For:

Worthing Borough Council

CIL Viability Assessment

Final Issue Report
- March 2020

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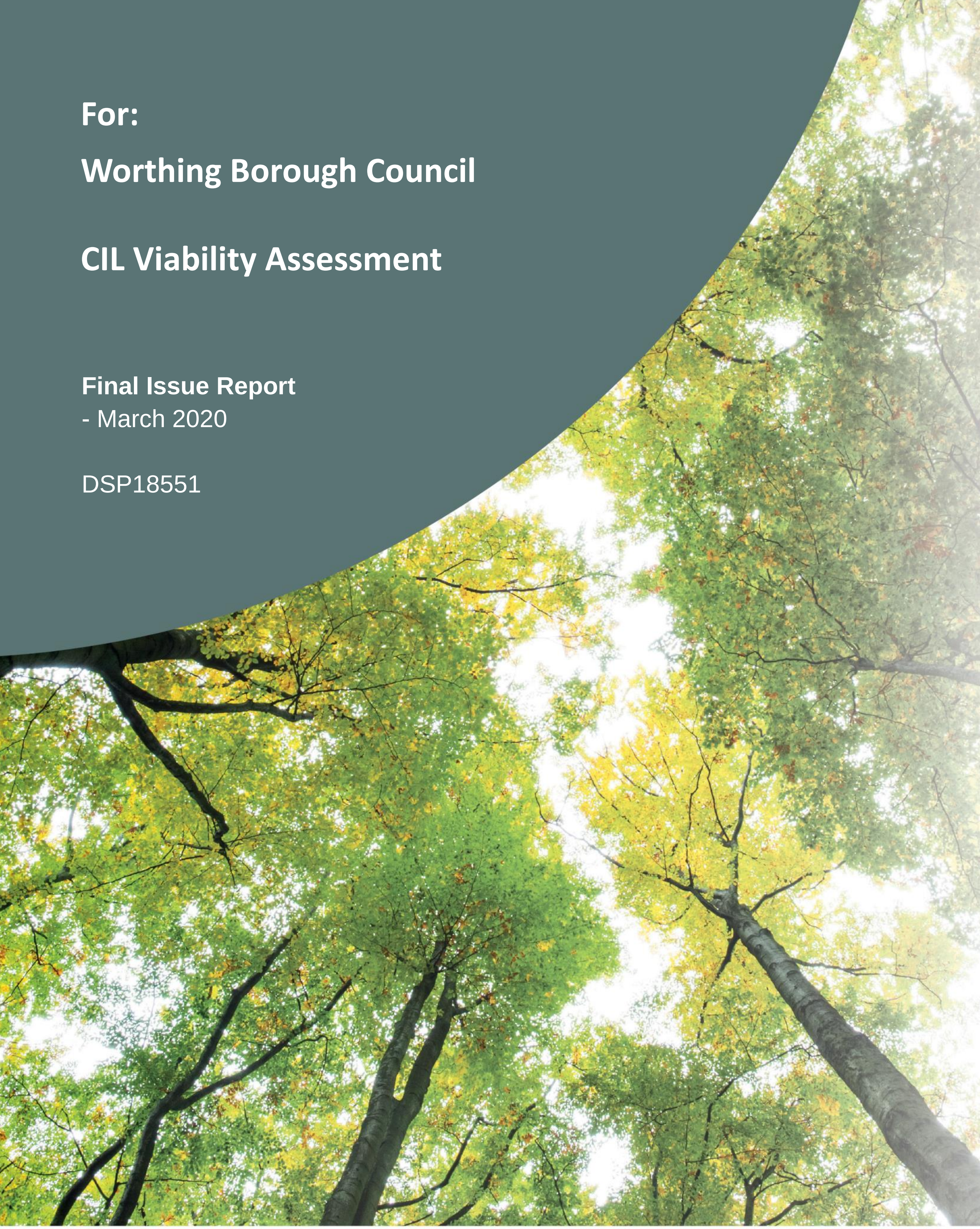

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Executive Summary

Context and assessment approach

1. This summary aims to provide a brief non-technical overview of the full report that follows – it is not a substitute for the full detail set out within that.

2. Worthing Borough Council (WBC) implemented a Community Infrastructure Levy (CIL) charging schedule in October 2015 to support the funding of infrastructure provision in the borough. Following examination of the Council's charging proposals, the CIL charging rates were set at £100/sq. m. (Zone 1) and £0/sq. m. (Zone 2) for residential development. Charging Zone 1 includes all borough ward areas except for the 4 wards that are nil rated (Castle, Gaisford, Broadwater and Selden) being Zone 2. The adopted schedule includes a CIL rate of £150/sq. m. borough-wide for retail (A1-A5) development. Following annual indexation since being implemented, the rates currently chargeable (as of 1st January 2020) have risen from the above adopted levels to £128.96/sq. m (residential Zone 1 only) and £193.44/sq. m (retail, borough-wide). The charging schedule in place includes a nil CIL rate for all other development uses (not affected by the indexing).

3. The report and its Appendices provide the Dixon Searle Partnership (DSP) viability assessment commissioned by WBC to inform the Council's consideration of a potential review of the existing CIL charging schedule and therefore, if progressed, whether or how the current charging rates and/or zones might change on review. 'Viability' in this sense means the financial "health" of development. The assessment has been conducted in a way that is consistent with both the national policy and guidance (as mainly contained within the CIL section of the Planning Practice Guidance (PPG)) and good practice involved in CIL (and Local Plan) viability assessment, together with DSP's wide experience of these processes.

4. WBC is in the development stages of producing a new Local Plan. Although this viability assessment is conducted using the existing Core Strategy (CS) 2011 policy basis and therefore also relates to the remaining planned site supply/delivery, the ongoing picture and emerging context of the new Local Plan has also been reflected upon in providing this information. This is considered to be consistent with what will in practice be a continued timeline of development, albeit that the types of schemes will continue to vary. At this stage, from WBC

emerging information available to date, the new Local Plan policy set as impacts development viability is unlikely to be very different from the CS basis.

5. National policy or guidance does not specify when or how often CIL charging schedules should be reviewed. We consider that reviewing within say 3-5 years of implementation appears a suitable appropriate timeframe typically, as well as in this instance.

6. As part of the brief for this project, the Council set out some key aspects to be considered and addressed, including: the appropriateness of the current nil rating of Zone 2, the influence of enhanced communal/other ancillary space within some apartments developments and also of changes in the market (as effects development values and costs over time) and the updated national policy and guidance picture. Following further changes made to the operation of CIL (through the associated regulations and guidance), since 1st September 2019 charging authorities have had considerably more flexibility over the use of s.106 planning agreements alongside CIL.

7. We understand the remaining site supply/delivery picture for the CS is anticipated to come forward on PDL sites together with some windfall sites (assuming both PDL and greenfield). For wider context, the emerging plan continues this theme, albeit with the inclusion of a small number of identified specific greenfield sites.

8. The assessment is based on residual valuation principles, the most established and suitable, robust approach used in conducting strategic level viability assessments such as this. The essence of the methodology, as described in detail in the full report, involves considering the strength of the relationship between local development values and costs; and how this varies given the development plan backdrop and the relevant characteristics of development activity in the borough. A great many development financial appraisals are carried out, using assumptions (again as set out in the report and appendices) to test at an appropriate high-level how this relationship varies. This shows through the varying strength of the 'residual land value' (RLV) appraisal results.

9. The RLVs indicate the sums that could be available to buy land (i.e. as a supportable land cost) for different types of development (both residential and non-residential/commercial) - after allowing for all development and policy costs deducted from the completed development value (known as the gross development value or 'GDV'). The usual development costs include the build and other works costs, contingencies and fees, finance, costs of sale and development

profit. The developments are represented by scheme 'typologies' (i.e. assumed developments) that reasonably reflect local development types. The varying levels of the appraisal output RLVs are considered against a view taken on a reasonable level of land value, as a comparator, also known as a benchmark land values (BLVs). By testing including varying levels of CIL cost, the assessment builds up a picture of how much scope there is considered to be, in viability terms, to bear the costs of a WBC CIL in the various relevant local development circumstances. A "buffered" approach to considering CIL setting is required. This means that CIL rates are not to be set at the margins of viability, because the CIL is a fixed, non-negotiable cost and in practice other costs and influences on viability may well move around to some extent.

10. CIL charging authorities need to consider and be able to show how their CIL charging proposals will strike an appropriate balance between the desirability of funding infrastructure and the viability of development. As a part of its overall review process, WBC will need to weigh up how the viability information provided here combines with the local sites and development supply picture and the Council's infrastructure planning information to inform the most suitable overall approach. In doing this, the guidance recognises that viability evidence does not have to be exactly followed – there is 'some room for pragmatism', as it refers to nature of these considerations.

Findings Overview

11. Following appropriate analysis, we consider there to be justification in viability terms to revise the current approach to CIL in the borough for both residential and non-residential development.

12. In relation to residential development, a common theme of our findings relates to the overall strength of results when comparing development on brownfield (previously developed land – 'PDL') site types with that on any greenfield land. In the WBC context this is particularly in focus as flatted development typologies are amongst the most relevant, including in the key location of the town centre and it surrounds. These are found to indicate the most likely challenging viability scenarios overall; and therefore a high level of sensitivity to the amount of CIL supportable. Combined with the level of development values often available to support viability here, and some relatively high PDL site values (based on existing uses as above) this is not an unusual finding in our experience. We think it also fair to comment that this is probably not an unexpected finding to some degree, given our understanding of and insight on the local experience of planning negotiations and schemes delivery.

13. Residential development coming forward below the affordable housing (AH) threshold (smaller scale schemes) produces a more positive results set compared to looking above the threshold, regardless of scheme type e.g. house or flats.

14. Once the AH requirement is triggered, and especially at 30% on schemes of 15+ dwellings, the provision of the much needed affordable homes is costly to support. This significant cost has a notable viability impact particularly, as above, on larger flatted developments that are key to the overall supply and where an inherently low base viability position is often found to exist, owing to the nature of schemes. As a key point, from the results and also our local experience “on the ground”, we consider the viability prospects for flatted development in the borough may typically be more challenging generally, based on the assumptions used and, as above, even before allowing for CIL charging.

15. On this basis, in our view there is justification for the Council to consider a differential approach to CIL charging moving ahead, meaning a suggested significantly lower rate that would then be relevant to such developments – larger flatted schemes requiring affordable housing.

16. Allied to this, we have also considered the influence on overall viability of providing enhanced communal space perhaps in addition to basement/undercroft car parking or similar, as above. However, based on our review and wider experience of CIL, we consider that a differential rate approach for these areas within a flatted development context could be challenging and difficult to clearly define, and therefore also to apply consistently. CIL is intended as a relatively simple and clear, strategic level approach with any undue complexities to be avoided. We consider that these and other characteristics of development are probably best reflected through the setting of a simple charging schedule reflecting the overall nature of developments rather than seeking to respect all the potential variances within them.

17. Although the site supply for the remaining period of the CS is on PDL, we understand that moving ahead there could also be some greenfield development that needs to be considered, and the findings show that where relevant this could support a greater level of CIL than currently charged, assuming that any sites did not also need to carry significant specific development mitigation (s.106) costs.

18. In terms of non-residential (commercial) development, it is not unusual in our experience for most forms, other than any large format retail that may come forward, to generally support poor or marginal viability prospects when viewed for this purpose. This theme is present in the Worthing context. Our results indicate positive viability potential primarily for any further retail

warehousing and foodstore/supermarket development indicating CIL is supportable at up to around the current (indexed) rate. In our view, however, the Council should also consider the likely relevance of the varying types of retail units to the development plan, with a view to keeping in mind the potential for any unintended consequences of such a level of charging on any other plan relevant types of retail – such as town centre/neighbourhood units or other smaller and typically less viable provision.

19. The following is offered as an overview of our findings and recommendations for the Council's review.

Findings overview

Figure 1: Brief summary of key findings and recommendations to consider on CIL Charging Rates (as appears at

Development Type	**Recommended CIL Rate (£/sq. m)** *Note: after buffering allowance*
Residential Development	
<10 dwellings AH threshold borough-wide i.e. all wards - no zoning *(all dwelling types)* *Also applicable to any relevant retirement/sheltered housing*	**Parameters c. £100 to £125/sq. m.** (i.e. not more than adopted rate, particularly as indexed) DSP comment: suggest rates to be set at around existing indexed rates
>10 dwellings AH threshold borough-wide - all wards i.e. no zoning *(excluding Flatted development)* *Also applicable to any relevant retirement/sheltered housing*	**Up to £100 to £125/sq. m.** (i.e. not more than adopted rate, particularly as indexed) DSP comment: suggest rates to be set at around existing indexed rates
Flatted Development borough-wide on >10 dwellings (i.e. with AH provided) *Also applicable to any relevant retirement/sheltered housing.*	**Low-level (nominal) or potential nil rate** subject to WBC striking balance – as per CIL Guidance, between the desirability of funding

See below re any greenfield based housing development, however – scope for differential treatment suggested	infrastructure and the influence on viability of development
Extra Care Housing *Generally, except any on greenfield sites, again as below*	**Nominal (low level) or nil rate**
Greenfield housing development, where applicable *Also applicable to any relevant retirement/sheltered/extra-care housing that may form part of this*	**Rate up to £200/sq. m.** DSP comment: All housing development on any relevant sites – scope of applicable areas likely to be mapped (zoned), with the approach to provide suitable clarity - subject to WBC consideration.
Non-Residential/Commercial) Development	
Foodstore/Supermarket development (if progressed) - **borough-wide**	**up to £150/sq. m.** DSP comment: Suggest consider resetting rates back to pre-indexed rates.
Retail Warehousing (if progressed) - **borough-wide**	**Up to £200/sq. m.;** but suggest potential alignment with other larger format retail as above DSP comment: Suggest rate(s) not exceeding around existing indexed level
Other forms of retail (if progressed) - **borough-wide** *(e.g. smaller shops)*	**Low-level (nominal) or nil rate; or include within a general significantly lower overall retail rate**
All other non-residential/commercial development uses *(e.g. range of other non-residential uses that may come forward - offices, industrial warehousing, hotels, care homes etc.*	**Nil or a potentially nominal level CIL rate** (but with suggested careful consideration of wide applicability of any nominal rate selected)

20. DSP will be happy to assist WBC with any enquiries or further information required on any of these or other aspects as further progress is made with the CIL review.

Executive Summary Ends - Main report follows

Final Report Issue March 2020 (v2a)

1. Introduction

1.1 Introduction & Report Purpose

1.1.1. Following its adoption in February 2015, Worthing Borough Council (WBC) implemented its Community Infrastructure Levy (CIL) Charging Schedule on 1st October 2015 in order to support the delivery of the adopted Core Strategy (CS) (2011). Accordingly, the existing CIL charging rates were considered and set based on the CS policies and the delivery context as viewed at the time.

1.1.2. According to the CIL Guidance, contained within the Planning Practice Guidance (PPG): *'Charging authorities must keep their charging schedules under review and should ensure that levy charges remain appropriate over time. For example, charging schedules should take account of changes in market conditions, and remain relevant to the funding gap for the infrastructure needed to support the development of the area…Charging authorities may revise their charging schedule in whole or in part…The law does not prescribe when reviews should take place'*[1]. With this context in mind, while the passing of time is not in itself a reason for reviewing a CIL charging schedule, circumstances change (including for example the market – as may affect development values and costs, the nature of development coming forward, the relevant regulations and guidance; and knowledge gained from operating an existing CIL). In view of this, generally we consider that a review within say 3-5 years of implementation would appear to be a realistic timeframe (as a general guide only), consistent with this commission - by Worthing Borough Council (WBC).

1.1.3. This assessment and report is limited to a review of the likely ongoing suitability (or otherwise) of the Worthing CIL charges - in viability terms. At this stage, as noted above this CIL viability assessment is conducted using the CS 2011 policies basis and principally the remaining planned site supply/delivery. A new local plan, the Worthing Local Plan is emerging, however. Work is ongoing to progress that, having reached an initial consultation stage – Issues and Options – in 2016 and Draft Plan (preferred options) stage consultation in October to December 2018. Although this study has been carried out mainly on the basis of the remaining CS planned site supply, in considering the range of scenarios that could be relevant to a reviewed CIL we have also kept in mind the wider context of future site supply

[1] https://www.gov.uk/guidance/community-infrastructure-levy#evidence-and-setting-rates (Paragraph 045 Reference ID: 25-045-20190901 Revision date: 01 09 2019

moving forward, particularly in terms of the types of sites and schemes expected to form part of this ongoing timeline of development.

1.1.4. Unlike the CS 2011, the Worthing Local Plan will exclude the areas now covered by the South Downs National Park Authority, which also has its own separate CIL (2017) and Local Plan (2018) in place and therefore not been considered as part of the study basis.

1.1.5. The Council set out in the project brief some key aspects that is wished to be addressed as part of this assessment - to inform its consideration of whether it is appropriate to review the current CIL charging schedule at this stage:

- Are the current CIL rates and zones appropriate; with particular emphasis on whether the current nil-rating of residential development in Zone 2 (covering the ward areas of Castle, Gaisford, Broadwater and Selden) should remain?
- Should CIL be varied to take into account the size of a residential development and affordable housing requirements with particular emphasis on high-rise flatted development with large quantum of communal/circulation space including the use of basement or undercroft parking areas?
- How has the market changed since the CIL was implemented in 2015 and how does this picture impact a potential review of the current CIL rates?
- How do the latest updates to the NPPF and PPG impact charging rates if CIL were to be reviewed?

