

For: Elmbridge Borough Council



**Local Plan &
Community Infrastructure Levy Scoping
Viability Assessment**

Final Report (v1)

DSP19624

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Notes and Limitations

- a) The purpose of the assessment reported in this document is to assess the viability of the proposals and policies put forward as part of the new Elmbridge Local Plan including a potential review of the Council's Community Infrastructure Levy (CIL) Charging Schedule.
- b) This report sets out information and where relevant, options, to inform the Council's consideration of potential policies and CIL charging rates from a viability perspective whilst taking into account adopted national policies that may impact on development viability.
- c) This has been a desk-top exercise based on information provided by Elmbridge Borough Council (EBC) supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of Local Plan development ('plan-making') and potential CIL review.
- d) This assessment has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.
- e) It should be noted that every scheme is different, and no review of this nature can reflect the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions. Specific assumptions and values applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach to and proposals for a robust and viable Plan.
- f) Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review

will not necessarily reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.

- g) The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with Brexit and during a period when the Global COVID-19 (Coronavirus) pandemic situation has been dominating many aspects of the news and economy.
- h) This may run through into many potential areas affecting viability or deliverability, particularly in the short term. However, there could be a range of economic influences and effects, not necessarily all negative in their impact on viability. It is of course only possible to work with available information at the point of carrying out the assessment. At this stage it appears that it will be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.
- i) This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan preparation/review. In the meantime, this work has included a significant amount of sensitivity testing to inform the Council’s consideration of development viability in the wider plan delivery context.
- j) This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.
- k) To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd (DSP) accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

- l) In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations.

- m) DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. DSP also currently undertakes the review of site-specific viability assessments on behalf of Elmbridge Borough Council – as submitted to EBC usually at planning application (development management or in the terms of the Planning Practice Guidance (PPG) ‘decision making’) stage. We have provided this service to EBC for a number of years, as we have to a wider range of other Local Planning Authorities in England. This service is based on individual case requests, quotes and instructions and is also provided to EBC by other Council approved consultants.

- n) In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive / performance related payment. Our project costs are simply built-up in advance, based on hourly / day rates and estimates of involved time. In the preparation of this assessment DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

Executive Summary

Introduction

1. This summary aims to provide a brief overview of the full report that follows: Elmbridge Borough Council Local Plan and CIL (Community Infrastructure Levy) Scoping Viability Assessment – DSP19624. The overview set out here is not a substitute for the full detail that should be referred to in the report.
2. Elmbridge Borough Council (EBC) appointed Dixon Searle Partnership (DSP) to prepare the Viability Assessment as part of the wider evidence base informing the new Local Plan. The Plan will replace the existing Core Strategy, adopted in 2011 and Development Management Plan, adopted in 2015.
3. The Local Plan will direct the strategy for growth in the borough balanced against key objectives including sustainable development and climate change response, and meeting housing and economic needs. Striving to secure contributions towards meeting affordable housing needs in this area of very high house prices will remain amongst the priorities.
4. ‘Viability’ in the sense of this assessment refers to the financial “health” of development. This means that the work looks at the likely strength of the relationship between development values and costs and how this could vary across a range of potential sites and scheme types.
5. Developed in this way, the assessment approach and findings enable a review of how much financial scope there is likely to be for developments in the borough to support both ongoing and additional / updated policy requirements. So, this is then viewed together with all typical development standards and costs (such as relating to housing standards, sustainability, and infrastructure costs) that are likely to be also influencing viability, needing a cumulative view of the various cost impacts. The evolving national policy context is part of this view.
6. In terms of infrastructure provision to support the Development Plan, EBC has a Community Infrastructure Levy (CIL) in place (implemented in 2013). The Council is likely to consider whether to review the adopted charging basis. Also relevant as context to this is the Government’s planning reforms which include a review of the CIL and which ultimately could influence the direction of the Council’s further consideration of this. In the meantime, EBC

does not rely significantly at all on section 106 (s.106) planning obligations to secure the infrastructure necessary to make development proposals acceptable.

7. Accordingly, at this stage (initial review exercise on CIL viability alongside the Local Plan testing considerations) the assessment initially scopes the potential for a continued or potentially revised CIL by using a wide range of test charging ('trial') rates at up to £400/sq. m (per square metre). At the upper end this takes the testing beyond the likely realistic scope for a local CIL, taking into account the cumulative development costs, as above.
8. The approach allows an overview of any revised CIL potential to be made and also for appropriate "buffering" to be considered. This ensures that the continued or any revised charging rates considered in due course are not reliant on the margins of viability. This is all consistent with the national guidance on CIL, which forms a distinct section of the Planning Practice Guidance (PPG). The approach, with some further review, refinement and likely provision of more supporting detail on some aspects will lead to a sound basis for a continued or any reviewed CIL Charging Schedule - as may be relevant moving ahead in Elmbridge.
9. This backdrop and the study approach, conducted by experienced consultants, is consistent with the relevant national policy and accompanying guidance – as updated 2018-19 in respect of viability and subsequently in other respects.
10. The National Planning Policy Framework (NPPF) para 34 on 'Development contributions' states: *'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*
11. The Planning Practice Guidance (PPG) on 'Viability', published alongside the updated NPPF in July 2018 and most recently updated on 1st September 2019, provides more comprehensive information on considering viability in plan making.
12. The PPG follows the above noted NPPF theme and states: *'These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and*

section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land.’ The PPG goes on to state that: ‘Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan’. (Extracts from paragraphs 001 and 002 of the ‘Viability’ PPG as updated 9th May 2019.)

Assessment approach - methodology

13. Responding to the above, the well-established assessment approach involves a method known as ‘residual valuation’. This deducts estimated costs (using assumptions that reflect the usual costs of development e.g., build costs, fees, finance, marketing and sale costs and developer’s profit) from the expected end value on sale of a scheme (often known as the gross development value or ‘GDV’). The approach produces a surplus, hence a ‘residual’ or (in some cases where viability is challenging) deficit that points to the amount that could be paid for the development land (site or premises to be developed).
14. A large number of these appraisals are undertaken across scenarios (typology tests or ‘typologies’) broadly reflecting anticipated development in the borough area. This approach allows varying potential levels of planning policy costs and CIL charging to be tested for viability collectively (or ‘cumulatively’), as above.
15. In this case the exercise has been run with the relevant emerging Local Plan policies tested amongst the variables that also include the varying value of completed development, host site type and related land value.
16. Different levels of developer’s profit have also been considered; tested at 15 – 20% gross development value (GDV i.e. completed sale value) with 17.5% GDV as the suggested base assumption.
17. Owing to its high cost of provision, the affordable housing (AH) requirement is a key policy area that typically has a very significant influence on development viability. Review of the policy approach to this is therefore a key aspect of all viability assessments like this. The AH development costs are similar to those of market sale housing, but it supports a significantly lower revenue level (value) overall (generally at around half of the market sales values or similar, viewed broadly across a mix of affordable tenure); hence its significant impact.

18. The resulting 'residual land value' (RLV) levels are compared with a series of benchmark land values (BLVs) as part of assessing the likely prospects of various policy levels and combinations being supportable (viable), and developments of a relevant nature locally therefore being deliverable all in support of the Local Plan.
19. The use of BLVs, again a part of the established assessment approach, helps ensure that the RLV results are viewed in terms that should provide an appropriate level of return to landowners. This is based on the principle, as set out in the PPG, of 'Existing Use Value Plus' (EUUV+). This reflects the value of land in current use as the basis, with a level of uplift or premium then also considered, as may be appropriate to secure the timely release of a site for development – to take it out of its current use. The BLV assumptions allow for the developed and wider areas of sites including allowance, for example, for landscaping, open space and the like.
20. This assessment has been carried out over stages from feeding in emerging viability findings and all informing dialogue with the Council, leading to a process of further checking and refinement of the policies development as the new Local Plan development strategy and proposed policy content evolved. All conducted in a two-way manner, this commenced with initial assessment work undertaken 2016 - 2018 and progressed to updated review work in 2020 – 2021, leading to further and final revisiting 2021 – 2022, all as now reported.
21. The impact of the emerging requirements has been considered whilst making other appropriate assumptions as are set out in the report (see section 2) and appendices (particularly the overview of assumptions provided at Appendix I). These reflect all other policy areas where a quantifiable development cost (and therefore potential or likely viability impact) is associated with a requirement that is or will be in place.
22. Details of the approach to the assessment and its findings are provided in the following report and the tables set out within the appendices. These include more information on the principles, the assumptions used and their source, an outline of how development industry stakeholders and others have been consulted and the review and analysis of results leading to the findings. A brief overview of the key findings follows.

Brief overview of viability assessment main findings

23. Following an appropriate 2-way assessment, review and refinement process, the Local Plan proposals and policies are considered to support suitable prospects for developments to continue to come forward viably within this strong local market context. Viewed and operated as whole, the updated approach is considered to meet the criteria of the NPPF and be consistent with the national guidance within the PPG in viability terms.
24. With a functioning property and development market in place, the policy area that has most impact on development viability is that of affordable housing (AH) and this influence is already in place through the adopted Core Strategy – although the details of this and its implementation have been under review, leading to a suggested reduction or change in approach in some respects as part of balancing overall sustainable development requirements. This significant effect of the AH is almost always seen and not just a feature in Elmbridge Borough, owing to the restricted level of development value that the AH provides whilst costing a similar amount as the market sale homes to develop, as noted above.
25. Also related to this, it is relevant to consider that affordable housing tenure models change over time. As a case in point, in addition to the locally led needs and responding policy requirements, as part of this assessment we have assumed that 25% of the overall affordable housing requirement in each scenario is now to be included as First Homes. This is consistent with both emerging policy and recently added national policy at the point of completing this assessment - as per the Government's First Homes guidance now within the PPG as of May 2021. First Homes can also meet or contribute to the provision of a minimum 10% Affordable Home Ownership allowance referred to in the NPPF at paragraph 65.
26. Following the review process, we consider the scope of the proposed new Local Plan for Elmbridge, as influences viability, is not excessive. At the point of writing, the proposed local requirements do not exceed the national policy base in significant respects, so that they anticipate the direction of national policy and do not seek to add overly onerous requirements in this relevant overall context.
27. In brief outline, the main aspects of the Elmbridge Local Plan reviewed as directly influencing viability and considered as leaving development still able to come forward viably are:

- **Affordable housing (AH).** Reflecting overall development costs and viability, some changes are proposed relative to the current policy approach under the adopted Core Strategy. These are noted below but involve:
 - a wider use (covering an extended bracket of scheme sizes) of the existing financial contributions in-lieu and enabling approach at 20% AH equivalent (now proposed for application to sites providing 1 to 9 new dwellings so that on-site AH is triggered at a higher threshold, required on fewer sites) and;
 - a differential approach to the requirement at 10 or more dwellings, where a lowered expectation (at 30%) will be placed upon PDL (previously developed land i.e. brownfield) sites and 40% on any greenfield based developments.
 - in all cases the AH mix will now include First Homes comprising 25% of the AH, based on sale at 30% market value discount; the minimum prescribed level.
- **Sustainable construction supporting for now a 31% reduction in carbon emissions.** This aligns with the interim level of the Future Homes Standard and reflects the higher requirement that will be within the Building Regulations from June 2022. The Council's approach will therefore follow the national trajectory, with greater levels of carbon reduction (and anticipated reducing extra-over costs involved in securing this) over time. Allowances have been made in respect of electric car charging provision.
- **Biodiversity net Gain (BNG).** The Environment Bill received Royal Assent on 9 November 2021, meaning it is now an Act of Parliament: [Source \(and web-link\): local.gov.uk](https://www.local.gov.uk). Mandatory biodiversity net gain as set out in the Environment Act will apply in England once the Town & Country Planning Act is amended and currently is likely to become law in 2023. Assumptions reflecting BNG at the national minimum level (set to become 10%) have been reflected within the assessment.
- **Water Efficiency Standards.** A base assumption of 110 lpppd (water usage not exceeding 110 litres per person, per day) has been applied and has only a nominal effect (not detectable at this level) on cost and viability compared with the base requirement of 125 lpppd.
- **Thames Basin Heaths Special Protection Area (SPA)** – a continuation of the current approach and mitigation is envisaged as continuing, with the SANG costs supported

through the CIL and SAMM (Strategic Access Management and Monitoring) contributions allowed for in addition.

- **Accessible and adaptable homes.** With the potential cost implications considered throughout, the final assumptions reflect the intended EBC policy approach to add flexibility to the housing stock and seek 10% of all new homes on sites of 10+ dwellings to be provided to Building Regulations enhanced standard M4(2); 5% to M4(3) on sites of 20+ dwellings.
- **Open Space and housing space standards** – assumptions have been made reflecting these matters too.

28. In summary, this assessment has reviewed the overall viability of the proposed Elmbridge Local Plan policies as will affect housing development and concludes that these should support suitable continued prospects of deliverability.

29. In general terms, the viability of the commercial and other non-residential development use types that may be relevant to the Plan is likely to be more mixed overall. Outcomes will tend to be even more scheme specific in practice. However, and as is typical in our experience, the scope of the Local Plan policies that will influence development viability specifically, is set to continue to be very limited. The existing (and/or any reviewed) CIL or similar levy is set by reference to viability and has been considered.

30. However, in addition to the CIL scoping exercise run across a range of development types (again using a typologies approach) the appraisal testing included as a base assumption, additional construction cost representing the Government's consultation on the 'Future Buildings Standard'; reflecting an equivalent approach to that within the noted 'Future Homes Standard' consultation. The consultation proposed a preferred approach of a 27% carbon reduction requirement on non-domestic buildings, representing an interim uplift to building regulations and again ahead of the full standard anticipated in 2025. Consistent with our suggested and supported position on residential development, in our view an alignment to the proposed interim uplift to building regulations at 27% carbon reduction is likely to be the most suitable approach at this stage.

31. We have noted that it is not the assumed level of carbon reduction in isolation that could be seen to result in non-viability or marginal viability, however, but the wider market context. The demand for commercial property, associated investment prospects / risk and therefore the values relative to development costs are often the inherent issues. This is not an unusual finding. This is the only policy area considered to have a direct viability impact on such developments, however, and was found not to be significant overall. An otherwise viable development would not be made unviable by this requirement.

Potential review of Elmbridge Borough Community Infrastructure Levy (CIL) – Provisional scoping

32. To this stage of viability assessment in respect of CIL, the provisional parameters for viable charging rates here alongside the adopted emerging Local Plan policies scope are indicated overall at £150 to 250/sq. m for residential developments.

33. This means that the adopted charging rate (as indexed 2022) at £185.26/sq. m falls within an appropriate range and at this stage is therefore considered suitable for ongoing use alongside the new Local Plan policies too, pending any review of the Charging Schedule or consideration of any new form of Levy for infrastructure as may come forward under the Government's current review.

34. Otherwise on continuing CIL potential, we have again identified provisionally that only certain types of commercial / non-residential development uses would also be likely to remain viable whilst supporting a meaningful CIL. At this stage, we would expect the potential rate or rates for this to be within similar parameters to the current indications for residential – likely the range £100 to £150/sq. m and so potentially significantly higher than the 2022 indexed rate at £74.11/sq. m based on the adopted Charging Schedule. The current findings are that such findings would most likely be relevant to any larger format developments for food and convenience retail together with retail warehousing. However, with the current single rate approach to CIL charging for retail developments in the borough (again applicable since implementation in 2013) our findings also include the suggested consideration of a lowered or nil CIL charging rate to smaller and all other forms of retail development at this point – should the Schedule be reviewed.

35. Although some other development uses may also support a nominal level of CIL charging, other specifically identified forms of development (including other retail uses, hotels and care homes) appear unlikely to be able to support a meaningful CIL charge at this stage – which would continue the effect of the current charging schedule.
36. The same applies to many other development uses where the viability evidence will not be able to support a CIL charge. In those cases, the usual approach in our experience is to nil-rate ‘all other uses’ or similar. Such an approach reflects the viability evidence and also the potential range of implementation and administrative issues that can be experienced around imposing a wide-reaching charge.
37. As an alternative, it may be possible to look at a very low or nominal rate charge for ‘all other uses’ or similar. This would involve taking a different view on the overall balance to be struck (i.e., between the desirability of funding infrastructure and the potential effects on viability). The minimal additional impact on already often challenging viability scenarios could also be an argument for this. We note that this could be amongst the matters considered and weighed up through further final stage review work in respect of a CIL review in the borough or in looking at any similar levy that may become applicable here.

General

38. This assessment has been worked up over a period when more than typical levels of uncertainty may influence matters moving forward. An overview and judgments are always necessary, and indeed are appropriate. However, at this stage both the COVID-19 pandemic (adding economic uncertainty to that related to the UK’s exit from the EU) and the Government’s proposals on planning reform (the outcomes of which are currently not known) may be considered to present a range of extended unknowns.

**Executive Summary ends
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1. Introduction

1.1 Introduction and report purpose

- 1.1.1 Elmbridge Borough Council (EBC) is in the process of preparing a new Local Plan to replace the existing Core Strategy, adopted in 2011 and Development Management Plan, adopted in 2015.
- 1.1.2 The formal decision to prepare a new Local Plan was made in 2016 with a Strategic Options Consultation (including initial preferred option) undertaken between December 2016 and February 2017. As part of this stage of the Plan preparation the Council undertook an initial evidence gathering exercise including working with DSP on potential viability issues in 2016.
- 1.1.3 Given the responses to the Strategic Options Consultation (SOC), publication of the new National Planning Policy Framework (NPPF) in 2018 and updated in 2019, updated Planning Practice Guidance (PPG) and what the Government considered to be the exceptional circumstances required to justify amendments to Greenbelt boundaries, the SOC options were re-evaluated.
- 1.1.4 The findings of the re-evaluation were considered via a further Regulation 18 consultation between August 2019 and September 2020, this time without a preferred option identified. A further Regulation 18 consultation was also undertaken in relation to development management policies between January and March 2020. The Council is now in the process of reviewing representations received which, alongside this viability study and other emerging evidence, is informing the development of a full draft plan, in advance of the Regulation 19 pre-submission version.
- 1.1.5 In order to both inform and then support the development of the new Local Plan the Council has prepared and commissioned a number of evidence-based studies (including this assessment on development viability).
- 1.1.6 The purpose of undertaking this study is to assess the viability impacts of emerging planning policies, so as to inform their further development, and to assess the potential viability and deliverability of development allocations whilst taking account of emerging

policies. Overall, the council requires the assessment in order to demonstrate that the policies proposed do not undermine the deliverability of the Local Plan. In addition, the Council is considering a potential review of its adopted Community Infrastructure Levy (CIL), linked to the development of the new Plan. At the time of writing, there are still some uncertainties in relation to infrastructure provision within the Borough and as such at this reporting stage (work completed March 2022) we provide initial views only on the likely parameters for suitable CIL charging rates in the Borough when considered alongside the emerging Local Plan policies. Taking this beyond current ‘CIL scoping’ reporting, it will be possible to revisit and add further detail to this once a more settled policy and infrastructure picture emerges. Currently, the intention is to add to this report with further information in relation to a potential revised CIL, although noting also at this stage that a review of arrangements to secure local infrastructure funding is within the scope of the Government’s proposed planning reforms.

- 1.1.7 It is in the interests of the Council, local communities, developers and all other stakeholders to ensure that the proposed policies, sites and the scale of development identified in the Plan are deliverable as a whole - to ensure a sound Plan through the examination process and in support of sites having reasonable delivery prospects moving ahead. This is equally true of any level of CIL that will be charged across the borough – as part of the overall costs of and support to suitable developments.
- 1.1.8 The Local Plan must be prepared in accordance with the requirements set out in National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG). Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The key guidance on how to address this is within the national Planning Practice Guidance (PPG), while other publications also provide reference sources.
- 1.1.9 In light of the above, the Council commissioned Dixon Searle Partnership (DSP) to carry out this viability assessment (study). The assessment involves the review of financial viability using a site typologies approach i.e. using test scenarios representing a range of site types/development schemes likely to come forward through the emerging Local Plan.

