108,779	106,969	104,086	101,204	98,322	95,439
Site 15	Small Village	50,000	360,000	405,364	378,143	350,922	323,701	296,480	269,259	242,038
Site 16	Village House	50,000	360,000	202,396	192,396	182,397	172,397	162,398	152,398	142,399
25% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	578,483	564,852	550,933	536,975	523,017	509,060	495,102
Site 2	Greenfield2	25,000	330,000	650,211	635,648	621,086	606,524	591,961	577,399	562,837
Site 3	Greenfield3	25,000	330,000	616,800	598,886	580,972	563,059	545,145	527,231	509,318
Site 4	Greenfield4	25,000	330,000	831,118	813,367	795,615	777,863	760,112	742,360	724,609
Site 5	Greenfield5	25,000	330,000	1,141,379	1,118,173	1,094,967	1,071,760	1,048,554	1,025,348	1,002,142
Site 6	Brown Redevel L	350,000	420,000	734,969	696,970	658,972	620,973	582,974	544,975	506,976
Site 7	Urban Flats	350,000	420,000	-2,032,112	-2,086,792	-2,141,471	-2,196,151	-2,250,831	-2,305,511	-2,360,191
Site 8	Brown Redevel M	350,000	420,000	1,374,383	1,335,947	1,297,511	1,259,075	1,220,640	1,182,204	1,143,768
Site 9	Brown Medium	350,000	420,000	715,335	692,700	670,065	647,429	624,793	602,157	579,521
Site 10	Green Medium	25,000	330,000	1,035,798	1,011,165	986,533	961,900	937,267	912,634	888,001
Site 11	Urban Edge	50,000	360,000	916,911	900,084	883,258	866,431	849,604	832,777	815,950
Site 12	Town Centre Flats	350,000	420,000	1,117,519	1,090,380	1,063,242	1,036,103	1,008,964	981,826	954,687
Site 13	Ex Garage	25,000	330,000	15,506	-20,802	-57,110	-93,417	-129,725	-166,033	-202,341
Site 14	Village/Town Infill	50,000	360,000	123,438	120,380	117,322	114,264	111,206	108,148	105,090
Site 15	Small Village	50,000	360,000	510,716	481,551	452,386	423,220	394,055	364,890	335,725
Site 16	Village House	50,000	360,000	247,945	237,231	226,517	215,803	205,090	194,376	183,662

Source: SWDP LP Viability Update (July 2014)

3.19 In order to consider these results they need to be related to the expected future development:



Table 3.4 Worcester City, Expected future development by typology					
Site	Typology	Sites		Units	
Site 1	Greenfield1	0	0%	0	0%
Site 2	Greenfield2	0	0%	0	0%
Site 3	Greenfield3	2	4.2%	200	8.3%
Site 4	Greenfield4	1	2.1%	45	1.9%
Site 5	Greenfield5	4	8.3%	94	3.9%
Site 6	Brown Redev L	6	12.5%	1355	56.1%
Site 7	Urban Flats	1	2.1%	100	4.1%
Site 8	Brown Redev M	5	10.4%	193	8%
Site 9	Brown Medium	8	16.7%	110	4.6%
Site 10	Green Medium	1	2.1%	13	0.5%
Site 11	Urban Edge	2	4.2%	25	1%
Site 12	Town Centre Flats	15	31.3%	254	10.5%
Site 13	Ex Garage	3	6.3%	28	1.2%
Site 14	Village/Town Infill	0	0%	0	0%
Site 15	Small Village	0	0%	0	0%
Site 16	Village House	0	0%	0	0%
		52		2,417	

Source: South Worcestershire Councils

- 3.20 When considering the results for Worcester it is important to note that little development is represented by typologies 1 to 4, and 14 to 16, so the results of the appraisals of these typologies should be given little weight. The bulk of development within the City is represented by typologies 6, 8 and 14. About 85% of future development in Worcester City District is anticipated to be on brownfield sites and the remainder on greenfield sites.
- 3.21 We recommended that the affordable housing requirement, on brownfield sites, in this area be reduced to 30%. We commented that whilst reducing the affordable housing further would improve development returns, it is unlikely to bring more sites into viability. The Plan has been amended in line with this advice.
- 3.22 At 30% affordable housing, the cumulative impact of policies does not put residential development at serious risk, and will not threaten delivery of the Plan within the Worcester City area. However, we concluded that should CIL be set at £40/m² on market housing, the cumulative impact of CIL and affordable housing would result in policies being set close to the limits of viability and this would introduce uncertainty over the deliverability of development. To ensure that the policy burden of affordable housing and CIL is not set at the limits of viability, we would recommended that the rates of CIL are revisited.



Table 3.5 Wychavon. Residual Value for Affordable Housing from 10% to 40% and CIL from £0/m² to £60/m²

40% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	479,456	468,289	457,123	445,957	434,791	423,625	412,459
Site 2	Greenfield2	25,000	330,000	866,928	855,527	844,126	832,725	821,152	809,502	797,852
Site 3	Greenfield3	25,000	330,000	539,405	525,074	510,743	496,412	482,081	467,750	453,419
Site 4	Greenfield4	25,000	330,000	732,635	718,434	704,232	690,031	675,830	661,628	647,427
Site 5	Greenfield5	25,000	330,000	1,227,037	1,208,472	1,189,907	1,171,342	1,152,777	1,134,212	1,115,647
Site 6	Brown Redev L	350,000	420,000	1,233,215	1,202,816	1,172,417	1,142,017	1,111,618	1,081,219	1,050,820
Site 7	Urban Flats	350,000	420,000	-3,552,804	-3,596,548	-3,640,292	-3,684,035	-3,727,779	-3,771,523	-3,815,267
Site 8	Brown Redev M	350,000	420,000	971,059	940,016	908,973	877,931	846,888	815,845	784,802
Site 9	Brown Medium	350,000	420,000	315,179	299,641	280,997	262,354	243,710	225,067	206,423
Site 10	Green Medium	25,000	330,000	269,532	249,249	228,966	208,683	188,400	169,773	149,290
Site 11	Urban Edge	50,000	360,000	538,218	524,494	510,770	497,046	483,322	469,598	455,874
Site 12	Town Centre Flats	350,000	420,000	63,036	41,111	19,186	-2,739	-24,664	-46,589	-68,514
Site 13	Ex Garage	25,000	330,000	798,408	769,645	740,882	712,119	683,356	654,594	625,831
Site 14	Village/Town Infill	50,000	360,000	248,077	245,677	243,278	240,878	238,479	236,079	233,679
Site 15	Small Village	50,000	360,000	1,550,905	1,527,801	1,504,696	1,481,591	1,458,487	1,435,382	1,412,278
Site 16	Village House	50,000	360,000	779,617	771,046	762,475	753,904	745,333	736,762	728,191
35% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	537,343	525,287	513,190	501,094	488,997	476,900	464,804
Site 2	Greenfield2	25,000	330,000	941,455	929,104	916,753	904,402	892,051	879,700	867,349
Site 3	Greenfield3	25,000	330,000	604,146	588,621	573,096	557,571	542,046	526,521	510,995
Site 4	Greenfield4	25,000	330,000	805,538	790,153	774,768	759,383	743,999	728,614	713,229
Site 5	Greenfield5	25,000	330,000	1,335,809	1,315,696	1,295,584	1,275,472	1,255,360	1,235,248	1,215,136
Site 6	Brown Redev L	350,000	420,000	1,388,213	1,355,280	1,322,348	1,289,416	1,256,483	1,223,551	1,190,619
Site 7	Urban Flats	350,000	420,000	-3,320,028	-3,367,417	-3,414,806	-3,462,195	-3,509,584	-3,556,974	-3,604,363
Site 8	Brown Redev M	350,000	420,000	1,112,868	1,079,557	1,046,246	1,012,935	988,998	955,369	921,739
Site 9	Brown Medium	350,000	420,000	398,398	378,398	358,397	338,397	318,397	301,337	281,140
Site 10	Green Medium	25,000	330,000	340,660	318,687	296,714	274,741	252,768	230,794	208,821
Site 11	Urban Edge	50,000	360,000	595,250	581,395	577,130	562,262	547,394	532,526	517,659
Site 12	Town Centre Flats	350,000	420,000	167,995	144,243	120,491	96,739	72,987	49,235	25,483
Site 13	Ex Garage	25,000	330,000	951,696	920,536	889,376	858,217	827,057	795,897	764,738
Site 14	Village/Town Infill	50,000	360,000	266,198	263,598	260,999	258,399	255,799	253,200	250,600
Site 15	Small Village	50,000	360,000	1,714,247	1,689,217	1,664,187	1,639,157	1,614,127	1,589,097	1,564,067
Site 16	Village House	50,000	360,000	856,239	846,953	837,668	828,383	819,098	809,812	800,527
30% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	594,444	581,721	568,998	556,230	543,203	530,176	517,149
Site 2	Greenfield2	25,000	330,000	1,015,982	1,002,680	989,379	976,078	962,777	949,476	936,175
Site 3	Greenfield3	25,000	330,000	668,888	652,168	635,449	618,729	602,010	585,291	568,571
Site 4	Greenfield4	25,000	330,000	878,440	861,872	845,304	828,736	812,167	795,599	779,031
Site 5	Greenfield5	25,000	330,000	1,444,580	1,422,921	1,401,262	1,379,602	1,357,943	1,336,284	1,314,625
Site 6	Brown Redev L	350,000	420,000	1,543,211	1,507,745	1,472,279	1,436,814	1,401,348	1,365,883	1,330,417
Site 7	Urban Flats	350,000	420,000	-3,087,349	-3,138,383	-3,189,418	-3,240,452	-3,291,487	-3,342,521	-3,393,556
Site 8	Brown Redev M	350,000	420,000	1,263,881	1,228,008	1,192,134	1,156,261	1,120,388	1,084,514	1,048,641
Site 9	Brown Medium	350,000	420,000	481,616	460,078	438,539	417,000	395,462	373,923	352,385
Site 10	Green Medium	25,000	330,000	403,908	380,697	357,487	334,277	311,066	287,856	264,645
Site 11	Urban Edge	50,000	360,000	662,583	646,878	631,173	615,468	599,763	584,058	579,443
Site 12	Town Centre Flats	350,000	420,000	272,954	247,375	221,796	196,217	170,638	145,059	119,480
Site 13	Ex Garage	25,000	330,000	1,104,984	1,071,427	1,037,871	1,004,314	970,758	937,201	903,644
Site 14	Village/Town Infill	50,000	360,000	284,319	281,519	278,720	275,920	273,120	270,321	267,521
Site 15	Small Village	50,000	360,000	1,877,589	1,850,634	1,823,678	1,796,723	1,769,767	1,742,812	1,715,857
Site 16	Village House	50,000	360,000	932,860	922,861	912,861	902,862	892,862	882,863	872,863
25% Affordable										
		Alternative Use Value	Viability Threshold	Residual Value						
CIL £/m ²				0	10	20	30	40	50	60
Site 1	Greenfield1	25,000	330,000	651,545	637,913	624,281	610,650	597,018	583,386	569,754
Site 2	Greenfield2	25,000	330,000	1,090,508	1,076,257	1,062,006	1,047,755	1,033,504	1,019,252	1,005,001
Site 3	Greenfield3	25,000	330,000	733,629	715,715	697,802	679,888	661,974	644,061	626,147
Site 4	Greenfield4	25,000	330,000	951,343	933,591	915,839	898,088	880,336	862,584	844,833
Site 5	Greenfield5	25,000	330,000	1,553,351	1,530,145	1,506,939	1,483,733	1,460,526	1,437,320	1,414,114
Site 6	Brown Redev L	350,000	420,000	1,698,208	1,660,210	1,622,211	1,584,212	1,546,213	1,508,214	1,470,215
Site 7	Urban Flats	350,000	420,000	-2,854,670	-2,909,349	-2,964,029	-3,018,709	-3,073,389	-3,128,069	-3,182,748
Site 8	Brown Redev M	350,000	420,000	1,414,894	1,376,459	1,338,023	1,299,587	1,261,151	1,222,716	1,184,280
Site 9	Brown Medium	350,000	420,000	564,835	541,758	518,681	495,604	472,527	449,450	426,372
Site 10	Green Medium	25,000	330,000	473,675	448,807	423,938	399,070	374,201	351,149	330,796
Site 11	Urban Edge	50,000	360,000	729,916	713,089	696,263	679,436	662,609	645,782	628,955
Site 12	Town Centre Flats	350,000	420,000	377,913	350,507	323,101	295,695	268,289	240,883	213,477
Site 13	Ex Garage	25,000	330,000	1,250,000	1,222,319	1,186,365	1,150,412	1,114,458	1,078,505	1,042,551
Site 14	Village/Town Infill	50,000	360,000	302,439	299,440	296,440	293,441	290,441	287,442	284,442
Site 15	Small Village	50,000	360,000	2,040,931	2,012,050	1,983,169	1,954,289	1,925,408	1,896,527	1,867,646
Site 16	Village House	50,000	360,000	1,009,482	998,769	988,055	977,341	966,627	955,913	945,200