1.1.6. Building on this overall study context, it is our understanding that the nature of the remaining sites planned to come forward under the CS indicates a clear focus of development on previously developed land (PDL) within the main town area, and primarily within the Central Ward area. However, looking forward as other possibilities are potentially considered, we understand that while this key theme is set to continue, a small number of greenfield sites may come into the overall review picture.

1.1.7. Ultimately the CIL will also need to reflect and support the new (currently emerging) Worthing Local Plan. There are many similarities between the existing and proposed policies as viewed currently. However, there will need to be some further consideration of this and it is possible that there will need to be some revisiting of this current stage (CS 2011 aligned) CIL review viability assessment and other evidence, moving ahead. This would continue to inform the suitability of the approach given an updated view of the local circumstances, all as part of the Council's striking of an appropriate balance between the desirability of funding infrastructure and the potential effects on the viability of development in Worthing.

1.1.8. Since the existing CIL was implemented in 2015, there have been some important changes to Government policy and guidance, alongside changing market factors over time. Viewed collectively, the Council considers the circumstances warrant a refreshed look at the current CIL charging schedule. Although the new Worthing Local Plan is under preparation, taking into account the above and the timings involved, WBC considered it appropriate to also commence with reviewing its evidence on the CIL – for now, primarily on the basis of the adopted CS. We understand the Council acknowledges that subsequent to any adoption of a new charging schedule to support the ongoing CS delivery, a further check and potential review of the CIL charging schedule may need to take place relatively quickly – possibly either once the emerging Local Plan is more advanced and its policies settled, or along with with/following the examination of that.

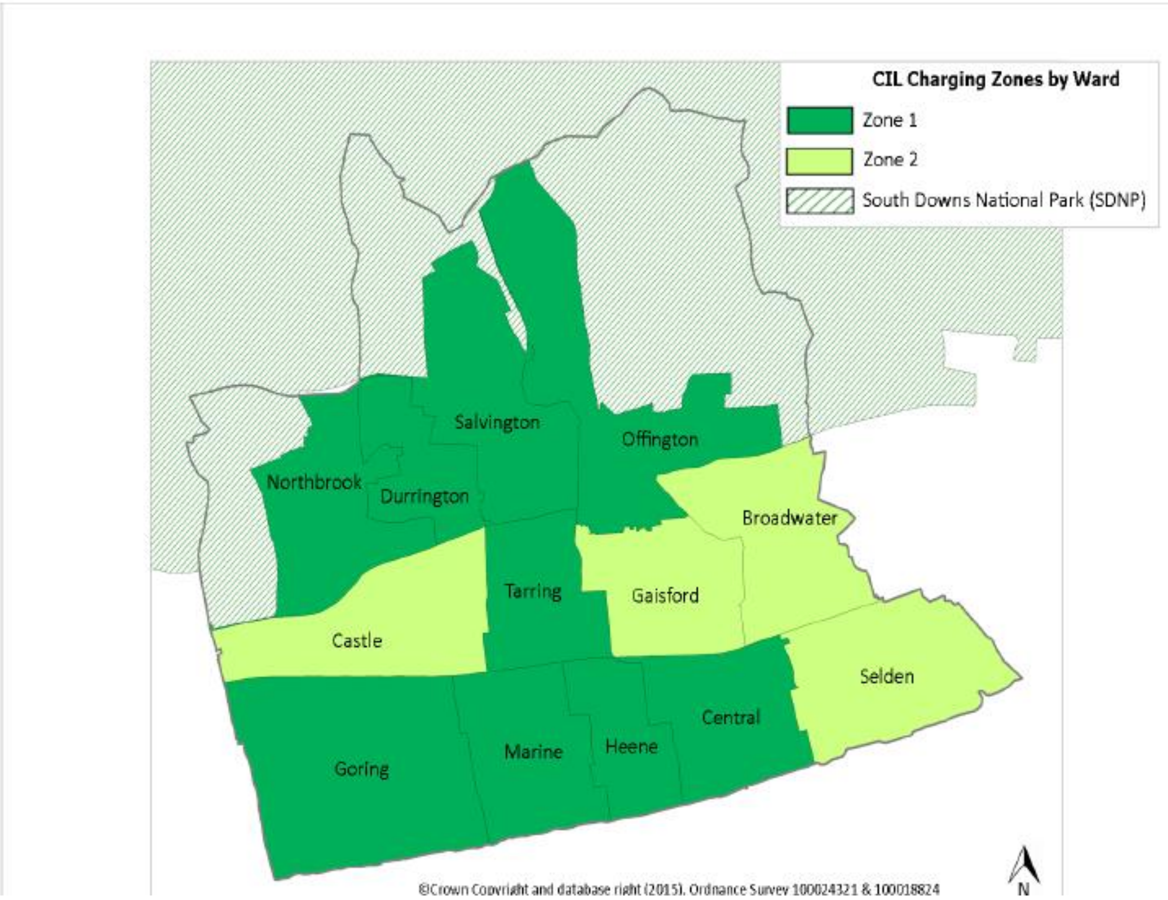
1.1.9. The 2015 adopted CIL charging schedule (implemented from 1st October 2015) sets out the charging rates applicable to development in the borough as follows:-

- Residential (C3) - £100/sq. m. (Zone 1) and £0/sq. m. (nil-rated Zone 2) on adoption; at the point of our appraisals chargeable at £122.39/sq. m. after indexation to 2019 in accordance with CIL Regulation 40. (As above, the nil-rated CIL 'Zone 2' comprises the 4 ward areas of Castle, Gaisford, Broadwater and Selden)
- Retail (A1-A5) - £150/sq. m. (borough-wide - Zones 1 and 2) on adoption, indexed to a 2019 charging level of £183.58/sq. m. at the point of our appraisals.
- The effect of the schedule is such that all other development uses are nil-CIL rated (i.e. liable at £0/sq. m).
- The above indexed rates were those noted as applicable at the point of setting our assessment and running appraisals. At the point of this final issue reporting to WBC, it is noted that the Council's web-site provides the latest indexed rates – as at January 2020 - of £128.96/sq. m (residential, Zone 1 chargeable only) and £193.44/sq. m (retail).

1.1.10. The mapped charging zones applicable to the existing above noted differential residential rates are set out in Figure 2 below (source: WBC CIL Charging Schedule 2015).

Figure 2: Current CIL charging Zones and 2015 adopted rates (pre-indexing)

Use	Levy (£/m²)	
	Zone 1	Zone 2
Residential (C3)	£100	Nil
Retail (A1-A5), excluding ancillary car parking	£150	£150



1.2 Area Profile

1.2.1 Worthing Borough lies on the south coast in West Sussex, benefitting from 7.5km of shoreline and the South Downs National Park to the north. The borough is principally urban in character with Worthing being one of the largest towns in West Sussex, situated between Adur (to the east) and Arun (to the west) districts. The town centre of Worthing is identified as offering the greatest opportunities for redevelopment. Moving out of the town centre and seafront areas, the borough becomes more typically suburban. However, Worthing also has a number of environmentally sensitive areas including 11 no. Sites of Nature Conservation Importance as well as a Site of Special Scientific Interest.

1.2.2 According to the CS (to reiterate, forming the policy basis for this study), the housing stock in Worthing is currently focused towards smaller properties of 1-2 bedrooms with flats accounting for approximately 30% of the total housing stock in the borough. As with many areas, modest levels of income and relatively high house prices mean that maintaining an adequate supply of affordable homes is challenging.

1.2.3 The CS included a requirement to deliver new dwellings at an average annual rate of 200 per year over the plan period (2006-2026). We understand that in the remaining period of the CS the majority of planned delivery is on PDL sites in the town centre area (Central ward) and predominantly taking the form of high-density flatted development. As above, broadly the emerging Local Plan is expected to identify similar site supply characteristics i.e. with predominantly PDL sites coming forward, although again as above there may also be some potential contributions from greenfield sites to consider. We understand the Council is aware of a particular greenfield site that may come forward, located within 'Zone 2' of the current CIL charging schedule; and in such a case potentially significant development would not provide any CIL funding currently, as an unintended consequence of the broad area based nil-rating.

1.3 CIL / Policy Backdrop

1.3.1 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.

1.3.2 Local Authorities in England and Wales may put a CIL in place to raise funds from developers undertaking new development in their area (in this case WBC is and will continue to be the charging authority). This acts as an important tool for local authorities to deliver the infrastructure needed to support that development.[2]

1.3.3 The funds collected using any new charging schedule informed and supported by this study would be allocated towards infrastructure needed to support development due to come

[2] https://www.gov.uk/guidance/community-infrastructure-levy Paragraph: 001 Reference ID: 25-001-20190901

forward under the remaining CS period. The details of the proposed forms of infrastructure that are to be funded from the existing CIL were set out in the Council's 'Regulation 123 List' as prepared for the adopted CS, based on the funding gap that a CIL is intended to meet. Following the amended CIL Regulations 2019, the 'Regulation 123 List' should be replaced with an 'Infrastructure Funding Statement' by December 2020. The CIL guidance (see below) states that: '*Authorities may have existing 'regulation 123 lists' dating from before the Community Infrastructure Levy regulations were amended in September 2019. These lists remain useful as important evidence to inform plan making and the preparation of charging schedules. By no later than 31 December 2020, authorities will replace these lists with infrastructure funding statements*.'[3]

1.3.4 An adopted CIL is payable on *'development which creates new or additional floor space where the gross internal area is 100sq. m. or more'*[4]. The majority of development providing an addition of less than 100sq. m. will not pay. For example, a small extension to a house or to a commercial / non-residential property; or a non-residential new-build of less than 100sq. m. will also not be subject to the charge. Additionally, the Community Infrastructure (Amendment) Regulations 2014 provide for a mandatory exemption for residential annexes and extensions regardless of size. However, development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the new dwelling has a gross internal floor of less than 100sq. m.[5]. The latest 2019 amendments have not altered these points of principle.

1.3.5 Under the regulations, affordable housing (AH) and development by charities is not liable for CIL charging. This means that within mixed tenure housing schemes, it is the market dwellings that are liable to pay CIL at the rate(s) set by the charging authority.

1.3.6 The CIL Guidance contained within the national Planning Practice Guidance (PPG) states that when determining CIL rates: *'an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments…this balance is at the centre of the charge-setting process'* and *'in meeting the regulatory requirements, charging authorities should be able to show and explain how*

[3] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 017 Reference ID: 25-017-20190901).
[4] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph 004 Reference ID: 25-004-20190901 Revision date: 01 09 2019
[5] Subject to the changes introduced in The Community Infrastructure Levy (Amendment) Regulations 2014 that provides a mandatory exemption for self-build housing, including communal housing.

their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area'.[6]

1.3.7 The CIL Guidance goes on to state that the levy rate(s) need to be set at a level that does not threaten the ability to develop viably the sites and scale of development identified in the relevant plan.

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

1.3.9 The PPG Guidance on 'Viability' provides comprehensive information on how to assess viability in plan making, with CIL viability assessment following the same principles. This study has been carried out in accordance with the relevant Guidance.

1.3.10 Although we have not set out fully the relevant sections of the Guidance that are fundamental in the preparation of a CIL viability assessment, some of the key points are summarised below - extracts: -

- 'Appropriate available evidence' must be used to inform the charging rate(s);
- An appropriate range of site types (or 'typologies') should be tested based on the range of site types likely to come forward for development over the plan period (in this case the CS);
- Costs within the viability assessment should be based on evidence reflective of local market conditions (see paragraph 012 of the 'Viability' Guidance);
- 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;

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

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

- 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;
- Stakeholders should be appropriately consulted to inform the viability assessment process;
- The viability assessment should be proportionate, simple, transparent and publicly available;

1.3.11 Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies (based on the CS). This is whilst factoring-in the usual costs of development and in addition to testing a range of potential ('trial') CIL charging rates, including the indexed rates as in place at the time of the appraisals. 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. Consistent with the above, this picture could change slightly in respect of the emerging Worthing Local Plan relative to the borough's Adopted Core Strategy.

1.3.12 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 have now reflect the greater flexibility that authorities can now 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 previously in place s.106 'pooling restrictions' have been removed).

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

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

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

1.3.14 The CIL Regulations (as amended 2019) have been taken into account in the preparation of this report and in our opinion this study meets the requirements of all appropriate Guidance.

1.3.15 The overall requirement to consider viability now stems from the National Planning Policy Framework (NPPF) 2019 (last updated in June 2019). When considering viability in connection with setting CIL rates, the key sections of importance are as follows but the overall theme is that policy costs must be taken account of as part of this viability testing process for CIL:-

- Paragraph (31) - **Preparing and reviewing plans**:
  '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'

- Paragraph (34) – **Development contributions:**
  '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****.'*

- More generally, and particularly moving ahead to the new Local Plan, Paragraph (57) – **Planning conditions and obligations** notes**:**

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

'Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardized inputs, and should be made publicly available.'

1.3.16 In addition, relevant information is contained in the publication '*Viability Testing Local Plans – Advice for planning practitioners*' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within a Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.

1.3.17 Viability can be considered the financial "health" of development which is assessed in accordance with the relevant guidance discussed above, by considering the strength of relationship between development values and costs of a scheme and how this varies with location, scheme type / details, timings etc. The output is highly sensitive to variation as assumptions move ether independently or simultaneously of one another. In the study context this means that as we test varying levels of CIL in combination with the CS policy 'asks' (including on AH) using different site typologies, as expected we can see differing strength in viability as the level of CIL cost increases. The Royal Institution of Chartered Surveyors (RICS) defines viability as: *'an objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations while ensuring an appropriate Site Value for the landowner and market risk adjusted return to the developer in delivering that project'.*[9]

[9] RICS: Financial Viability in Planning (2012) – guidance currently under review.

1.4 Report Purpose and Structure

1.4.1 WBC has commissioned Dixon Searle Partnership (DSP) to undertake a CIL viability assessment to inform and support a potential review of the current CIL charging schedule, with the current CS forming the policy basis in terms of the input assumptions. This assessment provides the appropriate and robust viability evidence. In addition, consideration has been given to the context being set within the emerging Local Plan, with the aim that any potential newly adopted and implemented CIL charging schedule will also continue to be relevant at the point the new Plan is adopted.

1.4.2 DSP is a highly experienced consultancy in the field of local authority development viability, its key consultants having been at the forefront of viability in planning for over 16 years. We have completed a large number of assessments for a wide range of authorities having very varied local characteristics, with experience typically running through from study inception to examination stage. Our day to day work enables a close familiarity with CIL, crucially including how it influences viability and interacts with affordable housing and other policies as a contributor to the collective costs of development. We have undertaken such work across a wide range of locations both in the south and nationally. DSP's daily caseload also includes the review of planning application stage viability assessments for local authorities, which experience has included the Worthing and adjoining areas – and again extending nationally.

1.4.3 This viability assessment has been produced in the context of and with regard to the NPPF, Planning Practice Guidance, CIL Regulations, CIL Guidance and other Guidance applicable to studies of this nature. Having set out the context above, the following report structure, on the study detail, is presented over 3 stages:-

- **Methodology** – residual valuation approach, assumptions basis and discussion;

- **Findings** – overall results context and detailed analysis of the typology results and their viability strength in relation to range of CIL rates considered;

- **Summary of Findings** – draws out from the detailed analysis above summary findings for CIL rates in the borough, including whether a different approach from the current approach is an option for consideration.

1.4.4 Our approach does not require a detailed viability appraisal of every site anticipated to come forward over the remaining CS period, but rather the testing of a range of appropriate site typologies reflecting the potential mix of sites likely to come forward. However, any individual sites that are crucial to the planned delivery overall should be given more specific attention in terms of viability assessment, and particularly if any form of differential CIL charging approach may be considered appropriate for those.

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

2. Methodology & Assumptions

2.1 Residual Valuation Principles

2.1.1. The approach used to inform this study applies the well-recognised methodology of residual valuation. As noted above, 'viability' in this study means the financial health of development, so the assessment centres around the strength of the relationship between the completed development (sale) value and the development costs; and how this varies across a range of development types, host site types and locations as informed by the relevant policy basis (CS 2011).