- 1.1.10 Consistent with this context and DSP's experience, and reflecting the local characteristics, the assessment provides the evidence base for the viability of the Local Plan policies, informing and supporting its deliverability overall. As above, this will help ensure that the development strategy and sites supply identified in the plan are not subject to such a scale of obligations (including CIL) and policy burdens that their ability to be developed viably is unduly threatened.
- 1.1.11 This viability assessment has been produced in the context of and with regard to the NPPF, Planning Practice Guidance (including crucially on 'Viability' but which also contains the CIL Guidance), CIL Regulations, and other Guidance¹ applicable to studies of this nature. After setting out the assessment context and purpose within this 'Introduction' section, the following report structure, on the study detail, is presented over 3 stages as included below (brief outline here):
- **Methodology** – approach to the study, residual valuation methodology, assumptions basis and discussion;
 - **Findings Review** – overall results context, detailed analysis of the typology test results, additional information on potential larger sites review as above (including as key themes the strength of viability in relation to a range of affordable housing (AH) proportions, potential CIL charging scope and other key policy considerations.
 - **Findings Summary - Overview** – including any options/alternatives, and set out in the context of the viability of the whole Plan, i.e. taking account of the cumulative impact associated with the Council's emerging policies (including viable affordable housing thresholds and proportions (%s)). Also covering review of the viability of the existing CIL charging schedule/alternatives, and therefore whether a different approach to that is considered necessary or likely to be more suitable, alongside the new Local Plan policies. Although at this stage principally a scoping exercise, the CIL part of the exercise is included because this (or an equivalent approach securing

¹ Including the RICS Professional Guidance Note 'Financial viability in planning' (August 2012), replacement version of that RICS guidance (see following note) and 'RICS Professional statement on Financial viability in planning – conduct and reporting' (September 2019) and 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012).

During the course of this study the RICS published a new guidance note '*Assessing viability in planning under the National Planning Policy Framework 2019 for England*' (1st Edition, March 2021; effective 1st July 2021). Whilst this replaces the previous RICS 2012 guidance note, effectively its emphasis reflects and reiterates much of the Planning Practice Guidance. The PPG will remain the primary source of guidance in the field of viability in planning.

infrastructure contributions) is a significant part of the overall development costs base which cannot be separated from the policies review.

- 1.1.12 The testing of Local Plans for viability does not require a detailed appraisal of every site anticipated to come forward over the plan period, but rather a test of a range of appropriate site typologies that reflect the potential mix of sites likely to come forward. The process should however include more specific consideration of any significant individual sites upon which the Plan relies for the delivery of its growth objectives.
- 1.1.13 Equally, the Local Plan viability assessment does not require an appraisal of every likely policy but rather potential policies that are likely to have a direct quantifiable bearing on the overall development costs. In our experience this type of assessment involves a focus primarily on the viability prospects and potential policies associated with housing development. This is because the scope of EBC's or indeed other Councils' influence over the viability of other forms of development (i.e. non- residential / employment / commercial) through local planning policy positions is typically much more limited.
- 1.1.14 The assessment approach applies sensitivity testing to explore the likely impacts of the potential policy costs - including on a range of affordable housing requirements and combined with allowances for meeting the requirements of other policies emerging through the Local Plan review process. This covers areas such as the optional housing / technical standards, including those relating to the access to and use of buildings, sustainability, water usage efficiency and space standards.
- 1.1.15 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.

1.2 Assessment Roadmap – Initial viability review and latest work September 2020 to end 2021/early 2022

- 1.2.1 Following initial work undertaken on behalf of EBC at the start of the Local Plan development process in 2016 (leading to initial reporting of findings in 2018), the current assessment phases began in late Spring 2020. The research and consultation project

phases commenced at the point of project inception and although the main data collection/analysis aspects took place over the period April/May 2020 to October 2020, this aspect of the study remained flexible and fluid throughout the project as further information and feedback became available. In summary, this early phase of the project comprised the following elements (further detail can be found in Appendix III - Market Values Analysis Report):

- Extensive property values research and market review analysis utilising Land Registry sold prices data for both new build and re-sale properties across the borough.
- Stakeholder consultation with both wider development industry and affordable housing provider representatives - by way of bespoke surveys, followed by the review and analysis of feedback. This stage was undertaken primarily during April to May 2020, although the process remained open for any further responses.
- In-depth policy analysis to assess those policies carrying a direct cost and therefore impact on viability, including analysis of other supporting documents (wider information review) including the Land Availability Assessment (LAA) to analysis the characteristics of emerging site supply, Local Housing Needs Assessment (LHNA) 2000 and Addendum 2021 to understand housing need etc.
- Developing an initial set of development appraisal assumptions to inform the first phase of testing including, sales values, dwelling mixes, affordable housing revenue, policy costs and base appraisal assumptions.

1.2.2 In November 2020 DSP provided EBC with the first of two emerging findings stages updates sharing early stage indications including emerging options for viable policy development. These first stage emerging findings were based on sample number of typology tests which represented a cross-section of typical schemes likely to come forward in the borough, as follows:

- 10 Houses – assumed previously developed land (PDL) site type
- 30 Mixed (houses and flats) – assumed both potential PDL or greenfield site types
- 50 Flats (3-5 storey) – assumed PDL site type
- Build to Rent (BtR) 200 Flats (6+ storey) – assumed PDL site type

- 1.2.3 Also reflecting the earlier stage initial work, the findings at this point began to highlight the possibility that a sub-40% affordable housing requirement in some circumstances may be necessary to support development viability; particularly so on PDL schemes. Greenfield sites were considered more regularly able to support 40% affordable housing and so a differential approach to affordable housing by site type was beginning to emerge as a key finding. In addition, early stage findings suggested that there was unlikely to be scope for any significant increase in the CIL (subject to further testing and EBC demonstrating an infrastructure funding gap).
- 1.2.4 Following the initial emerging findings updating DSP's dialogue with EBC was continued leading to further work undertaken as follows (in outline):
- Collating, reviewing and analysing information for specific sites e.g. plans, site feasibility appraisals etc. This process raised some further queries and additional information, leading to settling an agreed, bespoke set of assumptions for specific site allocations testing (2 no. total).
 - Further refined and developed set of overall development appraisal assumptions for the typology testing following queries raised as part of the Emerging Findings stage discussed above.
 - Full range of residential typology testing (as set out in Appendix I: Assumptions Summary) and specific sites testing once the updated and revised range of appraisal assumptions were settled and agreed with the Council. This included testing a multiple affordable housing proportions alongside sensitivity testing various levels of developer return at 15%, 17.5% and 20% on gross development value.
 - Review and analysis of the above results to inform the next reporting stage.
- 1.2.5 This phase of the current assessment took place between mid-December 2020 to June 2021, at which point a second set of emerging findings were shared and discussed. This dialogue covered the results of an expanded range of typology tests and specific site testing so far as possible, albeit noting some key information remained outstanding and awaited further clarification from the Council. These further findings built on and

developed those discussed at the earlier emerging indications stage, with the themes drawn out as follows:

- PDL sites indicated more challenging viability prospects, particularly on apartment-led schemes leading to a consideration of a reduced level of affordable housing on PDL sites – at 30% on sites of 10+ (also lowering the threshold to sites of 10+).
- Greenfield sites indicated more positive viability scope with 40% to perhaps 50% affordable housing supportable on sites 10+ units unless those sites came with very significant infrastructure requirements.
- The policy differential (sliding scale type approach) should continue on small sites, assuming EBC's intention to seek affordable housing contributions beneath the NPPF threshold, based on the locally established evidence of acute affordable housing need and supply of affordable housing from small sites track record. DSP indicated 20% affordable housing equivalent was supportable based on financial contributions adopting the existing methodology approach.
- DSP considered that it would be appropriate to set policy that was consistent with national guidance on any Build to Rent developments, noting that from our indications and in our experience to date even 20% 'affordable private rent' may be challenging to secure in terms of development viability.
- The further emerging findings also highlighted the need for the Council to consider their approach to First Homes (in terms of the level of discount) – see further below.
- As part of this fuller range of testing, we also continued to consider the scope for a continuation or potential review of the Elmbridge Borough CIL, with the findings indicating that the current approach remained appropriate in its main respects.

1.2.6 The Council requested some further work to be undertaken on First Homes, particularly in relation to a suitable level of discount to be applied in accordance with newly emerging guidance. This aspect of the revised work scope was considered, tested on a sample typology (50 mixed dwellings) and our further findings were shared with the Council in September 2021 as follows:

- Due to very high value levels in Elmbridge (with house prices being similar to London levels), the results lead to the conclusion that only 1-bed flats could be provided as First Homes at a 30% discount so as not to exceed the £250,000 cap across most of the Borough.
- Only in lower value scenarios would a 40% discount level be sufficient to come under the above cap in respect of 2-bed houses, whereas 3+bed houses looked unlikely to be able to be provided as First Homes (assuming typical/mid-range market values).
- At this point, our interim findings report also raised a number of queries in relation to the above for EBC to consider and clarify in advance of further sensitivity testing to inform the final viability assessment (as this report encompasses).

1.2.7 Following further internal discussions with the Council the process of finalising the study took place between November 2021 to March 2022 and included the following:

- Stakeholder consultation refresh with the development industry – this was with a view to inviting stakeholders to provide observations on their most recent experiences of the latest market context generally (particularly given the continuing economic influences of the Covid-19 pandemic and Brexit) alongside continuing to raise awareness of the assessment in advance of the Regulation 19 representation stage. The further survey exercise was circulated on 20th January by EBC, with any responses requested by 7th February 2022.
- Finalising of assumptions for a re-running of the final stage checking residential appraisals (as per Appendix IIa) with the assumptions scope now to include First Homes throughout.
- Completing the range of non-residential and commercial development use typology testing including results review and analysis – to further inform the CIL scoping exercise included within this assessment.

- Any necessary refreshing of the accompanying market values analysis report (Appendix III) incorporating further updates to market reporting and stakeholder consultation.

1.2.8 The content of this report seeks to include the review and finalising of the above project stages, bringing together each stage into a fully developed range of findings and a robust viability evidence picture that has informed and will support EBC's emerging Local Plan and Regulation 19 representation period.

1.3 Elmbridge Borough - Profile

1.3.1 Elmbridge Borough covers an area of 9,634 ha in the north of Surrey and adjoins the London Boroughs of Kingston upon Thames and, across the river, Richmond as well as the Surrey authorities of Runnymede, Spelthorne, Woking, Guildford and Mole Valley.

1.3.2 Despite being a relatively small Borough in size, it is home to over 150,000 people who live in the towns and villages, each with its own distinctive character. Whilst Walton-on-Thames is the largest centre with the most significant shopping area there is no single dominant town providing a core of services for the entire Borough. Each town and village has its own centre with a range of shops and services which seek to support the needs of that community. This patchwork of towns and villages is a distinct feature of the Borough with these settlements, by and large, being separated by open land which is designated as Green Belt. A key feature of the urban area in Elmbridge is the relatively low-density character within many of its settlements. This character is further enhanced by the significant open spaces that provide space for recreation and leisure as well as providing key breaks in the urban character.

1.3.3 The Council's overriding need for new development in the Borough is housing, with the latest Local Housing Needs Assessment² (LHNA) 2020, indicating a minimum household need of 778 dwellings per annum based on the Standardised Need Methodology and then *"reduced to 626 dwellings per annum after the application of a cap in the increase in need over that set out in the Council's existing Core Strategy"*. The LHNA goes on to state that *"the recommended breakdown of dwellings by size in the new build stock, other than that being provided to meet the need for affordable housing, is 20% one-bedroomed units, 50% two-bedroomed units, 20% three-bedroomed units, and 10% four-bedroomed"*

² Cobweb Consulting: Assessment of Local Housing Need Elmbridge Borough Council (March 2020)

units". The LHNA further identifies a net annual need of 269 dwellings per annum for affordable housing of which 71% is for rented affordable tenures and 29% for intermediate tenures. Discussing with EBC housing and planning officers has led to a development and final stages settling of the affordable housing tenure mix to be assumed for our testing. We have been provided with a 4th November 2021 'Addendum – Clarification of social rent requirement' which we have reflected within our final assumptions all as set out below (leading to the latest appraisal runs and analysis completed in late 2021 / early 2022) including social rented affordable homes. Details are also outlined within Appendix I.

- 1.3.4 We understand the total provision is to be supported by a mixture of site allocations, identified preferred sites emerging from the Land Availability Assessment (LAA), windfall sites (small sites and office to residential conversions under permitted development), together with those sites currently with planning permission or currently under construction. The homes to be delivered through the preferred strategy and identified sites as now proposed consists entirely of PDL or sites within the existing urban area. Within this picture, the number of urban sites with fewer than 50 dwellings potential is circa. 85%.
- 1.3.5 Furthermore, our information review included analysis of the Council's affordable housing delivery under the current adopted policy position. This indicates approximately 58% of schemes currently comply with existing policy requirements for affordable housing. A further 30% are not compliant and have not made any contributions to affordable housing. However, approximately 12% have provided a reduced level of contribution through the submission of a viability assessment and subsequent independent assessment and negotiation. Along with other consultants as part of a framework arrangement, DSP is regularly involved with the review of planning applicants' viability submissions for EBC (as we are elsewhere and have been for many years) where that process is instigated, and a case is made that the particular scheme viability is considered unable to meet planning policy requirements (usually with affordable housing the focus, but occasionally with review necessary for other reasons).

1.4 National policy & guidance (NPPF, PPG and CIL)

- 1.4.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF)³ which says on *'Preparing and reviewing plans'* at para 31: *'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'*
- 1.4.2 NPPF para 34 states: *'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*
- 1.4.3 The national Planning Practice Guidance (PPG) on 'Viability', most recently updated on 1 September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The PPG on Viability states:

'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).'

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development...Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine

³ Updated in May 2019 and again (July 2021) during the course of running this study

deliverability of the plan'. [Paragraph: 001 Reference ID: 10-001-20190509 - Revision date: 09 05 2019.]

- 1.4.4 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The latest revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the applicant will need to demonstrate what has changed since the Local Plan was adopted.
- 1.4.5 In addition, further relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report⁴). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of Supplementary Planning Documents (SPDs) and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.
- 1.4.6 During the later stages of this study, the Royal Institution of Chartered Surveyors (RICS) published an updated Guidance Note relating to viability in planning⁵. That refers to and re-emphasises much of the guidance contained within the PPG and in that regard, this study takes account of the relevant guidance. However, to be clear, given the timing of the renewed RICS document relative to the assessment work building to this report, this study does not specifically refer to the July 2021 RICS Guidance. Our approach has been to use the PPG as our key reference point, consistent with the approach to all other assessment work of this nature (and with the RICS Guidance effective July 2021 now essentially reiterating the PPG approach and principles).

Planning reforms in the context of this study

- 1.4.7 Prior to the commencement of this study, the Government consulted on both short-term and longer-term major reforms to the planning system in England and Wales. The White Paper: Planning for the Future consultation (August 2020) sought views on wholesale

⁴ 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

⁵ RICS: 'Assessing viability in planning under the National Planning Policy Framework' 1st edition, March 2021, Effective 1 July 2021)

reforms such that in some respects, if implemented, the system could be very different to the current one under which this assessment and the Local Plan are being produced to date. The second consultation – ‘*Changes to the current planning system*’ looked at shorter term objectives including the introduction of a First Homes policy⁶ and temporary increase in the national affordable housing threshold⁷. On the latter point, the Government’s response to its consultation concludes that (in summary): ‘*On balance, we do not consider this measure to be necessary at this stage, particularly in light of the broader way in which the sector has responded to the challenges of the pandemic and the other measures we have available to support SMEs. We therefore do not think any change to existing policy is currently needed*’.

- 1.4.8 The longer-term major reforms proposed in the White Paper look likely to have a significant impact on the setting of planning policy and the way in which policy and wider plan development (meaning including the preparation of a revised CIL in this context) is considered, running also into the operation of policies. The Government’s proposals include potentially a wholesale reform of CIL; possibly combined into a broader Infrastructure Levy alongside other section 106 payments including affordable housing, however details are not yet available. Although there is speculation at the moment, there is uncertainty about when we will know more and what the new arrangements might be. Given these wide-ranging, proposed planning reforms are not yet confirmed, we are unable to comment at this stage on what the impact may be on the study or indeed on the Local Plan or a potential revision to the EBC CIL. The proposed wider reforms may not ultimately take the form envisaged within the consultation and there could be a considerable amount of time taken before any changes enter the planning system.
- 1.4.9 In respect of First Homes, the Government has recently confirmed the introduction of a requirement for these to be delivered via section 106 of the Town and Country Planning Act 1990 (s106). According to the Act and supporting Guidance, a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes with a minimum discount of 30% of market value (MV). Increased levels of discount can be considered (at 40% or 50% of MV) subject to demonstrating appropriate need (as we understand it, the discount chosen would need to be applied borough-wide).

⁶ Policy proposal that a minimum of 25 per cent of all affordable housing units secured through developer contributions to be First Homes with a minimum 30% of market value discount.

⁷ The government consulted on whether to increase the current affordable housing threshold (where affordable housing may be sought from developments of 10 dwellings or more) to 40 or 50 dwellings for a temporary period of up to 18 months.

- 1.4.10 The earlier stages of this assessment including all development appraisal modelling feeding into emerging findings for the Council as it progressed, were conducted prior to the introduction of First Homes. DSP provided advice to EBC in considering the level of First Homes discount that could be applied (once taking into account the house price cap – after discount - of £250,000 outside London) to achieve a generally workable scenario across the Plan area as noted briefly above. Having discussed that exercise, the Council confirmed that for the purposes of the First Homes to be included in the final set of modelling, a 30% discount (from market sale value, as per the minimum prescribed level) should be assumed. As noted at 1.2.7 above, the residential appraisals were then re-run to all include First Homes in the final stages; results as now included within Appendix IIa. Report section 2 below on Methodology includes further details overviewing the consideration of the “workability” of the First Homes criteria locally given the constraints of the nationally prescribed approach. Appendix I also notes the assumptions applied on this element.
- 1.4.11 In addition to the above, during 2019 the Government consulted on plans for a Future Homes Standard (FHS) for new homes from 2025, and proposed options for an interim increase to the energy efficiency requirements for new homes ahead of that. The consultation proposed the following:
- From 2025, new homes built to the FHS will have carbon dioxide (CO₂) emissions at least 75% lower than those built to current Building Regulations standards.
 - Introducing the FHS will ensure that the homes this country needs will be fit for the future, better for the environment and affordable for consumers to heat, with low carbon heating and very high fabric standards.
 - All homes will be ‘zero carbon ready’, becoming zero carbon homes over time as the electricity grid decarbonises, without the need for further costly retrofitting work.

- 1.4.12 During the period of this study, the Government provided its response to the consultation⁸ leading to an expectation that, in the interim, carbon reduction targets of 31% over existing would be required. Following more recent announcements, this level of requirement is now due to be reflected through changes to the Building Regulations; published in December 2021 and effective from June 2022. This reflects the direction of travel towards zero carbon, at this stage leading next to the wider implementation of the FHS from 2025 whereby it is expected that a reduction in CO₂ of 75% from current standards will be achieved, as above.
- 1.4.13 In order to reflect the consultation response and introduction of the interim uplift to Building Regulations to the (interim) Future Homes Standard or equivalent, we have assumed that a 31% reduction in carbon (i.e. compliance with Part L from 2022) is included within our modelling.
- 1.4.14 More recently, the Government consulted on revisions to the National Planning Policy Framework (NPPF) and the introduction of a National Model Design Code, which closed at the end of March 2021. These proposed changes relate mostly to design quality in new development (responding to the Building Better Building Beautiful Commission recommendations) alongside some amendments to matters associated with flood risk and climate change. The revised NPPF was adopted on 20th July 2021 towards the latter stages of this study.