Source: SWDP LP Viability Update (July 2014)



3.23 The situation in Wychavon is similar to that in Malvern Hills. In order to consider these results they need to be related to the expected future development:

Table 3.6 Wychavon, Expected future development by typology					
Site	Typology	Sites		Units	
Site 1	Greenfield1	4	6.6%	2306	56.1%
Site 2	Greenfield2	1	1.6%	200	4.9%
Site 3	Greenfield3	3	4.9%	312	7.6%
Site 4	Greenfield4	6	9.8%	347	8.4%
Site 5	Greenfield5	6	9.8%	197	4.8%
Site 6	Brown Redev L	3	4.9%	280	6.8%
Site 7	Urban Flats	0	0%	0	0%
Site 8	Brown Redev M	1	1.6%	36	0.9%
Site 9	Brown Medium	5	8.2%	62	1.5%
Site 10	Green Medium	12	19.7%	200	4.9%
Site 11	Urban Edge	3	4.9%	26	0.6%
Site 12	Town Centre Flats	1	1.6%	15	0.4%
Site 13	Ex Garage	3	4.9%	45	1.1%
Site 14	Village/Town Infill	3	4.9%	19	0.5%
Site 15	Small Village	10	16.4%	69	1.7%
Site 16	Village House	0	0%	0	0%
		61		4,114	

Source: South Worcestershire Councils

3.24 Just under 10% of future development is anticipated to come forward on brownfield land – and we understand that the bulk of this will be in Evesham and Droitwich Spa and to a lesser extent Pershore. It is particularly notable that within Wychavon, and bearing in mind that over 90% of future development will be on greenfield land, that there is little difference in the amount of development that is viable with 40% affordable housing and £60/m² CIL and the lower amounts of CIL and affordable housing. The extra typologies that move from unviable to viable represent a very low proportion of the Plan.

3.25 As in Malvern Hills, the analysis showed that with 40% affordable housing and £60/m² CIL there is relatively little cushion between the Residual Value and the Viability Threshold and the policy burden would be close to the margins of viability.

3.26 On this basis we confirmed that the cumulative impact of the policies, including 40% affordable housing does not put residential development at serious risk and will not threaten delivery of the Plan within the Wychavon area. However, should CIL be set at £60/m² on market housing, the cumulative impact of CIL and affordable housing would result in policies being set close to the limits of viability and this would introduce some uncertainty over the deliverability of



development. To ensure that the policy burden of affordable housing and CIL is not set at the limits of viability, we would recommend that the proposed rates of CIL are revisited.

Strategic Sites

3.27 In the Development Plan Viability Study we set out the latest information as to the infrastructure costs for the strategic sites. In the following analysis we have used reduced s106 costs that reflect the impact of the pooling restriction that becomes effective in April 2015. These are set out below:

Table 3.7 Strategic Sites Infrastructure Costs post s106 infrastructure requirements		
	Total (£)	£ per unit
Worcester South Urban Extension	27,450,000	10,521
Worcester West Urban Extension	24,350,000	11,326
Gwillam's Farm	1,894,092	7,731
Crown Packaging, Worcester.	1,858,295	7,743
Kilbury Drive	1,968,347	7,842
Vine's Lane (Droitwich)	525,956	5,260
Cheltenham Road Evesham	1,973,823	4,935
Pershore Urban Extension	3,343,713	5,144
Qinetiq	3,817,868	12,726
North East Malvern	5,264,669	6,581

Source: SWDP LP Viability Update (July 2014)

3.28 In all cases these infrastructure costs are well below £15,000/unit with just the Qinetiq site being over £12,000/unit. The remaining sites are in the £5,000 to £11,000/unit range. It is important to note that from April 2015, the Councils will not be able to require developers to make s106 contributions that are pooled from five or more sites, or that are not directly related to the scheme in question. This is going to restrict the level of contribution and require some items that would have been funded by the developer, to be funded through other routes (including CIL).



Table 3.8a Strategic Sites. Residual Value for Affordable Housing from 10% to 40% and Infrastructure Costs / Developer Contributions of £0/ unit to £25,000/unit

40% Affordable										
			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	£0	£5,000	£10,000	£15,000	£20,000	£25,000
Site 1	South Worcs UE	Worcester	25,000	330,000	220,311	186,183	151,759	116,973	81,807	45,876
Site 2	Worcester West UE	Worcester	25,000	330,000	357,784	303,404	248,222	192,738	136,561	79,733
Site 3	Gwilliam's FM	Worcester	25,000	330,000	486,089	416,735	347,382	278,029	208,676	139,133
Site 4	Crown Packaging	Worcester	350,000	420,000	940,368	786,908	632,682	478,456	324,230	168,847
Site 5	Kilbury Drive	Worcester	25,000	330,000	630,699	536,617	442,211	347,806	253,400	158,510
Site 6	Vine's Lane	Droitwich	25,000	330,000	1,018,786	875,471	732,156	586,884	439,970	295,834
Site 7	Cheltenham Road	Evesham	25,000	330,000	668,471	584,079	498,538	412,371	326,204	239,207
Site 8	Pershore UE	Pershore	25,000	330,000	522,021	455,131	387,125	318,865	250,605	181,136
Site 9	Qinetiq	Malvern	350,000	420,000	825,683	697,289	568,896	440,503	312,109	180,393
Site 10	North East Malvern	Malvern	25,000	330,000	356,925	304,891	252,440	199,292	145,993	91,476
35% Affordable										
			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	£0	£5,000	£10,000	£15,000	£20,000	£25,000
Site 1	South Worcs UE	Worcester	25,000	330,000	243,840	209,973	175,550	141,126	105,977	70,557
Site 2	Worcester West UE	Worcester	25,000	330,000	395,761	341,381	286,702	231,219	175,735	118,959
Site 3	Gwilliam's FM	Worcester	25,000	330,000	535,404	466,373	397,020	327,666	258,313	188,960
Site 4	Crown Packaging	Worcester	350,000	420,000	1,044,924	892,894	738,668	584,442	430,216	275,989
Site 5	Kilbury Drive	Worcester	25,000	330,000	696,121	602,857	508,451	414,045	319,639	225,234
Site 6	Vine's Lane	Droitwich	25,000	330,000	1,122,056	978,741	835,426	691,988	545,074	398,161
Site 7	Cheltenham Road	Evesham	25,000	330,000	732,357	647,965	563,240	477,073	390,906	304,739
Site 8	Pershore UE	Pershore	25,000	330,000	572,327	505,437	438,053	369,793	301,533	233,102
Site 9	Qinetiq	Malvern	350,000	420,000	915,943	787,549	659,156	530,763	402,370	272,914
Site 10	North East Malvern	Malvern	25,000	330,000	393,886	341,851	289,817	236,779	183,630	129,747
30% Affordable										
			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	£0	£5,000	£10,000	£15,000	£20,000	£25,000
Site 1	South Worcs UE	Worcester	25,000	330,000	267,369	233,566	199,340	164,916	130,147	94,981
Site 2	Worcester West UE	Worcester	25,000	330,000	433,738	379,357	324,977	269,699	214,215	158,185
Site 3	Gwilliam's FM	Worcester	25,000	330,000	584,485	516,010	446,657	377,304	307,951	238,597
Site 4	Crown Packaging	Worcester	350,000	420,000	1,149,481	998,645	844,653	690,427	536,201	381,975
Site 5	Kilbury Drive	Worcester	25,000	330,000	761,542	669,096	574,690	480,285	385,879	291,473
Site 6	Vine's Lane	Droitwich	25,000	330,000	1,225,326	1,082,011	938,696	795,380	650,179	503,265
Site 7	Cheltenham Road	Evesham	25,000	330,000	796,243	711,851	627,459	541,776	455,609	369,442
Site 8	Pershore UE	Pershore	25,000	330,000	622,633	555,743	488,853	420,721	352,461	284,200
Site 9	Qinetiq	Malvern	350,000	420,000	1,006,203	877,809	749,416	621,023	492,630	364,236
Site 10	North East Malvern	Malvern	25,000	330,000	430,846	378,812	326,778	274,266	221,117	167,968
25% Affordable										
			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	£0	£5,000	£10,000	£15,000	£20,000	£25,000
Site 1	South Worcs UE	Worcester	25,000	330,000	290,898	257,095	223,130	188,706	154,283	119,151
Site 2	Worcester West UE	Worcester	25,000	330,000	471,714	417,334	362,953	308,179	252,695	197,212
Site 3	Gwilliam's FM	Worcester	25,000	330,000	633,566	565,633	496,294	426,941	357,588	288,235
Site 4	Crown Packaging	Worcester	350,000	420,000	1,254,038	1,103,202	950,639	796,413	642,187	487,961
Site 5	Kilbury Drive	Worcester	25,000	330,000	826,964	734,555	640,930	546,524	452,118	357,712
Site 6	Vine's Lane	Droitwich	25,000	330,000	1,328,596	1,185,281	1,041,965	898,650	755,283	608,369
Site 7	Cheltenham Road	Evesham	25,000	330,000	860,129	775,737	691,345	606,478	520,311	434,144
Site 8	Pershore UE	Pershore	25,000	330,000	672,938	606,049	539,159	471,648	403,388	335,128
Site 9	Qinetiq	Malvern	350,000	420,000	1,096,463	968,069	839,676	711,283	582,890	454,496
Site 10	North East Malvern	Malvern	25,000	330,000	467,807	415,773	363,739	311,705	258,605	205,456

Source: SWDP LP Viability Update (July 2014)

Table 3.8b Strategic Sites. Residual Value for Affordable Housing from 10% to 40% and Infrastructure Costs / Developer Contributions of £0/ unit to £25,000/unit