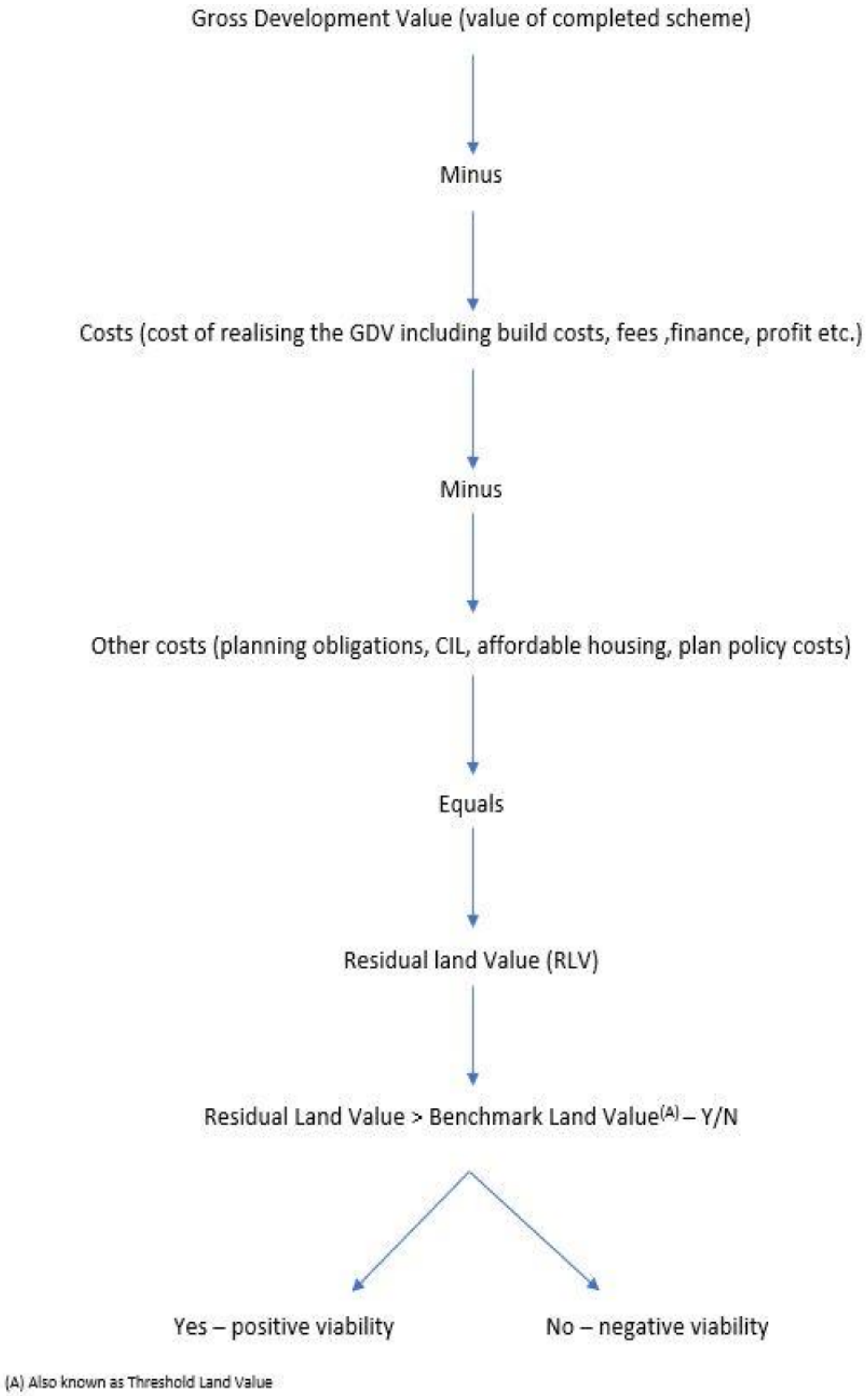
2.1.2. The residual valuation methodology has been used to run thousands of appraisals on sample scheme typologies - representing the Worthing local characteristics and development scenarios that are likely to come forward across the borough during the remaining adopted plan period.

2.1.3. The study process produces as large range of results relating to the exploration of the additional development cost impact from a range of potential CIL rates. As with all studies using these principles; an overview of the results and trends is required – so that judgements can be made to inform the rate setting process.

2.1.4. Affirming the above, this viability assessment has been produced in the context of and with regard to the NPPF, CIL Regulations, Planning Practice Guidance (PPG) as relates to Viability and other relevant matters as well as containing the CIL Government's Guidance, and other Guidance applicable to studies of this nature. DSP's experience of and approach to CIL and other strategic level viability assessments, as further tested and endorsed in recent examinations, remain appropriate and have been applied accordingly in the context of this assessment for a potential reviewed Worthing BC CIL.

2.1.5. The most established and accepted route for studying development viability at a strategic level, including for CIL and whole plan or affordable housing policy matters, also used for site-specific viability assessments, is residual valuation. This is also consistent with the relevant guidance etc. as described above. Figure 3 below sets out (in simplified form for general illustration) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and recommendations.

Figure 3: Simplified Residual Land Valuation Principles



2.1.6. Having allowed for the costs of acquisition, development, finance, profit and sale, the resulting figure indicates the sum that is potentially available to pay for the land – i.e. the residual land value (RLV). Judgements then need to be made about whether the appraisal RLV outcomes are likely to be sufficient to secure the release of a variety of site types (sale by landowners) for development.

2.1.7. In order to guide on a range of likely viability outcomes the assessment process also requires a benchmark (threshold) (known as Benchmark Land Value (BLV)) against which to compare the resulting residual value. The approach to setting the BLV is based on the "EUV plus" approach as guided by the PPG, and more generally guided by the Harman[10] report and RICS[11] - see more detail set out at 1.3.15 onwards

2.1.8. There are a range of assumptions that feed into the RLV appraisal process (as illustrated at Figure 3 above) and our selection of these for this study will be set out in more detail in this chapter. Further information is also available at Appendices I and III.

2.2 Stakeholder Consultation

2.2.1. The new NPPF and PPG on viability now place a greater emphasis on stakeholder engagement, which is a key factor in considering the setting of robust appraisal assumptions. On this basis we have consulted with both the development industry (represented by parties including local property agents, developers, housebuilders and others) as well as affordable housing providers.

2.2.2. This engagement process was conducted by way of two bespoke pro-formas seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with telephone conversations / meetings with key participants as appropriate. The pro-formas set out our initial draft assumptions and testing ideas, with the opportunity provided for the stakeholders to then comment on those emerging positions or suggest alternative assumptions with reasoning.

2.2.3. As part of this process, we keep a full record of all stakeholder interaction, including a log indicating the parties contacted, reminders issued, the feedback responses and level of

[10] Local Housing Delivery Group – "Viability Testing Local Plans" (June 2012)
[11] RICS – Financial viability in planning (2012)

response overall. Due to commercial sensitivities and confidentiality, the details of those responses are not included within our published work but play a key role in feeding into our assumptions setting basis; ensuring those are informed by a combination of our own extensive research process and experience and the relevant stakeholder sourced feedback. We consider this approach reflects the expectations of the guidance and in our experience, this is realistically as far as that aspect of the process can usually be taken and particularly for CIL viability.

2.3 Scheme Development Scenarios (Typologies) – Residential Development

2.3.1. The site typologies modelled as part of this assessment reflect a range of different types of development that are thought likely to be brought forward through the planning process across the plan area. This enables viability to be tested with reference to the future housing supply characteristics over the remaining plan (Core Strategy) period and based also on experience of development to date, all to inform the residential CIL charge setting process.

2.3.2. In order to adopt a relevant range of residential development typologies for review, we have overviewed the remaining housing supply expected to come forward based on the CS (in the period approximately 2020 to 2026) and with WBC have also looked at the likely ongoing development context – moving towards the (emerging) new Worthing Local Plan. From this, we understand that all CS proposals are on previously developed land (PDL), focused in the main town centre area and are expected to mainly take the form of relatively high-density flatted development. In the context of a forward-looking development picture that could in some form also include a physically limited level greenfield development being considered, however, the scope of review set out within this assessment covers a variety of potential development characteristics – provides appropriate wider information also for carrying forward along with the development plan updating process.

2.3.3. 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) and how this may vary by type and scale of development.

2.3.4. 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.

2.3.5. As part of these site typologies, an assumption also has to be made in relation to dwelling mix, on which, following review of the Council's housing study[12], we have adopted the principles set out in Figure 4 below and Appendix I.

Figure 4: Dwelling Mix Assumptions

Type	Overall Mix	Market Housing	Affordable Housing
1-Beds	25%	15%	40-45%
2-Beds	35%	40%	25-30%
3-Beds	30%	35%	20-25%
4-Beds	10%	10%	5-10%

2.3.6. In all cases it should be noted that a "best fit" of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility particularly in schemes with small dwelling numbers. The affordable housing (AH) numbers (content) assumed within each scheme scenario are based upon the current AH policy and set out in more detail at 2.6 onwards (below).

2.3.7. A summary of the residential scheme typologies tested as part of this study is shown at Figure 5 below (see following page), with the full detail set out in Appendix I.

[12] GL Hearn: Worthing Housing Study (June 2015)

Figure 5: Site typologies summary

Scheme Size Appraised	Type	Site type
1	House	PDL (Residential Intensification - infill)
6	Houses	PDL (Residential Intensification - infill)
6	Flats (Town Centre)	PDL (Residential Intensification - infill)
10	Houses	PDL
11	Houses	PDL
15	Houses	PDL
15	Flats	PDL
25	Mixed	Greenfield / PDL
25	Flats	PDL
30	Flats (Sheltered)	PDL
60	Flats (Extra Care	PDL
50	Mixed	Greenfield / PDL
75	Flats (3-5 Storey)	PDL
100	Mixed	Greenfield / PDL
100	Flats (6+ Storey)	PDL
450	Mixed	Greenfield

2.3.8. Following our context discussions with WBC, the contact with stakeholders and our own analysis of site supply over the remaining plan period, we have also carried out a number of additional sensitivity tests in relation to high-density flatted development with a particular emphasis on their relevance in the town centre areas (including the sea front). These further tests considered the potential viability impact from providing basement car parking and the inclusion of enhanced communal areas as characteristics likely to be included as part of some significant future flatted development in these circumstances (and reflecting also some recent experience of such developments). As an element the Council requested be considered as part of the project, this will be discussed in more detail within section 3 of this report.

2.3.9. The dwelling sizes (on a GIA basis – gross internal area) assumed for the purposes of this study are as set out in Figure 6 below. As with many other 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, only a sample of scenarios and assumptions can be tested, sufficient to generate a suitable overview, and this approach is in accordance with the guidance.

Figure 6: Residential Unit Sizes

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

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

2.3.11. The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e. 100% saleable floorspace) and for the flats themselves (living accommodation). However, the additional cost of constructing communal/shared non-saleable areas also needs to be taken account of. For the base typology flatted development tests, we have assumed a net:gross ratio of 85%. That then falls to 45% (i.e. 55% circulation space / communal areas) for the purposes of additional (worst case for viability) sensitivity testing. The sheltered housing scenario also assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is further reduced to 65% saleable (35% communal) for the extra care development typology also considered. We consider these to be reasonably representative of the types of units coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although we acknowledge all will vary from scheme to scheme. However, our research suggests that the absolute sales values applicable to larger property types would generally exceed those produced by our dwelling size assumptions but usually would be similarly priced in terms of the relevant analysis – i.e. looking at the range of £ per sq. m. 'Value Levels' basis. It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.

2.3.12. At this level of strategic overview, we do not differentiate between the value per sq. m. for flats and houses although in reality there tends to be an inverse relationship between the size of the property and its value when expressed in terms of a £ sales value rate per unit area. The range of prices expressed in £s per sq. m. therefore are the key measure used in considering the research analysis undertaken, working up the range of VLs for testing, and in reviewing the results.

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

2.4.1. This study also considers CIL in relation to non-residential development, these scenarios have been developed through the information review supplied by, and through consultation with, the Council. This was supplemented with and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes / proposals. Figure 7 sets out the various scheme types modelled for this study, covering a range of non-residential development uses in order to test the impact on viability of requiring CIL contributions from different types of commercial development considered potentially relevant across the borough.

2.4.2. As set out at Figure 2, in addition to the residential charge, the Council currently charges CIL on retail development (A1-A5 uses) based on £150/sq. m. at adoption (£183.58/sq. m. indexed rate as we set our assumptions; latest figure £192.85/sq. m) in both charging zones (i.e. across the borough). All other non-residential uses are currently nil-rated (do not pay CIL here).

2.4.3. The commercial / non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. Appendix I provides more information than that set out in Figure 7 in outline below (see following page).

Figure 7: Commercial / Non-residential Development Typologies

Use Class / Type	Example Scheme Type	GIA (m^2)	Site Coverage	Site Size (Ha)
Large Retail	Large Supermarket - out of town	2500	35%	0.71
Large Retail	Retail warehouse	1000	40%	0.25
Town Centre Retail	Comparison shops (general/non shopping centre)	200	60%	0.03
Small Retail	Convenience Store - various locations	300	75%	0.04
Business - Offices - Town Centre	Office Building	500	200%	0.03
Business - Offices - Out of town centre /Business Park	Office Building	1000	40%	0.25
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	500	40%	0.13
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	2000	40%	0.50
Hotel (budget)***	Hotel - edge of town centre / edge of town (60-beds)	2100	50%	0.42
C2 - Residential Institution	Nursing Home (60-beds)	1900	60%	0.32

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

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

2.4.6. In addition to the key set of commercial uses 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 facilities (community halls, medical facilities, schools etc.) and other commercial uses such as motor sales/garages, depots, workshops, surgeries/similar, health/fitness, leisure uses (e.g. cinemas / bowling) and day nurseries.

2.4.7. Clearly there is potentially a very wide range of such schemes that could be developed over the life of the CIL charging schedule. Alongside viability, it is also relevant for the Council to consider the likely frequency, delivery and distribution of these over the remaining plan period. In advance of full appraisal modelling, it was possible to review (in basic terms) the key relationship between their completed value per sq. m. and the cost of building – see Section 3 for more detail.

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

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

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

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

2.5.2. A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the borough. This data was collected by Ward area and analysed using both sold and asking prices for new-build and re-sale property. It must be acknowledged that the scope of the data varies through time and by location. In some instances, data samples are small (e.g. relating to a particular period or geography) and this is not unusual. Consistent with the above principles and the need to overview the information for the study purpose, it is important that the available indications are reviewed collectively in setting the values assumptions.

2.5.3. As above, this data collection phase was based on ward areas within the borough. We considered this to provide the most appropriate and reflective framework for this extensive data collection exercise, and the subsequent analysis to inform assumptions. This review method enabled us to view how the value patterns and levels observed overlay with the areas in which the most significant new housing provision is expected to come forward over the remaining relevant plan (CS) period. This approach has been used in a number of previous assessments and also fits well here with the particular assessment purpose of reviewing the ongoing suitability of the WBC CIL charging schedule, which uses a zoned by wards approach to setting out the current approach.

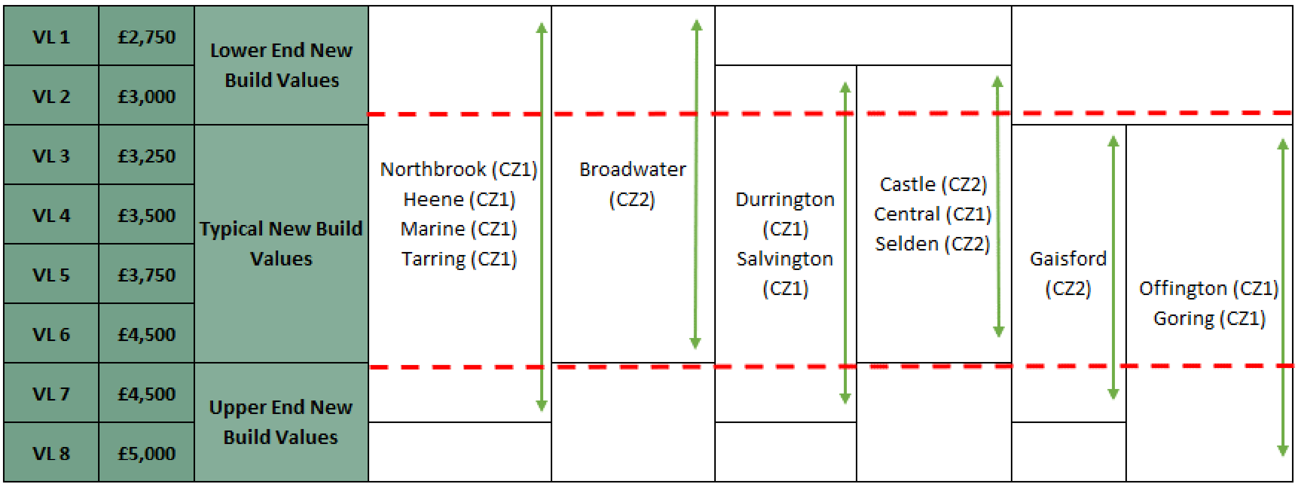
2.5.4. Overall, this research indicated a variable values picture across the borough – a common finding whereby different values are often seen even at opposing sides of roads, within neighbourhoods and even within individual developments dependent on design, orientation etc. Values patterns are often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

2.5.5. Upon review of the Land Registry HPI (House Price Index), based on latest data for Worthing, indicates house prices are approximately 15% higher than it was at the point of implementation of the existing CIL charging schedule in 2015. We also note the more recent and current trend in values is beginning to erode the value increases that have been seen.

2.5.6. The inference of the two CIL zones current charging schedule basis is that viability is generally significantly lower (which at least in part most likely suggests generally lower residential values) in Zone 2 compared with Zone 1. This assessment needs to consider whether this approach continues to reflect the currently relevant circumstances; looking at the potential to review the schedule both in response to and in support of the oncoming later years of the Core Strategy delivery (with, as above, a forward looking aspect too – as regards considering the emerging local plan context as far as is practical).