Community Infrastructure Levy

- 1.4.15 The Council adopted a CIL Charging Schedule which came into effect on 27th February 2013. The Charging Schedule sets out rates on residential and retail development taking place anywhere in Elmbridge. Indexation applies to the rates relevant to all permissions in accordance with CIL Regulation 40. At the point of carrying out this study, the prescribed approach to indexation (updating of the adopted rates by reference to the RICS CIL Charging Index as a standard national approach) led to EBC's charging rates altering but only to a nominal degree) over the course of the assessment as set out in the table below, alongside the 2013 adopted levels (noting a small decrease in the latest indexing adjustment to the rates applicable at the point of finalising this assessment):

⁸ MHCLG: The Future Homes Standard: 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Summary of responses received and Government response (January 2021)

Figure 1: EBC CIL charging rates

Development use type	2013 CIL Charge (per m ²)	2021 Indexed rate	2022 Indexed rate
Residential dwellings (C3)	£125.00	£185.83	£185.26
All retail development (A1-A5)	£50.00	£74.33	£74.11
All other development	£0.00	£0.00	£0.00

Indexed rate uses the index figure for 1 November of the preceding year (RICS CIL Index published by the Royal Institution of Chartered Surveyors - RICS). Rates used correct at time of appraisal modelling.

(DSP – sourced EBC 2020 - 2022)

1.4.16 As well as testing the viability of the emerging Local Plan policies and strategies, the Council wishes to ascertain whether its adopted CIL Charging Schedule is likely to continue to be suitable, i.e. with charges at a level that will to apply appropriately to relevant development types and locations, and ensure the ability of developments to come forward viably with the policy burdens and other obligations proposed for inclusion in the emerging Local Plan.

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

- Local Authorities in England and Wales may put a CIL in place to raise funds from new development in their area to deliver the infrastructure needed to support that development (in this case Elmbridge Borough Council is and will continue to be the charging authority).
- CIL is charge payable on ‘development which creates net additional floor space’ over 100sq. m.
- Residential annexes and extensions are exempt regardless of size.
- The creation of any new dwelling regardless of size will pay the charge⁹.
- The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority’s area.

⁹ The latest 2019 amendments have not altered these key points of principle.

- Charging Authorities must allocate a ‘meaningful proportion’ of the levy revenue raised in each neighbourhood back to those local areas.
- Where a neighbourhood development plan (NDP) is in place, the neighbourhood will be able to receive 25% of the revenues from the CIL arising from the development¹⁰.
- Where an NDP is not in place but CIL is still charged, the neighbourhood will receive a capped share of 15% of the levy revenue arising from development in their area.
- AH and development by charities will not be liable for CIL i.e. in respect of residential development, only market dwellings will be liable to pay CIL at the rate(s) set by the charging authority.
- As reflected above, the CIL rate or rates should be set at a level that ensures development within the authority’s area (as a whole, based on the plan provision) is not put at serious risk.

1.4.18 The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated local plan level of growth to be accommodated across the borough as a whole through the development of an Infrastructure Delivery Plan (IDP). The draft IDP identifies both the current and future infrastructure requirements of the borough and as a live document is continuously updated and kept under review. At the point of finalising this study, the latest version (prepared and intended to be published alongside the Local Plan draft) is dated 2022. The IDP identifies mitigation required for healthcare and transport infrastructure. The council is working with infrastructure providers to determine the costings for the mitigation.

1.4.19 Infrastructure is taken to mean any service or facility that supports the Borough Council area and its population and includes (but is not limited to): *“transport, flood defences, schools, hospitals, and other health and social care facilities (for further details, see section 216(2) of the Planning Act 2008, and regulation 59, as amended by the 2012 and 2013 Regulations). This definition allows the levy to be used to fund a very broad range of facilities such as play areas, open spaces, parks and green spaces, cultural and sports facilities, healthcare facilities, academies and free schools, district heating schemes and police stations and other community safety facilities. This flexibility gives*

¹⁰ The proportion would be paid directly to the neighbourhood planning bodies and could be used for community projects. PPG provides further information on spending of Levy receipts including distribution to local neighbourhoods. Also see <https://www.gov.uk/guidance/community-infrastructure-levy> (Paragraph: 145 Reference ID: 25-145-20190901 Revision date: 01 09 2019)

local areas the opportunity to choose what infrastructure they need to deliver their relevant plan (the Development Plan and the London Plan in London). Charging authorities may not use the levy to fund affordable housing. Local authorities must spend the levy on infrastructure needed to support the development of their area, and they will decide what infrastructure is needed. The levy can be used to increase the capacity of existing infrastructure or to repair failing existing infrastructure, if that is necessary to support development”¹¹.

- 1.4.20 The CIL Guidance contained within the PPG goes on to state that the levy rate(s) need to be set so that they do not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (Local Plan in England): *‘an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments... this balance is at the centre of the charge-setting process’* and *‘in meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area’*.¹²
- 1.4.21 To achieve this: *‘a charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge. The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance between the need to fund infrastructure and the potential implications for the economic viability of development across their area.’*¹³.
- 1.4.22 Although we have not set out fully the sections of the PPG viability guidance that are relevant in assessing viability in (for both CIL and plan-making), some of the key points are summarised below:
- ‘Appropriate available evidence’ must be used to inform the charging rate(s);
 - An appropriate range of site types (or ‘typologies’) should be tested based on the range of site types likely to come forward for development over the plan period;

¹¹ <https://www.gov.uk/guidance/community-infrastructure-levy> (Paragraph 144 Reference ID: 25-144-20190901)

¹² <https://www.gov.uk/guidance/community-infrastructure-levy> (Paragraph 010 Reference ID: 25-010-20190901 Revision date: 01 09 2019)

¹³ <https://www.gov.uk/guidance/community-infrastructure-levy#evidence-and-setting-rates> (Paragraph 020 Reference ID: 25-020-20190901 Revision date: 01 09 2019)

- Costs within the viability assessment should be based on evidence reflective of local market conditions (see paragraph 012 of the ‘Viability’ PPG);
- Land value should be based on the Existing Use Value of the site, plus a premium (known as the ‘EUV plus’ approach);
- There is no requirement for the charging authority to directly mirror the rate(s) proposed within the viability study;
- A ‘viability buffer’ should be included so that the charges are able to support development through economic cycles;
- Differential rates can be applied if appropriate in relation to geographical zones (including for strategic sites) and/or by varying type and scale of development, although undue complexity should be avoided noting specifically that charging authorities *‘should be aware that it is likely to be harder to ensure that more complex patterns of differential rates are State aid compliant’*.
- Stakeholders should be appropriately consulted to inform the viability assessment process;
- The viability assessment should be proportionate, simple, transparent and publicly available.

1.4.23 Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other potential and proposed planning policies fully (based on assumptions relevant to testing allied to the emerging local plan). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value).

1.4.24 The consideration of the collective planning obligations (including affordable housing, other requirements and CIL, together with any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to ‘striking a balance’. It follows that the extent to which s.106 will have an on-going role also needs to be considered in determining suitable CIL charging rates, bearing in mind that CIL is non-negotiable. For the purposes of this assessment, we have moved on from an initial approach of including the assumed CIL based on the indexed rate within all base modelling, to also applying a series of trial rate tests across a wide range of potential CIL levels – as reflected now in the Appendix IIa results. There, the outcomes from applying the costs of the adopted charges as now

indexed can be compared with those of the wider exploratory tests (trial CIL rates). The assessment has been set up in this way in order to begin providing the Council with broader CIL testing information, such that this could be considered further once more is narrowed and established including following the final LP content development and potentially the direction of the national planning and potential CIL reforms (details on the latter all still currently unknown).

- 1.4.25 In most cases, where adopted, CIL replaces or largely replaces s.106 as the mechanism for securing developer contributions towards infrastructure. The 2019 updated CIL Regulations and PPG reflect the greater flexibility that authorities now have to use funds from both section 106 planning obligations and the Levy to pay for the same items of infrastructure, regardless of how many planning obligations have already contributed towards an item of infrastructure (the previous s.106 ‘pooling restrictions’ have been removed).
- 1.4.26 As noted above, a key requirement of CIL and setting the charging rates is that an appropriate balance should be struck between the desirability of funding infrastructure from the levy and the potential effects that imposing the levy may have upon the economic viability of development (development viability).
- 1.4.27 The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion and experience the preparation of this study meets the requirements of all appropriate Guidance.

2. Methodology & Assumptions

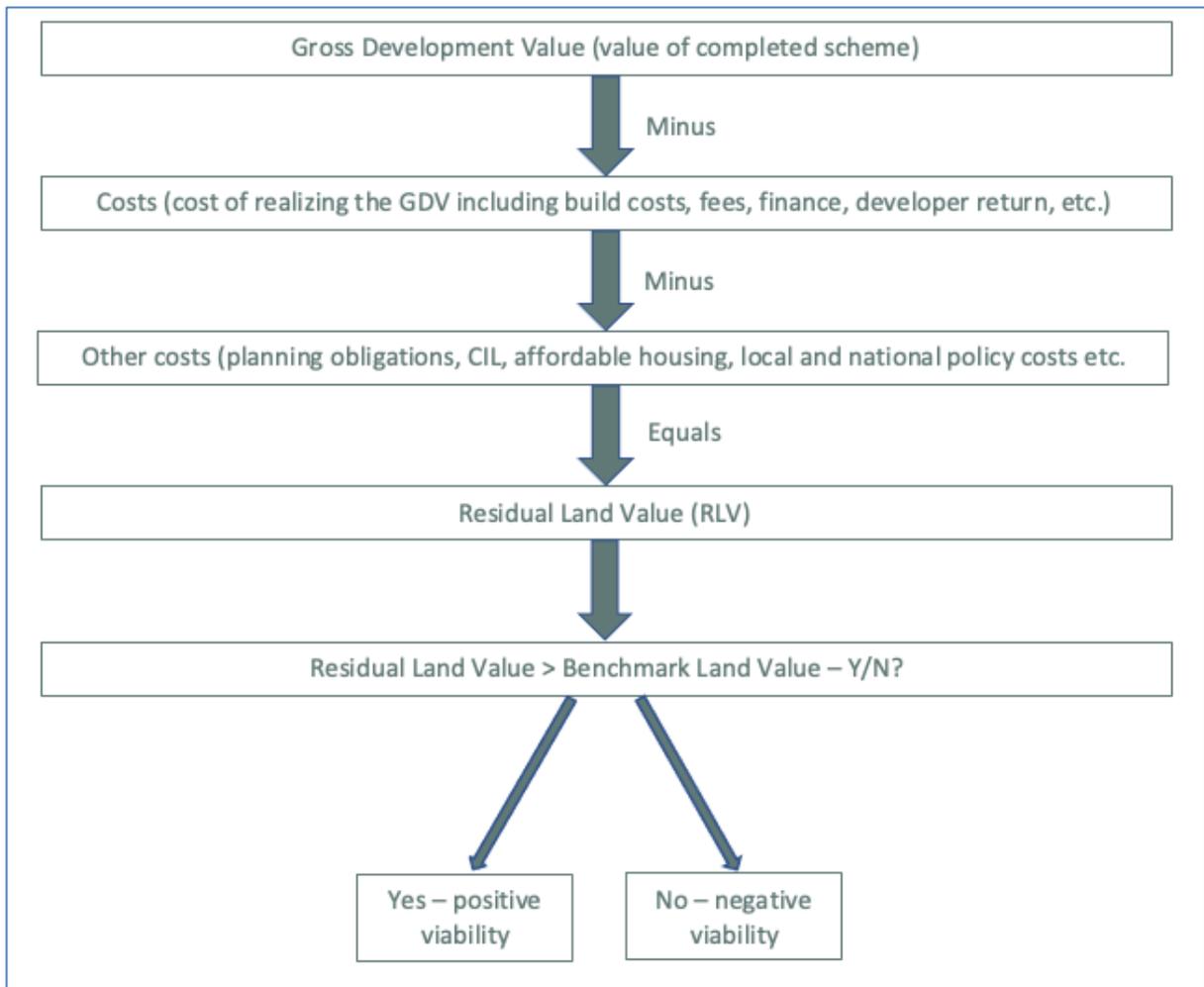
2.1 General approach and principles

- 2.1.1 The study as described in this report involved a multi-phase approach to get to the point where options and recommendations on the viability of potential policies could be made.
- 2.1.2 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we undertook an extensive information review, property market research and a development industry stakeholders' survey. As a part of this, a review of the potential policy proposals enabled us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above the typical costs involved in the development process (for example build costs utilising the costs information from established sources such as the Building Cost Information Service of the RICS (BCIS), associated fees and contingencies, finance, sale costs, development profit; and land costs).
- 2.1.3 Collectively, this study investigates the potential viability and, therefore, deliverability of the Local Plan and its policies and obligations - including the affordable housing requirements alongside other updated policies and costs assumptions and the potential scope for any review of the level of CIL across the borough (subject to the above on current/potential CIL developments generally perhaps).
- 2.1.4 Appendix I to this document provides a quick reference guide to the assumptions used.

2.2 Residual valuation principles

- 2.2.1. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability, but also used for site-specific viability assessments, is residual valuation. This is also consistent with the relevant guidance described above. Figure 2 below sets out (in simplified form only) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and recommendations.

Figure 2: Residual valuation principles - Simplified



(DSP 2021 – 2022)

2.2.2. Having allowed for the costs of acquisition, development, finance, profit and sale, the results show the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).

2.2.3. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a ‘willing landowner’ and ‘willing developer’. The emphasis has moved away from a market value approach to land that may have been used or carried greater influence in the past. The PPG on Viability has for some time now made it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for

the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' ['EUV+']¹⁴.

- 2.2.4. The NPPF and associated PPG on Viability indicate a greater link than previous between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications/delivery) stage. The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.
- 2.2.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage / site-specific viability reviews but that it is *'up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage'*¹⁵. An indication of the types of circumstances where viability could be assessed in decision making is also included in the PPG. These include: *'for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force'*¹⁶. There may also be the potential for the development of some site typologies or sites identified by the Council to need to overcome abnormal issues and support added costs. The NPPF recognises that within this picture there could be sound reasons for site-specific viability evidence to be brought

¹⁴ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 013 Reference ID: 10-013-20190509)

¹⁵ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 006 Reference ID: 10-006-20190509
Revision date: 09 05 2019)

¹⁶ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 007 Reference ID: 10-006-20190509
Revision date: 09 05 2019)

forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.

- 2.2.6. The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I and III.

2.3 Stakeholder consultation

- 2.3.1 National policy and guidance reflect the need for and value of stakeholder engagement. Consistent with our established practice for strategic viability assessments, DSP sought soundings as far as were available from a range of development industry stakeholders as the assumptions were considered. This offered an engagement opportunity to a wide range of locally active organisations and interests, with a view to gathering feedback on our emerging study approach and inputs - to help inform the assessment. The initial feedback invitations process took place mainly during April to May 2020 and this was refreshed in January to February 2022, as noted above at 1.2.1 and 1.2.7 respectively.
- 2.3.2 This engagement process was conducted primarily by way of bespoke survey type questionnaires seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with any subsequent dialogue as appropriate. Although we were not party to the final list of consultees (due to General Data Protection Regulations (GDPR)), we understand the Council also included neighbouring authorities as part of the exercise.
- 2.3.3 The questionnaires set out our initial draft assumptions and testing parameters, with the opportunity provided for the stakeholders to then comment on those emerging positions or suggest alternative assumptions with reasoning. The survey proformas were issued as follows: -
- **Development Industry** – range of active stakeholders in the borough as per the Council’s contacts lists and supplemented where appropriate from DSP’s experience, including local property agents, developers, housebuilders, planning agents, industry representatives and others.

- **AH Providers** – range of locally active affordable housing providers, again through discussion with the Council. These parties were contacted with a directed survey form requesting guide information on likely AH revenue (payment to developer) levels as well as on underlying investment/valuation assumptions and any other commentary – again, all as far as available.

2.3.4 As part of this process, a record of the stakeholder interaction is kept, including a log indicating the of level of response overall and feedback responses. Given potentially involved commercial sensitivities/confidentiality in some instances, the details of the responses received are not included within our published reporting. However, as far as available this has contributed to the overall information review, further informing both the consideration of the assumptions range, and the review of and judgments made around the results in the later assessment stages. All in all, the work is informed by a combination of sources, including the Council and its information, our own extensive research process and experience, and the relevant stakeholder sourced feedback.

2.4 Scheme development scenarios – Residential development typologies

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

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

- 2.4.3 A summary of the general residential scheme typologies tested as part of this study is shown at Figure 3 below, with the full detail set out in Appendix I.

Figure 3: Residential site typologies summary

Typology – Dwelling no.s Scheme Size Appraised (No. of dwellings)	Type	Site Type
1	House	Garden Land
5	Houses	PDL Various / Residential
10	Houses	PDL
10	Flats	PDL
30	Mixed (Flats and Houses)	Greenfield / PDL
30	Flats Sheltered	PDL
50	Mixed (Flats and Houses)	Greenfield / PDL
50	Flats	PDL
50	Flats (undercroft parking)	PDL
50	Flats (basement parking)	PDL
60	Flats – Extra-care	PDL
100	Mixed (Flats and Houses)	Greenfield / PDL
150	Houses	Greenfield / PDL
200	Flats	PDL
30	Mixed Use – 4-storey flats with flexible ground floor commercial space	PDL
100	Mixed Use – 5-storey flats with flexible ground floor commercial space	PDL

(DSP 2021 - 2022)

- 2.4.4 In considering the site typologies and seeking to make these as representative as possible of the emerging policy approach, assumptions are made in relation to dwelling mix, for which we have adopted the principles set out in Figure 4 below and Appendix I. These dwelling mix principles are based on the detail set out in the most recent Local Housing Needs Assessment (LHNA) and reflected through the emerging Local Plan. These dwelling mix assumptions are also applicable to the specific sites test scenarios. The assumptions also reflect a minimum 10% ‘affordable homes ownership’ overall within mixes, as was introduced through revised NPPF (former) paragraph 64 and is now within NPPF paragraph 65 as last updated on this.

Figure 4: Local Plan Review Dwelling Mix Assumptions

Dwelling Mix*	Market	Affordable Rented	Shared Ownership
1 Bed	20%	15%	10%
2 Bed	50%	34%	25%
3 Bed	20%	11%	15%
4+ Bed	10%	40%	50%

(DSP 2021 - 2022)

- 2.4.5 In all cases it should be noted that a “best fit” of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility available; particularly in scheme typologies with small dwelling numbers. The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc. The affordable housing (AH) content assumed within each test scenario is set out in more detail below. Appendix I also provides more information on the assumed dwelling mixes and associated revenue levels. This feeds into the assessment and recommendations of affordable housing policy thresholds, proportions (%s) and tenure types/mix.
- 2.4.6 For the site-specific appraisals much depends upon the extent, cost and phasing of the infrastructure to be funded by the development, the amount and type of housing that can actually be accommodated on site and the timing of its provision in relation to that of the accompanying infrastructure. At this stage, the finer details are not clear and, as such, the site-specific testing for this viability assessment is based on a mixture of known requirements and costs (as available at the timing of appraisals), and typical assumptions informed by reference to sources such as the Harman Report (as mentioned above), stakeholder engagement and through experience - as is appropriate for this level of viability testing.
- 2.4.7 The dwelling sizes (on a GIA i.e. gross internal area basis) assumed for the purposes of this study are as set out in Figure 5 below and based on the Nationally Described Space Standard (NDSS). As with the many other variables considered through assumptions, there will be a large range and mix of dwelling sizes coming forward in practice, with

these varying by scheme and location. Due to the high-level nature of this study process, a sample of scenarios and assumptions can be tested rather than every potential iteration. This approach is sufficient to generate a suitable overview, in accordance with guidance.