20% Affordable										
			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	£0	£5,000	£10,000	£15,000	£20,000	£25,000
Site 1	South Worcs UE	Worcester	25,000	330,000	314,428	280,624	246,820	212,496	178,073	143,321
Site 2	Worcester West UE	Worcester	25,000	330,000	509,691	455,310	400,930	346,550	291,176	235,692
Site 3	Gwilliam's FM	Worcester	25,000	330,000	682,647	614,715	545,932	476,579	407,225	337,872
Site 4	Crown Packaging	Worcester	350,000	420,000	1,358,595	1,207,759	1,056,624	902,398	748,172	593,946
Site 5	Kilbury Drive	Worcester	25,000	330,000	892,385	799,976	707,169	612,764	518,358	423,952
Site 6	Vine's Lane	Droitwich	25,000	330,000	1,431,866	1,288,550	1,145,235	1,001,920	858,605	713,473
Site 7	Cheltenham Road	Evesham	25,000	330,000	924,015	839,623	755,231	670,839	585,014	498,847
Site 8	Pershore UE	Pershore	25,000	330,000	723,244	656,354	589,465	522,575	454,316	386,056
Site 9	Qinetiq	Malvern	350,000	420,000	1,186,375	1,058,329	929,936	801,543	673,150	544,756
Site 10	North East Malvern	Malvern	25,000	330,000	504,768	452,734	400,700	348,666	296,092	242,943
15% Affordable										
			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	£0	£5,000	£10,000	£15,000	£20,000	£25,000
Site 1	South Worcs UE	Worcester	25,000	330,000	337,957	304,153	270,349	236,287	201,863	167,440
Site 2	Worcester West UE	Worcester	25,000	330,000	547,667	493,287	438,906	384,526	329,656	274,172
Site 3	Gwilliam's FM	Worcester	25,000	330,000	731,729	663,796	595,569	526,216	456,863	387,510
Site 4	Crown Packaging	Worcester	350,000	420,000	1,463,152	1,312,316	1,161,480	1,008,384	854,158	699,932
Site 5	Kilbury Drive	Worcester	25,000	330,000	957,807	865,398	772,989	679,003	584,597	490,191
Site 6	Vine's Lane	Droitwich	25,000	330,000	1,535,135	1,391,820	1,248,505	1,105,190	961,875	818,560
Site 7	Cheltenham Road	Evesham	25,000	330,000	987,901	903,509	819,117	734,725	649,716	563,549
Site 8	Pershore UE	Pershore	25,000	330,000	773,550	706,660	639,770	572,881	505,244	436,984
Site 9	Qinetiq	Malvern	350,000	420,000	1,275,723	1,148,589	1,020,196	891,803	763,410	635,016
Site 10	North East Malvern	Malvern	25,000	330,000	541,566	489,695	437,661	385,627	333,579	280,430
10% Affordable										
			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	£0	£5,000	£10,000	£15,000	£20,000	£25,000
Site 1	South Worcs UE	Worcester	25,000	330,000	361,486	327,682	293,878	260,074	225,653	191,230
Site 2	Worcester West UE	Worcester	25,000	330,000	585,445	531,263	476,883	422,503	368,122	312,653
Site 3	Gwilliam's FM	Worcester	25,000	330,000	780,810	712,877	644,944	575,853	506,500	437,147
Site 4	Crown Packaging	Worcester	350,000	420,000	1,567,709	1,416,873	1,266,037	1,114,369	960,143	805,917
Site 5	Kilbury Drive	Worcester	25,000	330,000	1,023,228	930,819	838,411	745,243	650,837	556,431
Site 6	Vine's Lane	Droitwich	25,000	330,000	1,638,405	1,495,090	1,351,775	1,208,460	1,065,145	921,830
Site 7	Cheltenham Road	Evesham	25,000	330,000	1,051,787	967,395	883,003	798,611	714,218	628,252
Site 8	Pershore UE	Pershore	25,000	330,000	823,855	756,966	690,076	623,186	556,172	487,911
Site 9	Qinetiq	Malvern	350,000	420,000	1,365,071	1,238,849	1,110,456	982,063	853,670	725,276
Site 10	North East Malvern	Malvern	25,000	330,000	578,231	526,656	474,622	422,588	370,553	317,918

Source: SWDP LP Viability Update (July 2014)

3.29 It is important to note that the above analysis relates just to the residential elements of each site and some (such as Qinetiq) have significant elements of employment space. The results were brought together with the non-residential elements in Table 12.1 of the Local Plan Viability Update¹⁵:

¹⁵ Note – this table was incorrectly numbered as 13.1 and not 12.1 in the Local Plan Viability Study

Table 3.9 Strategic Sites. Residential and non-residential Residual Values combined										
	Res Units	Area (ha)				Residual Value				
		Gross	Net Res	Net Non-res	Total Net	Residential	Non-residential	Total	per gross ha	per net ha
South Worcs UE	2,609	247.00	140.00	16.94	156.94	34,166,404	-5,279,561	28,886,843	116,951	184,067
Worcester West UE	2,150	134.49	61.50	5.37	66.87	29,270,980	-1,326,781	27,944,200	207,779	417,897
Gwillam's FM	245	15.56	7.00		7.00	4,982,034		4,982,034	320,182	711,719
Crown Packaging	240	6.83	5.83		5.83	3,905,586		3,905,586	571,828	669,912
Kilbury Drive	251	11.70	7.10		7.10	4,711,108		4,711,108	402,659	663,536
Vine's Lane	100	3.10	3.00		3.00	2,315,038		2,315,038	746,786	771,679
Cheltenham Road	400	19.00	11.50		11.50	9,745,775		9,745,775	512,936	847,459
Pershore UE	650	37.40	22.44		22.44	14,798,026		14,798,026	395,669	659,449
Qinetiq	300	10.30	8.60		8.60	4,019,779	-3,779,078	240,700	23,369	27,988
North East Malvern	800	56.84	22.85	10.00	32.85	13,902,054	-2,277,606	11,624,448	204,512	353,864
Blackmore Park		4.50		3.64	3.64		-1,543,609	-1,543,609	-343,024	-424,493
Worcester Tech Park		70.00		12.73	12.73		-11,807,967	-11,807,967	-168,685	-927,769
Vale Park, Evesham		38.00		27.00	27.00		-5,612,187	-5,612,187	-147,689	-207,859

Source: Table 12.1 SWDP Local Plan Viability Study, HDH 2014.

3.30 On this basis it can be seen that Qinetiq is only marginally viable when considered as a whole.

Older People's Housing

3.31 As well as mainstream housing, we have considered the retirement and extracare sectors separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows.

Table 3.14 Older People's Housing, Appraisal Results											
Droitwich											
Greenfield	AFFORDABLE %	SHELTERED				EXTRA-CARE					
		0%	20%	30%	35%	40%	0%	20%	30%	35%	40%
Residual Land Worth	Site	1,856,196	954,904	938,782	785,881	632,980	1,324,203	744,852	455,177	310,339	165,502
Existing Use Value	£/ha	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Viability Threshold	£/ha	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000
Residual Value	£/ha	3,712,373	1,909,808	1,877,563	1,571,762	1,265,960	2,648,405	1,489,705	910,354	620,679	331,004
Malvern											
Greenfield	AFFORDABLE %	SHELTERED				EXTRA-CARE					
		0%	20%	30%	35%	40%	0%	20%	30%	35%	40%
Residual Land Worth	Site	1,701,394	831,070	804,887	655,469	506,051	1,185,885	619,984	337,034	195,559	54,083
Existing Use Value	£/ha	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Viability Threshold	£/ha	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000
Residual Value	£/ha	3,402,788	1,662,141	1,609,773	1,310,937	1,012,101	2,371,770	1,239,968	674,068	391,117	108,167
Pershore											
Greenfield	AFFORDABLE %	SHELTERED				EXTRA-CARE					
		0%	20%	30%	35%	40%	0%	20%	30%	35%	40%
Residual Land Worth	Site	1,546,602	707,237	670,991	525,056	379,121	1,049,387	496,572	220,165	81,961	-56,243
Existing Use Value	£/ha	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Viability Threshold	£/ha	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000
Residual Value	£/ha	3,093,204	1,414,473	1,341,983	1,050,113	758,242	2,098,775	993,144	440,329	163,922	-112,486
Worcester											
Greenfield	AFFORDABLE %	SHELTERED				EXTRA-CARE					
		0%	20%	30%	35%	40%	0%	20%	30%	35%	40%
Residual Land Worth	Site	929,614	213,646	137,297	5,244	-126,809	503,397	3,124	-247,012	-372,080	-497,149
Existing Use Value	£/ha	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Viability Threshold	£/ha	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000
Residual Value	£/ha	1,859,228	427,292	274,593	10,488	-253,618	1,006,794	6,249	-494,024	-744,161	-994,297
Worcester											
Brownfield	AFFORDABLE %	SHELTERED				EXTRA-CARE					
		0%	20%	30%	35%	40%	0%	20%	30%	35%	40%
Residual Land Worth	Site	519,975	-8,237	-272,342	-404,395	-536,448	118,941	-381,332	-631,468	-756,537	-881,605
Existing Use Value	£/ha	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Viability Threshold	£/ha	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Residual Value	£/ha	1,039,950	-16,473	-544,685	-808,791	-1,072,897	237,882	-762,664	-1,262,937	-1,513,073	-1,763,210

Source: Table 10.23 SWDP Local Plan Viability Study, HDH 2014.

3.32 As drafted, the affordable housing requirements of the Plan extend to all housing. Generally extracare housing would not fall within the definition of housing so would not be subject to this requirement, however this would depend on the precise nature of any scheme. In none of the SWDP area would a 40% affordable housing requirement be sustainable on extracare housing.

3.33 The results for sheltered housing are better. Generally, outside Worcester City, development in this sector can bear the full 40% affordable housing rate. In Worcester City the results are

less good and sheltered housing appears unable to bear 40% (or the recommended 30% affordable housing rates).

- 3.34 The sheltered housing is shown as viable on both greenfield and brownfield sites and also when subject to the 40% affordable housing requirement, so we confirmed that the cumulative impact of policies does not put the development of older people's housing at serious risk.

Additional Profit

- 3.35 As for mainstream housing, we have calculated the additional profit¹⁶:

¹⁶ As set out in the Worcestershire CIL Viability Study, *Additional Profit* is a concept that we developed and it is the amount of profit over and above the *normal profit* (or competitive return) made by the developers having purchased the land (alternative land value plus uplift), developed the site and sold the units (including providing any affordable housing that is required and complied with the requirements of the Plan). The *normal profit* is the factor included within the appraisals to reflect the risk of development and to provide the developer with a competitive return as required by Paragraph 173 of the NPPF

Table 3.15 Additional Profit. Older Peoples Housing (0% to 40% affordable)

Droitwich												
Greenfield		SHELTERED					EXTRA-CARE					
	AFFORDABLE %	0%	20%	30%	35%	40%	0%	20%	30%	35%	40%	
Residual Land Worth	Site	1,856,186	954,904	938,782	785,881	632,980	1,324,203	744,852	455,177	310,339	165,502	
Additional Profit	Site	1,641,186	739,904	723,782	570,881	417,980	1,109,203	529,852	240,177	95,339	-49,498	
	£/m2	457	206	201	159	116	356	170	77	31	-16	
Residual Land Worth	Site	1,446,547	834,944	529,143	376,242	223,341	939,746	360,396	70,721	-74,117	-218,954	
Additional Profit	Site	1,296,547	684,944	379,143	226,242	73,341	789,746	210,396	-79,279	-224,117	-368,954	
	£/m2	361	191	106	63	20	253	67	-25	-72	-118	
Malvern												
Greenfield		SHELTERED					EXTRA-CARE					
	AFFORDABLE %	0%	20%	30%	35%	40%	0%	20%	30%	35%	40%	
Residual Land Worth	Site	1,701,394	831,070	804,887	655,469	506,051	1,185,885	619,984	337,034	195,559	54,083	
Additional Profit	Site	1,486,394	616,070	589,887	440,469	291,051	970,885	404,984	122,034	-19,441	-160,917	
	£/m2	414	171	164	123	81	311	130	39	-6	-52	
Residual Land Worth	Site	1,291,755	694,083	395,247	245,829	96,411	801,429	235,528	-47,422	-188,898	-330,373	
Additional Profit	Site	1,141,755	544,083	245,247	95,829	-53,589	651,429	85,528	-197,422	-338,898	-480,373	
	£/m2	318	151	68	27	-15	209	27	-63	-109	-154	
Pershore												
Greenfield		SHELTERED					EXTRA-CARE					
	AFFORDABLE %	0%	20%	30%	35%	40%	0%	20%	30%	35%	40%	
Residual Land Worth	Site	1,546,602	707,237	670,991	525,056	379,121	1,049,387	496,572	220,165	81,961	-56,243	
Additional Profit	Site	1,331,602	492,237	455,991	310,056	164,121	834,387	281,572	5,165	-133,039	-271,243	
	£/m2	371	137	127	86	46	267	90	2	-43	-87	
Residual Land Worth	Site	1,136,963	553,223	261,352	115,417	-30,518	664,931	112,116	-164,292	-302,496	-440,699	
Additional Profit	Site	986,963	403,223	111,352	-34,583	-180,518	514,931	-37,884	-314,292	-452,496	-590,699	
	£/m2	275	112	31	-10	-50	165	-12	-101	-145	-189	
Worcester												
Greenfield		SHELTERED					EXTRA-CARE					
	AFFORDABLE %	0%	20%	30%	35%	40%	0%	20%	30%	35%	40%	
Residual Land Worth	Site	929,614	213,646	137,297	5,244	-126,809	503,397	3,124	-247,012	-372,080	-497,149	
Additional Profit	Site	714,614	-1,354	-77,703	-209,756	-341,809	288,397	-211,876	-462,012	-587,080	-712,149	
	£/m2	199	0	-22	-58	-95	92	-68	-148	-188	-228	
Residual Land Worth	Site	519,975	-8,237	-272,342	-404,395	-536,448	118,941	-381,332	-631,468	-756,537	-881,605	
Additional Profit	Site	369,975	-158,237	-422,342	-554,395	-686,448	-31,059	-531,332	-781,468	-906,537	-1,031,605	
	£/m2	103	-44	-118	-154	-191	-10	-170	-250	-291	-331	