2.5.7. Following our extensive data collection and analysis process, using our tested assessment approach we have applied a range of assumed property 'Value Levels' (VLs) to each typology from VL1 (lowest) to VL8 (highest). These VLs reflect an overall range £2,750/sq. m. to £5,000/sq. m, representative of varying new-build sale prices likely to be seen by varying location in the borough. Overall, we consider the key new build property values – i.e. the most relevant range to housing delivery overall here – to be £3,250/sq. m. to £4,000/sq. m; levels which are represented by VL3 to VL6. Figure 8 below provides an indicative guide to the relevance of the range of VLs to locations in the borough based on ward areas. Here the currently applicable CIL Zone 1 ('CZ1') or CIL Zone 2 ('CZ2') approach is also shown.

Figure 8: Indicative relevance of VLs range by ward area.



2.5.8. Although the above illustrates the variable strength of values seen within the borough, we consider that there are is no currently available evidence supporting a clear differentiation in values between the existing CIL zones 1 and 2. For example, our research indicates that Castle, Gaisford, Broadwater and Selden wards (currently nil-rated as CIL Zone 2) generally support values likely to sit mostly within the above typical new-build value range alongside other areas such as Central, Marine and Salvington (i.e. within current CIL zone 1).

2.5.9. As noted previously, we understand development planned to come forward in the borough over the remaining plan period is predominantly higher density flatted development with the main urban areas as the focus. With this context in mind, we have also carried out some additional bespoke values research in connection with different types of flatted development seen in the borough, representing a different market offer, usually with some enhanced amount of communal space or additional facilities.

2.5.10. This data indicates these types of flatted development can achieve sales values at the upper end of the above range from VL6 to VL8 at £4,000/sq. m. to £5,000/sq. m. with VL8 representative of those properties with sea-views, compared to the typical market offer broadly represented by VL3 to VL6 at £3,250/sq. m. to £4,000/sq. m. across the majority of the borough. Our research indicates that values above £5,000/sq. m. (VL8) and potentially up to approx. £7,500/sq. m. can also be seen. However, such values appear to only be achievable for some apartments with sea-views providing a limited and more bespoke, top-end market offer for the town. It is important to note that although a scheme in a sea front location can achieve values in this range, conversely, there will also be units without the benefit of full sea-views (facing inland/oblique views) which will not achieve the highest values. We would consider that it would be reasonable to expect a range of values even in the prime spots, with some also represented by our more typical new build values range as noted above. Appendix III provides a more detailed analysis of the values patterns seen across the study area together with the original datasets.

2.5.11. It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the data-set for a given location at the point of gathering the information. 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 Worthing 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 Scheme Revenue (Gross Development Value (GDV)) – Affordable Housing (AH) Revenue

2.6.1. In addition to the market housing, the development appraisals also assume a requirement for affordable housing (AH) as set by the adopted CS, and again forming the policy basis for this study. We understand the Council published an 'Interim Position Statement' in August

2019 in connection with the application of the CS Policy 10 for the requirement for affordable housing to reflect the latest national policy position as set out in the NPPF and PPG described earlier. On this basis, we have therefore tested the assumed residential development typologies at AH levels of 0% (on sites of 1-9), 20% (on sites of 10-14) and 30% (on sites of 15+).

2.6.2. We have assumed the content of the AH requirement to be based on a mix of 75:25 in favour of affordable rent (AR) over intermediate affordable home ownership tenure (assumed in the form of shared ownership tenure, as is typical). The NPPF (para. 64) also requires a minimum 10% of homes to be provided as 'affordable home ownership' (AHO) products as part of the overall AH contribution from sites and this has been included within the overall dwelling mix assumptions as closely as possible given the existing CS policy context. The appraisal modelling assumes a policy compliant AH requirement on-site. It should however be noted that the AH tenure mix was accommodated as far as best fits the overall scheme mixes and AH proportion in each scenario.

2.6.3. The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (AR) or capitalised net rental stream and capital value of retained equity (shared ownership). Currently Homes England (HE) expects AH 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 later funding support for specific scenarios / programmes. We have therefore made no allowance for grant or other public subsidy or equivalent.

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

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

2.6.6. In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider's own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme dependent and variable and so has not been factored in here.

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

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

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

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

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

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

2.7.3. Figure 9 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 9: Assumed rental value – key commercial typologies

Use Class / Type	Example Scheme Type	Values Range - Annual Rents £ / sq. m		
		Low	Mid	High
Large Retail	Large Supermarket - out of town	£225	£250	£275
Large Retail	Retail warehouse	£250	£300	£350
Town Centre Retail	Comparison shops (general/non shopping centre)	£150	£190	£230
Small Retail	Convenience Store - various locations	£100	£120	£140
Business - Offices - Town Centre	Office Building	£140	£160	£180
Business - Offices - Out of town centre /Business Park	Office Building	£120	£150	£180
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£60	£80	£100
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£50	£65	£80
Hotel (budget)***	Hotel - edge of town centre / edge of town (60-beds)	£150	£190	£230
C2 - Residential Institution	Nursing Home (60-beds)	£150	£200	£250

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

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

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

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

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

2.7.9. WBC charges CIL on retail development (use class A1-A5) based on the adopted £150/sq. m. (latest indexed to £192.85/sq. m) borough-wide. However, as part of our study, we will consider whether within any new approach to CIL, there are other options or a suggested need to adjust the charging levels for commercial and other developments locally. This may be relevant, for example, in connection with the town centre area and potentially elsewhere in the borough subject to the results by development use. On review, it was considered that variations in values and viability outcomes would be more likely to be the result of detailed site and scheme specific characteristics, and not necessarily driven by distinctions between general location within the study area so far as the likely location of such development is concerned. Initially this suggests that any differential considerations may be more by use type than ward location of commercial development, for example – but subject to review of the findings. Section 3 sets out more detailed discussion on this point.

2.8 Development Costs – General

2.8.1. Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix I to this report, a summary of the key points is also set out below.

2.8.2. Each cost assumption is informed by data and supporting evidence, from sources such as:-

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

2.8.3. We have not allowed for abnormal costs that may be associated with particular sites – again this would move away from the necessarily high-level nature of this study and as supported by relevant guidance. Abnormal costs associated with particular sites are highly specific and can distort comparisons at this level of review. It is not appropriate to “pull down” the scope viewed as available to support CIL by universally assuming abnormals on some form of standard basis.

2.8.4. This is, however, another key factor that should be kept in mind in setting CIL charging rates to ensure those rates 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 currently assumed levels, this cannot be relied upon. Contingency allowances have, however, been made within all appraisals for both residential and commercial typologies. A "buffered" approach to considering CIL charging rates well within the margins of viability has been taken.

2.9 Development Costs – Build Costs

2.9.1. The base build cost level shown below are taken from the BICS; an approach endorsed by the PPG guidance on Viability and considered to be 'appropriate data'[13]. In each case the figure has been rebased using a locally appropriate location factor (an adjustment of the base figure - indexed for the Worthing local authority area). Costs assumed for each development type (e.g. houses, flats, mixed etc.) are provided in Appendix I. We have also had regard to advice provided by the RICS BCIS within a report commission by the Federation of Small Business (FSB)[14] for those applicable schemes of less than 10 units. Figure 10 below summarises the base build cost assumptions and is extracted from Appendix I.

Figure 10: Base Build Cost Data (BCIS Median)

Development Type		Base BCIS Build Cost £/sq. m.
Residential C3	Build Costs Mixed Developments - generally (£/sq. m)	£1,431
	Build Costs One-off Housing - detached (£/sq. m)	£2,105
	Build Costs One-off Housing - semi-detached (£/sq. m)	£1,611
	Build Costs One-off Housing - terraced (£/sq. m)	£1,492
	Build Costs Estate Housing - generally (£/sq. m)	£1,597
	Build Costs Estate Housing - generally (£/sq. m)	£1,401
	Build Costs Flats - generally (£/sq. m)	£1,630
	Build Costs Flats - generally (£/sq. m)	£1,552
	Build Costs Flats - 3-5 Storey (£/sq. m)	£1,617
	Build Costs Flats - 6+ Storey (£/sq. m)	£1,992
	BCIS Costs Flats (Supported Housing) (£/sq. m)	£1,741
Large Retail	Large Supermarket - out of town	£1,641
Large Retail	Retail warehouse	£976
Town Centre Retail	Comparison shops (general/non shopping centre)	£1,361
Small Retail	Convenience Store - various locations	£1,361
Business - Offices - Town Centre	Office Building	£2,175
Business - Offices - Out of Town / Business Park	Office Building	£1,933
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,555

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

[14] RICS BCIS Report for The Federation of Small Businesses – Housing development: the economies of small sites – the effect of project size on the cost of housing construction (August 2015)

Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£1,155
Hotel (Budget)	Hotel - edge of town centre / edge of town (60-beds)	£2,294
C2 - Residential Institution	Nursing Home (60-beds)	£1,993

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

2.9.2. Unless stated, the above build cost levels 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 at between 7.5% and 15%. 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. Additionally, specifically, site works and infrastructure costs of £300,000/ha have been assumed for the range of site typologies tested with the exception of the 450 Mixed dwellings scheme (potential larger/more strategic scale development should this become relevant moving into the evolving development plan context) where we have assumed as a base test level £18,000/unit based on experience and the approach guided within Harman report[15].

2.9.3. 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.

2.9.4. As also discussed in the context of sales values, although there is potential to see increased costs in some cases, it is just as likely that we could also see cases where base and external costs or other elements will be lower than those assumed here. Once again, in accordance with considering the importance of balance and the prospect of scheme specifics varying in practice, we consider our assumptions basis is appropriate and realistic. Ultimately, this approach ensures our recommended rates are not set to the 'limits' of viability and do not

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

unduly affect development coming forward over the remaining plan period given the Worthing characteristics.

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

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

2.9.7. At this stage however, we cannot be sure how the UK's decision to leave the European Union will play out in either the short or longer term on the economy, and potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seem likely to be at least as great as those on construction works and build costs.

2.10 Development Costs – Fees, Finance & Profit

2.10.1. The following costs have been assumed for the purposes of this study, considering CIL viability, alongside those noted above 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 11 and 12 below). Appendix I provides the full detail.

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

Residential Development Costs - Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	10% of build cost
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and includes all ancillary fees)

Marketing Costs	3% sales agent & marketing fees
	£750/unit legal fees
Developer Profit	Open Market Housing - 20% GDV
	Affordable Housing - 6% GDV (affordable housing revenue)

Figure 12: Commercial Development Costs – Fees, Finance & Profit

Commercial Development Costs - Fees, Finance & Profit	Cost Allowance
BREEAM / Sustainability	5% of build cost
Professional & Other Fees	10% of build cost
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and includes all ancillary fees)
Marketing / Other Costs *(Cost allowances - scheme circumstances will vary)*	1% Promotion / Other costs (% of annual income) 10% letting / management / other fees (% of assumed annual rental income) 5.75% purchasers' costs - where applicable
Developer Profit	15% of GDV

2.11 Build Period

2.11.1. 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 against our professional experience and informed by examples where available. The build periods provided in Appendix I exclude lead-in times and extended sales periods which have also been allowed for on a variable basis according to scheme type and size, having the effect of increasing the periods over which finance costs are applied.

2.12 Community Infrastructure Levy (CIL) & Other Planning Obligations

2.12.1. A range of CIL trial charging rates has been tested incrementally - from £0 to £300/sq. m., including tests at the indexed rates applicable at the point of running appraisals. These results are displayed at £25/sq. m. intervals within Appendix IIa. The inclusion of the full results sets would prove too unwieldly for display. From experience, this range goes beyond the scope we expect to see as suitable in WBC's case, but this provides the full context for considering results in more depth and enables a "buffered" view to ensure that ultimately the selected rates are not going to be dependent on the margins of viability.

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

2.12.3. Allied to the above, as of September 2019, with the removal of the pooling restrictions on the use of s.106 agreements, 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.

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

2.13 Indicative land value comparisons and related discussion

2.13.1. Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach. That could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always "EUV plus" (existing use value plus) consistent with the updated PPG on Viability.

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

2.13.3. This comparison process 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.

2.13.4. The levels of land values selected for this context are known as 'benchmark land values' (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.

2.13.5. As noted above, the recently updated PPG on viability is now very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development.

2.13.6. As part of our results analysis, we have compared the wide scope of appraisal RLVs with a range of potential BLVs used as 'Viability Tests', based on the principles of 'existing use value plus' (EUV+). This allows us to consider a wide range of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the Appendix II tables provides a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).

2.13.7. The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.

2.13.8. As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies (as well as those conducted for neighbouring/nearby Authorities) both at a strategic level as well as site-specific viability assessments. In addition, we have also had regard to the published Government sources on land values for policy appraisal[16] providing industrial, office, residential and agricultural land value estimates for locations across the country - including Worthing Borough.

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

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

- All land and planning related costs are discharged;
- Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by 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;
- 17% developer's profit.

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

2.13.12. As set out in Appendices IIa and IIb (residential and commercial results overview tables), we have made indicative comparisons at land value levels in a range between £250,000/ha and £3,500,000/ha plus, enabling us to view where the RLVs fall in relation to those levels and to

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

the overall range between them. Typically, we would expect to apply an EUV+ based land value benchmark at approximately £250,000/ha (perhaps to an upper level of around £500,000/ha in respect of small areas of paddock land or similar) for greenfield land release, based on a circa ten times uplift factor (the "plus" element) from the EUV for agricultural land. The BLVs range above that, from £850,000/ha to £3,500,000/ha, is representative of previously developed land (PDL) i.e. 'brownfield' land. Although some sites in most areas could be in existing residential use, underpinning relatively high BLVs, the mid to upper end of that range is most likely to be relevant in some of the main town centre areas with high existing use values and that are suitable for higher density development proposals.

2.13.13. At this point, it is also important to consider the wider context of the types of sites that are planned to come forward over the remaining plan period, as above. Taking into account the overall picture of delivery in terms of site type and planned locations, we consider the key BLVs for reviewing the results range from Viability Tests 2 to 4 at £850,000/ha to £2,200,000/ha (for PDL scenarios) and £250,000/ha (greenfield)

2.13.14. Overall, we consider the BLV range noted above is appropriate and corresponds with the planned housing delivery, whilst also keeping in mind the future planned site supply context as part of the emerging Plan. Figure 13 below shows, with some explanatory notes, the range of selected BLVs which have been used as 'viability tests' (filters) for the viewing and provision of the results interpretation/judgments informed by Appendix IIa and IIb results tables.

Figure 13: Range of BLVs (Viability Tests)

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement
£500,000	Greenfield Enhancement (Upper)
£850,000	Low-grade industrial land values.
£1,500,000	Industrial Upper / Commercial lower (includes a 20% uplift).
£2,200,000	Commercial Upper (includes 20% uplift)
£2,800,000	Residential land values - lower. An allowance has been made for a 50% reduction for planning obligations (AH) and planning risk; 20% uplift to adjusted estimate.
£3,500,000	Residential land values - upper.

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

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

2.13.17. The PPG[17] 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 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.

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

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).'

3. Findings Review

3.1 Introduction and overview to results tables review

3.1.1 The appraisal results generated to inform this assessment are considered in the following sections below, within two groups as follows:-

- **Residential scheme typologies as set out in Appendix IIa (Tables 1a-1p)** – representing developments of 1 to 450 dwellings (houses, flats (including sheltered / extra care) and mixed typologies). As discussed at 2.5 above, these typologies have been tested across a range of value levels (VLs) and trial CIL charging rates, including the Council's current indexed rates, alongside the current AH requirement – again as discussed above. Set out in Appendix IIa, this has produced a matrix type approach to considering the range of results.

- **Non-residential / commercial typologies as set out in Appendix IIb (Tables 2a-2e)** – representing a range of development types including retail, offices, industrial, hotel and residential institutions, tested across a range of rental value, investment yield assumptions and CIL rates – again as discussed above but principally at 2.7.

3.1.2 The residential results tables are displayed by typology and showing the key assumptions used within that set. The upper table heading shows the varying VLs and the outer vertical column shows the tested trial CIL rates. The main table section shows the absolute RLV results in £s in the non-shaded whereas the lower table section includes the same RLVs but displayed in £/per hectare terms. These RLV £/ha results (including for the commercial sets) are then overlaid with colour shading linked to the BLVs (as 'viability tests' that are met (or not) by each RLV £/ha result) – see Figure 14 below. The boldness of the green colouring highlights the trends within the results and shows increasing confidence in these as viability is maintained while a wider range of BLVs are met. The RLVs are seen to increase and meet higher BLVs with increasing level of value (VL) assumed. These are seen to reduce gradually once the level of the trial CIL charging is increased.