Figure 5: Residential Unit Sizes

<i>Dwelling Type</i>	<i>Unit Sizes (sq. m)</i>
Studio flat	37
1-bed flat	50
2-bed flat	61
2-bed house	79
3-bed flat	86
3-bed house	93
4-bed house	106

Notes: Retirement/sheltered dwellings assumed 1-beds @ 55m²; 2-beds @ 75m². For the purposes of this study, First Homes are based on the same sizes as other affordable housing tenures (DSP 2021 - 2021).

- 2.4.8 Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative ‘Value Levels’ (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).
- 2.4.9 The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e., 100% saleable floorspace). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For the general flatted development tests, we have assumed a net:gross ratio of 85% (i.e. 15% communal space).

- 2.4.10 The sheltered housing typology / scenario assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care development typology also discussed later.
- 2.4.11 We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per m² rather than its price alone.
- 2.4.12 At this level of strategic overview, we do not differentiate between the value per m² for flats and houses although in reality we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value level per unit area (£/sq. m or £/sq. ft.).

2.5 Scheme development scenarios (typologies) – Non-residential / commercial development uses

- 2.5.1 To provide wider information for the local plan and related delivery, but also more specifically related to the Council's potential review of its CIL Charging Schedule, this study also considers a wider range of potential commercial/non-residential development typologies. These scenarios have been developed mainly through the information supplied for review by, and through consultation with, the Council. This was supplemented with and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes/proposals. Figure 7 below sets out the various scheme types (typologies basis) appraised for this aspect study, covering a range of non-residential development uses in order to test the likely impact on viability of varying CIL contributions from different types of commercial development; types again as considered potentially relevant. Although necessarily primarily associated with informing a potential review of the CIL charging schedule rather than the LP directly, this is appropriate because the setting of the CIL charging rates is the main scope of direct influence the Council has over the viability of such developments. As above, this area of the assessment is therefore also

complementary to considering the Local Plan review - it provides a review of the potential viability of commercial and other non-residential developments in that wider context too.

- 2.5.2 The commercial / non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. Appendix I (Table E) provides more information on the scope of assumptions used to assess the typologies outlined in Figure 7 below.

Figure 7: Commercial / Non-residential development typologies

Development use type	Example scheme type
Larger format retail	Foodstore / large convenience - centres / urban
	Retail warehouse - ditto
Small retail units (settlement centres)	Smaller shops development - retail, restaurants or similar - settlement centres
Small retail	Local convenience stores and local shops
Business - Offices - Town Centre	Office Building (3+storey)
Business - Offices - Out of Town Centre	Office Building (3+ storey)
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate
Hotel	Hotel - town centre / urban (60 rooms)
Residential institution (C2)	Care home (65 beds)

(DSP 2021 - 2022)

- 2.5.3 Following the same principles and general process as the residential scenarios, a variety of sources were researched and considered in support of setting the assumptions. This includes information on rents, yields, sales comparables, land values and other development assumptions. The sources of information include CoStar Commercial Real Estate Intelligence resource, the VOA Rating List, other web-based review as well as feedback as available from the development industry consultation. Supplementary information sources included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details.

- 2.5.4 Collectively our research enabled us to apply a level of “sense-check” to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. The research review is provided with Appendix III to this report (note: CoStar commercial property resource data extract are provided to the rear of that).
- 2.5.5 In addition to the key set of commercial uses tests as set out above, further consideration was given to other forms of development that may potentially come forward locally. These include for example facilities that are non-commercially driven (community halls, medical facilities, schools etc.) and other commercial uses such as motor sales/garages, depots, workshops, surgeries/similar, health/fitness, leisure uses (e.g. cinemas / bowling) and day nurseries.
- 2.5.6 Clearly there is potentially a very wide range of such schemes that could be developed over the life of the Local Plan, and any revised CIL charging schedule(s). Alongside viability, it is also relevant for the Council to consider the likely frequency, delivery and distribution of these over the Plan and Schedule periods. In advance of potentially expanded typology test appraisals, it was possible to review (in basic but sufficient terms) the key relationship between likely completed value per sq. m. and the cost of building such schemes – see Section 3 for more detail.
- 2.5.7 Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale etc. are allowed for) outweighs or is close to the completed value, it becomes clear that a scenario is not financially viable in the normal context that has been discussed above. This extends the iterative process, as an addition to the main appraisals, whereby a deteriorating strength of relationship between values and costs provides an indication of further reducing viability prospects compared with the more viable or marginally viable developments. This starts to indicate schemes that are considered more typically likely to require other financial support; rather than being clearly and consistently able to produce a surplus capable of some level of contribution to CIL, or S106 requirements. Through this process, we were able to determine whether there were any of those scenarios that warranted additional viability appraisals / testing.

2.6 Scheme revenue (Gross Development Value / GDV) – Residential

2.6.1 A key part of the appraisal assumptions are the market housing sale values. For a proportionate but appropriately robust evidence basis, it is preferable to consider information from a range of sources including those listed below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables, including:

2.6.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the borough. In researching residential values patterns we considered that the 14 settlement areas of the Borough, as well as collecting data by Ward, provided the best and most reflective, appropriate framework for gathering information and then for reviewing the implications of the variations seen linked to the likely provision of development across the Borough. These are:

- Main Settlement Areas: Walton on Thames & Weybridge
- Suburban Settlement Areas: Esher, Hersham, East Molesey, West Molesey, Hinchley Wood, Long Ditton, Thames Ditton, Weston Green
- Service Centre and rural fringe area: Cobham, Oxshott, Stoke D'Abernon,
- Downside Suburban village: Claygate

2.6.3 Our research does not reflect on the status of each of the settlements in terms of the Council's previous hierarchical structure for the purposes of directing development but are used merely as well understood locations in setting out a framework for the collection of values data.

2.6.4 This provides comprehensive research and analysis of both new build sold data and currently available new build property across the Borough. This data has been gathered for an overview of the value patterns seen across the Borough in order to inform assumption setting prior to the appraisal modelling phase. It was particularly important to collect the residential values data by settlement area as the strength of values varies by location across the Borough. Esher, Cobham and East Molesey for example have stronger values typically than seen and likely to be seen within West Molesey, Walton-

on-Thames and Hersham although the values are relatively graduated. Areas which contain some of the highest values also contain (relatively) lower value localities (e.g. Weybridge) and vice-versa (e.g. Moleseys; Hersham; Walton-on-Thames).

- 2.6.5 Overall, the data indicates that although there is variation in the market across the borough, typical new build values fall within a relatively narrow range of between £5,250 - £6,250/sq. m compared to the overall new build range across all areas of between approximately £4,750/sq. m to £7,500/sq. m. Appendix III provides more detail and as with all data, there are variations to this with specific properties and areas sometimes showing higher or lower values than discussed here.
- 2.6.6 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to Elmbridge borough. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between ward areas in this case, given the varying characteristics of the borough.
- 2.6.7 The values research for the assessment commenced in April 2020 and was kept open through to (last visited) in December 2021 at the point of preparing our full draft report for EBC's review. Consistent with the approach to all of our assessments, we use the latest practically available data from a range of sources leading up to the point of needing to settle assumptions before the appraisal running progresses.
- 2.6.8 Sales values and general positive market activity have been seen to be strengthening recently, with the market so far remaining remarkably and unexpectedly resilient to the combined wider economic influences of both Brexit and the COVID-19 pandemic. We continue to review the data that becomes available. At the time of writing the market reporting is generally positive or very positive regarding the current/short term situation with record high and still rising high house prices being recorded. The reporting also contains as many positive signs overall as potential negatives with regard to the medium/long-term situation, with the negative sentiment/uncertainty so far seeming to be mostly anecdotal in strong market areas like Elmbridge, and data showing price increases rather than the previously predicted price reductions (at the start of the

pandemic). Of course, we are referring here to positives in regard to values available to support viability, rather than the intense affordability pressures that are increasing as a result.

2.7 Scheme revenue (Gross Development Value – Affordable Housing (AH) Revenue)

2.7.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling and at various stages within our assessment work. The Council's existing approach (Policy CS21 of the adopted Elmbridge Borough Core Strategy 2011 as supplemented by the Developer Contributions SPD¹⁷ requires the provision of affordable housing in accordance with the following:

“The Council requires provision of affordable housing, where viable, on sites with a net increase in the number of residential units as follows:

- *40% of the gross number of dwellings on sites of 15 dwellings or more;*
- *30% of the gross number of dwellings on sites of 6 – 14 dwellings;*
- *20% of the gross number of dwellings on sites of 5 dwellings; and*
- *A financial contribution equivalent to the cost of 20% of the gross number of dwellings on sites of 1 – 4 dwellings.*

Furthermore, where development is proposed on a greenfield site, at least 50% of the gross number of dwellings should be affordable on any site of 15 dwellings or more. A target of at least 50% will apply to public land, regardless of the number of dwellings proposed”.

2.7.2 Part of the purpose of this assessment is to test and advise the Council on an appropriate and viable level of affordable housing to seek from development through the emerging Local Plan. On this basis, we tested the following affordable proportions against the residential development typologies, also reflecting the latest national policy position as set out in the NPPF and PPG described earlier as well as later stage sensitivity testing on the potential impacts from the introduction of a First Homes policy. It is also important to note that not every percentage iteration has been tested on every typology as from our results analysis, it is possible to interpolate between results sets. In summary the testing covered the following range:

¹⁷ Elmbridge Borough Council: Development Contributions Supplementary Planning Document (July 2020 (updated April 2021))

- Sites of 1-9 dwellings: Tested at 20% affordable housing (by way of a financial contribution). Note that these smaller typologies were not retested as part of the latest phase of appraisals which were re-run for major developments as below (10+ dwellings) where First Homes will now need to be provided.
- Sites of 10 or more dwellings: Tested at 20%, 30% and 40% AH on-site. This testing range was narrowed to 30% and 40% tests in the latest stage, reflecting proposed policy development and as above then re-run to include First Homes. Accordingly, the Appendix IIa results are the latest set on the residential typologies, provided as an update to and further refinement from the Appendices IIb – to IIc results (also noting that those earlier sets had also reviewed sensitivity in regard to varying profit % on GDV before focusing on the mid-range PPG level of 17.5% GDV on market sales in the final Appendix IIa set.

2.7.3 Alongside the affordable housing proportion, its tenure has been closely considered for this level of assessment, through the assumptions. The initial testing was carried out assuming a tenure mix of 70% (affordable) rented and 30% intermediate tenures. In all cases an allowance was made to meet the requirements of paragraph 64 at the time (now para. 65 within latest issue July 2021) of the NPPF so that 10% of all dwellings are of affordable home ownership tenures. With lower proportions of affordable housing, and with 10% AHO the priority tenure (as per the NPPF) in some cases the overall tenure split changes from the 70% / 30% starting mix. It should however be noted that the AH tenure mix was accommodated as far as best fits the overall scheme mixes and AH proportion in each scenario.

2.7.4 Further sensitivity testing was also requested by EBC and conducted on the basis of replacing the affordable rented element with social rented tenure (whilst continuing to include 10% of the overall housing provision as affordable home ownership). Appendix I provides more detail. For the final stage testing based on consultation draft plan document (and this feeding into our Appendix IIa results), as part of the ongoing two-way dialogue with EBC officers, a revised AH tenure mix has been included within the assumptions. The basis of this is 48% rented (split 17% SR / 31% AR) and 52% intermediate (comprised of 25% First Homes (at a 30% discount) / 27% other intermediate (assumed remains as shared ownership).

- 2.7.5 The AH revenue that is assumed to be received by a developer is based on either the:
- capitalised value of the net rental stream (for affordable or social rent) or;
 - capitalised net rental stream and capital value of retained equity (shared ownership) or;
 - capital value of discounted market i.e. affordable home ownership properties (e.g. First Homes)
- 2.7.6 Currently Homes England (HE) expects AH of any tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. This should be the starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes. We have therefore made no allowance for grant or other public subsidy or equivalent.
- 2.7.7 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the ‘transfer payment’ or ‘payment to developer’. These revenue assumptions are based on our extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).
- 2.7.8 The indicative transfer values for the AH units assumed for the study are shown in Appendix I. We have also introduced a revenue level cap (for affordable rented tenures) by assuming that the Local Housing Allowance (LHA) acts as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the LHA rate. In practice, the Council will look to aid affordability as far as possible by seeking lower affordable rents during scheme specific enabling dealings.
- 2.7.9 In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider’s own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, or recycled

capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here. It follows that the transfer values assumed could therefore be a conservative estimate in some cases and in reality, on some schemes a Registered Provider could include their own reserves and if so thus improve viability and/or affordability.

2.7.10 As above, the assumptions on First Homes (sensitivity testing) are based on the Guidance set out by Government¹⁸:

- First Homes to be discounted by a minimum of 30%;
- After the discount is applied the initial sale price of a First Homes must not exceed £250,000 (or £420,000 in Greater London);
- Initial sales of First Homes must contain a legal mechanism to ensure each future sale maintains the discount (as a percentage of current market value). However, a mortgagee enforcing their security against the property will be exempt from this requirement;
- The First Homes requirement is that a minimum of 25% of section 106 units should be delivered as First Homes. With regards to the allocation of the remaining 75% of units after the First Homes requirement has been met, national policy will be that:
 - The provision for Social Rent as already described in the development plan should be protected.
 - Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.
 - In situations where the local plan allocates more than 75% of contributions to Social Rent, the 25% First Homes requirement will remain.

2.7.11 There are exemptions to the requirement to provide affordable home ownership following the principles set out at paragraph 65 of the NPPF (latest edition as above) and these include:

¹⁸ <https://www.gov.uk/guidance/first-homes>

- Developments which provide solely for Build to Rent homes;
- Developments which provide specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
- Developments by people who wish to build or commission their own homes; and
- Developments exclusively for affordable housing, entry-level exception sites or a rural exception site.

2.7.12 On this basis, although to this point the NPPF has not been updated to refer specifically to First Homes, for the purposes of NPPF paragraph 65 (within the latest NPPF edition – July 2021) we treat the First Homes as a form of affordable home ownership. Also, therefore, in the case of elderly persons housing, for example – appraised in form of retirement living / sheltered and extra care scheme typologies – we assume that First Homes are not relevant.

2.7.13 Transitional arrangements will come into force based on the following criteria:

- Local or neighbourhood plans submitted for Examination before the implementation of the policy or that have reached publication stage before implementation and are subsequently submitted for Examination within 6 months of implementation will not be required to reflect the First Homes requirements;
- The new requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) within 6 months of implementation of the policy (or 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if the developer wishes to do so;
- The above arrangements will also apply to entry-level exception sites

2.7.14 It is also worth noting that in late 2020 there was a Government consultation on Shared Ownership (*'New model for Shared Ownership: technical consultation'* – issued 19th November 2020; consultation closed 17th December 2020). The consultation sought views on the following:

- reducing the minimum initial stake from 25% to 10%
- introducing 1% gradual staircasing and the new valuation methodology
- implementing the new 10-year period during which the landlord will support with the cost of repairs and maintenance in new build homes
- delivering the new model through Section 106 developer contributions

2.7.15 Assumptions have to be fixed at a point in time. As such matters are settled and assumptions and calculations can more directly reflect any new view of an affordable housing mix, this could be looked at further. At this stage, however, it appears that the details and effects of this will probably need to be amongst the matters considered at a site-specific level when the suitable affordable housing provision relating to particular schemes is discussed, much as it usually is now.

2.7.16 Before running appraisals to allow for the estimated influence of First Homes alongside all other matters reviewed on viability, as noted at 1.2.7 and 1.4-9 – 1.4.10 above, initial feasibility type review work was undertaken to establish the range of dwelling types that should prove to be workable based on the combination of the selected discount level for the borough and the national set £250,000 price cap after application of the discount. The key factor for the Council to consider on this was the discount level considered most workable overall at the plan wide level, i.e., the 30% at this stage, again as noted. This was a part of the outcome of this exercise an overview of which is provided within Report section 3 below in relation to the assumed dwelling sizes and market sales values levels (VLs) assumptions range.

2.8 Scheme revenue (Gross Development Value (GDV)) – Commercial / non-residential

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

- For the main commercial scheme typologies under review, consistent with those reviewed in most of our strategic level viability assessments, residual valuation methodology - as per the principles applied to the residential typologies, or;
- A simpler method adopting a value vs cost comparison for other commercial typologies clearly indicating a poor relationship between the two - resulting in full appraisals being unnecessary e.g. for surgeries, community centres, and a range of other development uses either typically provided by public agencies or generally non-commercially viable uses as stand-alone scenarios.

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

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

2.8.3 Figure 8 below shows the range of annual rental values assumed for each scheme typology. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme development, dependent on the combination of yield and rental values applied.

Figure 8: Assumed rental value / revenue – Commercial /non-residential typologies

Development Use Type	Example scheme type	Values Range - Annual Rents / revenue £ per sq. m / room		
		Low	Mid	High
Larger format retail	Foodstore / large convenience store - centres / urban	£250	£275	£300
	Retail warehouse - ditto	£250	£300	£350
Small Retail (settlement centres)	Smaller shops development - retail, restaurants or similar - settlement centres	£150	£250	£350
Small Retail	Local convenience stores and other local shops	£125	£175	£225
Business - Offices - Town Centre	Office Building (3+ storey)	£225	£275	£325
Business - Offices - Out of Town Centre	Office Building (3+ storey)	£225	£275	£325
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£70	£100	£130
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£60	£80	£100
Hotel	Hotel - town centre / urban (3-storey) (£/room)	£4,000	£5,300	£6,600
Residential Institution	Care Home (£/room)	£5,200	£7,800	£10,400

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- 2.8.4 As above, the rental values were tested at three levels representative of low, medium/mid and high-test values considered relevant to each scheme type across the study area. This enables us to assess the sensitivity of the viability findings to varying value levels, much like the residential appraisals. These are necessarily estimates and based on an assumption of new build development rather than older stock. This is consistent with the nature of the CIL regulations in that refurbishments/conversions/straight re-use of existing property will not attract CIL contributions (unless floor-space in excess of 100 sq. m. is being added to an existing building; and providing that certain criteria on the recent use of the premises are met).
- 2.8.5 The quality and quantum of available information in this regard varies considerably by development type. Again, we do not consider this to be a specific EBC factor and it does not detract from the viability overview process that is appropriate for this type of study.

- 2.8.6 These varying rental levels were capitalised by applying yields of between 5% and 7% (varying dependent on scheme type). As with the level of rental value, varying the yields enabled the exploration of the sensitivity of results given that in practice a wide variety of rentals values and yields could be seen. This approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could potentially deteriorate whilst still supporting the collective costs, including CIL.
- 2.8.7 It is worth noting here that small variations in assumptions can have a significant impact on the GDV available to support the development costs (and thus the viability of a scheme) together with any potential CIL funding scope. We consider this very important bearing in mind the balance that must be found between the desirability of infrastructure funding needs and the potential effect on viability. While it is relevant to assume new development and appropriate lease covenants etc. rather than older stock, using overly positive assumptions in the local context could act against finding that balance.
- 2.8.8 This approach enabled us to consider the sensitivity of results to changes in the capital value (GDV) of the non-residential typologies and allowed us then to consider the most relevant results in determining the parameters for reviewing non-residential CIL rates for the study area, including any differential rates that could or should be considered by EBC moving ahead. As with other elements of the study, the adopted assumptions will not necessarily match scheme specifics and therefore we need to keep in mind whether and how frequently local scenarios are likely to indicate viable results (including as values vary). See further detail at Section 3.