Source: SWDP CIL Viability Update (November 2014)

CIL as a proportion of Land Value and Gross Development Value

- 3.36 To further inform the CIL rate setting process, we have calculated CIL as a proportion of the Residual Value and the Gross Development Value.
- 3.37 CIL as the proportion of the Residual Value, in approximate terms, represents the percentage fall in land value that a landowner may receive. As set out in the Local Plan Viability Study, it is inevitable that CIL will depress land prices. This is recognised in the RICS Guidance and was considered at the Greater Norwich CIL examination¹⁷. In Greater Norwich it was

¹⁷ Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council. by Keith Holland BA (Hons) Dip TP, MRTPI ARICS Date: 4 December 2012

suggested that landowners may accept a 25% fall in land prices following the introduction of CIL saying:

22. Thirdly the work done by the Councils to demonstrate what funds are likely to be available for CIL (Appendix 1 of the Note following Day 1) relies on the full 25% of the benchmark land value being available for the CIL “pot”. While this may sometimes be the case it is unlikely that it will always apply. Even if some landowners may be prepared to accept less than 75% of the benchmark value, the 25% figure should be treated as a maximum and not an average. Using 25% to try to establish what the theoretical maximum amount in a CIL “pot” may be is reasonable, but when thinking about setting a CIL charge in the real world it would be prudent to treat it as a maximum that will only apply on some occasions in some circumstances.

3.38 It is important to note that a wide ranging debate took place at that CIL Examination and on the specific local circumstances. It would however be prudent to set CIL at a rate that does not result in a fall in land prices of greater than 25% or so.

3.39 The following tables show CIL, at a range of rates, as a percentage of the Residual Value.

Table 3.16a CIL as Percentage of Residual Value								
Malvern Hills								
		£60	£50	£40	£30	£20	£10	£0
Site 1	Greenfield1	19.28%	15.67%	12.23%	8.96%	5.84%	2.85%	0.00%
Site 2	Greenfield2	18.78%	15.26%	11.91%	8.72%	5.68%	2.77%	0.00%
Site 3	Greenfield3	18.80%	15.19%	11.79%	8.59%	5.56%	2.71%	0.00%
Site 4	Greenfield4	16.43%	13.32%	10.38%	7.59%	4.93%	2.41%	0.00%
Site 5	Greenfield5	17.01%	13.78%	10.72%	7.83%	5.08%	2.48%	0.00%
Site 6	Brown Redev L	-58.56%	-54.42%	-49.20%	-42.42%	-33.26%	-20.18%	0.00%
Site 7	Urban Flats	-6.99%	-5.90%	-4.79%	-3.64%	-2.46%	-1.25%	0.00%
Site 8	Brown Redev M	139.38%	93.23%	62.29%	40.11%	23.66%	10.52%	0.00%
Site 9	Brown Medium	51.21%	39.14%	28.92%	20.15%	12.54%	5.88%	0.00%
Site 10	Green Medium	19.63%	15.83%	12.26%	8.92%	5.77%	2.80%	0.00%
Site 11	Urban Edge	15.88%	12.88%	10.03%	7.33%	4.76%	2.32%	0.00%
Site 12	Town Centre Flats	25.48%	20.32%	15.59%	11.23%	7.20%	3.47%	0.00%
Site 13	Ex Garage	-39.07%	-35.05%	-30.29%	-24.69%	-18.03%	-9.97%	0.00%
Site 14	Village/Town Infill	10.65%	8.71%	6.85%	5.04%	3.30%	1.62%	0.00%
Site 15	Small Village	25.85%	20.60%	15.79%	11.37%	7.29%	3.51%	0.00%
Site 16	Village House	21.41%	17.20%	13.27%	9.62%	6.20%	3.00%	0.00%
Worcester City								
		£60	£50	£40	£30	£20	£10	£0
Site 1	Greenfield1	24.52%	19.79%	15.35%	11.18%	7.24%	3.52%	0.00%
Site 2	Greenfield2	21.06%	17.06%	13.27%	9.69%	6.29%	3.07%	0.00%
Site 3	Greenfield3	24.36%	19.50%	15.01%	10.85%	6.98%	3.37%	0.00%
Site 4	Greenfield4	15.62%	12.68%	9.89%	7.24%	4.71%	2.30%	0.00%
Site 5	Greenfield5	14.58%	11.85%	9.26%	6.79%	4.42%	2.16%	0.00%
Site 6	Brown Redev L	102.27%	72.52%	50.49%	33.52%	20.14%	9.17%	0.00%
Site 7	Urban Flats	-7.88%	-6.66%	-5.41%	-4.12%	-2.79%	-1.41%	0.00%
Site 8	Brown Redev M	24.24%	19.40%	14.92%	10.78%	6.93%	3.35%	0.00%
Site 9	Brown Medium	29.89%	23.68%	18.05%	12.92%	8.24%	3.95%	0.00%
Site 10	Green Medium	17.84%	14.42%	11.21%	8.17%	5.35%	2.60%	0.00%
Site 11	Urban Edge	12.74%	10.39%	8.14%	5.98%	3.91%	1.91%	0.00%
Site 12	Town Centre Flats	19.76%	15.91%	12.31%	8.94%	5.78%	2.80%	0.00%
Site 13	Ex Garage	-30.51%	-26.92%	-22.88%	-18.31%	-13.08%	-7.04%	0.00%
Site 14	Village/Town Infill	18.91%	15.25%	11.82%	8.60%	5.56%	2.70%	0.00%
Site 15	Small Village	242.02%	141.35%	87.04%	53.06%	29.80%	12.87%	0.00%
Site 16	Village House	81.17%	59.17%	42.07%	28.39%	17.21%	7.89%	0.00%



Source: SWDP CIL Viability Update (November 2014)

Table 3.16b CIL as Percentage of Residual Value								
Wychavon								
		£60	£50	£40	£30	£20	£10	£0
Site 1	Greenfield1	20.60%	16.71%	13.03%	9.53%	6.20%	3.02%	0.00%
Site 2	Greenfield2	10.69%	8.78%	6.92%	5.12%	3.37%	1.66%	0.00%
Site 3	Greenfield3	18.80%	15.19%	11.79%	8.59%	5.56%	2.71%	0.00%
Site 4	Greenfield4	13.05%	10.64%	8.33%	6.12%	4.00%	1.96%	0.00%
Site 5	Greenfield5	9.90%	8.12%	6.39%	4.71%	3.09%	1.52%	0.00%
Site 6	Brown Redev L	17.21%	13.94%	10.85%	7.92%	5.14%	2.51%	0.00%
Site 7	Urban Flats	-6.29%	-5.30%	-4.29%	-3.26%	-2.20%	-1.11%	0.00%
Site 8	Brown Redev M	23.09%	18.51%	14.27%	10.32%	6.65%	3.21%	0.00%
Site 9	Brown Medium	51.21%	39.14%	28.92%	20.15%	12.54%	5.88%	0.00%
Site 10	Green Medium	77.80%	57.01%	41.10%	27.83%	16.91%	7.77%	0.00%
Site 11	Urban Edge	17.24%	13.95%	10.84%	7.91%	5.13%	2.50%	0.00%
Site 12	Town Centre Flats	-181.45%	-222.37%	-336.04%	-2269.39%	215.99%	50.40%	0.00%
Site 13	Ex Garage	26.32%	20.97%	16.07%	11.56%	7.41%	3.57%	0.00%
Site 14	Village/Town Infill	5.99%	4.94%	3.92%	2.91%	1.92%	0.95%	0.00%
Site 15	Small Village	9.37%	7.68%	6.05%	4.46%	2.93%	1.44%	0.00%
Site 16	Village House	6.67%	5.50%	4.35%	3.22%	2.12%	1.05%	0.00%
Strategic Sites								
		£60	£50	£40	£30	£20	£10	£0
Site 1	South Worcs UE	30.58%	24.66%	19.11%	13.90%	9.00%	4.61%	0.00%
Site 2	Worcester West UE	29.27%	23.59%	18.27%	13.28%	8.59%	4.40%	0.00%
Site 3	Gwilliam's FM	18.04%	14.64%	11.42%	8.35%	5.44%	3.04%	0.00%
Site 4	Crown Packaging	21.60%	17.45%	13.54%	9.86%	6.39%	3.64%	0.00%
Site 5	Kilbury Drive	19.20%	15.56%	12.12%	8.85%	5.75%	3.24%	0.00%
Site 6	Vine's Lane	16.24%	13.22%	10.33%	7.57%	4.94%	2.73%	0.00%
Site 7	Cheltenham Road	15.71%	12.82%	10.05%	7.39%	4.83%	2.64%	0.00%
Site 8	Pershore UE	16.72%	13.64%	10.69%	7.85%	5.13%	2.81%	0.00%
Site 9	Qinetiq	24.67%	19.84%	15.33%	11.12%	7.18%	4.17%	0.00%
Site 10	North East Malvern	21.23%	17.24%	13.45%	9.84%	6.41%	3.57%	0.00%

Source: SWDP CIL Viability Update (November 2014)

- 3.40 Plan-wide viability testing is not an exact science. The process is based on high level modelling and assumptions and development costs and assumptions. The process adopted by many developers is similar, hence the use of contingency sums, the competitive return assumptions and the generally cautious approach.
- 3.41 In the following tables we have set out CIL, at a range of rates, as a proportion of the Gross Development Value.