Figure 14: Results 'Key' illustrating relative shading for BLVs ('Viability Tests 1-7')

Key:

	RLV beneath Viability Test 1 (RLV <£250,000/ha)
	Viability Test 1 (RLV £250,000 to £500,000/ha)
	Viability Test 2 (RLV £500,000 to £850,000/ha)
	Viability Test 3 (RLV £850,000 to £1,500,000/ha)
	Viability Test 4 (RLV £1,500,000 to £2,200,000/ha)
	Viability Test 5 (RLV £2,200,000 to £2,800,000/ha)
	Viability Test 6 (RLV £2,800,000 to £3,500,000/ha)
	Viability Test 7 (RLV >£3,500,000/ha)

3.1.3 Although the mode of the results display remains the same for commercial as residential (i.e. results display the absolute RLVs and RLVs £/per hectare alongside the above same 'viability tests' and formatting as illustrated in Figure 14), there are some differences in layout – see Appendix IIb. The absolute RLV results within IIb are seen on the left-hand side of each of the tables, with the green shaded RLV £/per hectare outcomes to the right and shown filtered against the above BLVs or 'viability tests'. The results deteriorate from the most positive set, Table 2a which shows the 5% yield tests, through to those in Table 2e based on a 7% yield, and therefore a significantly lower rental capitalisation rate. As per the residential results view, the results reduce gradually with increasing trial CIL rates incrementally – this time moving left to right. However, the results are seen to step up as increasing annual rental assumptions are used (L > M > H), and this is particularly the case with the more positive lower yield % tests – a small adjustment in the assumed yield often has a significant influence on the result.

3.2 Appendix IIa Residential typologies - results context and discussion

3.2.1. We will now consider both the residential and commercial typology results in turn - starting with residential. As is typical in other similar projects, this is the main assessment focus here, owing to the level of new housing delivery in the borough compared with other development types likely to support an ongoing CIL. Therefore, ultimately the source of potential CIL income will continue to be heavily weighted towards residential development.

3.2.2. The residential appraisal results are set out in tables 1a to 1p at Appendix IIa by typology representing increasing development size (number of dwellings within the assumed scenario) from 1 house up to 450 mixed dwellings, including the tests for the sheltered housing and extra care typologies using adjusted assumptions. For each scenario, the results based on the trial CIL rates are set out at 0% (on sites 1-9), 20% (on-site, on sites of 10-14) and 30% (on-site, on sites of 15+) affordable housing, in accordance with the CS policies (as amended through the Housing Interim Position Statement – August 2019).

3.2.3. To recap, within each appraisal test, we have also appraised the sensitivity of the results to the assumed sales values varying by value level (VL), representing the tested range of new build sales values, across which all the tests have been run. These VLs were discussed at 2.5 - detail not repeated here. However, to summarise, the assumed series of VLs covers the range of new-build housing sales values expected to be seen overall across the borough, including in the event of those moving upwards or downwards from the more typical current levels in the various localities. The key point here is to consider the VLs that are most representative of the new-build property values, which we consider is covered by VLs 3 to 6 i.e. at £3,250/m^2 to £4,000/m^2 although it is worth noting that we would expect flats with sea-views to achieve values above that range. For example, our research indicates values can be seen at the top-end of the above range, and in limited cases beyond that up to £7,500/sq. m. if supported by sea-views and a more bespoke offer. However, it is important to note that a sea-front development will typically provide a proportion of units with sea-views (achieving those higher values) and a proportion without i.e. inland views of the town (achieving lower values likely to closer to our typical range – as noted above).

3.2.4. Linked to the above, in relation to the variety of town centre flatted development that has both come forward and is planned to continue on PDL over the remaining plan period, we have also carried out a number of additional sensitivity tests looking at this form of development. The results of these are shown at tables 1m and 1n. Following discussion with the Council and engagement with stakeholders, we understand these are key site characteristics that warranted further review and consideration when looking again at the Worthing CIL. These sensitivity tests (STs) were developed from the base test 75 unit flatted typology (3-5 storey) – results at table 1m - and include tests of the impact of the following variables in different combinations (alongside the trial CIL rates applied to the whole (gross) assumed building floor area):

- Value Levels – increased to include up to £6,000/sq. m. with an added VL9 at that level, representative of seafront flats including those with sea-views;
- (ST1) Increased build cost assumptions assuming a 6+ storey building;

- (ST2) Increased proportion of communal space at 55% i.e. a gross:net ratio of just 45% (the highest level pointed to during consultations/from scheme examples provided by WBC);
- (ST3) Increased cost assumptions broadly representing the inclusion of basement car parking (although both the occurrence and nature of this is expected to be variable, as is typical in our experience).

3.2.5. Consistent with supporting the growth associated with the remaining period of the CS, a revised CIL would continue to be a high-level borough-wide response, set strategically. It is not possible for CIL to reflect and respond to all local levels of variation in values or in other matters. How it overlays with the planned site supply is likely be a key consideration, even if that means some level of misfit in areas not supplying a significant level of development in the overall planned terms. The CIL principles are such that the charging schedule should ideally be as simple as possible, accepting that usually values and other characteristics do not actually respect any particular boundaries in more than a general way. All sites are different and varying values will be seen even within sites.

3.2.6. The Council need not follow these report findings exactly. Rather, it is necessary to be able to show how the evidence has informed the approach to CIL. Overall, this is about considering the evidence collectively and reviewing CIL in such a way that will strike the appropriate balance between meeting needs (e.g. provision of affordable housing and the desirability of funding infrastructure) and viability. The guidance recognises that it is not necessary to consider all potential scenarios, and that there is some room for taking a pragmatic approach when setting a CIL.

3.2.7. Figure 15 below (see following page) shows indicatively how the tested range of trial CIL charging rates appears when expressed as a percentage of sales value i.e. trial CIL rates as %GDV. DSP has used this sort of guide as background information for clients when considering CIL viability.

Figure 15: CIL rates as a percentage of GDV

CIL Rate £/m²	CIL Trial Rates as % GDV							
	VL1 £2,750	VL2 £3,000	VL3 £3,250	VL4 £3,500	VL5 £3,750	VL6 £4,000	VL7 £4,500	VL8 £5,000
	2750	3000	3250	3500	3750	4000	4500	5000
0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
25	0.91%	0.83%	0.77%	0.71%	0.67%	0.63%	0.56%	0.50%
50	1.82%	1.67%	1.54%	1.33%	1.33%	1.25%	1.11%	1.00%
75	2.73%	2.50%	2.31%	2.14%	2.00%	1.88%	1.67%	1.50%
95	3.45%	3.17%	2.92%	2.71%	2.53%	2.38%	2.11%	1.90%
100	3.64%	3.33%	3.08%	2.86%	2.67%	2.50%	2.22%	2.00%
122.39	4.45%	4.08%	3.77%	3.50%	3.26%	3.06%	2.72%	2.45%
125	4.55%	4.17%	3.85%	3.57%	3.33%	3.13%	2.78%	2.50%
150	5.45%	5.00%	4.62%	4.29%	4.00%	3.75%	3.33%	3.00%
158	5.75%	5.27%	4.86%	4.51%	4.21%	3.95%	3.51%	3.16%
175	6.36%	5.83%	5.38%	5.00%	4.67%	4.38%	3.89%	3.50%
200	7.27%	6.67%	6.15%	5.71%	5.33%	5.00%	4.44%	4.00%
225	8.18%	7.50%	6.92%	6.43%	6.00%	5.63%	5.00%	4.50%
250	9.09%	8.33%	7.69%	7.14%	6.67%	6.25%	5.56%	5.00%
275	10.00%	9.17%	8.46%	7.86%	7.33%	6.88%	6.11%	5.50%
300	10.91%	10.00%	9.23%	8.57%	8.00%	7.50%	6.67%	6.00%

KEY:

WBC originally adopted rate (non-indexed)

WBC Indexed CIL Rate (fixed at the point of setting assumptions)

3.2.8. This further information does not represent additional viability testing, but in our view may be useful in purely a general "health-check" type way to help make sure that the charging rates are not set too high. DSP's view over several years of CIL viability and rates setting experience has been that, as a guide, realistic CIL charging rates should not exceed a range of approximately 3% to 5% of GDV as a maximum. After considering buffering, usually we tend to see appropriate levels of CIL charging, that will remain suitable as the development values and costs inevitably move around, will be nearer to 2% to 3% GDV equivalent. When viewed on this basis, and considered alongside the core local values range VLs 3-6, this guide indicates CIL charging scope based around the range c. £75 to £125/sq. m. Again, as noted above, this is only a guide to provide a general feel for the potential impact of CIL, and is of course subject to the full viability testing carried out as part of this study. In reviewing our full range of results (see the following sections) we will see how the viability tested outcomes compare with these indications.

3.2.9. Sample appraisal summaries are included as a second part to Appendices IIa and IIb. The appraisals are too numerous to include all such summaries, or even a wide range of them. The aim of including the examples is to further illustrate the structure of the residual calculations and their content in summary form.

3.3 Appendix IIb Commercial typologies - results context and discussion

3.3.1. As noted above, we have undertaken a typical range of commercial/non-residential typology-based appraisals, appropriate for and proportionate to the assessment purpose and applicable guidance. The results are set out in Appendix IIb at tables 2a – 2e as previously described. The range of scenarios tested are shown top to bottom – by development use type. Each one of those has been tested at 3 trial value levels i.e. rent levels (L – lower, M – mid/medium and H – higher) simply to explore the sensitivity of the RLV outcomes to that assumption varying in combination with a yield % test ranging from most positive (at 5% - Table 2a) to least positive for the study purposes (at 7% - Table 2e RLV indications). It can be seen that the viable scenarios range reduces very significantly by the time we use a 7% test yield to inform the capitalisation of the assumed rental values – across L, M and H levels as above.

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

3.3.3. After considering the residential findings and potential implications/recommendations, we will go on to review the viability of commercial development locally and the potential CIL charging scope associated with that. The approach is consistent with that typically required for CIL viability assessment; with assumptions again informed by our research/information review and experience, so as to be representative of local circumstances albeit based on a high-level overview approach rather than site-specific level detail.

3.3.4. As noted earlier, it is important to adopt assumptions appropriate for the assessment purpose and to ensure that no reliance is placed on pushing proposed CIL rates to the margins of viability. This proportional approach requires a much smaller number of appraisals for the commercial typologies testing compared to the residential set. These were developed as sets to the point where viability in each case falls away to a negative RLV –

‘indicative non-viability’ positions or similar as shown in the Appendix IIb tables. Once a very low, nil or negative outcome is reached, it is not necessary to explore further in the context of CIL viability testing.

3.3.5. As with residential development, the strength of the market and therefore the strength of relationship between development values and costs is the most significant factor alongside reviewing these results against appropriate BLVs – again as discussed at 2.13 above.

3.4 **Residential Findings Review / Analysis** (Appendix IIa)

3.4.1. It is important to note that outside of the operation of market itself, and so assuming market conditions and a base level of scheme viability, AH provision is consistently one of the most significant impacting factors on development viability, having a much greater impact than that from a CIL. This is because the cost of building affordable homes is broadly the same as the market homes, but those yield broadly half the revenue overall assuming mixed tenure including rented AH (as is the case here).

3.4.2. There are of course some schemes that inherently may not be able to support collective policy requirements in any event; they may not be viable either prior to or following the revision to CIL alongside the cumulative effect of other costs and requirements. The strength of viability on these types of sites is highly unlikely to be solely due to CIL charging, therefore, but more closely associated with market conditions, site selection/EUV, scheme design/construction/specification, abnormal costs, requirements affordable housing or wider planning objectives. Usually the collective costs impact will be relevant for consideration through the process of a viability review where issues arise, so that some level of prioritisation may be required (although noting that once it is in place, CIL is non-negotiable).

3.4.3. When viewed overall and bearing in mind the typical strength of values in the borough, any potential greenfield development present positive viability outcomes with the 30% AH content, as can be seen on the basis of the key new-builds range (VLs 3 – 6) as discussed earlier.

3.4.4. However, looking more widely, a mixed picture emerges overall as those results are quite sensitive to any instances of lower values. Similarly, once higher BLVs are considered, i.e. reflecting developments on PDL, in the results indicate more challenging viability scenarios.

This becomes particularly important to consider in the case of the flatted development scenarios, which we will discuss in more detail further below. Broadly, it appears as though the results when assuming VL3 (£3,250/sq. m.) represents around the potential cusp of viability, whilst also carrying policy compliant levels of AH and other obligation in a greenfield site context; a broad indication only In the case of PDL housing development (as opposed to apartments based schemes) the equivalent level of viability appears to need the support of values at a minimum of VL4, but more likely VL5+.

3.4.5. Throughout the assessment, the prudent assumptions and approach ensure that viability is not taken to the margins to support the CIL rates findings. Allied to this and as noted within relevant guidance, we have also given consideration to the principle of "buffering", which means stepping back from the CIL charging rates indicated to be theoretically possible. Our results tables show the maximum CIL rates that can be supported by those particular assumptions sets on the basis of meeting or beating a particular land value comparison (illustrated by the results filtering against the range if 'viability test' BLVs).

3.4.6. A "buffer" factor is essentially arbitrary, and is intended only as a guide aimed at keeping well within the margins of viability – it need not to be adhered to rigidly as a judgement element of this, and the viability work does not have to be followed precisely in any event. Ultimately however, the Council should be able to show how the assessment has informed its overall approach.

3.4.7. With this in mind, our results review below will explore the scope for CIL to be supported by each typology when buffered back by approximately 50% (i.e. approximately halved) from the theoretical maximum rates that are accommodated by the reported RLVs.

Scenarios <10 units (1 House, 6 Houses and 6 Flats) @ 0% AH *(Tables 1a-1c)*

3.4.8. Generally, the results as presented on scenarios below both the national minimum AH threshold and WBC's current CS policy requirement, indicate a positive viability scenario for CIL charging at VLs 5-6 at the upper end of our key BLVs range for PDL sites; or at VL4 when assuming a greenfield site type. A key point to note here is that these smaller development types tend to involve higher base build cost levels compared to larger development as is reflected in the assumptions and shown within Appendix I.

3.4.9. We expect that a scheme of **1 House** is likely to come forward very often as a self-build (CIL exempt) in some form and could be on PDL or sites classified as greenfield land within the urban context e.g. garden/amenity land or similar. With this context in mind the appraisal RLVs reach a BLV of £850,000/ha - £1,500,000/ha at VL7+ (£4,500/sq. m.) which, after buffering, indicates a potential CIL rate of between £100 - £150/sq. m. Conversely, VLs 1-6 show poor viability prospects regardless of the level of CIL applied – indicating CIL is not the key factor in the strength of viability seen here. This picture is not unusual in our experience, with individual single dwellings often coming with higher associated costs although typically also supporting relatively high sales values given their individual nature or specification. However, in other charging areas we have seen a wide range of single dwelling developments, and similar seems possible here moving forward.

3.4.10. Although these also tend to involve relatively high costs with our assumptions reflecting this, the results for both **6 Houses** and **6 Flats** provide a more positive viability picture than that described above. Although VLs 1-3 generally provide negative results beneath our BLVs range before any CIL is applied, VL4 (£3,500/sq. m) begins to support improved viability prospects, particularly on any relevant greenfield site types. Generally, however, it is considered that on a range of smaller, individual developments, mid to higher values may well be seen. On this basis, VLs 5-6 (£3,750 - £4,000/sq. m.) are indicated to have more confident viability prospects, with the RLVs meeting and exceeding the key PDL BLVs range with up to approximately £100 - 125/sq. m. CIL included, after allowing for buffering. The upper range of BLVs (Viability Tests 5-7) would need to be supported by VLs at the very upper end of our overall range (VL7+) in order for the resultant RLV to support such site values, together with a similar level of CIL.

3.4.11. Overall, as above, the appraisal results below the current AH threshold can viably support CIL at approximately £100 - 125/sq. m. i.e. with the suitable parameters being approximately around the adopted (pre-indexed) to currently indexed levels.

Scenarios 10 - 14 units @ 20% AH *(Tables 1d-1e)*

3.4.12. The current CS 2011 policy requires on-site AH provision at 20% from 10 to 14 units, also aligning with the NPPF threshold for 'major sites'. In the WBC context, we would expect this type of site to come forward predominantly on PDL again, within our assumed key BLVs range from £850,000/ha to £2,200,000/ha. On this basis, for both the **10 Houses** and **11 Houses** scenarios, the VLs5/6 results reach or exceed the lower end of the above range with a CIL of up to £100 to £125/sq. m. after allowing for buffering. The indicated viability scope continues to improve as the VL increases beyond VL6 which, theoretically, has the ability to support a greater level of CIL (although the incidence of relevant schemes is considered likely to be low).

3.4.13. Both typologies assume a relatively low-density of 35dph which we could expect to increase should the scheme come forward as ‘townhouses’ or ‘mews’ type housing. In that case, the relative tone of the results could be expected to improve, probably indicating positive viability from VL4 on PDL with up to around £100/sq. m. CIL. Clearly if this scheme was to come forward on greenfield land, viability prospects would improve significantly with potentially up to £100 - £150/sq. m. CIL viable at lower values - from VL3/4 (again after buffering).

Scenarios 15 - 75 units @ 30% AH *(Tables 1f-1m)*

3.4.14. The Council’s adopted policy requires 30% on-site AH provision from 15+ units as part of its sliding-scale type approach. For the **15 Houses** scenario and again assuming a PDL site type, at the upper end of the assumed new build values range (VL6), the results indicate that the lower PDL BLV at £850,000/ha is only met when combined with a nominal CIL rate up to approximately £50/sq. m.

3.4.15. It is clear therefore, that the increased AH % has a significant impact in combination with likely PDL site values in this context. As expected, the CIL scope improves with an increased VL, but at 6/7+. However, if this site typology were to be based upon greenfield land, a CIL of up to about £100/sq. m. is viable when supported by VL4/5, representing the mid-point of the typical new build values range. Like the smaller scenarios discussed above, the strength of these results improves if we assume a higher density development on PDL, which appears able to support CIL up to c. £125/sq. m. where VL6 values are available.