2.9 Development costs - Generally

- 2.9.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. At this stage, the high-level testing for this viability assessment is based on typical assumptions utilised for scenario testing in Local Plans and as set out within this document (adjusted for location and reflecting local characteristics as appropriate).

2.9.2 Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix I to this report, a summary of the key points is also set out below. Each cost assumption is informed by data and supporting evidence from such sources as follows in accordance with relevant sections of the PPG:-

- Royal Institution of Chartered Surveyors (RICS) Building Cost Information Service (BCIS);
- Locally available information as far as available following the stakeholder consultation process;
- Other desktop-based research; and
- Professional experience.

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

2.10 Development costs - Build costs

2.10.1 The assumed base build cost level shown below is taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be '*appropriate data*'¹⁹ and rebased using the Elmbridge location factor. The costs assumed for each development type (e.g. houses, flats, mixed as well as non-residential etc.) are as provided in Appendix I – and summarised below – Figure 9.

¹⁹ <https://www.gov.uk/guidance/viability> (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018)

Figure 9: Base Build Cost Data (BCIS Median)

Development Type		Base BCIS Build Cost £/sq. m.*
Residential	Build Costs Mixed Developments - generally (£/sq. m)	£1,398
	Build Costs Estate Housing - generally (£/sq. m)	£1,378
	Build Costs Estate Housing – terraced generally (£/sq. m)	£1,486
	Build Costs 'One-off' – semi-detached housing (£/sq. m)	£2,245
	Build Costs Flats – generally (£/sq. m)	£1,580
	Build Costs Flats - 3-5 Storeys (£/sq. m)	£1,534
	Build Costs Flats - 6+ Storey (£/sq. m)	£1,828
	Build Costs (Supported Housing - Generally) (£/sq. m)	£1,975
Larger format retail	Foodstore / large convenience store	£1,698
	Retail Warehouse	£1,053
Small retail (Settlement Centres)	Smaller shops development - retail, restaurants or similar - Settlement Centres	£1,536
Small retail	Local convenience stores and local shops	£1,536
Business - Offices - Town Centre	Office Building (3+ storey)	£2,244
Business - Offices - Out of Town Centre	Office Building (3+ storey)	£2,244
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,586
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£943
Hotel	Hotel - town centre / urban (3-storey)	£2,491
Residential Institution	Care Home (C2)	£2,067

*The above are base costs excluding external works and contingencies (added allowance made – see Appendix I).

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2.10.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (all added separately). An allowance for plot and site works has been allowed for on a variable basis depending on scheme type (typically between 5% and 20% of base build cost; with an allowance of up to 50% in certain cases). These are based on a range of information sources and cost models and generally not pitched at minimum levels so as to ensure sufficient allowance for the potentially variable nature of these works. Specifically, site works and infrastructure costs of £500,000/ha have been assumed for the range of site typologies tested.

- 2.10.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always been a range of data and opinions on and methods of describing, build costs. In our view, we have made reasonable assumptions in accordance with relevant guidance which lie within the range of figures we generally see for typical new build schemes (rather than high specification/complex schemes that may require particular construction techniques or materials). As with many aspects of viability assessment, there is no single appropriate figure in reality, so judgements on these assumptions (as with others) are necessary. It is important to note that as with any appraisal input, in practice this will be highly site specific.
- 2.10.4 In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.
- 2.10.5 An allowance of 5% of build cost has also been added in all cases (residential and commercial typologies) to cover contingencies (i.e. potential for unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard allowance in our experience, although we do see some assumptions at lower levels (3%). We have seen variations, again, either side of this level in practice, with higher levels usually relevant only for some types of conversions.
- 2.10.6 It is important to note that the interaction of costs and values levels will need to be considered again at future reviews of CIL or the Local Plan as base build cost levels typically vary over time. Appendix III includes some information on build cost trends, as viewed currently.
- 2.10.7 Appendix III includes some information on build cost trends, as viewed currently. At this stage, we cannot be sure how the UK's decision to leave the European Union or indeed the Coronavirus (COVID-19) pandemic or changes to the planning system will further play out in either the short or longer term on the economy, and potentially affecting development viability. The influences on the property market from the perspective of

sales values and rates of sales seem likely to be at least as great as those on construction works and build costs, at least in the residential development environment. Again, at the time of writing recent reporting indicates a remarkably resilient housing market with the UK House Price Index (Land Registry) recording a 10.2% rise in the 12 months to October 2021 (latest available data on assessment finalising having set assumptions). In their Housing Market Update (November 2021), Savills forecast continued growth in the residential property market with house prices increasing by 13.1% over the next five years nationally; 10.4% in the South East²⁰.

2.11 Development Costs - Fees, Finance & Profit

2.11.1 Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 10 and 11 below). Appendix I provides the full detail.

Figure 10: Residential Development Costs – Fees, Finance & Profit

Residential Development Costs - Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	8-10% of build cost
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and includes all ancillary fees)
Marketing Costs	3% of GDV sales agent & marketing fees
	£750/unit legal fees
Developer Profit	Open Market Housing – based on range described in PPG of 15% - 20% of GDV (17.5% assumed base, with earlier stage information tests also at 15% & 20% (sensitivities) - Appendices II b - d)
	Affordable Housing (rented/shared ownership) - 6% GDV (affordable housing revenue).
	First Homes – 12% GDV.
	Build to rent - 10% GDV.

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²⁰ <https://www.savills.co.uk/insight-and-opinion/research-consultancy/residential-market-forecasts.aspx>

Figure 11: Commercial Development Costs – Fees, Finance & Profit

Commercial Development Costs - Fees, Finance & Profit	Cost Allowance
Sustainability Allowance (BREEAM)	5% of build cost
Professional & Other Fees	8-10% of build cost
Yields	Variable applicability, sensitivity tested across range at 5% to 7%.
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% (including over lead-in and letting/sales period)
Marketing / Other Costs <i>(Cost allowances - scheme circumstances will vary)</i>	1% Advertising/ Other costs (% of annual income) 10% letting / management / other fees (% of assumed annual rental income) 5.75% purchasers' costs - where applicable
Developer Profit	15% of GDV

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2.12 Build Period

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

2.13 Key Policy Areas for Testing – Summary

2.13.1 A number of the Council's proposed policies have an impact on development viability, both directly and indirectly. As discussed previously, part of this assessment process (including earlier stages of work) was to test whether and to what degree different combinations of policies and potential future planning obligations could be absorbed by

development whilst maintaining development viability (and therefore viability of the Plan overall). The direct impacts are those policies which ultimately result in a specific fixed cost assumption within the appraisal modelling (including the specific site testing) and those key elements not already considered (e.g. AH proportions, dwelling mix etc.) are discussed below.

- **Housing Mix & Affordable Housing** (*Policy HOU3 and HOU4*) – details set out above. The testing reflects the Council’s intended gross application of AH policy to the proposed new dwelling numbers.
- **Nationally Described Space Standard (NDSS)** (*Policy HOU5*) - introduces the requirement for all housing to be designed to comply with dwelling sizes to meet the NDSS or any subsequent equivalent standard. The dwelling size assumptions for viability testing are set out in this study at Figure 5, consistent with the NDSS.
- **Open Space requirements** (*Policy INF4*)
- **Enhanced accessibility ‘Access to and use of Buildings’** (*Policy HOU5*) - following the Housing Standards Review, accessibility is now incorporated into Part M of the Building Regulations with all buildings now being built to a minimum of M4(1) ‘visitable dwellings’ with further enhanced requirements to M4(2) ‘Accessible and adaptable dwellings’ and M4(3) ‘Wheelchair user dwellings’ optional with implementation via policy but subject to evidence of need as well as viability. Following the testing carried out in the earlier stages of the assessment informing the Local Plan development process, the following assumptions have been made in the final comprehensive sets of testing:
 - M4(2) (accessible and adaptable dwellings – 10% of all new development of 10 homes or more) and;
 - M4(3) (wheelchair user dwellings – 5% of all new development of 20 homes or more)

For specialist housing for older persons (retirement/sheltered and extra care) it is assumed that the general building specification and costs for that category include provision that would meet the appropriate standards for that market and range of occupiers.

- **Energy efficiency, renewable and low carbon energy (Policy CC1) Sustainable design standards (Policy CC3) and Biodiversity (Policy ENV6)** – the emerging Plan sets out strategic objectives for delivering sustainable development over the Plan period. As part of this, the Council seeks to reduce carbon emissions in all new development alongside encouraging renewable energy development. On this basis, we initially assumed an overall allowance for sustainable design/construction standards above current buildings regulations at +5% cost, which additional contingency we consider included also an allowance relating to the requirement for Biodiversity Net Gain (BNG) as described in Policy ENV6 (see more on this below). The later, final phase assessment work refined these assumptions as noted within Appendix I, with 4.4% added to the based build costs for houses; +2.13% for flats (excluding BNG related allowances as below and also noted in final version Appendix I). In our view these additional works costs allowances are sufficient to cover the Future Homes Standard interim measures equivalent to a 31% reduction in CO₂ compared to current standards²¹ and now due to take effect through the Building Regulations from June 2022. However, if the Council decides to pursue further enhanced requirements for sustainability (e.g., moving further towards zero carbon) it is likely that the costs would increase over the above assumed base levels.
- **Sustainable design standards (Policy CC3)** – A base assumption of 110 lpppd (water usage not exceeding 110 litres per person, per day) has been used in all appraisals. The Council will need to demonstrate evidence of water stress in order to require any enhanced standard. At the time of assessment, although our understanding is that water usage restricted further, down to circa 95 l/p/d, would not create a notable viability impact, 110 l/p/d is the lower end of what may be required if there is local justification for an optional higher standard beneath the Building Regulations at 125 l/p/d.
- **Sustainable Transport (CC4)** – assumed covered under the scope of the Community Infrastructure Levy.
- **Biodiversity Net Gain (BNG) (Policy ENV6)** - developments are required to achieve a biodiversity net gain of at least 10 per cent (10%). This will not apply to development

²¹ MHCLG: The Future Homes Standard - 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Impact Assessment (October 2019)

types that are exempt from national biodiversity net gain standards. DSP's BNG assumptions are based on the data contained in the DEFRA/Natural England BNG impact assessment approach²² (specifically Table 19 and 20), assuming a 90% pass-through cost to the land. These have been verified as far as possible for use in this context through wider discussions including with other practitioners.

- **Thames Basin Heaths Special Protection Area (Policy ENV5)** - new residential development which is likely to have a significant effect on the ecological integrity of the Thames Basin Heaths Special Protection Area (TBH SPA) will be required to provide adequate measures to avoid or mitigate any potential adverse effects. An allowance of £797/unit for all market dwellings has been included as a base assumption as per the current EBC Development Contributions SPD.

2.14 Community Infrastructure Levy (CIL)

- 2.14.1 As discussed earlier in this report, EBC currently has a CIL in place as implemented in February 2013 with the charging rates now indexed in accordance with Regulation 40 using the RICS CIL Index. The previous indexed and finally 2022 rates as charged by EBC have been reflected within the range of testing according to the stage timing (latest indexed rates reflected in the final round of testing – as per the Appendices IIa and IIg results – final review of residential typologies and commercial/non-residential typologies testing). The indexed rates at the time (noted to be very similar to those now in place) were tested through the initial stages of this assessment alongside other planning obligations and policy costs; with the final typology and site-specific testing then including the 2022 indexed CIL rates as well as a wide range of other trial rates exploratory testing across all scenarios, having taken account of the affordable housing and other policy obligations as relevant.
- 2.14.2 As is the case here, even with CIL in place, there remains a requirement for developments to provide some site-specific mitigation measures (for example potentially relating to matters such as open space, highways work and any other particular requirements needed to make a development acceptable in planning terms). However, care needs to be taken not to add costs assumptions to the degree that those might overlap between this s.106 and what is to be provided for via CIL.

²² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

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

2.15 Indicative land value comparisons and related discussion

2.15.1 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value (Benchmark Land Value – BLV).

2.15.2 The PPG²³ states the following:

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

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence

²³ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509
Revision date: 09 05 2019

of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

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

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

- 2.15.3 The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.
- 2.15.4 Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value.
- 2.15.5 The levels of land values selected for this context are known as ‘benchmark land values’ (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in

our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.

- 2.15.6 As noted above, the PPG on viability is now very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development (compared to the previous ‘market value’ based approach) and one that inevitably lead to inflation of comparable land values over time where the ‘comparables’ used to determine BLVs were in themselves often not policy compliant.
- 2.15.7 As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as ‘Viability Tests’, based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the Appendix II results tables provides a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viable scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).
- 2.15.8 The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this high-level assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.
- 2.15.9 As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies for EBC (as well as those conducted for neighbouring/nearby Authorities) both at a strategic level as well as site-specific viability assessments and reviews carried out by DSP. In addition to the above, we have also had regard to the published Government sources on land values for policy appraisal²⁴ providing industrial, office, residential and agricultural land value estimates for locations across the country – including Elmbridge Borough.
- 2.15.10 It should be noted that the (former) Ministry for Housing, Communities and Local Government (MHLCG) [now Department for Levelling Up, Housing and Communities

²⁴ <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019> (August 2020)

(DLUHC)] *residential* land value estimates require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher “serviced” i.e., “ready to develop” level of land value.

2.15.11 The MHCLG model provides a much higher level of land value for ‘residential land’ as it assumes the following:

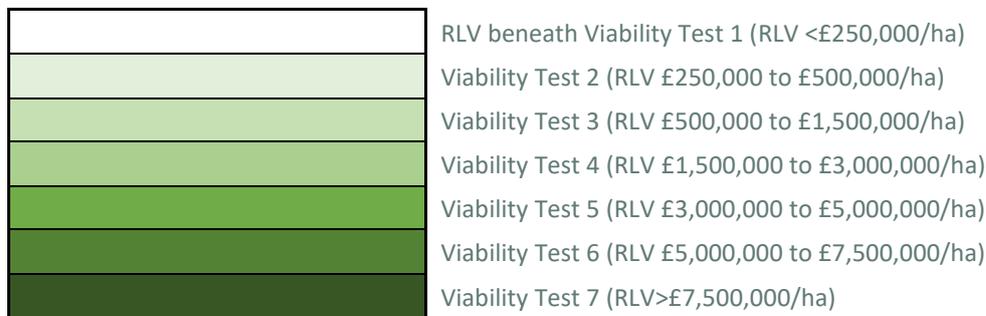
- All land and planning related costs are discharged;
- Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by up to around 50% on a 0.5ha site with 35% AH;
- Nil CIL;
- No allowance for other planning obligations;
- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point;
- Lower quartile build costs; and
- 17% developer’s profit.

2.15.12 The above are additional assumptions that lead to a view of land value well above that used for comparison (benchmarking purposes) in viability assessments. Overall, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of the above factors.

2.15.13 As set out in Appendices II (residential and commercial results overview tables), we have made indicative comparisons at land value levels in a range between £250,000/ha and £7.5m/ha plus, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them. Typically, we would expect to apply an EUV+ based land value benchmark at not more than approximately £250,000/ha (applied to gross site area) for greenfield land, based on a circa ten times uplift factor (as the “plus” element) from the EUV for agricultural land at not exceeding c. £25,000/ha.

- 2.15.14 Smaller greenfield land releases might support a higher EUV at up to say £50,000/ha and therefore a BLV based on EUV+ at up to say £500,000/ha based on edge of settlement paddocks/grazing land or similar rather than bulk release of agricultural land.
- 2.15.15 The BLVs range above that following PPG principles in the local context (at £500,000 to £7.5m/ha) is representative of previously developed land (PDL) i.e., ‘brownfield’ land more generally across former industrial/redundant commercial premises or employment land in the borough.
- 2.15.16 Figure 12 below shows, with some explanatory notes, the range of selected BLVs which have been used as ‘viability tests’ (filters) in our setting out and review of the results (interpretation and judgments) informed by the Appendix IIa - IIh results tables (residential and commercial / non-residential typologies review). Appendix III provides further information on this range of BLV (viability test) assumptions. These or similar colouring / principles have been used in order to help provide an overview of trends within the results.

Figure 12: Range of BLVs (Used as ‘Viability Tests’)



(DSP 2021 – 21)

- 2.15.17 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping/double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).



2.15.18 Matters such as realistic site selection for the particular proposals, allied to realistic landowner’s expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

3. Findings Review

3.1 Earlier assessment phases – provision of emerging findings

- 3.1.1 This part of the report provides a review of the findings as these developed through the staged assessment, with related commentary.
- 3.1.2 First, for context to the findings reporting, we will recap on the staged approach. This report section will then run through the findings of each stage of work undertaken with EBC.
- 3.1.3 On process, at all stages DSP's practice in running all such assessments is to discuss our preliminary findings and observations for our LPA clients at the first points these are available for review and consideration by Officers. This then also very often links into their discussions and exploration with elected Council Member representatives. These early indications feed into the overall dialogue that typically takes place from the early to later stages of the local plan policies development process.
- 3.1.4 In this case, initial viability work to start feeding into the overall work towards a new local plan ran over the period 2016 – 2018 – earlier assessment work all subsequently revisited (as below) reflecting the Council's consideration of altered new Plan proposals that were subsequently progressed, leading to the current pre-Regulation 19 stage.
- 3.1.5 For context, since it is all part of the building and revisiting of the appropriate available evidence over time, the indications noted for EBC following that previous assessment work may be summarised as follows.

3.2 Initial viability review – previous assessment work to 2018

- 3.2.1 The initial indications from this previous assessment work stage were that, looking ahead, alternative elements to the 2011 CS Policy 21 affordable housing basis might include (and noting all subject to further review and consideration):

- Consideration of a potential amended approach to AH provision / enabling contributions sought from smaller sites (i.e. of fewer than 11 dwellings) whereby financial contributions in-lieu might be considered as the starting point for all such sites. On an equivalence basis as is appropriate this would not mean any significance difference in overall viability. It was noted that this would have the potential to extend and continue to support the successful AH enabling fund approach operated over a number of years in Elmbridge owing to the nature of the general sites supply. However, it was also considered that this could mean a simplified approach from that which involved a switch in the approach to on-site provision within this bracket of sites. We note now that, at the time, the 11+ dwellings threshold considered in this respect reflected the national position at the time. The equivalent potential threshold / policy switch point would now be at 10+ dwellings (i.e. in respect of ‘major’ developments) so that in referring to ‘small sites’ and any potential amendment from the current EBC approach on those we now mean the range 1 to 9 dwellings. Likewise, the references to 11+ dwellings below would now need to be read as 10+ dwellings reflecting the threshold that is now appropriate consistent with national policy.
- Sites providing 11+ dwellings – PDL – Borough wide: While again from initial indications we did not rule out the continuation of 40% AH as a target overall (bearing in mind also the updating of the NPPF since running that first phase of work), DSP indicated that with other policy costs in mind it could be appropriate looking ahead to consider an alternative approach based on 30% AH related to PDL hosted schemes.
- Sites providing 11+ dwellings – Greenfield) – Borough wide: We found provisionally that a 40% + AH level may be considered for carrying forward in our opinion. Subject to needs and other matters (e.g. any practical delivery issues, sustainability, affordability, management) we noted that a higher proportion could also have a reasonable prospect of delivery, although with the extent of other obligations to be considered concurrently using latest available information.

3.2.2 On matters other than AH viability, at that initial stage our indications were as follows on the range of policy scope matters that were being considered at the time.