Table 3.17a CIL as Percentage of GDV

Malvern Hills								
		£60	£50	£40	£30	£20	£10	£0
Site 1	Greenfield1	2.02%	1.68%	1.34%	1.01%	0.67%	0.34%	0.00%
Site 2	Greenfield2	2.06%	1.72%	1.37%	1.03%	0.69%	0.34%	0.00%
Site 3	Greenfield3	2.02%	1.68%	1.34%	1.01%	0.67%	0.34%	0.00%
Site 4	Greenfield4	2.04%	1.70%	1.36%	1.02%	0.68%	0.34%	0.00%
Site 5	Greenfield5	2.06%	1.71%	1.37%	1.03%	0.69%	0.34%	0.00%
Site 6	Brown Redev L	2.27%	1.89%	1.51%	1.14%	0.76%	0.38%	0.00%
Site 7	Urban Flats	1.73%	1.44%	1.15%	0.87%	0.58%	0.29%	0.00%
Site 8	Brown Redev M	2.11%	1.76%	1.41%	1.05%	0.70%	0.35%	0.00%
Site 9	Brown Medium	2.04%	1.70%	1.36%	1.02%	0.68%	0.34%	0.00%
Site 10	Green Medium	2.11%	1.76%	1.41%	1.05%	0.70%	0.35%	0.00%
Site 11	Urban Edge	1.91%	1.59%	1.27%	0.96%	0.64%	0.32%	0.00%
Site 12	Town Centre Flats	1.73%	1.44%	1.15%	0.87%	0.58%	0.29%	0.00%
Site 13	Ex Garage	2.16%	1.80%	1.44%	1.08%	0.72%	0.36%	0.00%
Site 14	Village/Town Infill	1.83%	1.53%	1.22%	0.92%	0.61%	0.31%	0.00%
Site 15	Small Village	1.76%	1.47%	1.18%	0.88%	0.59%	0.29%	0.00%
Site 16	Village House	1.65%	1.37%	1.10%	0.82%	0.55%	0.27%	0.00%
Worcester City								
		£60	£50	£40	£30	£20	£10	£0
Site 1	Greenfield1	2.10%	1.75%	1.40%	1.05%	0.70%	0.35%	0.00%
Site 2	Greenfield2	2.10%	1.75%	1.40%	1.05%	0.70%	0.35%	0.00%
Site 3	Greenfield3	2.10%	1.75%	1.40%	1.05%	0.70%	0.35%	0.00%
Site 4	Greenfield4	2.02%	1.68%	1.34%	1.01%	0.67%	0.34%	0.00%
Site 5	Greenfield5	1.99%	1.66%	1.33%	1.00%	0.66%	0.33%	0.00%
Site 6	Brown Redev L	2.06%	1.72%	1.38%	1.03%	0.69%	0.34%	0.00%
Site 7	Urban Flats	1.66%	1.39%	1.11%	0.83%	0.55%	0.28%	0.00%
Site 8	Brown Redev M	1.89%	1.57%	1.26%	0.94%	0.63%	0.31%	0.00%
Site 9	Brown Medium	1.95%	1.62%	1.30%	0.97%	0.65%	0.32%	0.00%
Site 10	Green Medium	2.07%	1.73%	1.38%	1.04%	0.69%	0.35%	0.00%
Site 11	Urban Edge	1.82%	1.52%	1.21%	0.91%	0.61%	0.30%	0.00%
Site 12	Town Centre Flats	1.68%	1.40%	1.12%	0.84%	0.56%	0.28%	0.00%
Site 13	Ex Garage	2.16%	1.80%	1.44%	1.08%	0.72%	0.36%	0.00%
Site 14	Village/Town Infill	2.07%	1.73%	1.38%	1.04%	0.69%	0.35%	0.00%
Site 15	Small Village	1.94%	1.62%	1.29%	0.97%	0.65%	0.32%	0.00%
Site 16	Village House	1.80%	1.50%	1.20%	0.90%	0.60%	0.30%	0.00%

Source: SWDP CIL Viability Update (November 2014)

Table 3.17b CIL as Percentage of GDV

Wychavon								
		£60	£50	£40	£30	£20	£10	£0
Site 1	Greenfield1	2.04%	1.70%	1.36%	1.02%	0.68%	0.34%	0.00%
Site 2	Greenfield2	1.79%	1.49%	1.20%	0.90%	0.60%	0.30%	0.00%
Site 3	Greenfield3	2.02%	1.68%	1.34%	1.01%	0.67%	0.34%	0.00%
Site 4	Greenfield4	1.94%	1.61%	1.29%	0.97%	0.65%	0.32%	0.00%
Site 5	Greenfield5	1.80%	1.50%	1.20%	0.90%	0.60%	0.30%	0.00%
Site 6	Brown Redev L	1.76%	1.47%	1.18%	0.88%	0.59%	0.29%	0.00%
Site 7	Urban Flats	1.80%	1.50%	1.20%	0.90%	0.60%	0.30%	0.00%
Site 8	Brown Redev M	1.88%	1.56%	1.25%	0.94%	0.63%	0.31%	0.00%
Site 9	Brown Medium	2.04%	1.70%	1.36%	1.02%	0.68%	0.34%	0.00%
Site 10	Green Medium	2.43%	2.02%	1.62%	1.21%	0.81%	0.40%	0.00%
Site 11	Urban Edge	1.94%	1.62%	1.29%	0.97%	0.65%	0.32%	0.00%
Site 12	Town Centre Flats	1.96%	1.64%	1.31%	0.98%	0.65%	0.33%	0.00%
Site 13	Ex Garage	1.75%	1.46%	1.17%	0.88%	0.58%	0.29%	0.00%
Site 14	Village/Town Infill	1.51%	1.26%	1.01%	0.76%	0.50%	0.25%	0.00%
Site 15	Small Village	1.49%	1.24%	1.00%	0.75%	0.50%	0.25%	0.00%
Site 16	Village House	1.32%	1.10%	0.88%	0.66%	0.44%	0.22%	0.00%
Strategic Sites								
		£60	£50	£40	£30	£20	£10	£0
Site 1	South Worcs UE	2.20%	1.83%	1.47%	1.10%	0.73%	0.37%	0.00%
Site 2	Worcester West UE	2.20%	1.83%	1.47%	1.10%	0.73%	0.37%	0.00%
Site 3	Gwilliam's FM	2.20%	1.84%	1.47%	1.10%	0.73%	0.37%	0.00%
Site 4	Crown Packaging	2.22%	1.85%	1.48%	1.11%	0.74%	0.37%	0.00%
Site 5	Kilbury Drive	2.22%	1.85%	1.48%	1.11%	0.74%	0.37%	0.00%
Site 6	Vine's Lane	2.20%	1.83%	1.47%	1.10%	0.73%	0.37%	0.00%
Site 7	Cheltenham Road	2.13%	1.78%	1.42%	1.07%	0.71%	0.36%	0.00%
Site 8	Pershore UE	2.13%	1.78%	1.42%	1.07%	0.71%	0.36%	0.00%
Site 9	Qinetiq	2.20%	1.83%	1.47%	1.10%	0.73%	0.37%	0.00%
Site 10	North East Malvern	2.20%	1.83%	1.47%	1.10%	0.73%	0.37%	0.00%

Source: SWDP CIL Viability Update (November 2014)

3.42 These findings are related to the proposed rates of CIL towards the end of this report.

Non-Residential Development

3.43 For the non-residential development we ran a set of development financial appraisals for the development types expected to come forward over the plan period.

3.44 When testing the non-residential development types we did not run multiple sets of appraisals for different levels of policy requirement as the Councils do not seek to impose layers of policy requirements on these types of development.

Table 3.18 Retail Development

		Greenfield				Brownfield				
		Larger Supermarkets	Smaller Supermarkets	Retail Warehouse	Shops	Larger Supermarkets	Smaller Supermarkets	Retail Warehouse	Shops	
Income	m2	4000	1,700	3,000		4,000	1,700	3,000	150	
	£/m2	2,800	2,300	1,800		2,800	2,300	1,800	2,000	
	Capital Value	11,200,000	3,910,000	5,400,000		11,200,000	3,910,000	5,400,000	300,000	
Costs	Land Used	ha	2.000	0.500	1.800		2.000	0.500	1.800	0.017
		£/ha	25,000	25,000	25,000		350,000	350,000	350,000	4,000,000
		Uplift £/ha	250,000	250,000	250,000		0	0	0	0
		15.00%	3,750	3,750	3,750		52,500	52,500	52,500	600,000
		Cost	557,500	139,375	501,750	0	805,000	201,250	724,500	76,667
	Strategic Promotion		10,000	10,000	10,000		10,000	10,000	10,000	10,000
	Planning		25,000	25,000	25,000		25,000	25,000	25,000	25,000
	Construction	/m2	1103	801	499		1103	801	499	700
		£	4,412,000	1,361,700	1,497,000	0	4,412,000	1,361,700	1,497,000	105,000
	Infrastructure	10.00%	441,200	136,170	149,700	0	441,200	136,170	149,700	10,500
Abnormals	10.00%					441,200	136,170	149,700	10,500	
Fees	8.00%	352,960	108,936	119,760	0	352,960	108,936	119,760	8,400	
Contingency	2.5% & 5%	110,300	34,043	37,425	0	220,600	68,085	74,850	5,250	
Finance Costs		5,000	5,000	5,001		5,000	5,000	5,001	5,000	
Sales	3.00%	336,000	117,300	162,000	0	336,000	117,300	162,000	9,000	
Misc. Financial		5,000	5,000	5,001		5,000	5,000	5,001	5,000	
Subtotal		5,697,460	1,803,149	2,010,887	0	6,248,960	1,973,361	2,198,012	193,650	
Interest	7.00%	199,411	63,110	70,381	0	218,714	69,068	76,930	6,778	
Profit % GDV	20.00%	2,279,882	794,622	1,094,076	0	2,283,743	795,814	1,095,386	61,356	
COSTS		8,734,253	2,800,256	3,677,094	0	9,556,416	3,039,492	4,094,829	338,450	
Residual Land Worth		2,465,747	1,109,744	1,722,906	0	1,643,584	870,508	1,305,171	-38,450	
Additional Profit		1,908,247	970,369	1,221,156	0	838,584	669,258	580,671	-115,117	
		477	571	407	#DIV/0!	210	394	194	-767	
Existing Use Value		25,000	25,000	25,000	0	350,000	350,000	350,000	4,000,000	
Viability Threshold		278,750	278,750	278,750	0	402,500	402,500	402,500	4,600,000	
Residual Value		1,232,873	2,219,489	957,170	#DIV/0!	821,792	1,741,016	725,095	-2,306,998	

Source: Table 11.1 SWDP Local Plan Viability Study, HDH 2014.

		Greenfield				Brownfield					
		Large Industrial	Smaller Industrial	Large Office	Small Office	Large Industrial	Smaller Industrial	Large Office	Small Office		
Income	m2	1,500	200	500	150	1,500	200	500	150		
	£/m2	800	750	1,500	1,500	800	750	1,500	1,500		
	Capital Value	1,200,000	150,000	750,000	225,000	1,200,000	150,000	750,000	225,000		
Costs	Land Used	ha	0.090	0.013	0.300	1.000	ha	0.090	0.013	0.300	1.000
		£/ha	25,000	25,000	25,000	25,000	£/ha	1,000,000	1,000,000	1,000,000	1,000,000
		Uplift £/ha	250,000	250,000	250,000	250,000	Uplift £/ha	0	0	0	0
			5,000	5,000	5,000	5,000		200,000	200,000	200,000	200,000
		Cost	25,200	3,640	84,000	280,000	Cost	108,000	15,600	360,000	1,200,000
	Strategic Promotion		10,000	10,000	10,000	10,000		10,000	10,000	10,000	10,000
	Planning		10,000	10,000	10,000	10,000		10,000	10,000	10,000	10,000
	Construction	/m2	590	753	1,096	1,096	/m2	590	753	1,096	1,096
		£	885,000	150,600	548,000	164,400	£	885,000	150,600	548,000	164,400
	Infrastructure	10.00%	88,500	15,060	54,800	16,440	15.00%	88,500	15,060	54,800	16,440
	Abnormals	15.00%					10.00%	132,750	22,590	82,200	24,660
	Fees	8.00%	70,800	12,048	43,840	13,152	8.00%	70,800	12,048	43,840	13,152
	Contingency	2.5% & 5%	22,125	3,765	13,700	4,110	5.00%	44,250	7,530	27,400	8,220
	Finance Costs		25,000	25,000	25,000	25,000		25,000	25,000	25,000	25,000
	Sales	3.00%	36,000	4,500	22,500	6,750	3.00%	36,000	4,500	22,500	6,750
	Misc. Financial		5,000	5,000	5,001	5,000		5,000	5,000	5,001	5,000
	Subtotal		1,152,425	235,973	732,841	254,852		1,307,300	262,328	828,741	283,622
	Interest	7.00%	80,670	16,518	51,299	17,840	7.00%	91,511	18,363	58,012	19,854
	Profit % GDV	20.00%	256,134	33,304	160,260	48,568	20.00%	258,302	33,673	161,602	48,971
	COSTS		1,514,429	289,435	1,028,400	601,260		1,765,113	329,964	1,408,355	1,552,446
	Residual Land Worth		-314,429	-139,435	-278,400	-376,260		-565,113	-179,964	-658,355	-1,327,446
	Additional Profit		-339,629	-143,075	-362,400	-656,260		-673,113	-195,564	-1,018,355	-2,527,446
			-226	-715	-725	-4,375		-449	-978	-2,037	-16,850
	Existing Use Value		25,000	25,000	25,000	25,000		1,000,000	1,000,000	1,000,000	1,000,000
	Viability Threshold		280,000	280,000	280,000	280,000		1,200,000	1,200,000	1,200,000	1,200,000
	Residual Value		-3,493,652	-10,725,749	-927,999	-376,260		-6,279,036	-13,843,350	-2,194,517	-1,327,446

Source: Table 11.2 SWDP Local Plan Viability Study, HDH 2014.