3.4.16. The results for those ‘mixed’ dwellings scenarios (**25 Mixed** and **50 Mixed**) comprising both houses and flats, indicate viability at a lower level than compared to the development of houses alone, generally owing to the use of higher build cost assumptions. There is, however, some off-setting of this effect through higher density assumptions that could reasonably be expected in some instances - in this case we have assumed 75dph.

3.4.17. Although we have assumed a PDL site here, there may also be some scenarios where greenfield sites of this scale may be delivered. With the WBC adopted AH policy applied fully at 30%, CIL is supportable up to £100/sq. m. at VL5/6 (£3,750 - £4,000/sq. m.) i.e. at the upper end of our typical new build values range. However, comparatively, assuming a greenfield site basis with a BLV range of £250,000/ha (to max. £500,000/ha for a small land parcel), we consider that a CIL rate of up to £150/sq. m. is likely to be viable at the same VL5/6. Viability and consequently CIL scope reduces as the value level decreases – with nil CIL scope seen from VL1-3. As also expected, with increasing values at VL7+ the strength of results improves significantly, although for schemes of this type we would not expect the highest VLs to be regularly available in the local context.

3.4.18. In connection with the smaller flatted scenarios (**15 Flats** and **25 Flats**), we often observe reduced viability scope for these types of development, unless relatively high sales values are available to support the typically higher development costs. This is a common theme in the assessment of development viability in our experience, i.e. found within a wide range of projects, as is seen here in the Worthing context – essentially across all tested flats-based scenarios.

3.4.19. We would generally expect flatted schemes to come forward on PDL sites (unless forming part of a much larger mixed development). It is clear that the results for these scenarios indicate a much more challenging viability scenario than both the houses based and mixed typologies, with a CIL of up to £100/sq. m. only viable at VL8 (the highest VL in our range). With again the sensitivity of these results to (falling with) lower values, when combined with the fully policy compliant level of AH, viability appears to be typically under pressure even before CIL cost is applied (i.e. with nil CIL). The characteristics of a PDL site type adds to the poor value:cost relationship seen here, with higher levels of costs, further compounded by typically higher existing use values.

3.4.20. WBC would need to consider the relevance of these higher values alongside the overall site supply in the Worthing context. If, for example, a scheme of this type was to be delivered in a seafront location, values at VL7+ appear to be achievable. In these cases, it appears that a lower level of CIL than the existing rate could be supportable on some sites in tandem with the policies, although not on those where the highest value existing uses are present. However, as a key point, from the results and our local experience "on the ground", we consider the viability prospects for flatted development in the borough may typically be more challenging generally, based on the assumptions used and, as above, even before allowing for CIL charging.

3.4.21. In addition to the base flatted typologies discussed above, we have also modelled a **75 Flats (3-5 storey)** and **100 Flats** scenario (see tables 1m-1n), the former including the above noted additional sensitivity tests. These sensitivity tests assumed the following variables in various combinations with one another:

- Value Levels – increased to £6,000/sq. m. (VL9 tests added) representative of seafront flats and particularly with sea views;
- Increased build cost assumptions - assuming 6+ storey building (referred to within Appendix IIa as ST1);
- Increased proportion of communal area at 55% (ST2) with CIL applied to the assumed building area – noting that in our experience we consider this to be an exceptionally high net:gross floor area adjustment to cover the communal space build costs;
- Increased cost assumptions as allowance for basement car parking works provision (ST3).

3.4.22. Overall the base scenario test (excluding any additional sensitivity test costs) supports a similar range of findings to those noted above in connection with the 15 and 25 Flats typologies. For this typology, we are assuming a high density PDL site type, likely to be within or close to the town centre area, including potentially the seafront. On this basis, CIL appears supportable up to £75/sq. m. but only based on values at VL7+ (£4,500/sq. m. or more) – i.e. beyond our assumed typical new build values range. If, however, WBC anticipate this type of scheme to be more likely to come forward in a seafront location, we consider VLs7-8+ to be more achievable, and at these levels only, a CIL rate of up to £125/sq. m. is potentially supportable in viability terms. However, viability quickly falls away beneath VL7 even when nil CIL is applied.

3.4.23. The results of the above sensitivity tests indicate that the 'base' appraisal at £6,000/sq. m. provides very positive viability prospects, exceeding the highest assumed BLV at £3.5m/ha, with RLVs reaching approximately £6.6m/ha with the current indexed CIL rate tested. On this basis, higher land values could be supported if necessary. However, it is important to consider the common theme of sensitivity to lower sales values, and that £6,000/sq. m. is considered only relevant to those seafront properties with sea-views. It is unlikely in a scheme of this type that all of the proposed units will have sea-views. Some will face inland with town views and have lower values, albeit at the upper end of our typical range. Once the other sensitivity test costs are added in, however, and especially collectively, the scheme viability and CIL scope reduces accordingly. The results also indicate that ST1 and ST3 individually, indicate scope to support a CIL of up to £150/sq. m. However, all the other sensitivity tests as set out at table 1m indicate a challenging viability position regardless of the level of CIL assumed. With decreasing values as represented by lower VLs, viability can be expected to come under further pressure across all sensitivity test scenarios.

3.4.24. Taking into account the high-level nature of this study, if a flatted development of this type comes forward in the seafront areas, a CIL charge at current or slightly higher levels would be likely viable on scenarios where basement parking is included or where there are other reasons for higher costs (i.e. 6+ storeys) as these are typically supported by higher values in the context (represented by ST1 and ST3 discussed above). However, other scenarios such as significantly increased communal areas or a combination of these various additional cost factors will again see viability become challenging and unlikely to support significant CIL charging without impacting other aspects of the development provision.

3.4.25. Allied to the above, it is important to note that in terms of enhanced communal space, in our experience, only in relation to specialist forms of housing have we considered such a significant proportion as the 55% tested here. This has the effect of grossing-up the assumed build cost by that proportion without any corresponding increase in revenue.

3.4.26. When reviewing the appraisal results for this type of development, combined with larger proportions of communal floor areas than we typically see, we also considered the possibility and appropriateness of potentially nil-rating non-saleable elements such as basements and other large ancillary/communal spaces e.g. residents lounges, gyms etc. However, it is our understanding that this approach has not yet been tested or considered elsewhere. Such an approach could also be very challenging to set out and define clearly, so that it could be applied as intended, consistently. On this basis, overall, at this stage we are of the opinion that it is likely to be clearer and simpler to consider these types of characteristics as part of looking at the viability of locally relevant flatted development types in the round.

3.4.27. From the discussion above, it is clear that flatted development above the base AH threshold (10 dwellings) faces some challenging viability prospects unless it is able to rely on strong sales values - at the highest end of our assumed range. On this basis, we consider that a low or nil CIL rate is most likely going to be appropriate for WBC to consider on renewal of the charging schedule, taking into account the likely characteristics that have been seen recently as well as moving forward over the remaining plan period. Purely from a viability point of view, we consider that it could be appropriate for flatted development on greenfield land (with low existing use value) to be able to support CIL, but at this stage this is not taken further as a significant theme of this report as the incidence of such development in the borough is considered to be low or very low. If, on reviewing the likely site supply that a refreshed CIL charging schedule would respond to, it were found that such development is relevant to the Core Strategy (or, looking ahead, to the new Local Plan) it may be possible to look at this further.

Housing for the elderly / Extra Care – 30 apartments (Retirement / Sheltered) and 60 apartments (Extra Care) @ 30% AH *(Table 1j – 1k)*

3.4.28. The premium values usually achieved for such new build schemes, together with the densities and typically somewhat reduced scope of external works, are in our experience positive viability influences in balance with the higher build costs associated with the nature of the construction e.g. enlarged communal (non-saleable) areas in comparison with general market apartment developments (usually 25%+ in comparison with the typical 15% or so communal areas allowance that we would generally expect to make for efficiently designed new builds). In our experience higher sales values than those assumed for the general assessment purpose (i.e. from VL7 to an added VL9 – at £4,500 to £6,000/sq. m.) are likely to be more relevant for this development type than the lower-mid VL tests. We have also assumed the following bespoke assumptions for the retirement housing typology:

- Increased VL to £6,000/sq. m.;
- Enlarged communal floor area - increased to 25%;
- Bespoke build costs based on BCIS for 'supported housing';
- Allowance for empty property costs at £60,000 i.e. £2,000 per apartment based on experience of retirement schemes at planning application stage reviews;
- Longer sales periods assuming approximately 1.5 units per month (market units only).

3.4.29. We understand there is currently demand for this type of development in Worthing, with a number of newly built schemes currently selling in the town centre area with sales prices within the above range i.e. VL7 - 9 at £4,500/sq. m. to £6,000/sq. m. Therefore consistent with our wide experience of viability, CIL rates setting and site specific viability review work to date (also recently for WBC), we consider there would most likely be no reason to include differential CIL rate(s) for this particular form of development (assuming within the C3 dwellings use class and therefore part of the wide spectrum of market housing development). For example, at VL7 the RLVs appear strong enough to meet or exceed BLVs at our upper commercial BLV at £2,200,000/ha when combined with £100/sq. m. CIL, after buffering. The strength of those results improves as the level of VL increases and at VL9, for example, we can see RLVs well in excess of our upper BLV of £3,500,000/ha with £100/sq. m. CIL applied. Nevertheless, consistency within the overall approach, avoiding over-complexity, is likely to be appropriate. Overall, we suggest that retirement/sheltered housing development should be subject to the same charging rate(s) as that/those applicable to general needs market housing – other forms of C3 development. In our view this principle should therefore include the following of any differentials within the residential charging rates.

3.4.30. With the changing backdrop to the nature of housing needs and supply, it is now becoming increasing relevant to consider other forms of specialist housing - a form of development undoubtedly being seen more frequently. We have therefore also tested an **Extra Care** development typology of an assumed **60 Apartments** (see table 1n), using bespoke assumptions further adapted from those relevant for the retirement / sheltered housing tests, informed by our experience of scheme specific (planning stage) reviews. These bespoke adapted assumptions including on enhanced communal space at 35%, external works, profit and voids. We have also assumed the following bespoke assumptions for the Extra Care typology (also see Appendix I):

- Increased VL to £6,000/sq. m.;
- Enlarged communal space increased to 35%;
- Bespoke build costs based on BCIS for 'supported housing';
- Reduced external works at 7.5%;
- Allowance for empty property costs at £5,000 per unit (£300,000 total) based on experience of retirement schemes at planning application stage reviews;
- Longer sales periods assuming approximately 1.5 units per month (market units only);

3.4.31. The extra care tests indicate a lower tone of results than from the retirement/sheltered housing appraisals considered above and this is consistent with our developing experience that this type of development has varying characteristics that can be significant for the CIL charging scope; is likely to support reduced scope. This is particularly relevant where (as often) extra care development may be more towards the C2 side of the inevitably difficult C2/C3 boundary characteristics (falling between fully care-led provision and market led housing for older people), and therefore potentially warrants differential CIL treatment i.e. at a lower level than that described for the general residential and sheltered typologies. With this context in mind, when viewing the results, we can see viability is challenging across all VLs unless at the very positive end of our assumptions range at £6,000/sq. m. (VL9) or above.

Although these levels of values may well be seen in some circumstances locally, this cannot be reliably evidenced and as such we consider a lower or perhaps a nil CIL (if sharing C2 characteristics) to be appropriate to such schemes in the Worthing context.

Scenarios 100 and 450 dwellings @ 30% AH *(Tables 1n-1p)*

3.4.32. For the **100 Mixed** dwellings scenarios we have assumed a predominantly PDL site occurrence, which in our view is likely to be represented by a range of BLVs from £850,000/ha to a maximum of approximately £2.2m/ha. As such, we have assumed a higher density of development at 55dph compared to 35-40dph likely to be greenfield related. The results in this case indicate positive viability across the range of BLVs noted above with the core range of new build values providing CIL scope for up to £150/sq. m, although this could be expected to reduce with a lower density assumption. Comparatively, if we were to view the results on the basis of a greenfield site type, the resultant RLVs would need to meet a BLV at £250,000/ha to (max.) £500,000/ha providing CIL scope of up to £200/sq. m. supported by sales values at a fairly typical estimated VL4 (£3,500/sq. m.).

3.4.33. The **450 mixed** scenario tests support a similar range of findings to those noted above. Following discussions with Officers, we have assumed a greenfield site type only for this typology, represented by a BLV of up to £500,000/ha but based on £250,000/ha as the key comparison. For a scheme of this size, we would also typically expect some more extensive site-wide works/specific on-site infrastructure requirements such as potentially relatively significant highways and other works, for which we have made a cost allowance of £18,000 per dwelling within our appraisal modelling. We have also assumed a £3,000 per unit assumption for residual s.106 obligations.

3.4.34. On this basis, the results indicate a positive viability scenario from VL3 (£3,250/sq. m.) and, as above, VL4 supports CIL scope of up to £200/sq. m. after an appropriate allowance for buffering. A scheme of this type, with the policy compliant level of AH, and is likely to provide amongst the most positive viability prospects of the typologies tested and can support a greater level of CIL than is currently being charged, providing the site-specific s.106 burdens or any abnormal works costs are not too significant. This is largely due to the assumed low EUV based BLV for such sites compared to PDL.

3.4.35. Overall, we consider that a relatively significant level of CIL could be viably supported on any potential larger greenfield sites where the location of those may be known and where it should, if relevant, therefore be possible to name/describe or 'zone' those appropriately. We will include this as part of our summary overview further below.

3.5 Commercial/Non-residential Findings Review (Appendix IIb – tables 2a – 2e)

3.5.1. The current CIL charging schedule (2015) set a rate of £150/sq. m. CIL for retail development (A1-A5) in across the borough (i.e. current zones 1 and 2) which after indexation in accordance with the CIL regulations had risen to £183.58/sq. m at the point of assumptions setting (effective 2019); latest indexed figure £193.44/sq. m (effective from 01.01.2020).

3.5.2. As noted above, the same approach and review principles apply as per the residential element of this study. Appendix IIb set out the results by development use type, varied by increasing rental value test (low, mid/medium and high), assumed yield percentage from 5-7% (applied in capatalising the annual rental assumptions) and potential (trial) CIL rate, including the above indexed rate. We consider the medium rental values to be the key part of the range in order to interpret the results. Alongside this, in our opinion the key BLVs range ('viability tests') to compare the appraisal RLVs with is the same £850,000 to £2,200,000/ha (max) representative of existing/former commercial uses of the site types likely to most often host such developments. Appendix III to this report set out the extensive background research conducted to inform the adopted values, using Co-Star and other sources.

Retail development

3.5.3. The outcomes of the larger format retail typologies tests, representative of **Supermarket/Foodstore** development, indicate a range of RLVs from approximately £800,000 to £3.5m/ha. After allowing for buffering, broadly we consider CIL rates of up to £150/sq. m. to be supportable assuming 'medium' rental values and combined with a yield of 5% which in our experience is towards the cautious end of the typical yields seen for this type of development where it progresses. For example, the October 2019 Knight Frank Yield Guide indicates yields beneath 5% on this basis. These results are highly sensitive to an increasing yield, however, particularly at the lower rental value tests but it is important for the Council to keep in mind firstly the level of occurrence of this type of development over the remaining CS period and, secondly, the sensitivity of the results to a less positive, higher yield assumption at 6%+ which as noted above, we consider to be unlikely.

3.5.4. Overall, the results here indicate positive viability prospects with the ability to support CIL of up to £150/sq. m. (buffered) i.e. at the pre-indexed rate rather than the current chargeable level of £192.85/sq. m.

3.5.5. The **Retail Warehousing** representative test results present the strongest viability prospects observed. Although this may not support investment yields at quite the same positive level as foodstores (at 5% or below), even when viewing the results with a higher yield of say 6.5%, the RLVs at the medium value assumptions achieve around £6m/ha when combined with a £150/sq. m. CIL rate (buffered). This level of viability appears to relate to the lower build costs, relatively. Although, potentially a higher CIL closer to £200/sq. m. (and so at or just above the current indexed rate) could be supportable, it is important to keep in mind where the potential land value expectations may lie for this type of development coming forward, alongside continuing our suitably prudent approach, ensuring viability is not taken to the margins. Therefore, and bearing in mind that these 2 forms of development could be competing for similar sites, we suggest that overall a consistent re-setting of the applicable CIL charging rate to the existing schedule adopted levels, could usefully be looked at by WBC (from a viability perspective) as the potential CIL review options are considered.

3.5.6. The **Town Centre/Comparison Retail** tests indicate a more challenging viability position compared to the above. This, again, is consistent with findings from much of our wider work. For example, even with a lower (more positive) yield assumption applied at 5%, meaningful results are only provided using the 'high' rental values tested. This compares to the 'medium' rental value outcome which even at the nil CIL rate trial does not quite meet our assumed lower industrial BLV at £850,000/ha. Clearly once the yield increases (less positive scenario) viability and therefore CIL scope quickly deteriorates from there. Additionally, it seems highly likely that any such development that comes forward would in fact be on land with a higher EUV, leading to a higher BLV.