3.2.3 **Optional increased standards on accessible and adaptable homes.** Viability was considered workable to include upwards of 50% dwellings to Building Regulations Part

M4(2) but dependent also on the need for and selected position on M4(3) together with other policy and development cost matters. It was considered likely that a combination of say 50% M4(2) and 5% M4(3) – which is broadly equivalent in overall cost terms to 100% M4(2) – should prove workable as part of the cumulative costs considered at the time. Accordingly, in viability terms it was considered that these optional standards could continue to be considered for application in Elmbridge, subject also to the needs side of the evidence and with final positions to be confirmed in any event. A wide range of scenario testing at varying M4(2) and M4(3) % levels was run to help inform these indications. M4(2) was considered at 10 - 100% dwellings content; M4(3) at 5 – 20%. Additionally, a wider point was offered - to consider more of a guided / target based and flexible rather than rigid approach on this aspect. This was because some sites and schemes may not lend themselves well to compliance, practically (on general feasibility related to scheme design / constraints for example) rather than necessarily from a viability perspective.

- 3.2.4 **Open space.** DSP has encountered potential issues with onerous on-site / provision based open space policies. We suggested considering any emerging approach and ensuring that it would be workable within a range of site constraints - e.g. reflecting likely smaller PDL sites implications. A likely continued need for the Council's practical approach was noted by officers, including the potential to monetise the policy obligations (use a financial contributions approach if / where appropriate). This was considered unlikely to present a significant issue on any aspect of the emerging strategy that would be greenfield based development, however.
- 3.2.5 **Sustainable construction standards and Building Regulations.** Within the base assumptions for the initial review we assumed a former Code for Sustainable Homes Level 4 equivalent standard for energy usage efficiency (subsequently viewed through the mode of carbon (CO₂) reduction standards). For meeting updated Building regulations, a +2% addition to base build costs was assumed to reflect this as a form of additional contingency, with at the time a 1 – 1.5% allowance considered representative. Attainment of this was indicated to be viable in conjunction with provision for water usage to be limited to not more than the optional more stringent standard of 110 litres/person/day (latter also subject to evidence of need e.g. related to areas of Water Stress). The baseline requirement in Building Regs was and remains 125 lpppd.

- 3.2.6 In respect of carbon reduction, responding to the national policy direction of travel that has been developing since, more stringent requirements and allowances reflected these are now appropriate within the updated assumptions for later use – more on this below.
- 3.2.7 **Dwelling sizes consistent with the ranges with the Nationally Described Space Standard (NDSS).** Following wider assessment experience, assumptions reflecting appropriate dwelling sizes were included from the outset of the viability review work. This approach has been continued.
- 3.2.8 **Self / custom build homes.** There was considered to be no significant implication for overall viability, especially whilst envisaged by the Council as an advisory / encouragement to consider the inclusion of provision for this, rather than a firm requirement for allocation of a fixed proportion of plots (or similar) for this purpose. As a general principle suggested for consideration, DSP noted that the proportion of new homes “unfettered by policy” should also be kept in mind. Whereby it is appropriate to consider the cumulative effect of requirements for AH and other community / housing options matters; and also maintain a sufficient proportion of straight market-led housing as a driver of schemes that can support a reasonable range of other requirements.
- 3.2.9 **Potential CIL Charging Schedule review.** This initial review work also looked at the Elmbridge CIL charging rates as indexed to the point. We were able to indicate the following (again provisional only):
- **Residential / C3** (including sheltered housing / retirement living). An initial guide that the adopted as indexed rate at circa £165/sq. m remained appropriate on looking at viability at that stage in our view, as the charge level needed to be considered alongside the AH and other policy aspirations. We suggested this continued to be applicable borough-wide but with final positioning of any reviewed rate(s) dependent however on the emerging Plan relevant development locations and site / scheme types. (Note: Adopted at £125/sq. m effective from April 2013.)
 - **Retail.** Based again on the adopted simple basis, likely continued charging scope across the range of types (all types) at around the existing rate (as indexed – i.e. approximately £65/sq. m at the time) was noted provisionally. Whilst there could

be scope to consider options for alternative approaches, given the range of findings and the Council's brief, those were not explored in detail at that stage. (Note: Adopted at £50/sq. m).

- **Office developments.** We indicated that this aspect may be best kept under review pending further consideration related to the Council developing its Local Plan policies and sites strategy. At the time, a modest positive CIL charging rate was not ruled out; but with this point noted as only for further review if such developments were likely to be relevant to any greenfield hosted or mixed-use greenfield developments.

3.3 Progression to updated review and findings 2020 - 2021

- 3.3.1 Moving on to the latest phases of work (2020 – winter 2021/2022) to bring the assessment up to date and reflect the local plan and policy approach that has been emerging over this period, our initial reporting provided the direction of the emerging viability findings using updated assumptions. The emerging findings were discussed with EBC officers for the Council's consideration at the earliest opportunity and set out over 2 stages.
- 3.3.2 Reflecting the assessment purpose, this was all progressed through an iterative type of approach overall in respect of both the emerging local plan strategy approach and policy directions as well as initial indications on scoping the potential rates (or provisional parameters for) any revised CIL. At these early stages (3 in all including the previous work) the assessment work aimed to promote and inform discussion with EBC in regard to potential development strategy evolution, policy priorities and any potential compromises in key areas that we were beginning to indicate the Council may need to consider; a theme of review which we noted would need to be continued through the assessment as it progressed.
- 3.3.3 In the course of this 2-way dialogue undertaken to inform and ultimately support the local plan development to replace the Core Strategy 2011 and the Development Management Plan 2015, it was noted that potential "trade-offs" may need to be considered. These were likely to revolve around finding a suitable mix of and balance between policy objectives on the priority need for affordable homes, other key policy

themes and the realistic supportable scope to continue charging and/or review the existing Elmbridge Borough CIL.

- 3.3.4 In setting (or as in this case, potentially reviewing) a CIL there is in any event a balance to strike between the desirability of funding infrastructure and the potential viability impacts. All of this is also part of a wider set of the local plan framework and ingredients to establish i.e. whilst ensuring continued housing and other necessary development delivery as part of the sustainable growth and support of communities across the borough.
- 3.3.5 Building on DSP's knowledge of the local context and work with the Council on earlier preliminary review work towards the new Local Plan for the borough as outlined above, the first stage emerging findings from this assessment were provided for the Council in November 2020.
- 3.3.6 The second stage update of findings were made available to EBC in late June 2021. At that point, the arrival within national policy of the requirement for First Homes was initially considered.

First Homes – initial scoping

- 3.3.7 As part of further work related to that updating stage (by then based on a full set of typologies), DSP considered the potential implications of the First Homes discount levels (at either the minimum 30% or a higher 40% or 50% discount from market sale value on a Plan-wide basis) in combination with the £250,000 price cap (after application of discount). We will provide further information on this below, as a closer look at this was taken.
- 3.3.8 Continuing based on the full range of typologies tests conducted at the second stage of the current assessment, the dialogue has been ongoing and the assessment development continued through further review, liaison with EBC and additional sensitivity tests. Overall, this has resulted in an assessment that has fed-in further information to the Council's considerations along with the wider evidence building and has also reflected updates in the Council's approach and national policy developments as far as practically possible.

- 3.3.9 The reporting of the findings below will follow the development of the assessment via these stages. Recapping on the situation in this case on the CIL, at this stage we set out the nature of the viability factors and the broad parameters considered likely to be suitable for any revision of the Elmbridge Borough Charging Schedule – from emerging findings stages and then as revisited and carried through the further assessment work to the end of 2021/early 2022 as now all set out within this report.
- 3.3.10 This means that following and informed by the final settling of the local plan strategy and policies in the coming period there may need to be some further consideration and refinement of the potential CIL charging rates, should the setting of the levy be reviewed in the near future. This applies to residential, commercial and all other development uses - in respect of all elements of and rates within the Charging Schedule.
- 3.3.11 The Government’s proposed reforms of the planning system add further relevant context that may well influence any review of the adopted Charging Schedule and rates. The way in which these reforms will be progressed (unknown at present) may well have an influence upon the future nature of both Development Plans and supporting Infrastructure Levies or similar.
- 3.3.12 Looking at the likely balance between the proposed revised and updated DM policy costs and a potential CIL, this was expected to continue to develop as a key theme that the assessment would bring out further as it progressed based on further typology reviews, extended from the initial high-level testing using typologies comprising 10 houses, 30 mixed dwellings, 50 flats and 200 build to rent flats (as below – on moving into the current assessment phase 2020 - 2022).
- 3.4 Current assessment – first findings indications (November 2020) – Appendix II f results (Tables 7a – 7c)**
- 10 houses typology**
- 3.4.1 Following review and analysis of EBC’s emerging site supply alongside our wider understanding of typical sites from our site-specific work with the council, this typology was considered most likely be representative of a relatively low-grade PDL site type (e.g. former Public House, community hall, health centre or similar, smaller industrial

warehouse units or in some cases former residential needing redevelopment /garden land etc.). However, such schemes do also occur on much higher value sites (on an 'EUV+' basis) – i.e. where comparing with a higher BLV will also be relevant. On this basis, we considered the range, with a BLV assumed at the lower to middle end of our suggested range to be probably most relevant (at £1.5 to £3m/ha) but then potentially increasing to £5m+/ha in some scenarios e.g. redevelopment of higher value commercial uses/existing residential.

- 3.4.2 The base results (assuming 70% AR / 30% Intermediate tenure proportion as shown in the upper Appendix II f tables), indicated some positive viability prospects. For example, at VL4 (£5,750/sq. m.), 40% AH produced a RLV of approximately £4.9m/ha and therefore capable of supporting all the potential key policy and other costs (as included within the appraisals) i.e., CIL at indexed rate, sustainability (including BNG) at +5% over BCIS build costs, enhanced accessibility standards etc. These were assumptions updated since the earlier (initial) review work to reflect both emerging EBC policy themes and developing national standards (although as discussed above, subsequently further refined within the final assessment stage now completed – late 2021/early 2022 – typologies results at Appendix II a).
- 3.4.3 However, this result was noted to be beneath the upper BLVs, with the BLVs noted generally as not representing limits or cut-offs. Higher land values could need to be supported, and especially when we look at the actual £RLV results and consider that where the redevelopment of existing residential, readily lettable offices or some other higher value existing uses could be involved, this might not be supportable. Then considering the potential for higher works costs for the occurrence of particular site issues/abnormal costs, and potential profit variation/other uncertainties, this outcome (at 40% AH) was noted in our view as probably not quite as positive as it first appears. Accordingly, we noted that 40% AH was probably going to be challenging as part of a new policy set and at least in some circumstances – with a range of PDL site and scheme types in mind. Although as above we see a selection of applications rather than a wide/full cross-section, we feel that our site-specific (decision making i.e., planning application stage) work bears out this uncertainty around solid support for as much as a continued 40% AH headline across all sites.

3.4.4 Although the AH tenure sensitivity testing (again as now included within Appendix IIf – see the lower section at Table 7a) continued to indicate generally positive looking results against the lower to mid BLVs, we saw again that by time 40% AH is included the viability prospects tail off and/or rely on higher-end only sales values (VLs). We therefore noted it to be likely that a reduction in the overall AH proportion (i.e. beneath 40%) would be required in order to support the inclusion of any significant element of social rent (SR) on PDL site developments. Generally, these results overall were beginning to point to mixed prospects of viability when looking at the combination of 40% AH and PDL, with the various policy cost estimates and assumptions now factored in. We moved on to see whether these themes were also noted through the other emerging tests as per the commentary below but at this stage potentially involving consideration of a differential AH policy approach relating to site type (PDL/GF) or similar – again provisional and to be considered through further review.

30 mixed dwellings typology

- 3.4.5 This typology could potentially come forward on either PDL or greenfield site types. For greenfield sites, we consider BLVs of £250,000 to £500,000/ha to be relevant (and use the BLV assumption at £500,000/ha for smaller sites as opposed to “bulk” greenfield land release), compared to PDL sites where we consider higher BLVs over a range between £1.5m to £5m+/ha to be appropriate as above (overall reflecting a mix of sites).
- 3.4.6 Reviewing the ‘base test’ results again at VL4 £5,750/sq. m. (upper part of Table 7b) we noted that assuming an uncomplicated greenfield site (if applicable – assumed within the urban areas), at such a scale (i.e., with typical development costs associated with smaller sites and assuming no significant site-specific infrastructure/s.106 mitigation) development would appear to have very good prospects of supporting 40% AH combined with the current indexed CIL. In comparison, assumed on a potential mix of PDL, as with the initial tests above, likely mixed prospects for viability were noted again – with 30% AH likely to allow for a bit more movement in values and / or overall costs. Accordingly, again the prospects for including some social rented AH in place of affordable rent are also improved at 30% AH (see the lower part of table 7b), although on any GF sites this could also be an element much more readily achieved alongside other requirements.

50 flats (3-5 storey) typology

- 3.4.7 Here we again consider the emerging findings stage (late 2020) results – this time at Appendix II f Table 7c. This typology could be expected to come forward on a PDL site type (and at this scale would be typically representative of higher density development in or close to the main centres). Provisionally, we were looking at the higher land values (BLVs) applying potentially/more frequently. It was noted that the assumed scenario of 3-5 storey development at c. 150 dph could be considered further with EBC’s on the ground knowledge and/or potential directions of policy proposals could further inform this. Looking to reflect any potential higher density/higher-rise density development as part of a greater intensification type strategy through the assessment assumptions would in any event mean using different BCIS data (for 6+ storeys) which would add significant cost and reduce the viability view unless higher still sales values were supportable to balance out the costs.
- 3.4.8 There is currently no experience of high-rise development in the borough. We cannot be sure given the nature of the plan area that there would be a clear demand for this to support viable schemes. To our knowledge, Elmbridge is a borough where the market offer and appeal is more related to the generally lower rise and relatively “leafy” or open / more “village-like” nature of much of the urban areas. We offer this observation relative for example to the contrasting characteristics of some other areas nearby – such as parts of Woking, Spelthorne, Kingston and other boroughs where the more typically larger town or urban nature and transport hubs or other local features have been supporting an established demand for some higher-rise living or where there are such proposals being considered. We cannot say what a bold vision may lead to in any area of course, but the prospect of viable high-rise in Elmbridge does not seem an obvious one at this stage in our view, with that available elsewhere and the borough providing a different offer generally.
- 3.4.9 BCIS median build costs rebased with the Elmbridge location factor are used for the selected category (best representing the typology) which is the normal source of build costs assumptions for this assessment level and purpose. As in other cases, we know however that in some planning application stage submissions, initial budget cost estimates sometimes put forward higher or much higher build costs. Those are often reviewed but, as above, this, along with the other potential viability risk factors including potential rising costs, should be considered. The likely level of reliance on values at c.

£5,750 – 6,000/sq. m. was also noted. This type of development generally comes with greater levels of costs, more so in a town centre type context (through the nature of sites and construction) as well as typically more frequently occurring abnormal costs and impacts on the development cashflow. We often see this type of development having reduced viability scope – and this certainly not only an EBC assessment finding.

- 3.4.10 On this basis, although the RLV/ha results appeared to indicate a range of positive viability scenarios, once the above is factored in, these results need to be viewed with an element of caution in our experience. As a general principle, it will again be best to keep in mind the need to not to rely too closely on the more positive assumptions for viability (higher values, lower costs and lower BLVs) and therefore not to rely too much on outcomes that might not be very secure – i.e., could be highly sensitive to the variables as discussed here.
- 3.4.11 Building on the above, we noted that ‘marginal’ viability scope could quite quickly move into a poor/non-viable scenario should other elements become relevant. For example, the possibility of additional costs adding pressure to viability prospects. Therefore, the results as presented could come under some further downward pressure with some relatively minor adjustments, taking into account site specific circumstances and their associated cost implications – again noting our wider experience at planning application stage for the Council. The same may be the case in respect of any potential larger GF sites where particular development/abnormal/any enabling type costs are expected to be supported.
- 3.4.12 Again, the above noted sample typology test results further suggested that in our view it would be appropriate to consider a sub-40% AH headline on at least some sites/site types – particularly with PDL development in mind and with the likely overlap between such sites and some apartments-based developments (potential for overlapping of these influences and pressures on viability).
- 3.4.13 On smaller sites, our suggestion based on experience and the practicalities of operating an on-site AH policy was for EBC to consider a potentially simplified approach of accepting financial contributions on most sites of 1-9 dwellings based on c. 20% AH in-lieu equivalent. However, while this might be a practical approach and considered a suitable one for use in the main, this need not rule out on-site AH provision where there is an appetite to deliver this.

Build to rent typology (200 flats) – Appendix IIe (Table 6a)

- 3.4.14 We also conducted some preliminary high-level testing for a BtR typology using the indexed residential CIL rate and with 20% AH (assumed as Affordable Private Rent (APR) in line with the PPG) at 80% of market rent - based on DSP research). On this basis, the results indicated RLV outcomes of approximately £4m/ha which we noted as initially appearing potentially challenging when compared to the upper level BLVs at £5m/ha+ bearing in mind the most likely locations and host site types for any such schemes – i.e. usually convenient for transport and town centre type amenities.
- 3.4.15 However, in discussion with EBC it was not clear that there would be a key relevance of this type of development coming forward in Elmbridge. For information, however, the results to this stage indicated likely challenging viability in terms of securing meaningful levels of AH – even in the form of the PPG envisaged APR provision. From our wider experience to date of BtR away from key travel hubs and City locations, these early indications appeared fairly typical.
- 3.4.16 For completeness, this review element was revisited during the final stages and retained within the scope of information provided to EBC – see Appendix II f. This was not updated at final stage owing to considered non-key relevance in Elmbridge, following the range of further discussions with the Council.

CIL scoping indications - residential

- 3.4.17 The Appendices II b – II d tables show the results of the wider range of trial CIL rates testing (range £0 – 400/sq. m). Although quite circular in terms of considering both the potentially suitable AH% and CIL level as variables, the information should help with initial review of the balances involved.
- 3.4.18 The subsequent (final stage) use of the indexed charging rate as the CIL cost assumption within a specific set of tests suggested that to be still at a broadly appropriate level in our view.
- 3.4.19 Therefore, provisionally, the review work suggests in terms of potential CIL scope (if it were reviewed) that charging rates kept well within the margins of viability look unlikely to be outside the £150 to maximum £200 - 250/sq. m range for residential developments

in the borough, as further initial indication and bearing in mind the nature of developments.

- 3.4.20 At this stage, again the operative charging rate seemed likely to continue to be a reasonable fit alongside the emerging policy set.
- 3.4.21 These are all early indications on CIL, which may be considered further once the Local Plan direction and policies are more settled. Meanwhile, it is possible that more could be known on the Government's CIL (or 'IL' or similar) plans as part of informing the Council's updating / review or other approach.

CIL scoping indications – other development uses

- 3.4.22 Although our focus was on residential development, being the key source of CIL funds, to this stage we had also completed extensive research into assumptions ready for the non-residential scenarios testing. Based on experience and the cost:value relationships considered so far as part of the wider project research, we noted our expectation that any larger format retail developments – in the form of retail warehousing and supermarket / foodstore / larger convenience store schemes – would be likely to continue to support positive viability and the CIL charging cost where they come forward (as reflected by the adopted Charging Schedule).
- 3.4.23 However, we also noted other non-residential development uses as likely to show much more limited viability scope and especially on a speculative development basis.
- 3.4.24 This was considered likely to play into similar CIL scope findings to the existing charging basis in our view this this point. However, additionally it may well be appropriate to consider whether retail development uses in general could be expected to bear CIL charges on reviewing, as time has moved on and the economic circumstances including the retail environment have changed.
- 3.4.25 Accordingly, some level of refresh and the potential inclusion of a differential approach including a lower or nil rate on types other than the noted large format retail could be appropriate to consider. Again, we noted that this would be the subject of further review work, as we will come on to below.

3.5 Further updated results – findings using full range of typologies (June 2021 and subsequent final basis for review later 2021/early 2022)

3.5.1 The results of the full set of typologies testing available since mid-2021 have formed the basis for further checking and expanding on the above noted earlier / emerging findings, revisiting as necessary and therefore settling the final findings and supportable viability positions. This is all while taking account of the emerging policy positions using latest information as has been available both earlier in 2021 and at the turn of the year 2021 – 22 while finalising the assessment.