Hotels

3.45 Since undertaking the original work we have revisited the assumptions behind the modelling of hotels. It had initially been assumed that these would of a roadside hotel type. Officers expressed some concern as to whether or not this reflected what is expected in the future. It is actually anticipated that hotels will come forward in a range of models, so we have adjusted the modelling to reflect this.

Table 3.20 Hotel Development – Updated results

			Greenfield	Brownfield
			Hotel	
Income	m2		1,620	1,620
	£/m2		2,150	2,150
Capital Value			3,483,000	3,483,000
Costs	Land Used	ha	0.40	0.40
		£/ha	25,000	350,000
		Uplift £/ha	250,000	
		20%	5,000	70,000
		Cost	112,000	168,000
	Strategic Promotion		5,000	5,000
	Planning		20,000	20,000
	Construction	/m2	1,371	1,371
		£	2,221,020	2,221,020
	Infrastructure	10.00%	222,102	222,102
	Abnormals	10.00%		222,102
	Fees	8.00%	177,682	177,682
	Contingency	2.50%	55,526	55,526
	Finance Costs		5,000	5,000
	Sales	3.00%	104,490	104,490
	Misc. Financial		5,000	5,000
Subtotal			2,815,819	3,037,921
	Interest	7.00%	197,107	212,654
	Profit % Costs	20.00%	602,585	650,115
COSTS			3,727,512	4,068,691
Residual Land Worth			-244,512	-585,691
Additional Profit			-356,512	-753,691
	£/m2		-220	-465
	Existing Use Value		25,000	350,000
	Viability Threshold		280,000	420,000
Residual Value			-611,279	-1,464,227

Source: Table SWDP Local Plan Viability Study, HDH 2014.

3.46 On this basis, hotel development is less likely to be viable.

Student Accommodation

3.47 In the original Worcestershire CIL Viability Study we considered the viability of student accommodation. Whilst no comments have been received in relation to this, based on our wider experience, and the passage of time, we have revisited these assessments as well (we acknowledge that the supporting information was a little thin).

3.48 Worcester University is an important part of Worcester City. In the Viability Study the analysis was based on a brownfield site in the City, being the most likely situation for student housing to come forward. We assumed a scheme of 175 student letting rooms at 20m² each, with 35% circulation space on a 0.3ha site.

3.49 The total scheme size is therefore 175 rooms x 20m² = 3,500m², plus 35% circulation space of 1,225m² to give a total GIA of 4,725m². This area has formed the basis of our costing.

3.50 In the Viability Study it was assumed that student accommodation has a value of £2,225/m². In calculating this we assumed a typical gross annual rental income of £5,000/ room. We have

adjusted this to reflect the services provided by the provider and assumed a net income of £3,000/room. This was been capitalised at 6.5% to give a value of £2,225.m².

3.51 We have reviewed the current market and, as would be expected, prices vary:

a. The university run a number of halls of residence.

Table 3.21 Hotel Development – Updated results		
Grade	Name of Hall	Per week
Traditional	Evesham, Pershore	£86
Standard	Avon, Ledbury	£107
Standard Plus	Malvern, Wulfstan, Berrow, Ankerdine, Abberley, Windrush, Teme, Sarah Siddons	£114
En-suite St John's Campus	Vesta Tilley, William Morris	£127
En-suite City Centre	Sansome Hall, Old Post Office	£127
En-suite Extra St John's Campus	Elizabeth Barrett Browning, A E Housman	£141
En-suite Extra City Campus	Bishop Bosel, Chancellor	
Postgraduate	Fern Hall, Oldbury House	£118 non-en suite £129 en suite

Source: Worcester University Web Site

It is important to note that quality and range of facilities varies somewhat from hall to hall. The rental assumption is broadly in line with these rents.

b. Unlike many university cities, there is little purpose built student accommodation provided by the private sector. There is a thriving part of the private rental market providing student accommodation in housing – mainly in the St. John's area. Rents tend to be rather higher than for the university owned accommodation.

3.52 Based on this we believe the rental assumptions remain sound.

3.53 We have reviewed the yield assumptions used to capitalise the rents.

a) CBRE produce a quarterly *UK Housing Student Housing Market View*, the most recent edition being the July 2014. This reports yields for direct lets of 6.4% and for lets to a university of 5.25%.

b) In the Summer 2013 Spotlight – Student Housing produced by Savills yields of 6.5% are quoted for direct lets, 6% where there is a nomination agreement in place (with the university) and 5.25% where the whole block is let.

3.54 Based on the above we believe that the yield assumption of 6.5% appears cautious and may understate the values somewhat.

3.55 Bringing these assumptions together (a net room rent of £3,000/year and yield of 6.5%) gives a room value of £46,000 and a block value of just over £8,000,000 (£46,000x175).

3.56 Based on the above we have reviewed the analysis of student housing although the main assumptions remain cautious but appropriate.

Table 3.21 Student Accommodation – Updated results			
			Brownfield
Income			
	m2		3625
	£/m2		2225
	Capital Value		8,065,625
Costs			
	Land Used ha		0.3
	£/ha		350,000
	Uplift £/ha		0
	20%		21,000
	Cost		111,300
	Strategic Promotion		25,000
	Planning		25,000
	Misc. Land		10,000
	Constructi/m2		1,167
	£		4,230,375
	Infrastruc	15.00%	634,556
	Abnormal	10.00%	
	Fees	8.00%	338,430
	Continger	2.50%	105,759
	Finance Costs		25,000
	Sales	3.00%	241,969
	Misc. Financial		25,000
	Subtotal		5,772,389
	Interest	7.00%	404,067
	Profit % C	20.00%	1,235,291
	COSTS		7,411,748
	Additional Profit		653,877
	Residual Land Worth (APPROX.)		825,177
	£/m2		180

Source: SWDP Viability Updatey, HDH 2014.

Summary

- 3.57 The results of the appraisals for the modelled development are reflective of the current market in the area. Both office and industrial development are shown as unviable, however this is not just a local issue – a finding supported by the fact that such development is not currently being brought forward on a speculative basis by the development industry.
- 3.58 It is important to note that development is coming forward in South Worcestershire, much of it being developed by existing businesses for operational reasons – rather than to make a return through property development. When considered in isolation, the employment uses are not shown as viable – however it is important to note that much of this development is coming forward as part of larger development schemes.

4. Setting Rates of CIL

- 4.1 In Chapter 13 of the Local Plan Viability Study we set out some of the matters to be considered when setting CIL but stopped short of recommending rates of CIL. Since then the Councils have continued to work on the details of infrastructure required to support the plan and the various funding options. This chapter considers the appropriate rates of CIL in the context of the CIL Regulations, the CIL Guidance that is contained within the PPG, and the South Worcestershire Development Plan. It is important to note that the findings of this report do not determine the rates of CIL, but are one of a number of factors that the Councils may consider when setting CIL. Whilst viability is an important element of the CIL setting process, it is just one of a number of elements. In setting CIL there are three main elements that need to be brought together:
- a. Evidence of the infrastructure requirements
 - b. Viability evidence
 - c. The input of stakeholders.
- 4.2 Outside this report the Councils have carried out a substantial amount of work looking at the infrastructure requirements of the area and members and senior officers have attended a number of workshops during the later stages of the plan-making process to consider the total policy burden imposed on developers and, in particular, the relationship between CIL and affordable housing.
- 4.3 Members have drawn on three principle sources of information to inform the decision making process:
- a. The viability evidence set out in the Local Plan Viability Update – principally that repeated and developed in Chapter 3 above.
 - b. Information about the requirements for infrastructure and, in relation to the larger sites, what of that infrastructure can be funded under s106 and s278 bearing in mind CIL Regulations 122 and 123.
 - c. Projections of expected CIL receipts through considering the amount and types of development planned for and anticipated in different parts of the Districts.
- 4.4 In making recommendations we have considered a range of other factors including the following:

Regulations and Guidance

- 4.5 CIL Regulation 14 (as amended) sets out the core principle for setting CIL:

In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between— (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area,

taking into account other actual and expected sources of funding; and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.....

- 4.6 Viability testing in the context of CIL concerns the ‘effects’ on development viability of the imposition of CIL. The test that will be applied to the proposed rates of CIL are set out in the updated CIL Guidance, putting greater emphasis on demonstrating how CIL will be used to deliver the infrastructure required to support the Plan.

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)), 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.

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), 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. The same principle applies in Wales.

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- 4.7 The test is whether the sites and the scale of development identified in the Plan are subject to such a scale of obligations and policy burdens (when considered together) that their ability to be developed viably is threatened by CIL. The viability evidence has clearly considered the full range of the Councils’ policy requirements, including the need for infrastructure funding. The test is whether CIL threatens development – although it is important to note that the CIL Regulation 14 is clear that the purpose of the viability testing is to establish ‘*the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area*’ rather than on specific sites.
- 4.8 This report has been prepared under the CIL Regulations and PPG at the time of this report (October 2014). It will be necessary for the Councils to continue to monitor any changes in the Regulations and Guidance as the CIL setting process continues.

CIL v s106

- 4.9 In Chapter 2 above, we have set out the restrictions on future use of s106 and s278 agreements. Whilst preparing the information about the infrastructure requirements for the strategic sites for the modelling in the Local Plan Viability Update.
- 4.10 Those infrastructure costs that could be met through s106 have been included in the modelling and viability appraisals in line with the requirements of the PPG. The appraisals of the general residential development (those not on the strategic sites) include an allowance of £2,500 per unit to be paid in s106 contributions over and above CIL. This is a cautious approach and will only apply where need arises. The strategic sites may put significant further pressure on the infrastructure and improvements that will not be sufficiently site specific to pass the tests for payments to be required through s106. These items will be funded through a range of other

sources. We have investigated whether or not it is possible to apply CIL to the Strategic Sites as well as to general development.