3.5.7. In this context, it is important for WBC to keep in mind the relevance of this type of development coming forward over the remaining plan period. We understand that this use type is unlikely to produce significant volumes of development (new floorspace) locally and alongside the current investor appetite for this, the pointers are towards avoiding setting a CIL that could add further pressure to viability. On this basis, if such development is important in the CS context, a low or nil rate approach could be appropriate for it. On the other hand, the current WBC CIL does not differentiate by retail type, so that any smaller shops development that may be vulnerable in viability terms currently pays CIL at the above noted rate. Furthermore, it is likely that at least some smaller retail units provision will come from re-use, adaptation or extension of existing floorspace; in which case the CIL liability would be limited at the most and WBC could consider whether on this basis, continued simplicity within the charging schedule is acceptable and appropriate overall. We suggest that the experience of the current charging schedule in use should also inform the Council's reviewed positions.

3.5.8. There are other forms of retail, moving away from the larger format stores, that also need consideration in our if new developments are considered plan relevant. Similar to the above, smaller **Convenience Store type** retail units and smaller shops generally, typically show lower viability prospects and therefore are likely to support significantly reduced CIL scope compared with retail warehousing or, to a lesser extent, foodstore development types. This is not an unusual finding in our experience. It is only at the lowest yield (5%) combined with nil CIL and 'high' rental value that the results indicate a positive RLV. On this basis, given the strength of these results, there is similarly limited scope for CIL, and again we suggest that the context as at 3.5.7 above should be considered in this respect too.

3.5.9. Overall, in considering the different forms of retail development above, there are options for the Council to consider a charging approach that differentiates between retail types. For example, large format retail could be charged at the suggested rates above, whereas the rates applicable to smaller shops, and any new Worthing town/other centres shopping, could be set at a significantly reduced rate or a nil CIL charge. These are options to be considered within the overall balance in our view.

3.5.10. This would represent a dual rates set-up, however there is also the option for a single lower "all retail" charging rate which would also represent the typically less strong viability position of the generally smaller "other retail" development. The former option could be zoned on a map (linked to the CS) if referring to particular areas/centres only, or could be described by type and sale of use; and may be considered relevant to WBC especially if the large format retail development is not central to the remaining CS period overall. DSP has experience of both approaches and the variation between the different retail types can be considered and defined in a way that is consistent with our wider CIL viability work that has been examined.

3.5.11. In practice, the Council may consider it more likely for adjustments to be made to existing shop units or conversions from other uses in order to provide new smaller shops, and therefore consideration should be given to the extent to which CIL liability on this type of development as new build may occur.

3.5.12. In the event the Council decides, on balance, to proceed with a differential approach to CIL rates for retail development, there are particular considerations to be aware of, because it is necessary to set out clearly how the differentiation is set up and described. Importantly, a differential approach as described above, needs to be based on viability evidence as included within this report and accompanying appendices.

3.5.13. To summarise and re-cap, the following factors should be considered in relation to all retail Use Classes A1-A5; i.e. also covering food and drink, financial services etc.):

- The extent to which retail of any form is relevant to the remaining CS period. If all forms are likely to be coming forward on an ad-hoc basis only then potentially it may be considered that any non-viability of individual schemes is not critical under the CIL principles;
- No or limited/uncertain overall plan relevance would also suggest the prospect of a low level of increase in CIL receipts compared with either setting a nil CIL or not pursuing CIL at the current stage; or a low level of receipts impact compared with setting a higher, more viability impacting charging rate for certain uses;
- The Council may wish to consider the relevance of any unintended consequences for other forms of development, such as smaller shops in areas of the borough targeted for future regeneration.

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

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

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

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

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

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

3.5.20. So, to recap, only if differentiating between these smaller and larger retail formats, we consider that creating a link with the size of sales floor space associated with the Sunday Trading provisions (3,000 sq. ft. / approx. 280 sq. m) may provide the most appropriate threshold as a secondary measure to the development use description that is the most relevant factor in both creating and describing the viability differential. Such an approach may not be relevant in Worthing. However, drivers towards this approach in some locations may be the overall plan relevance of different types (as new builds or larger extensions of over 100 sq. m triggering CIL liability) and any concerns over added development risk to smaller shops provision associated with adopting a single rate at too high a level. This approach to setting up a differential approach to CIL charging for retail development assumes the threshold being used for clarity and to further explain the nature of the development use that the viability and a charging rate differential is linked to if CIL is pursued.

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

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

B-Uses – Office/Industrial (employment development)

3.5.23. The results for both the office and industrial typologies tested indicate no clear CIL charging potential. At this time, we suggest that a nil-rate charge should be considered for these uses. We would typically expect the most relevant yield tests to be at the upper end of our range at 6.5% to 7.5% but in the local context it is also possible that yields above those levels could be relevant. The results as set out in Appendix IIb clearly present likely challenging viability prospects generally. This is not an unusual finding in our experience.

C1/C2-Uses – Hotels and Residential Institutional (care homes)

3.5.24. The budget **Hotel** typology indicates a likely challenging viability scenario at the lower and medium rental value assumptions, regardless of the yield or level of CIL applied. However, assuming the most positive combination of assumptions (e.g. high rental values, 5% yield) more positive viability prospects are indicated, with some theoretical CIL scope achievable, and particularly if on a greenfield site type. Overall, in our view, with those viable indications relying on the more positive values assumptions and seen to be highly sensitive to those falling away, this is unlikely to support positive CIL charging scope at this stage in the local context.

3.5.25. In respect of **Care/Nursing Homes (C2 Residential Institution)** typology, assuming full care provision is on-site, our results indicate no clear CIL charging potential. Although theoretically there may be scenarios that provide positive viability prospects, these would be reliant on higher values alongside other site-specific circumstances. For this high-level study purpose and given the findings rather than wider possibilities under certain circumstances, we consider there to be nil CIL charging scope at this stage.

Other development uses

3.5.26. Only the results relating to key commercial/non-residential development tests are discussed here and contained within Appendix IIb. Other minor development uses (e.g. cafes, community centre, garages, cinema / bowling etc.) have also been considered at a high-level, based on the strength of the relationship between values and build costs. On this basis, we find it is not necessary to carry out full appraisals of these development types because a simple comparison of the potential completed value against build costs indications from BCIS, indicates a poor to marginal development viability. This is one of the key reasons why these forms of development are generally not seen stand-alone, but tend to be provided as part of mixed use schemes that are financially driven by the residential and/or retail development for example.

3.5.27. Following our extensive iterative review process, throughout this assessment we can see that once values fall to a certain level there is simply not enough development revenue to support the developments costs, even before CIL scope is considered (i.e. where adding CIL cost simply increases the nominal or negative numbers produced by the residual land value results – makes the RLVs, and therefore viability prospects, lower or moves them further into negative territory). In such scenarios, a level of CIL charge or other similar degree of added cost in any form would not usually be the single cause of a lack of viability. Such scenarios are generally unviable in the sense we are studying here – as a starting point. This is because they have either a very low or no real commercial value and yet the development costs are often similar to equivalent types of commercial builds. We regularly see that even the build costs, and certainly the total costs, exceed levels that can be supported based on any usual view of development viability. These are often schemes that require financial support through some form of subsidy or through the particular business plans of the organisations promoting and using them. Indeed, as we have commented, some such developments may well be considered as infrastructure themselves.

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

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

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

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

3.5.32. On this basis, Figure 16 below provides examples of this high-level review only of the general relationship between values and costs - in a range of these other scenarios. This is not an exhaustive list by any means, but it enables us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support anything more than a nil or nominal CIL charge. Otherwise, the added viability burden could be likely to delay or frustrate schemes, mean other compromises or add to funding requirements. The Council may also wish to consider the administrative aspects – CIL charging implementation. These points are not key to the viability assessment overall.

3.5.33. These types of value / cost relationships are not unique to WBC. Very similar information is applicable and findings are seen in a wide range of locations in our experience, although across the area the Council may be able to consider the likely relevance of certain types of development uses and therefore the potential need to ensure that any essential delivery is not unduly undermined. (See Figure 16 below – following page).

Figure 16: Other development uses – viability prospects (indicative cost/value relationship (DSP 2019)

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications – BCIS**	Viability prospects and Notes
Cafés	£100 - £350 per sq. m.	£1000 - £3,500 per sq. m.	Approx. £2,500 - £3,750	Insufficient viability to clearly and reliably outweigh the costs
Community Centres	£20 - £40/ per sq. m.	£200 - £400 per sq. m.	Approx. £2,000 - £3,000	Clear lack of development viability
Day Nurseries (Nursery School /Crèches)	£100 - £200 per sq. m.	£1000 - £2,000 per sq. m.	Approx. £2,000 - £3,200	Insufficient viability to clearly and reliably outweigh the costs
Garages and Premises	£30 - £60 per sq.	£300 - £600 per sq. m.	Approx. £650 - £1421	Low grade industrial (B uses) - costs generally exceed values
Halls - Community Halls	£20 - £50 per sq. m.	£200 - £500 per sq. m.	Approx. £2,500 - £3,750	Clear lack of development viability – subsidy needed
Leisure Centre - Health and Fitness (Sports Centres/ recreational centres) generally	£60 - £120 per sq. m.	£600 - £1,200 per sq. m.	Approx. £1,600 - £2,200	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Leisure Centre Other - Bowling / Cinema	No information available		Approx. £1,980 - £2,500	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Museums	No information available		Approx. £1,500 - £3,000	Likely clear lack of development viability – subsidy needed
Storage Depot and Premises	£10 - £80 per sq. m.	£100 - £800 per sq. m.	Approx. £300 - £1,000 (mixed storage types to purpose built warehouses)	Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in support of regular viability.
Surgeries	£70 - £200 per sq. m.	£700 - £2,000 per sq. m.	Approx. £2,170 - £3,150 (Health Centres, clinics, group practice surgeries)	Insufficient viability to clearly and reliably outweigh the costs based on other than high-end looking value assumptions.

*£/sq. m rough guide prior to all cost allowance (based on assumed 10% yield for illustrative purposes - unless stated otherwise).

**Approximations excluding external works, fees, contingencies, sustainability additions etc.

***BCIS Latest available data average of Worthing Location Factor

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

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

4. Recommendations / Summary

4.1 Overview

4.1.1. Following the results analysis and discussion above, we consider there to be justification to revise the current approach to CIL in the borough, particularly in relation to the current differential approach to residential development (particularly in relation to the current nil rated 'Zone 2'), but also through looking again at the charging rates as apply to residential and potentially other forms of development (e.g. retail). The effect of indexation in this case is not insignificant, having the impact of increasing the currently chargeable 'Zone 1' CIL rate by approximately 22% at the point of running appraisals; 29% to the January 2020 charging rate, from the £100/sq. m charging rate originally adopted in 2015.

4.1.2. Generally, from the wide-ranging results basis, we see a common theme emerging relating to the overall strength of results when comparing development on greenfield and PDL (previously developed land i.e. 'brownfield') site types. This is primarily due to level of EUV that informs the BLV against which the RLV results are compared. Although this effect is clear throughout the results sets, the influence of likely higher EUVs and therefore BLVs is particularly evident in the case of the town centre flatted residential development typologies, where higher development costs and a more typically weaker strength of relationship with the development values compound the viability effects associated with often higher site values. This is not just in the main town centre but is considered a notable influence more generally, and especially where apartments-led schemes are proposed for relatively high-value PDL sites and which exceed the affordable housing threshold (so require AH provision). This shows through a high level of sensitivity to the level of CIL supportable with varying sales values (as represented by the VLs) available; and potentially too great a reliance on high-end values in the Worthing context, in order to reliably support fixed CIL costs alongside the CS policies on such developments.

4.1.3. Whilst particular viability issues are more likely to be inherent in the site and scheme rather than a direct result of the planning policies or CIL, it is clear that in viability terms the most the Council could do would be to consider a significant reduction in the CIL level applicable to flatted schemes on PDL which carry AH requirements, looking at this now and in the near future. This, in our view, should be considered, although the Council is able within the scope of the CIL guidance in the PPG to consider some pragmatism. Across the consideration of its CIL charging approach, charging authorities must strike an appropriate balance between the desirability of funding infrastructure and the viability of development. Each scenario produces differing outcomes. Judgements and an overview are necessary, therefore, and although unavoidable this is consistent with the nature of a CIL and is appropriate for the purpose.

4.2 Residential findings discussion

4.2.1. Taking into account the policy basis for this study is the existing CS 2011, the assumptions relating to AH are fixed and as such we have considered CIL above and beneath those policy thresholds – aligned to the sliding scale type approach. It is clear from our results and above discussions that those typologies excluding AH generally produce a more positive results set than those triggering AH contributions regardless of property type (houses / flats). Overall, we consider these types of smaller scale development i.e. beneath the AH policy threshold and including apartments development, can viably support CIL at up to around the current indexed rate – i.e. a level between £100 and c. £125/sq. m.

4.2.2. Once the AH threshold is triggered at 10 dwellings (also now consistent with national policy) with 20% AH on-site, the results continue to be relatively positive with a similar tone to the above, therefore again supporting a CIL charge around £100 to c. £125/sq. m. There is something of a balancing effect here, compared with smaller developments bearing no AH (fewer than 10 dwellings), as that the base build costs allowances assumed for those are generally higher. However, below the 10-unit AH threshold, assuming a greenfield site type (although likely of limited relevance), the results are able to support an increased level of CIL to approximately £150/sq. m. after allowing for buffering. It is important to keep in mind the likelihood of this as a site type basis coming forward over the remaining CS period and the way in which CIL could be differentiated – by scale related to the AH threshold rather than by host site type. This comes back to finding a balance and not over complicating any new charging schedule.

4.2.3. On sites of 15 dwellings and above, the AH contribution increases to the existing headline policy level of 30% on-site which has a more notable impact on scheme viability and particularly on flatted development where, as above, the inherently poorer base viability positions (unless the high-end values are consistently available) exacerbate the apparent impact of the affordable housing alongside the other development characteristics (typically higher land values and development costs), before CIL is considered.

4.2.4. The mixed dwellings and houses only scenarios continue to produce RLVs that meet or exceed the PDL BLVs range £850,000 to £1.5m/ha combined with CIL at around £75 to £100/sq. m.

Although these scenarios have assumed PDL site types, acknowledged as less likely in terms of general provision, we understand there may also be potential scenarios in the WBC context where windfall greenfield sites of this scale may come forward which theoretically could support a higher level of CIL based on lower site values (EUV+ based BLV). However, the Council will need to consider how relevant these types of sites will be versus PDL in the local context. This is important to keep in mind when considering an appropriately robust level of CIL that does not unduly impact the type development planned to come forward.

4.2.5. The results discussed above clearly indicate viability as likely to be under significant pressure on many flatted development typologies, with the results frequently indicating poor or negative RLVs, reflecting the assumed development costs in combination with sales values assumptions beneath VL7. The more challenging viability of flatted development is an unusual picture and in our experience is found frequently – across a range of our studies. However, the reliance on this form of development here, and the more generally available sales values, should in our view influence the view taken by the Council in reconsidering at this review stage the cumulative impact of obligations - with a CIL continuing to operate alongside the policies that are currently in place or indeed being considered within the Worthing Local Plan review.

4.2.6. Although theoretically a CIL charge at similar to the existing zone 1 level could be continued and could prove to be viable alongside other policy provision in some individual circumstances, it is likely that overall too much reliance would be placed on high-end sales values (well above the typical range seen at the current time). High specification apartments with sea-views may well achieve such values. However, it is important to take into account the particular siting and orientation of units in those circumstances – the values will vary within a scheme. Following on from this point, once further costs are potentially added for the build type/specification, such as provision of basement car parking, enhanced communal space or similar, viability will most likely continue to come under pressure to some extent. Experience on some schemes locally bears this out.

4.2.7. The Council will need to consider how the viability findings in effect "overlay" on the anticipated site supply and scheme types coming forward, looking at the Core Strategy but also, we suggest, moving into the next phase because in practice this will all amount to a continuum of development activity. Allied to the above, we understand the majority of sites and number of dwellings planned to come forward over the remaining CS period, as well as potentially looking beyond that, are to be on PDL sites within the town centre or adjoining areas - where we can expect flatted development to predominate, often at higher density, providing smaller dwellings closest to facilities and variation in the overall offer alongside the mostly lower density type development occurring in the wider (generally suburban type) ward areas, again on PDL and to a limited extent potentially some on greenfield land in the emerging Plan period. We understand that the Council has begun considering how the CIL income might look, indicatively, based on the site supply picture and our viability information, if the charging schedule were revised to reflect the themes DSP has identified through this assessment process and report.

4.2.8. With the wider supply context in mind alongside the strength of results for flatted development as discussed, in our opinion low/nominal or potentially a nil CIL rate should be considered for such schemes (development of apartments of a scale above the AH threshold). The Guidance describes how the proposed CIL rate(s) do not need to exactly mirror the evidence and as noted above there is room for pragmatism[18]. In our experience where (in response to poor or low levels of viability) a nominal or low CIL rate is proposed with this scope and the overall balance playing into it, the Council should consider a rate or rates that represent only a very small proportion of development value; certainly not more than 1% typical GDVs (as represented my mid-range VLs), we suggest. If considered by WBC, this sort of approach could also be considered in the context of a very low proportion of (contributor to) development costs. This is wider advice that is not part of the viability testing, but for WBC's consideration given the circumstances and findings here. Within the overall balance, in viability terms a reduction in the WBC CIL charging rate applicable to flatted development at a scale exceeding the AH threshold would be a positive influence in terms of overall delivery.