3.5.2 These results are as included with the various Appendix II table sets supplied with this report, and now comprising the following as an overview:

Appendix IIa (Tables 1a – 1n):

Latest, final set of residential typologies testing results (including First Homes, reflecting all latest emerging policy positions; tested at 17.5% GDV market sales profit).

Appendix IIb (Tables 2a – 2p):

Pre-final sensitivities (prior to full First Homes tests and AH tenure adjustments) - residential typologies results (tested at 20 – 40% AH; 15% GDV profit).

Appendix IIc (Tables 3a – 3p):

Pre-final sensitivities (prior to First Homes & AH tenure adjustments) - residential typologies results (tested at 20 – 40% AH; 17.5% GDV profit).

Appendix IId (Tables 4a – 4p):

Pre-final sensitivities (prior to First Homes & AH tenure adjustments) - residential typologies results (tested at 20 – 40% AH; 20% GDV profit).

Appendix IIe (Table 5a):

Built to Rent typology test set results (remained applicable to final, as additional information - not revisited in latest assessment stages)

Appendix II f (Tables 6a – 6c):

Current assessment stage emerging findings indications including initial AH tenure sensitivity tests (for background as above).

Appendix IIg (Tables 7a – 7e):

Commercial/non-residential results summary tables (remained applicable to final - not revisited in latest assessment stages).

3.5.3 With the information built and dialogue held with EBC across the various stages, the outcomes shown within Appendices IIa, and IIg (as picked out in bold type above) will be the focus of the final stage overview reporting – rounding up of outcomes that follows below. As far as appropriate, a recap on other elements is also provided briefly - where the earlier stage outcomes remained relevant or did not need to be revisited as part of the very latest assessment work.

3.5.4 While the purpose is to include for context wider information for the Council’s review of the viability sensitivities, the commentary below will draw upon the Appendix IIa tables results that reflect:

- EBC’s emerging policies: Affordable housing (AH) %, carbon reduction – sustainable design and construction reflecting national approach, accessible and adaptable homes, biodiversity net gain, water usage efficiency.
- AH based on 48% rented (17% social rent and 31% affordable rent); 52% intermediate i.e. affordable home ownership (AHO) including 25% First Homes (@ 30% MV discount) and 27% other intermediate (latter assumed as AHO in the form of shared ownership).
- Thames Basin Heaths SPA related SAMM – further recap below.
- Base assumption 17.5% GDV profit on market sales, consistent with the mid-level from the PPG noted range for viability in plan making (full range reflected by the inclusion of the other profit level sensitivity tests as listed above. For context, we note that for viability testing where currently needed at decision making stage, EBC typically requires 15% GDV market sales profit based tests as part of the

scrutiny of submitted viability information, given the strong development market in the borough).

3.6 Assumptions basis – emerging policy and related costs reflected

3.6.1 For quick reference reflecting the detail set out above in section 2, the assumptions made within these tests reflect the typical development costs and variable affordable housing tests (all including at least 10% affordable home ownership as per NPPF para. 65 and now also reflecting the First Homes requirements). The tests also all reflect policy cost related assumptions as are set out above and within Appendix I, but in summary representing the following:

i. **Sustainable construction and development – carbon reduction:**

Assumed meeting of the enhanced sustainability requirements set out as part of the forthcoming ‘Future Homes Standard’ (reflecting FHS interim uplift and Part L Building Regulations update effective June 2022) i.e. 31% carbon reduction.

ii. Additional allowance has also made at this stage for likely short term future requirements re: **Biodiversity Net Gain (BNG) @ 10%** reflecting forthcoming minimum requirements. We note that in practice we expect to see green infrastructure and other provision that will serve multiple purposes, but at this stage it is considered appropriate to reflect this requirement through a specific assumption based on information available to date. Appendix I summarized the costs assumptions.

ii. **Suitable Accessible Natural Greenspace (SANG):**

Assumes funding through the adopted CIL consistent with EBC current approach (top-sliced).

iii. **Thames Basin Heaths Special Protection Area (SPA) SAMM (Strategic Access Management and Monitoring):**

Contribution cost per dwelling as set out in the Development Contributions SPD (and see Appendix I).

iv. **Accessibility and use of buildings:**

M4(2) (accessible and adaptable dwellings) @ 10% of total units on sites of 10+ together with M4(3) (wheelchair user dwellings) @ 5% of total units on sites of 20+ (again, Appendix I refers).

v. **Water usage efficiency:**

Restriction to 110 litres per person per day i.e. reflecting enhanced standard on usage beneath Building regulations 125 l/p/d and the minimum adoptable level, subject to demonstrated need, we understand (note: no detectable cost at this level of review, as per Appendix I).

vi. **CIL:**

Tested at the adopted (as indexed) charging level as well as a wide range of trial rates to £400/sq. m (going well beyond what is considered to be the suitable realistic charging scope) at £25/sq. m intervals as shown within the results tables and allowing exploration of cumulative costs influences extensively - either side of the adopted charging rate as indexed.

v. **Residual s.106 contingency** (in addition to CIL):

Assumed at £1,000 per dwelling (all dwellings) considered to more than reflect experience of the typical low-level usage of s.106 with the CIL in place in Elmbridge Borough.

3.7 Overview and guide - latest stages results tables

- 3.7.1 Within each sub-part of the later Appendix II information, the residential typologies testing results follow a consistent table display format. As above, we will focus here mainly on Appendix IIa – Tables 1a to 3n – and pick up other elements as appropriate for this final stage. The key assumptions and variables under review here and allowing the effect of a wide range of assumptions combinations (on housing sales value level (VL), affordable housing (AH) %, CIL trial rate and benchmark land value (BLV) to be readily considered and compared.
- 3.7.2 The £ number within each Table “cell” is an individual residual land value (RLV) outcome from the particular corresponding set of assumptions on VL, AH% and CIL.

- 3.7.3 Within the lower part (colour shaded) section of each Table these RLVs are shown in £/ha terms which is the main outcome measure under review, consistent with this well-established and tested strategic viability assessment approach. The colouring is produced by conditional formatting applied to the RLV £/ha results tables in varying shades of green and is intended to provide a guide to the likely “tone” of viability prospects represented by the results – increasing boldness of green shading representing higher BLVs being met or surpassed by the appraisal RLVs (and therefore representing increased confidence in viability prospects across a range of host site types).
- 3.7.4 The CIL rate cost trials (increasing in £25/sq. m steps) are shown top to bottom in the left side column. In terms of general and expected trends, we can see that an increasing rate of CIL gradually reduces the RLV and therefore the viability outcome. The specific test outcomes with the indexed rate as an input are shown included as the top row of results within the Appendix IIa tables.
- 3.7.5 The tested market housing sales value (VL) is shown increasing left to right as set out across the top row of each table, with the central area indicating the most typical part of the new build values range that will support most of the planned housing supply. Necessarily based on assumptions at the time of assessment, but the use of the VLs also enables the review at a high level of the effect of values moving – either in time or by location and / or scheme type. The overall trend seen, again as expected is of increasing RLVs and therefore stronger viability with increasing VL available i.e. on moving to the right within these tables.
- 3.7.6 The effect of increasing the tested AH% level is then seen by reviewing the results for the 10+ dwellings typologies as these are appraised with varying AH% assumed (narrowed to 30% & 40% as the assessment progressed, although with not more than 20% having been tested as the key assumption on smaller sites (fewer than 10 dwellings)). The results of tests with increasing AH% are seen on moving from first to subsequent sets (scrolling down through the table sections or moving to following pages) within each typology review. The effect of increasing the AH % is seen to be significant in reducing the strength of RLVs and therefore viability, and particularly when looking at PDL sites (meaning a range of higher BLVs) – as noted on the dynamics of this as a key theme, with the use of the BLV levels as “filters” or viability tests to help view the nature of the trends and again for comparison between results, as above.

- 3.7.7 For further context for the commentary below, we note again that current the EBC affordable housing requirement (as set out in the Core Strategy 2011) is to seek equivalent financial contributions from sites of 1-4 dwellings, 20% on-site AH at 5, 30% on-site AH on sites 6-14 dwellings and 40% on-site AH on 15 or more. Furthermore, development on greenfield sites should provide 50% on-site AH on sites providing 15 or more dwellings.
- 3.7.8 The two-way relationship between the testing across the various stages and the draft policies development by EBC has, as above, seen the AH parameters for final consideration of policy proposals reduce and narrow to 30-40% on larger sites (10+ dwellings), with the 20% policy proposal retained on smaller sites albeit now envisaged as a more fully financial contributions in-lieu driven approach across the full range of smaller sites (1-9 dwellings). In practice, our experience suggests that approach has overall proven to be usually more manageable and practical on schemes of such a scale in this borough.

3.8 Full typologies – final residential results review

Small Sites <10 dwellings - Appendix IIc Tables 3a - 3b (@ 17.5% profit)

- 3.8.1 Following the review and analysis of EBC's emerging site supply, alongside our wider understanding of typical sites from our site specific work with the council, we consider these typologies to most likely be representative of development on a relatively low-grade (lower value existing use) PDL site types (e.g. former Public House, former public services premises or similar, smaller industrial/warehouse/workshop sites and yards, amenity or garden land etc.). However, such schemes do also occur on much higher value sites (on an 'EUV+' basis) – i.e. where comparing with a higher BLV will also be relevant (e.g. existing residential uses). On this basis, we need to consider BLVs within the lower to middle end of our suggested range (at £1,500,000 to £3,000,000/ha) but then potentially increasing to £5m+/ha in some scenarios e.g. redevelopment of higher value commercial uses/existing residential.
- 3.8.2 Within Appendix IIc, which includes the more recent tests on the small sites at 17.5% GDV profit on market sales, the Table 3a scenario envisages a relatively modest single new house in the borough context (of approximately 150 sq. m) compared to many that have

come forward locally. Consistent with our experience, this is shown to be a generally viable form of development – built on a relatively low-cost site generating good sales values, even if usually not beyond the mid VLs range. The results suggest reasonable viability prospects assuming typical garden land values, for example. However, while on initial review the results might suggest strong viability prospects with mid-higher values, our view remains that a 20% equivalent affordable housing financial contribution is likely to be the maximum that is appropriate to seek at this scale of development.

- 3.8.3 EBC’s current operation of policy CS21 of the Core Strategy seeks on-site affordable housing from 5 dwellings. However, in practice this has not proven achievable very regularly with challenges around viability or practical aspects of delivery including bringing one or two dwellings into appropriate management by a registered provider or similar.
- 3.8.4 On balance, our view remains that, while small sites remain so important to the overall housing supply and offer in the borough, hence the established need and justification for continuing with a small sites approach in AH policy, it may be prudent for the Council to consider extending its successful enabling fund use of the financial contributions policy to a wider range of smaller sites with on-site affordable housing only triggered on a strict requirement basis from 10 dwellings upwards (‘major’ developments) in that case.

Larger (major) development >10 dwellings – Appendix IIa Tables 1a – 1n

- 3.8.5 The 10 houses typology (Table 1a) indicates some positive results at VL7 (£6,500/sq. m.) with 40% affordable housing and appears capable of supporting all the potential key policy costs (included within the appraisal and as discussed earlier). This is on the basis of assuming BLVs up to around £5m/ha equivalent. However, higher still land values may need to be supported in some cases and particularly on considering the potential redevelopment of existing residential, offices/commercial or another form of relatively high value existing use. When we also consider the potential for higher works costs allied to particular site issues/abnormal costs, and potential profit variation or other uncertainties over various market cycles (possibly either way from the 17.5% GDV base assumption), this outcome is in our view not quite as positive as it first looks. The indications remain that 40% AH is probably going to be challenging on at least some sites and this is borne out in experience “on the ground”.

- 3.8.6 Although as above we see a selection of applications for development management (application) stage viability review and that process is only a part of the overall picture rather than a wide/full cross-section, we feel that our site-specific work bears out this uncertainty around solid support for as much as 40% AH in conjunction with other policy asks and potentially high EUVs on PDL sites.
- 3.8.7 This theme in respect of PDL is seen generally through these latest results, with 30% AH producing similar RLVs and viable across a significantly wider range of values and therefore schemes – for example at VLs 4 – 5 (certainly covering the typical and also some lower than typical values).
- 3.8.8 Towards the other end of the scale tested and although not typical of schemes in the borough, the 150 houses typology is one we could expect as more likely to come forward on either a PDL site in a lower value existing use or possibly greenfield (e.g. perhaps amenity or other land again in significantly lower value existing use). However, we understand there may be some circumstances in the EBC context where a site of this or a larger scale could come forward. PDL sites hosting larger developments may feature within the supply too – overall picture to be confirmed, so that EBC may then “overlay” our findings onto the expected site supply and consider them in that context.
- 3.8.9 Overall, the results presented are broadly positive if assuming a greenfield site type with BLVs of up to £500,000/ha at 40% AH, however. While in the earlier stages we found some 50% AH test results also appeared potentially viable in a greenfield site scenario only, indicating an AH component in excess of 40% may be supportable in some particular circumstances, the prospects for such development the borough are currently understood as very limited. Such a level of AH provision would be on the basis of assuming a relatively straight forward site without any significant additional infrastructure requirements or other specific costs involved in its development. Owing to the direction of the Plan development as the final study stages were completing, the 50% AH tests were not carried forward following the narrowing down of the testing scope as the proposed policy approach firmed up.
- 3.8.10 Generally, as seen with the initial tests noted above, these results overall continue to point to mixed prospects for viability when looking at the combination of 40% AH and previously developed land (PDL – i.e. ‘brownfield’) with the various policy cost estimates and assumptions factored in. We also noted that although some all-flatted scheme

results appear more positive than may be expected, those and especially any larger schemes will often need to surpass higher BLVs given the nature of sites and their existing uses. These factors in combination with high development costs can lead to pressure on viability. Having sensitivity tested the potential effect of basement car parking ('BCP') for example (Table 1g), the effect of further cost in reducing the viability can be seen as an example of abnormal costs effects (although in our experience such schemes are not very regularly seen in Elmbridge).

- 3.8.11 As expected in general, but seen to a useful degree for viability and therefore scheme delivery based on the new policies, the results at 30% AH compared with 40% are more positive and would therefore allow for potential movement in the strength of the values : costs relationship over time. Accordingly, the prospects for including social rent rather than just affordable rent, as an example, are also improved at 30% affordable housing rather than 40% on PDL, although on a greenfield site this could also be an element much more readily achieved alongside other requirements.
- 3.8.12 Overall, the indications have continued to support an AH policy headline reduced from the current Core Strategy approach to 30% on PDL sites providing 10+ dwellings.
- 3.8.13 Greenfield (GF) sites, as far as relevant to the supply, will tend to present more viable prospects and appear able to regularly support the 40% AH.
- 3.8.14 We discuss further below whether these themes are also observed through other typology results – potentially involving suggested consideration of a differential affordable housing policy approach relating to site type (PDL/GF) or similar.

Larger development >10 dwellings (all-flatted)

- 3.8.15 Flatted schemes and particularly the larger ones are most likely to come forward on a PDL site type (and at this scale would be typically representative of higher density development in or close to the main centres).
- 3.8.16 The 10 and 50 flat typologies assume 3-5 storey development as is expected to be typical for Elmbridge, with densities assumed ranging from 100 -175 dph.
- 3.8.17 The 200 flats typology assumes a notional / test level much higher density / higher-rise development type (assumed at up to 370dph, 6+storey) with a number of development

assumptions changed from the 3-5 storey scenario to reflect this – see Appendix I for detail. For example, BCIS build cost data (for 6+ storeys) adds significant cost, approximately 20% at the point of review, to the base build and reduces viability scope unless significantly higher sales values are supportable to balance out the costs. However, this latter form of development has not been seen at any significant scale in Elmbridge recently and on discussion with the Council schemes of this nature are considered likely to be exceptional rather than typical. This appears consistent with the discussions we have had, and experience so far, in relation to the unlikely mainstream relevance of ‘build to rent’ locally, as above.

3.8.18 Currently these again use BCIS median build costs rebased using the Elmbridge location factor for the selected category, which again is the normal robust source of assumption for this assessment level and purpose. As in other cases, however, we know that in some planning application stage submissions, initial budget cost plans sometimes put forward higher or significantly higher build costs (which are then reviewed for the Council). As above, these, along with the other potential viability factors and pressures, need to be considered. We often see this type of development having reduced viability scope overall – so not just an EBC finding. These were also observations noted at the earlier stages of review.

3.8.19 On this basis, although the RLV £/ha results appear to indicate a range of positive viability scenarios, once the above influences are considered, some of these high level assessment results need to be reviewed with the potential wider context in mind, in our experience.

Residential with other uses

3.8.20 The mixed-use typology tests use tailored assumptions as set out in Appendix I, assuming principally a town or local centre PDL scenario with flexible ground floor commercial space – e.g. for smaller retail / food and drink outlets or similar.

3.8.21 These results indicate that a retail element could be part of a viable scheme in the right circumstances, although the non-residential element may be more likely to have a broadly neutral effect rather than significantly boosting or negatively impacting the overall viability picture if it is additional to the residential. This is likely to depend on the individual circumstances and market demand at the time, but with the current

circumstances (generally lowered market demand for most retail use space, including restaurant uses or similar) would at best be uncertain it appears.

3.8.22 Building on the above it is important to note that once the viability is under pressure, added costs of basement car parking (see 3.8 1.0 above and Table 1g) for example, or other plan making stage unidentified abnormalities, could see the results deteriorate and not meet appropriate BLVs. Therefore, the results as presented could come under some further downward pressure with some relatively minor adjustments, taking into account site specific circumstances and associated potential cost implications.

3.8.23 The above shows that in our view it will be appropriate to continue considering, as identified earlier, a 30% rather than a 40% affordable housing headline with PDL development in mind and with the likely overlap between such sites and the characteristics of apartment-based developments.

Sheltered / retirement living and Extra Care typologies Appendix IIa - Tables 1d and 3j

3.8.24 Typically, these are high value forms of development that tend to compete for sites in or close to town or local centre locations convenient for amenities. As with some other typologies, however, consideration therefore also needs to be given to some of the high-looking £RLVs/ha results owing to the likely delivery context and the sites upon which some of these will be located. This will not always mean high or very high benchmark land values being relevant, in our experience.

3.8.25 To date, experience has consistently shown that these schemes typically contribute towards meeting affordable housing needs by way of financial contributions; rather than on-site AH provision. This is widely found (again certainly not unique locally) and is often due to differing management regimes, service charge costs affordability and other matters not necessarily related to viability but, in discussion with specialist developers, is often related to design and to such practicalities. Consideration of these other matters is beyond the scope of the viability assessment and of course creative solutions including on-site affordable provision should not be ruled out. Nevertheless, it appears appropriate to acknowledge experience in practice again.

3.8.26 Most likely to occur on urban area sites, with experience locally and elsewhere showing that premises such as former police stations or similar, office blocks and other sometimes significant existing / former uses (including sometimes intensification of existing

residential) a PDL basis will generally be relevant, with some abnormal site issues or other matters potentially influencing overall viability too. Having said this, many of these factors are also characteristics influencing the viability scope on other types of schemes progressed on similar sites, and which these could be in competition for sites with.

- 3.8.27 Our results indicate that Extra Care schemes selling at similar values to the retirement living sales assumptions are perhaps likely to be less viable than the retirement schemes that have lower communal floor area requirements.
- 3.8.28 However, because experience shows that there are varying types of schemes and communal / service provision levels, overall, at this stage there appears not be a very clear reason to differentiate for these forms of development compared with other forms of housing development in terms of the regular policy expectations, being a part of the wide spectrum of the market housing offer and potentially covering a range of different scenarios themselves. It appears that they are no more likely to consistently experience viability pressures than some other forms or apartments based development. Applying a consistent approach, they would attract the lowered 30% AH headline under consideration assuming PDL based development (but should prove viable in any event if coming forward as part of any greenfield development).
- 3.8.29 However, these scheme types may require further consideration including of any CIL differential(s) that may be appropriate upon any review of the charging schedule or introduction of a similar levy.
- 3.8.30 The use to date of financial contributions in-lieu of on-site AH provision need not affect the policy starting point or mean that the policy scope should be restricted to that, particularly as different forms of development and tenure formats could become a part of the overall picture in the coming period, with a greater national level emphasis on and a growing need for both housing for the elderly and a greater variety of housing approaches and options in terms of tenure.