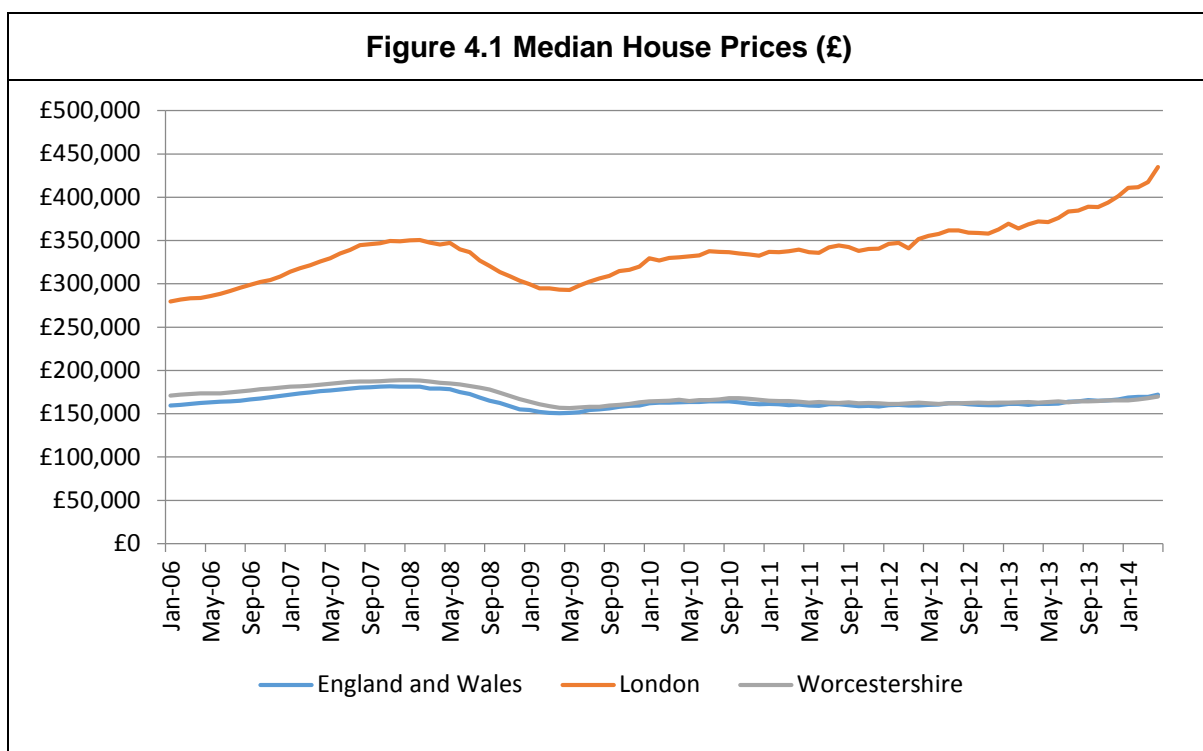
- 4.11 The viability testing has considered both the infrastructure costs met through s106/s278 and under CIL.

Infrastructure Delivery

- 4.12 Since the project started the Councils have devoted a substantial resource to working with the County Council in its capacity as the Highways and Education Authority. In turn the County has been working with the Highways Agency.
- 4.13 Generally there is a preference for infrastructure to be delivered through s106 / s278 where appropriate. It is recognised that this may allow greater control over the timing of delivery and thus giving greater certainty to both the Councils and the developers.

Uncertain Market

- 4.14 Chapter 4 of the Local Plan Viability Update includes a commentary on the property markets. It was noted that the current direction and state of the housing market has improved markedly over the life of this project but the future is uncertain. The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the ‘Credit Crunch’. The figure below shows that prices in Worcestershire have seen a recovery since the bottom of the market in mid-2009, and are on an upward trajectory (albeit a slow one).



Source: Table 4.1 SWDP Local Plan Viability Study, HDH 2014.



- 4.15 Whilst the housing market has seen a recovery and there is considerable optimism in the non-residential sectors there remain a number of uncertainties around the UK's relationship with Europe and the wider world economies. It is therefore appropriate to take a cautious approach when setting CIL and ensure that the cumulative impact policies does not result in a total policy burden that is close to the limits of viability.

Neighbouring Authorities

- 4.16 There is no requirement to keep CIL rates consistent across Charging Authority boundaries, however it is a relevant factor to consider. It is necessary also to consider the Councils' approach to s106 payment, infrastructure requirements and affordable housing.

Table 4.1 CIL rates of neighbouring authorities		
Herefordshire	PDCS March 2013	Residential 4 zones from £0/m ² to £140/m ² Retail Town Centre comparison £90/m ² Out of town comparison £125/m ² Small convenience £80/m ² Large convenience £120/m ² Hotels £25/m ²
Shropshire	Adopted January 2012	Residential Shrewsbury and Market Towns £40/m ² Elsewhere £80/m ² Other Development £0/m ²
Stratford	DCS August 2014	Residential At Gaydon/Lighthorne Heath new Settlement £145/m ² Canal Quarter Regeneration Zone £85/m ² Rest of District £150/m ² Retail Within all identified centres £0/m ² Within Gaydon/Lighthorne Heath new settlement £10/m ² Out of centre retail £120/m ² Other Development £0/m ²

Source: SWDP CIL Viability Update, HDH 2014.

- 4.17 None of the other neighbouring authorities have published rates of CIL although we understand that the Gloucestershire Joint Core Strategy area of Tewksbury, Cheltenham and Gloucester are close to doing so.

S106 History

- 4.18 The Councils have set out their past track record of collecting developer contributions (affordable housing and financial) under s106 separately to this report.

Instalment Policy

- 4.19 At the start of this process the Councils organised a consultation event (January 2013) with members of the development industry. The importance of allowing CIL to be paid through the life of a project was raised.
- 4.20 CIL Regulation 69 sets out when CIL is payable. This is summarised as follows:

Table 4.2 Payment of CIL	
Equal to or greater than £40,000	Four equal instalments at the end of the periods of 60, 120, 180 and 240 days from commencement
£20,000 and less than £40,000	Three equal instalments at the end of the periods of 60, 120 and 180 days from commencement
£10,000 and less than £20,000	Two equal instalments at the end of the periods of 60 and 120 days from commencement
less than £10,000	In full at the end of the period of 60 days from commencement

Source: CIL Regulation 123

- 4.21 The 2011 amendment to CIL Regulation 32F¹⁸ introduced CIL Regulation 69B which allows the ability for Charging Authorities to adopt an Instalment Policy. If an Instalment Policy is not adopted then payment is due as set out in the table above. To require payment, particularly on large schemes in line with the above, could have a dramatic and serious impact on the delivery of projects.
- 4.22 It is our firm recommendation that the Councils introduce an Instalment Policy. Not to do so could put the Development Plan at serious risk.
- 4.23 The modelling in this study is on the basis that the Councils do introduce an Instalment Policy that enables CIL to be paid, through the life of a project, in equal instalments. There are a range of alternative instalment policy structures that could be adopted such as the one set out below as an example. In any event any instalment policy should have a provision whereby, in all cases, the full balance is payable on occupation/opening of the development if this is earlier than the instalment dates set out in the table.

¹⁸ SI 2011 No. 987 COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) Regulations 2011. *Made 28th March 2011 Coming into force 6th April 2011*



Table 4.3 Recommended Instalment Policy				
Number of dwellings / 1000m ² non-residential development	Number of Instalments	Total Timescale for Instalments	Payment Amounts	Payment Periods
1	2	270 days (9 months)	10%	60 days from commencement.
			90%	270 days from commencement.
2 to 5	3	365 days (1 year)	10%	60 days from commencement.
			45%	270 days from commencement.
			45%	365 days from commencement.
			45%	365 days from commencement.
6 to 25	3	548 days (18 months)	10%	60 days from commencement.
			45%	365 days from commencement.
			45%	548 days from commencement.
			45%	548 days from commencement.
26 to 50	4	730 days (2 years)	10%	60 days from commencement.
			30%	365 days from commencement.
			30%	548 days from commencement.
			30%	730 days from commencement.
51 to 100	5	1095 days (3 years)	10%	60 days from commencement.
			23%	365 days from commencement.
			23%	548 days from commencement.
			23%	730 days from commencement.
			23%	1095 days from commencement.
101 to 200	6	1460 days (4 years)	10%	60 days from commencement.
			18%	365 days from commencement.
			18%	548 days from commencement.
			18%	730 days from commencement.
			18%	1095 days from commencement.
			18%	1460 days from commencement.
201 to 300	7	1825 days (5 years)	10%	60 days from commencement.
			15%	365 days from commencement.
			15%	548 days from commencement.
			15%	730 days from commencement.
			15%	1095 days from commencement.
			15%	1460 days from commencement.
301+	8	2190 days (7 years)	10%	60 days from commencement.
			13%	365 days from commencement.
			13%	548 days from commencement.
			13%	730 days from commencement.
			13%	1095 days from commencement.
			13%	1460 days from commencement.
			13%	1825 days from commencement.
			12%	1826 days from commencement.

Source: HDH 2014

Review and Revision

- 4.24 In Table 10.19 to Table 10.22 of the Local Plan Viability Study the results of sensitivity to price and costs change are set out where CIL, for residential property, was set at £60/m² in Malvern Hills and Wychavon and £40/m² in Worcester City and affordable housing at 40% in Malvern Hills and Wychavon and 30% in Worcester City across all areas (except on the strategic sites where zero CIL was assumed).
- 4.25 The analysis demonstrated that a relatively small fall in prices will adversely impact on the deliverability of the smaller brownfield sites. The vast majority of land allocated for housing is



greenfield land (as informed by the SHLAA process) so the impact on the delivery of the overall Plan would be minimal.

- 4.26 It is clear, across all sites, that relatively small changes in price and costs can have a significant impact on the Residual Value, and that there is sensitivity to changes in prices and costs. This is particularly important when it comes to considering larger sites that will be delivered over many years through multiple phases. In situations on larger sites, where developers make a case for a lower affordable housing requirement on the grounds of viability, we would recommend that a review mechanism is incorporated to allow the affordable housing requirements be adjusted over the life of the project.
- 4.27 We would recommend that CIL be reviewed in the event of house prices changing by 10%.

Viability Evidence – Rates and Zones

- 4.28 We have drawn on the viability evidence set out in the Development Plan Viability Study that is summarised in Chapter 3 above.
- 4.29 This evidence has been prepared in line with the viability sections of the PPG, with the Harman Guidance and the RICS Guidance and taken the comments of consultees into account. It is therefore an appropriate evidence base for the setting of CIL.
- 4.30 As set out at the start of this report, the Local Plan Viability Study concluded, in relation to residential development that the affordable housing target of 40% in Malvern Hills and Wychavon were sustainable, although the £60/m² prozed rate of CIL required revisiting. It was also concluded that the affordable housing requirement in Worcester City should be reduced to 30% and the rate of CIL revisited there as well.
- 4.31 In relation to non-residential development, it was concluded that hotels, supermarket and retail warehouse uses could make contributions towards infrastructure through CIL.
- 4.32 Through the CIL process, and taking into account the all the matters set out above, it has been concluded that:
- a. CIL is required to fund infrastructure. The Councils have been successful in securing capital funding for infrastructure but, in part due to the challenging levels of development proposed, there remains a significant ‘funding gap’.
 - b. That affordable housing remained the Councils priority and delivery of affordable housing must not be put at risk.
 - c. That it would be preferable, if supported by evidence, to ‘keep things simple’ and not have multiple rates of CIL – although it was recognised that it was appropriate to have differential rates. It was agreed that a fine grained approach was not desirable.
 - d. CIL setting is a qualitative and not a quantitative process. CIL is not calculated through a predetermined formula. The Council is required to ‘strike’ the balance between (a) *the desirability of funding from CIL ... the ... cost of infrastructure required to support the*

development of its area, ... and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

Residential Development – Strategic Sites

- 4.33 The detailed assessment of the South Worcester Urban Extension and the Worcester West Urban Extension is undertaken by others, outside of this report. Based on the very high level work in this study, neither of these sites are able to bear CIL in addition to the identified infrastructure costs of about £27,000,000 and £24,000,000 respectively so we recommend a zero rate. We understand the detailed discussions are ongoing with the sites' promoters in relation to these sites as they progress through the development management process. It will be necessary to keep this under review as the schemes are refined and further information becomes available. If the schemes do not come forward as currently envisaged it may be appropriate to consider CIL.
- 4.34 Similar comments, in terms of viability apply to the strategic sites at Gwillam's Farm, the Pershore Urban Extension, the Qinetiq site and the North East Malvern Urban Extension. Based on the viability evidence, it is not appropriate to charge CIL in addition to the identified infrastructure costs that are to be sought through the s106 regime.
- 4.35 The Plan includes other strategic sites being the Crown Packaging site (Worcester), Vines Lane (Droitwich) and Cheltenham Road (Evesham). Based on the current evidence these should be subject to the rates prevailing in the areas in which they are situated and should not be subject to a specific rate (or zero).
- 4.36 The strategic site at Kilbury Drive has not been considered for CIL as it is subject a planning consent.