First Homes (FH) requirements

- 3.8.31 With the introduction of the First Homes initiative during the preparation of this assessment (and guidance added to the PPG in May 2021), we initially conducted sensitivity testing on a sample of the typologies. The additional results sets to the right-side of Appendix IIc (17.5% GDV market sale housing profit base) Tables 3e (30 mixed)

and 3h (50 flats) were provided on the basis of FH assumed as included - for comparison with the base (left-side) results that assumed the (pre-FH) unadjusted mix of rented and intermediate AH tenure.

- 3.8.32 Following dialogue to inform and then settling assumptions reflecting the Council's likely approach in the circumstances, both the initial and final stage testing (latter as per Appendix IIa results) was carried out on the assumption of the minimum level of FH discount (30%) being applied, although as we are finding is typical in high value market areas this does restrict the dwellings that are likely to be workable within the FH criteria to the smallest types. Nevertheless, as can also be seen, the optional higher-level discounts (at either 40% or 50%) would still be unlikely to open up a much greater range of workable provision in such a borough on the FH criteria. More backgrounds on this is provided below.
- 3.8.33 This part of the exercise and updating was informed by a preliminary feasibility exercise run by DSP and discussed with EBC, enabling review of the overlap between the FH value cap, potential FH discount levels and the local area market value levels (VLs) range considered relevant – latter us used throughout the assessment.
- 3.8.34 The preliminary exercise produced the following picture – tables showing the relationship between local market values, property types, FH discount level and where various combinations of these site in relation to the relevant FH value cap of £250,000 (after discount).
- 3.8.35 The first set of tables below (Figure 13) show in the pink / red shaded areas the dwelling types that could be expected to exceed the price cap and therefore not be workable as First Homes in the Elmbridge context – using the assessment values and dwelling size assumptions as are considered appropriate.

Figure 13: Review of likely relationship between First Homes value criteria and EBC values

Elmbridge BC - First Homes Property Price Caps										
100% Market Value										
Unit Type	Size of unit (m ²)	VL1 £4,750	VL2 £5,250	VL3 £5,500	VL4 £5,750	VL5 £6,000	VL6 £6,250	VL7 £6,500	VL8 £7,000	VL9 £7,500
1BF	50	£237,500	£262,500	£275,000	£287,500	£300,000	£312,500	£325,000	£350,000	£375,000
2BF	67	£318,250	£351,750	£368,500	£385,250	£402,000	£418,750	£435,500	£469,000	£502,500
2BH	75	£356,250	£393,750	£412,500	£431,250	£450,000	£468,750	£487,500	£525,000	£562,500
3BH	93	£441,750	£488,250	£511,500	£534,750	£558,000	£581,250	£604,500	£651,000	£697,500
4BH	124	£589,000	£651,000	£682,000	£713,000	£744,000	£775,000	£806,000	£868,000	£930,000
30% Discount										
Unit Type	Size of unit (m ²)	VL1 £4,750	VL2 £5,250	VL3 £5,500	VL4 £5,750	VL5 £6,000	VL6 £6,250	VL7 £6,500	VL8 £7,000	VL9 £7,500
1BF	50	£166,250	£183,750	£192,500	£201,250	£210,000	£218,750	£227,500	£245,000	£262,500
2BF	67	£222,775	£246,225	£257,950	£269,675	£281,400	£293,125	£304,850	£328,300	£351,750
2BH	75	£249,375	£275,625	£288,750	£301,875	£315,000	£328,125	£341,250	£367,500	£393,750
3BH	93	£309,225	£341,775	£358,050	£374,325	£390,600	£406,875	£423,150	£455,700	£488,250
4BH	124	£412,300	£455,700	£477,400	£499,100	£520,800	£542,500	£564,200	£607,600	£651,000
40% Discount										
Unit Type	Size of unit (m ²)	VL1 £4,750	VL2 £5,250	VL3 £5,500	VL4 £5,750	VL5 £6,000	VL6 £6,250	VL7 £6,500	VL8 £7,000	VL9 £7,500
1BF	50	£142,500	£157,500	£165,000	£172,500	£180,000	£187,500	£195,000	£210,000	£225,000
2BF	67	£190,950	£211,050	£221,100	£231,150	£241,200	£251,250	£261,300	£281,400	£301,500
2BH	75	£213,750	£236,250	£247,500	£258,750	£270,000	£281,250	£292,500	£315,000	£337,500
3BH	93	£265,050	£292,950	£306,900	£320,850	£334,800	£348,750	£362,700	£390,600	£418,500
4BH	124	£353,400	£390,600	£409,200	£427,800	£446,400	£465,000	£483,600	£520,800	£558,000
50% Discount										
Unit Type	Size of unit (m ²)	VL1 £4,750	VL2 £5,250	VL3 £5,500	VL4 £5,750	VL5 £6,000	VL6 £6,250	VL7 £6,500	VL8 £7,000	VL9 £7,500
1BF	50	£118,750	£131,250	£137,500	£143,750	£150,000	£156,250	£162,500	£175,000	£187,500
2BF	67	£159,125	£175,875	£184,250	£192,625	£201,000	£209,375	£217,750	£234,500	£251,250
2BH	75	£178,125	£196,875	£206,250	£215,625	£225,000	£234,375	£243,750	£262,500	£281,250
3BH	93	£220,875	£244,125	£255,750	£267,375	£279,000	£290,625	£302,250	£325,500	£348,750
4BH	124	£294,500	£325,500	£341,000	£356,500	£372,000	£387,500	£403,000	£434,000	£465,000

(DSP 2021 - 2022)

3.8.36 The further table below (Figure 14) prepared using the Figure 13 figures shows in green the scope of likely workable FH provision locally (in terms of the FH values criteria rather than in respect of affordability or other matters).

Figure 14: Review of likely relationship between First Homes value criteria and EBC values

Discount required to achieve £250,000 cap										
Unit Type	Size	VL1 £4,750	VL2 £5,250	VL3 £5,500	VL4 £5,750	VL5 £6,000	VL6 £6,250	VL7 £6,500	VL8 £7,000	VL9 £7,500
1BF	50	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	33.3%
2BF	67	30.0%	30.0%	32.2%	35.1%	37.8%	40.3%	42.6%	46.7%	50.2%
2BH	75	30.0%	36.5%	39.4%	42.0%	44.4%	46.7%	48.7%	52.4%	55.6%
3BH	93	43.4%	48.8%	51.1%	53.2%	55.2%	57.0%	58.6%	61.6%	64.2%
4BH	124	57.6%	61.6%	63.3%	64.9%	66.4%	67.7%	69.0%	71.2%	73.1%

(DSP 2021)

- 3.8.37 As can be seen from Figure 14 above, if houses are to be provided as First Homes, a 30% discount will not be sufficient to bring the prices within the £250,000 cap. Only in lower than typical value scenarios locally would the 40% discount level be sufficient to enable this in respect of 2-bed houses, whereas 3+bed houses look unlikely to be providable on the FH basis in any event once we assume the typical/mid-range market values that are relevant locally.
- 3.8.38 We could see that it is very likely that 2 bed flats will exceed the cap in all but the lowest value areas of the borough. At the highest value level, even a 1-bed flat would need a higher discount level – i.e. beyond the minimum 30% - in order to fall within the cap.
- 3.8.39 Overall, this led to discussion with EBC considerations both:
- at a fundamental level of “what will be EBC’s approach” to working with the available criteria within this high value local market?
 - and then in turn what does this mean the viability assessment should aim to reflect as we continued with the LP study?
- 3.8.40 The discussions settled upon an approach to assume the 30% discount, and accordingly assume the allocation of the smallest dwelling types for FH, as above. The appraisals conducted reflect this. Should this change then this would need to be considered further. This area of review does also lead to questions of how overall dwelling mixes and designs will be sought and managed to accommodate the criteria; beyond the viability considerations here.
- 3.8.41 Appraised on this basis, we have found the impact of including the assumed First Homes (25% of the AH at 30% discount, notionally allocating smallest dwellings) to have an essentially neutral effect on viability overall compared with a prior to First Homes assumptions set, viewed at this high level.
- 3.8.42 On this basis, this means that this recently introduced national requirement will not be likely to negatively impact viability notably when considered with the other development and policy costs cumulatively. The effect is unlikely to be a notable positive one for viability, however, because any slightly higher revenue level at 30% discount (compared

with typical intermediate AH revenue assumptions) is likely to be counterbalanced by the effect of the higher development profit level that it appears will be likely to be relevant on the FH element (we have assumed 12% GDV profit i.e., twice the profit level consistently applied over the years for the usual affordable housing).

3.8.43 The effect of First Homes being included, assumed on this same basis, has also been discussed in respect of the 2 larger site scenarios appraised more specifically – potential larger allocations reviewed for additional information to EBC while considering its development strategy; assessment element as overviewed at 3.10 below. Given the discussion here, will not add to this in considering those next – the results may be viewed accordingly in Appendix IIe (Tables 5a and 5b).

3.9 Review of commercial / non-residential development use typologies – results overview – Appendix IIg (Tables 7a – 7e)

3.9.1 Looking outside the scope of residential development where the Local plan policies will have by far the most reach, as noted above the primary purpose of the other typologies appraisals and review is to inform a potential update review of the Elmbridge Borough CIL Charging Schedule (or again as noted to begin to inform the potential viability scope for another form of ‘Infrastructure Levy’).

3.9.2 It is also worth noting, however, that our assumptions have included a +5% build cost addition over the BCIS median data to reflect increased sustainable design and construction requirements (again related primarily to carbon reduction) in a parallel approach to that taken within the residential typologies assumptions. This is a Local Plan relevant assumption as well as one that should be factored in as part of again considering the cumulative costs that any review of the CIL would need to reflect.

3.9.3 The Appendix IIg tables also follow a particular, amended format consistent with DSP’s well-established approach for Local Plan and CIL viability assessment of non-residential development uses. Once again, however, the approach applies the same appraisal and review principles to these typologies.

3.9.4 This time, the trial CIL rates tested are shown left to right across the top of the tables. There are 3 rows of results for each typology, which reflect tests at each of the rental

levels (L – low, M - mid/medium and H - higher) assumed for the sensitivity testing. We assume that the ‘M’ rental levels are base and the sensitivity to rental change as a certainly a key variable is clearly seen.

- 3.9.5 The other key variable influencing this picture is the investment yield assumption that is applied in capitalising the assumed rental levels. Bearing in mind viability should not be taken to the margins, the most positive (lowest) yield test assumption used is 5%. In practice, the development use types supporting the strongest investment and viability prospects (shown again by the breadth and strength of green shaded results) could support lower yields than this, reflecting the most secure scenarios. On the other hand, moving away from those larger format retail scenarios, we would generally expect the investment yield assumptions to reach that at their most positive, and in many instances to rise (with higher yield % reflecting more risk – less secure investment prospects and ultimately usually feeding into lower viability).
- 3.9.6 As can be seen, using the assumptions set out and as are appropriate for CIL viability purposes, the only consistently viable development uses are those at the top of the tables – larger format retail developments i.e., foodstores, larger convenience stores and retail warehousing (retail park type) development – should there be demand to drive the bringing forward of the further development of these.
- 3.9.7 At this stage, the results suggest that for such developments there should be scope to increase the current (as indexed) £74.11 CIL charging rate applied to retail developments in the borough – to a rate likely to be still suitable at circa £100 to possibly c. 150/sq. m, whilst avoiding the margins of viability as is necessary.
- 3.9.8 Currently the same level of charge also applies to smaller retail developments, however. On review of the results and particularly as the tested yield % assumption falls away (increases) as is likely to be more reflective of any such development in the current and foreseeable climate (results at tables 8b onwards), at this stage it appears most likely that we would make a recommendation to considerably reduce or potentially remove (i.e. nil rate) other forms of any retail development that may come forward. Although, compared with a range of other influences, the charge as exists is thought unlikely to be a factor that would make the difference between a viable and non-viable schemes, and significant new floor space of this type (as opposed to from conversion/adaptation or similar) seems

unlikely to come forward, in our view such a consideration could be an appropriate part of refreshing the suitable balance to be struck, in accordance with the CIL principles.

- 3.9.9 In respect of other development use types, there are some that with all the positive-end assumptions applied look potentially positive (such as office development and the same may be seen in research and development or similar, if provided locally). However, the results do not at this stage point consistently enough to such prospects in our view and at this point our general scoping finding indicates a continued nil-rating of all other development types.
- 3.9.10 Although some other development uses may also support a nominal level of CIL charging, other specifically identified forms of development (including other retail uses, hotels and care homes) appear unlikely to be able to support a meaningful CIL charge at this stage – which would continue the effect of the current charging schedule.
- 3.9.11 The same applies to many other development uses where the viability evidence will not be able to support a CIL charge. In those cases, the usual approach in our experience is to nil-rate ‘all other uses’ or similar. Such an approach reflects the viability evidence and also the potential range of implementation and administrative issues that can be experienced around imposing a wide-reaching charge.
- 3.9.12 As an alternative, it may be possible to look at a very low or nominal rate charge for ‘all other uses’ or similar. There are pros and cons to such an approach, which would involve taking a different view on the overall balance to be struck (i.e., between the desirability of funding infrastructure and the potential effects on viability). The minimal additional impact on already often challenging viability scenarios could also be an argument for this. We note that this could be amongst the matters considered and weighed up through further final stage review work in respect of a CIL review in the borough or in looking at any similar levy that may become applicable here.

General closing points

- 3.9.13 These, as with all other CIL scoping findings and commentary provided here are put forward subject to some further review and potential revisiting should the Council decide to proceed with a review of its CIL as the Local Plan progresses – all as above.

- 3.9.14 In that case, further review and supporting detail can be provided to EBC to enable a relatively “light touch” extension of the exercise to more closely inform and support such a review and related consultation, etc.
- 3.9.15 This assessment has been worked up over a period when more than typical levels of uncertainty may influence matters moving forward. An overview and judgments are always necessary, and indeed are appropriate. However, at this stage both the COVID-19 pandemic (adding economic uncertainty to that related to the UK’s exit from the EU) and the Government’s proposals on planning reform (the outcomes of which are currently not known) may be considered to present a range of extended unknowns.

4. Findings Summary

- 4.1.1 With the assessment process and resulting dialogue with EBC having informed the development of the policies and in the final stages checked the viability of the new Local Plan for Elmbridge Borough, this end section provides a quick reference overview of the main findings.
- 4.1.2 Tested cumulatively in accordance with well-established good practice and consistent with the relevant guidance (principal source, the PPG) it is considered that the nature of development proposed through the Plan and its policies will be able to continue to come forward viably in support of a deliverable approach, viewed overall.
- 4.1.3 A brief overview of the headline areas and key policy aspects influencing viability follows, based on the positions appraised and supported through the assessment discussed above – see Figure 15, below.

Figure 15: Table of main findings – key aspects / policies influencing viability

Policy Area / Aspect	Findings brief overview	Any additional summary comments
Affordable Housing (AH)	20% equivalent provided by way of financial equivalent on sites providing 1 to 9 dwellings.	EBC intends to continue its successful AH enabling approach supported by contributions from small sites, given their ongoing role in local housing supply. On-site AH provision will not be sought but is not ruled out where proposed.
	30% required on sites providing 10+ dwellings on previously developed land.	Reflects a viability testing informed reduction of current (adopted Core Strategy based) targets, given the updated viability view and effect of other increased requirements.
	40% required on sites providing 10+ dwellings on any greenfield sites.	On tenure, the tested basis of these AH levels is 48% rented (being 17% social rent plus 31% affordable rent) and 52% intermediate (comprised of 25% First Homes at a 30% discount with 27% other intermediate tenure currently assumed remaining as shared ownership).
Sustainable construction and development	Carbon reduction - Available viability supports forthcoming uplift to Building Regulations Part L / Future Homes Standard. Allowances made for electric vehicle charging provision.	Reflects national policy approach.
Biodiversity Net Gain (BNG)	As above - viability supports forthcoming standards – 10% (minimum) net gain.	Reflects national policy approach.

Policy Area / Aspect	Findings brief overview	Any additional summary comments
Water usage efficiency	Viability supports EBC approach to set higher than base Building Regulations standard, with policy not exceeding 110 litres per person per day.	Reflects nominal only cost in comparison with meeting base 125 lpppd.
Thames Basin Heaths Special Protection Area (SPA)	SAMM (Strategic Access Management and Monitoring) contributions accommodated within viability testing and scope.	Development cannot proceed without relevant SPA related mitigation. EBC approach assumes continued use of CIL for SANG provision.
Accessible and adaptable dwellings (Building Regulations Part M4).	10% of total dwellings on sites of 10+ together to M4(2) together with 5% of total units on sites of 20+ to M4(3).	Reflects EBC's approach of provision based on exercising optional higher than base standards, albeit at relatively modest levels overall in DSP's experience.
Community Infrastructure Levy (CIL) – Potential parameters for any review		
Residential development	CIL charging rate scope within parameters £150 – 250/sq. m considered appropriate, therefore with ongoing use of the current charging rate (as indexed) @ £185.26/sq. m considered suitable for ongoing operation alongside updated LP policies.	Tested across range £0 – 400/sq. m for EBC's information. Details could be considered further based on settled LP policies and potentially dependent also on national review position (TBC). Within this, should the CIL be reviewed, it has been noted that differential treatment may be appropriate to consider in respect of Extra Care developments, although not for retirement living / sheltered schemes (again, details TBC on any review).
Larger format retail development, if any (foodstores, other larger scale convenience stores and retail warehousing).	We have found there to be likely scope to increase the charging from the adopted basis (indexed rate currently £74.11/sq. m) – to £100 - £150/sq. m without reaching the margins of viability.	Subject to review of charging schedule should this be progressed, as above.

Policy Area / Aspect	Findings brief overview	Any additional summary comments
Smaller shops development and other retail,	Reflecting the latest assessment work and circumstances, and again consistent with our wider experience, we have indicated that consideration should be given to a lowered or nil rate for such developments (suggested downward adjustment from the single EBC retail charging rate currently at £74.11/sq. m as above.	Subject to review of charging schedule should this be progressed, as above.
Offices, industrial, care homes, hotels and all other forms of development aside from the above.	At this stage, a continuation of the adopted and current approach to charge such developments based on a nil CIL rate (£0/sq. m) remains considered appropriate in viability terms.	<p>Overall, this part of the striking of an overall balance (between the desirability of funding infrastructure and the viability of developments) in CIL setting, is not considered to have changed. However, allowance has been made to reflect sustainable design and construction requirements.</p> <p>As a potential alternative, there is some experience of nominal (very low) CIL charging rates being applied to “all other forms of development” (or similar) i.e. that are not more specifically rated. There are considered to be pros and cons to this approach, which could be investigated further with and by EBC on any review of its CIL Charging Schedule. Such an approach would involve viewing differently the balance to be struck between the likely effects on viability and the desirability of funding infrastructure, which would involve not following the viability findings exactly and considering the CIL guidance (within the PPG) allows some room for pragmatism.</p>



Policy Area / Aspect	Findings brief overview	Any additional summary comments
		Any such approach would need to be considered in terms of the implementation / management aspects too, and is noted here at this stage for completeness – for EBC’s wider information.

(DSP 2022)

**Final Report ends – DSP v1
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