Residential Development – Malvern Hills (Non-Strategic Sites)

- 4.37 In Malvern Hills, the viability evidence shows that the anticipated development on greenfield sites is able to bear an element of CIL but development on brownfield sites is not. Whilst the majority of the District's development will be on greenfield sites, a significant proportion (about 23%) is anticipated to be on brownfield sites. If this brownfield development was not forthcoming, the overall efficacy of the Plan would be in question. It is therefore to appropriate to consider setting a differential rate.
- 4.38 CIL charging zones need to be mapped rather than described, it is therefore necessary to take a pragmatic approach to designating a zero CIL zone. The majority of brownfield development will take place in the main settlement of Great Malvern, but it will also come forward, to a lesser extent, in Upton upon Severn and Tenbury Wells. We therefore recommend that urban areas of Great Malvern, Upton upon Severn and Tenbury Wells are mapped as a CIL zone and subject to a zero rate of CIL. It should be noted that this is a cautious approach as little development is anticipated in either Upton upon Severn and Tenbury Wells. Development may come forward elsewhere on brownfield sites, however the quantum of such development is so small (and not an element of the five year land supply) that if these sites were not to come forward the Plan would not be threatened.

- 4.39 In the remaining areas of Malvern Hills we recommend a rate of £40/m². CIL set at this level still allows all sites to generate a Residual Value over £450,000/ha and on many well over £500,000/ha. This is well in excess of the Viability Threshold used in the analysis and in compliance with the Existing Use Value Plus methodology set out in the Harman Guidance. CIL set at this level would represent less than 2% of the development value so, proportionally, is a small element of the development costs.
- 4.40 Ultimately CIL impacts on land prices, as the charge adds to the development costs and as a result the developer must pay less for the land if the developer returns (competitive return) is to be maintained. CIL at £40/m² would result in a fall in the amount the developer could pay of less than 15% and generally of around 10%. This is substantially less than that indicated through the Greater Norwich CIL process so unlikely to stop land coming forward to the extent that the plan is threatened in this area.

Residential Development – Worcester City (Non-Strategic Sites)

- 4.41 We recommend a zero rate of CIL in Worcester City. The majority of development in the City is on brownfield land and in spite of the reduction of the affordable housing requirements to 30% requiring CIL in addition would not be viable.
- 4.42 About 15% of future development is anticipated to be on greenfield sites (where the affordable housing requirement remains 40%). We have considered whether or not it is appropriate to introduce CIL in these sites. As set out above, CIL charging zones need to be mapped rather than described, it is therefore necessary to take a pragmatic approach to designating a CIL zone. The greenfield sites that make up the Worcester City's element of the land supply are not diverse and simply mapping the edge of the urban area would not adequately define the zone as a proportion of greenfield land is within the urban area. Mapping these would have the effect of mapping the potential development sites in a very fine grained way which could only be supported with individual development appraisals. We would be very cautious about recommending such an approach due to the state aid rules.

Residential Development – Wychavon (Non-Strategic Sites)

- 4.43 In Wychavon, the viability evidence shows that the anticipated development on greenfield sites is able to bear an element of CIL but development on brownfield sites is not. The majority of the District's development will be on greenfield sites, however a small proportion (about 10%) is anticipated to be on brownfield sites. The majority of these brownfield sites are in Evesham, Droitwich Spa and Pershore. This brownfield development is a small but important element of the Plan and whilst if it was not forthcoming the Plan may not be said to have failed, we would recommend setting a differential rate at zero. This would be consistent with the approach taken recommended in Malvern Hills and is a cautious approach.
- 4.44 CIL charging zones need to be mapped rather than described, it is therefore necessary to take a pragmatic approach to designating a zero CIL zone. The majority of brownfield development will take place in the market towns of Evesham, Droitwich Spa and Pershore. We therefore recommend that urban areas of Evesham, Droitwich Spa and Pershore are mapped as a CIL zone and subject to a zero rate of CIL. Development may come forward elsewhere on

brownfield sites, however the quantum of such development is so small (and not an element of the five year land supply) that if these sites were not to come forward, the Plan would not be threatened.

- 4.45 In the remaining areas of Wychavon we recommend a rate of £40/m². CIL set at this level still allows all sites to generate a Residual Value over £450,000/ha and on some over £1,000,000/ha. This is well in excess of the Viability Threshold used in the analysis and in compliance with the Existing Use Value Plus methodology set out in the Harman Guidance. CIL set at this level would represent less than 2% of the development value so, proportionally, is a small element of the development costs.
- 4.46 Ultimately CIL impacts on land prices, as the charge adds to the development costs and as a result the developer must pay less for the land if the developer returns (competitive return) is to be maintained. CIL at £40/m² would result in a fall in the amount the developer could pay of less than 15% and generally of around 10%. This is substantially less than that indicated through the Greater Norwich CIL process so unlikely to stop land coming forward to the extent that the plan is threatened in this area.

Older people's housing

- 4.47 Overall the evidence does not support a differential rate for older people's housing. The analysis indicates that retirement / sheltered housing has similar viability to general market housing (when considered in the context of the affordable housing requirements).
- 4.48 We have considered extracare housing and the viability evidence indicates that it is either unviable or at the margins of viability. It would not be appropriate to charge CIL on this development type.
- 4.49 For the purpose of setting CIL, we have assumed *extracare* housing is not 'housing' so is not covered by CIL.

Non-Residential Development

- 4.50 The evidence does not support the introduction of CIL on the principle employment uses of office and industrial uses. The same findings apply to hotel uses (based on the updated evidence). It is therefore not appropriate to include these uses within CIL.
- 4.51 In the retail sector, the viability evidence does support the introduction of CIL for supermarket¹⁹ uses (including the discount format) and retail warehousing²⁰ but not for town centre shops.

¹⁹ We recommend that the definition set out the examiner at the Wycombe DC CIL Examination is used:

Superstores/supermarkets are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.

²⁰ We recommend that the definition set out the examiner at the Wycombe DC CIL Examination is used:

Retail warehouses are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods) DIY items and other ranges of goods catering for mainly car-borne customers.

- 4.52 Through considering the requirements for infrastructure, and the Councils desire to see development coming forward we recommend a rate of £100/m² be applied to supermarkets (including the discount format) and retail warehousing. We acknowledge that these rates will result in substantial contributions towards infrastructure, however rates of this scale are supported by the viability evidence and are consistent with those in neighbouring districts and further afield.
- 4.53 Following a review of the viability evidence, we recommend a rate of CIL of £100/m² for specialist student accommodation.

5. Conclusions

5.1 As set out earlier in this report, the purpose of the viability evidence is not to set CIL, rather being to assess the *effect* of CIL on viability, so that an assessment can be made to ensure that CIL does not threaten delivery of in the 22nd May 2014 iteration of **South Worcestershire Development Plan** (proposed Minor Track Changed Version).

5.2 In the previous chapter we have set out the proposed rates of CIL. These are brought together below:

Summary of Recommended Rates of CIL

5.3 The recommended rates of CIL are summarised as follows. These are largely determined on viability and our understanding of the future requirements for s106 and s278 payments. The Councils will need to consider these with their wider infrastructure evidence, and in due course, in the light of future consultation responses.

Table 5.4 South Worcestershire Recommended CIL Rates	
Residential Development (including older people's housing)	
Malvern Hills (Non-Strategic Sites)	Zero
Urban areas of Great Malvern, Tenbury Wells and Upton upon Severn	Zero
Other areas of Malvern Hills	£40/m ²
Worcester City (Non-Strategic Sites)	Zero
Wychavon (Non-Strategic Sites)	
Urban areas of Evesham, Droitwich Spa and Pershore	Zero
Other areas of Wychavon	£40/m ²
Strategic sites	
South Worcester Urban Extension, Worcester West Urban Extension	Zero
Gwillam's Farm, Pershore Urban Extension, Qinetiq, North East Malvern Urban Extension	Zero
Other strategic sites	As for district
Non-Residential Development	
Retail	
Supermarkets and Retail Warehouses	£100/m ²
Other Retail	Zero
Student Accommodation	£100/m ²
All other development	Zero

Source: SWDP CIL Viability Update (December 2014).



- 5.4 Based on the viability evidence set out in the South Worcestershire Development Plan Viability Study (September 2014) and this CIL Viability Study we confirm that CIL, when set at these rates, would not threaten delivery of the Plan as a whole.
- 5.5 Separately to this report the Council will set out how funds raised through CIL will be used to deliver the Plan, and how it will form an important source of funding for infrastructure.

Post Script – Affordable Housing Thresholds

- 5.6 Policy SWDP 15: Meeting Affordable Housing Needs of the South Worcestershire Development Plan sets out the requirement for affordable housing. This includes the following thresholds for provisions:
- a. On sites of 15 or more dwellings within Malvern Hills District and Wychavon District and on greenfield sites in Worcester City, 40% of the units should be affordable i.e. social rented, affordable rented and intermediate tenure and provided on site.
 - b. On sites of 15 or more dwellings on brownfield sites in Worcester City, 30% of the units should be affordable i.e. social rented, affordable rented and intermediate tenure and provided on site.
 - c. On sites of 10 – 14 dwellings, 30% of units should be affordable and be provided on site.
 - d. On sites of 5 – 9 dwellings, 20% of units should be affordable and be provided on site.
 - e. On sites of less than five dwellings a financial contribution towards local affordable housing provision will be required.
- 5.7 On the 28th of November 2014 and as this report was being finalised the PPG was amended with a new national threshold being introduced, new paragraph was added:

Paragraph number: 012

Are there any circumstances where infrastructure contributions through planning obligations should not be sought from developers? There are specific circumstances where contributions for affordable housing and tariff style planning obligations (section 106 planning obligations) should not be sought from small scale and self-build development.

contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1000sqm

in designated rural areas, local planning authorities may choose to apply a lower threshold of 5-units or less. No affordable housing or tariff-style contributions should then be sought from these developments. In addition, in a rural area where the lower 5-unit or less threshold is applied, affordable housing and tariff style contributions should be sought from developments of between 6 and 10-units in the form of cash payments which are commuted until after completion of units within the development. This applies to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty

affordable housing and tariff-style contributions should not be sought from any development consisting only of the construction of a residential annex or extension to an existing home

- 5.8 There is some debate amongst planning professionals and practitioners as to the weight of this guidance and whether it is mandatory. The use of the words 'should' and 'may' are open to some interpretation.
- 5.9 In terms of setting CIL these changes would have the effect of improving viability through reducing the financial burden on developers by reducing the affordable housing requirements. It is therefore 'safe' to proceed with the CIL process, based on the existing evidence to set CIL
- 5.10 Having said this, it is important to note that the viability of sites of 10 and less is likely to improve as a result of this change. It may be possible to introduce a higher rate of CIL as the overall policy burden has been reduced. Following discussion with the Councils it has been decided to proceed on the current basis, as set out in this report, for now. The Councils will not have CIL in place by the April 2015 deadline on pooling so it is important to implement CIL as soon as practical. A further delay to revisit the evidence base and to pursue the democratic process, may result in a higher rate of CIL on the smaller sites (10 or less), however during that period of delay further sites will be consented and not be subject to CIL so the overall amounts received by the Councils may be reduced.

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers.

The firm is led by Simon Drummond-Hay who is a Chartered Surveyor, Associate of Chartered Institute of Housing and senior development professional with a wide experience of both development and professional practice. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments
- Future Housing Numbers Analysis (post RSS target setting)

HDH Planning and Development have clients throughout England and Wales.

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