4.2.9. Given a viability study cannot project and assume rising house prices (a 'now' view must be taken), the upper end VLs which do indicate positive viability scenarios, cannot and should not be relied upon in the overall planned development context. It appears that an ongoing CIL rate at or around current levels for this type of development will be likely to have the effect of adding to any 'squeezing' of the scope available to support other planning obligations such as in respect of AH provision.

4.2.10. Another element of the residential tests results warranting some further discussion is that of representing greenfield development, and particularly at a larger scale, assuming a mix of

[18] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 020 Reference ID: 25-020-20190901).

houses and flats - as represented by our the 100 and 400 dwellings typologies. Although we understand there are no greenfield sites forming part of the remaining CS site supply picture, this type of development could be relevant looking ahead. These results indicate much stronger viability prospects and therefore increased scope for CIL. This could be at a level not exceeding suggested parameters of £150 - £200/sq. m without going to the margins of viability and provided that, as above, there are not also significant site-specific s.106 development mitigation or infrastructure costs involved. Our understanding is that requirements for the latter are not likely to be relevant. This differential potential, which could be carried through into a revised charging schedule is largely due to the lower level of BLV applicable to this site type. Although the testing is typologies based and not more specifically directed to particular site characteristics at this stage, based on the findings the Council could consider such a differential (higher) CIL rate to reflect these development characteristics. If pursued, consideration would need to be given to ‘zoning’ (mapping) or in some other way effectively describing the relevant sites/locations where this would be applied – clarity would be essential, with reference to the CIL Regulations and Guidance.

4.3 Residential CIL scope on potential review - Summary

4.3.1. Drawing the above together, we consider the key rates for consideration for the CIL charging schedule review appear as follows below:-

A. **Beneath the current AH threshold of 10 dwellings borough-wide** – results analysis indicates **up to** c. **£100 to £125/sq. m. CIL** to be supportable in viability terms for all types of residential development borough-wide (all wards areas, including flats);

B. **Above the current AH** threshold of 10 dwellings borough-wide (excluding flats) – results analysis indicates **up to** c. **£100 to £125/sq. m. CIL** to be supportable in viability terms. This means CIL charging scope at a rate broadly similar to the current approach, but not applied to flatted schemes carrying AH requirements (again, with the same approach applicable in all ward areas).

C. **Flatted development borough wide (excluding sites beneath the 10-unit AH threshold i.e. those carrying no AH requirement)** – results analysis indicates challenging viability on the whole, and therefore in our view WBC should **consider setting CIL at a significantly lower (nominal) or potentially nil rate.** For clarity, this involves differentiation by development type, rather than by site type, on the basis that flatted developments are considered likely to only occur on PDL sites. Where flatted development occurs on or is part of a larger greenfield site, we consider the characteristics of that are most relevant and we do not envisage that being lower/nominal or nil rated – see F below.

D. **Retirement / Sheltered Housing** we suggest the Council considers this form of market housing development consistently with the above. Such development should in our view be considered for the same approach as above for other market-led flatted schemes – i.e. charged at the prevailing rates effective above or below the AH threshold, and also as may apply below (re point F again) as part of any applicable greenfield development context)

E. **Extra Care Housing** – results analysis indicates likely more challenging viability and therefore CIL should be set at a **low-level (effectively nominal rate) or nil charge** unless taking place as part of any greenfield development (again point F below), where in our view a rate consistent with the above the same rate could apply – as per A – D above.

F. Larger scale greenfield sites as far as may become relevant (likely **to be specifically zoned if so, but with charging schedule approach to be considered by WBC)** – the results clearly show that a higher level of CIL is supportable in viability terms - at a rate **up to £200/sq. m**.

4.3.2. It is important to note that there will always be certain site-specific circumstances resulting in inherent viability pressure regardless of CIL or other policy requirements. In these circumstances, it is likely that a viability submission would be made at planning application stage and although CIL is non-negotiable, the AH requirements (or potentially other matters) would then need to be looked at to test what is workable collectively in order for the subject site to be considered a viable development prospect.

4.3.3. As described at 1.1.5, the Council's original brief set out some key aspects to be considered as part of this assessment, linked with a view to aiding to aid the Council in determining whether in the updated context a review of the WBC CIL in the updated WBC context should be pursued. Following the above analysis and recommendations summary, we have addressed those questions as set out below:-

Q1. Are the current CIL rates and zones appropriate with particular emphasis on whether the current Zone 2 should remain nil rated for residential development?

Response: Our assessment indicates that the current rates and zones could be revised as set out above. The latest analysis of values and viability across the borough does not support the need for continued nil rating of the current Zone 2 area, should the charging schedule be revised.

Q2. Should CIL be varied to take into account the size of a residential development and affordable housing requirements with particular emphasis on high-rise flatted development with a large quantum of communal/circulation space including the use of basement or undercroft car parking areas?

Response: The PPG on CIL and the corresponding sections of the Community Infrastructure Levy (Amendment) Regulations 2019, describes CIL as a charge which can be levied on new development which creates net additional floorspace of 100sq. m. or more and also sets out certain exemptions of buildings/development which are not CIL liable. As part of our assessment, we carried out a range of sensitivity tests that included the consideration of how enhanced communal/circulation areas including basement/undercroft car parking or other design and construction aspects tend to influence viability. As described at 3.4.26, we consider that seeking an approach to nil rating these types of areas within an otherwise CIL chargeable building could be challenging and difficult to clearly define. In our view, if this were to prove an acceptable approach through examination (unproven as yet in this context, we believe) it might well then be difficult to apply as intended, and to do so consistently. The Council must be mindful of the spirit of the regulations and the way in which CIL was intended to be applied i.e. a simple and clear approach where possible – undue complexity should be avoided. Overall, we consider that these characteristics (as have been seen in some recent local examples) are probably best reflected through appropriately considering the charging rate(s) that should be applicable to different development use types, taken as a whole. In our view, this simpler approach – as reflected in our summary findings and recommendations – remains likely to the best way of reflecting these viability influences in our view.

Q3. How has the market changed since CIL was implemented in 2015 and how does this picture impact a potential review of the current CIL rates?

Response: Appendix III to this report sets out the detailed market values analysis/review and section. We have noted (also at 2.5.5 above) that according to the Land Registry house prices in the borough have increased by approximately 15% since 2015 but it is important to note at the same time build costs have also increased – the values side cannot be considered alone. Given the overall findings described above, however, we consider there has been enough of a movement in the collective circumstances, both market and other, to warrant a potential CIL review.

Q4. How does the latest updates to the NPPF and PPG impact charging rates if CIL were to be reviewed?

Response: Section 1.3 of this report details the national policy backdrop which has informed the conducting of this assessment and the review of findings taken from it. The latest updates to the NPPF and PPG do not directly impact the reasons for reviewing CIL, the nature of this assessment process or the assumptions detail directly – the principles involved in setting a CIL and how/when a charging schedule should be reviewed have not materially changed. Allied to this, an aspect the Council may wish to consider is how the greater flexibility in the application of CIL and section 106 together may be appropriately used in the local context (with the former 'pooling restrictions' now removed). This may be another factor in considering whether and how to review the current CIL Charging Schedule.

4.4 Commercial / Non-Residential findings discussion

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

4.4.2. These typologies represented a range of development uses including retail, industrial, offices, hotel and institutional residential (care home). WBC currently charges CIL on developments for all retail uses (A1-A5 with no differentiation) indexed to £183.58/sq. m. (and now to £193.44) from £150/sq. m. We have tested for CIL cost added from nil at £25/sq. m. intervals up to £300/sq. m. - across all typologies. This ensures a completely fresh look at whether the current nil-rating of all other uses remains appropriate, as well as considering the continued suitability in viability terms of the single retail rate at this level; and any potential alternatives to that.

4.4.3. In our experience, it is not unusual for many or most forms of non-residential development to generally support poor/marginal viability or at best mixed results that are reliant on positive assumptions, other than those representing certain forms of retail development. Then it is the larger format developments such as foodstores/supermarkets and retail warehousing typically showing good levels of viability where they come forward. The more challenging viability is especially relevant to the B-use typologies tested as part of this study. Although such outcomes do not necessarily mean that development will not be delivered through flexibility in development appraisal inputs and negotiations – factors that we cannot assume in prudently assessing viability for informing CIL setting – the approach also allows for currently unidentified costs or values trends to act negatively on viability. This means the margins of viability being avoided, by the time fixed CIL cost is added.

4.4.4. In summary, our results indicate positive viability supporting CIL charging continuing for the larger format retail developments where those progress – primarily in foodstore/supermarket or retail warehousing form. Assuming relatively cautious rental and yield assumptions in each case, these results are strong enough to support a CIL rate of £150/sq. m; possibly to £200/sq. m maximum should such development come forward, and therefore perhaps suggesting either some level of re-setting (bearing in mind the rates will continue to be indexed) or at the most not exceeding the current rate as indexed. The findings related to any development of smaller scale retail uses (whether within the town and other centres of individual local developments, e.g. for convenience stores) indicates a much more challenging viability picture in general. It appears these are unlikely to consistently support the same or a similar level of CIL.

4.4.5. As with residential development, it will be important for the Council to consider the relevance and likely delivery of non-residential development generally over the remaining plan period and lifetime of this charging schedule; and particularly of varying types of retail units. It may be the case that these development types are not planned to come forward during this timescale, and on that basis it could be an advantage to avoid over-complicating the CIL charging schedule unnecessarily. In practice, it may also be the case that most development of this type does not involve a significant level of new build. However, in setting (or in this case reviewing) a CIL, it is also likely to be appropriate to consider any unintended consequences of the charges in respect of the more general plan (CS) policy initiatives that the charging authority is promoting – for example around the vitality of existing shopping areas and any provision associated with new developments, etc.

4.4.6. This may be particularly relevant for the smaller/other retail offer and the option for a retail differential by scale (size of the sales floor space) associated with the Sunday Trading provisions (3,000 sq. ft./approx. sq. m.) which may provide the most appropriate threshold as a secondary measure to the description of the development use. The appropriateness of this approach will depend on wider plan relevance and whether a single rate could add risk to smaller shops provision in the context for example of future regeneration/revitalisation opportunities or related to potential larger scale residential schemes with some on-site retail provision.

4.4.7. In addition, following review of other minor development uses (e.g., community and other uses as for example at Figure 16 above) comparison basis between completed development value and costs indicates generally challenging viability prospects unless this type of development comes forward as part of a wider scheme financially driven by the residential and/or retail provision. Although there may be some instances where these types of development are viable to provide, when viewed overall with the wider context kept in mind, a nil or nominal rate at this stage is likely to be appropriate.

4.5 Commercial / Non-Residential Summary

4.5.1. Following the above, we consider the key rates for consideration for the CIL charging schedule review appear as follows below:-

A. **Foodstore / Supermarket (borough-wide)** – results analysis indicates **up to £150/sq. m**. (possibly to £200.sq. m maximum) is an appropriate, viable level of CIL in the WBC context i.e. re-setting back to pre-indexed rate or at the most not significantly exceeding the currently charged (indexed) rate (but then bearing in mind ongoing indexing effects);

B. **Retail Warehousing (borough-wide)** – as above, the results analysis indicates that **up to £200/sq. m.** is an appropriate viable level of CIL, although for consistency and avoiding complexity we consider that the charging rates could (as now) be set the same for these larger format stores. If this approach is continued, then the slightly lower tone of results associated with the foodstores, compared with retail warehousing units, should probably be the guiding level (pointing closer to £150/sq. than £200/sq. m potentially).

C. **Other forms of retail** – smaller shops development. A reduced or potentially nil-CIL rate could be considered by the Council if reviewing the charging schedule in our view, although there could be a justification for not moving to a differential approach and perhaps especially if a general retail rate were set well beneath the currently applicable (indexed) rate. If a differential approach is taken forward, then the application of this will need to be set out clearly. There is viability evidence to support this, but the Council does not have to exactly mirror this in striking the appropriate balance for the local circumstances. This principle applies throughout – a pragmatic approach may be taken. Although our work indicates there is potential scope for a positive rate rather than nil rate approach to town centre retail, smaller convenience stores and shops generally, we consider this would be on the basis of positive looking assumptions and perhaps a low incidence of such schemes that will attract any significant levels of CIL charging in any event. If such developments are planned or key to the plan aims, and are known to be coming forward, then a more cautious approach within the overall balance many be appropriate.

D. **Other non-residential development** – in terms of the potential range of other development uses that may come forward, including offices, industrial warehousing, hotels, care homes etc., we recommend that **a nil rate** should be considered at this point in time; a continuation of the current charging schedule approach. This is not unusual and reflects our recent and current general experience of CIL viability work. It could be reviewed in future, and possibly relatively short term, but in any event does not mean that a range of schemes will not happen. However, for this evidence purpose in the Worthing context we are not able to adopt the type of assumptions combinations that would be needed to show sufficiently positive viability outcomes to consistently support a meaningful level of CIL. As noted above however, there is an overall balance to be struck and room for some pragmatism – DSP has experience of charging authorities looking to a nominal charging rate for some or all other development uses, for example.

Findings overview – recap

4.5.2 The summary /guide table below has also been reproduced within the Executive Summary to this assessment report (see following page):

Development Type	Recommended CIL Rate (£/sq. m) *Note: after buffering allowance*
Residential Development	
<10 dwellings AH threshold borough-wide i.e. all wards - no zoning *(all dwelling types)* *Also applicable to any relevant retirement/sheltered housing*	**Parameters c. £100 to £125/sq. m.** (i.e. not more than adopted rate, particularly as indexed) DSP comment: suggest rates to be set at around existing indexed rates
>10 dwellings AH threshold borough-wide - all wards i.e. no zoning *(excluding Flatted development)* *Also applicable to any relevant retirement/sheltered housing*	**Up to £100 to £125/sq. m.** (i.e. not more than adopted rate, particularly as indexed) DSP comment: suggest rates to be set at around existing indexed rates
Flatted Development borough-wide on >10 dwellings (i.e. with AH provided) *Also applicable to any relevant retirement/sheltered housing.* See below re any greenfield based housing development, however – scope for differential treatment suggested	**Low-level (nominal) or potential nil rate** subject to WBC striking balance – as per CIL Guidance, between the desirability of funding infrastructure and the influence on viability of development
Extra Care Housing *Generally, except any on greenfield sites, again as below*	**Nominal (low level) or nil rate**
Greenfield housing development, where applicable *Also applicable to any relevant retirement/sheltered/extra-care housing that may form part of this*	**Rate up to £200/sq. m.** DSP comment: All housing development on any relevant sites – scope of applicable areas likely to be mapped (zoned), with the approach to provide suitable clarity - subject to WBC consideration.
Non-Residential/Commercial) Development	
Foodstore/Supermarket development (if progressed) - **borough-wide**	**up to £150/sq. m.** DSP comment: Suggest consider resetting rates back to pre-indexed rates.

Retail Warehousing (if progressed) - **borough-wide**	**Up to £200/sq. m.;** but suggest potential alignment with other larger format retail as above DSP comment: Suggest rate(s) not exceeding around existing indexed level
Other forms of retail (if progressed) - **borough-wide** *(e.g. smaller shops)*	**Low-level (nominal) or nil rate; or include within a general significantly lower overall retail rate**
All other non-residential/commercial development uses *(e.g. range of other non-residential uses that may come forward - offices, industrial warehousing, hotels, care homes etc.*	**Nil or a potentially nominal level CIL rate** (but with suggested careful consideration of wide applicability of any nominal rate selected)

4.5.3 The similar review of any CIL charging schedule is likely to be appropriate after a few years in any event, based on further updated circumstances and information. The current CIL charging schedule was implemented in 2015 and based on our assessment a review by WBC at this stage is appropriate in our view, should WBC decide to progress this. The new Worthing Local Plan is emerging – in development. At this stage it appears that the level of development costs impacts related to the policies envisaged may well be similar to existing, which would point to a current review of the CIL also having the potential to be sufficiently consistent with the emerging plan. This could be considered further however once more detail is known.

4.5.4 It is not necessary for local authorities to exactly follow their viability evidence, rather they should be able to say how the information (along with other sources and drivers) has informed their overall approach.

4.5.5 DSP will be pleased to assist the Council further as may be required – for example with any queries, ongoing review of the findings and any alternatives those may support as well as with any supplementary information that may considered appropriate as work progresses on looking at the potential CIL review and indeed the proposals within the emerging Worthing Local Plan.

Notes and Limitations

1. The purpose of the assessment reported in this document is to inform the Council's review of whether its existing Community Infrastructure Levy (CIL) Charging Schedule (2015) approach and rates remain suitable, from a viability point of view – to be considered alongside wider information on site supply, infrastructure requirements and so forth. This has been undertaken via a review of relevant development values and costs, and using resulting appropriate assumptions to viability test a range of development scenarios in order to make the provided recommendations for WBC's consideration of potential adjustments to the local CIL, if it is reviewed on moving into the later stages of the adopted Core Strategy delivery and towards that under the emerging new Worthing Local Plan.

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

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

4. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies continue to be applied practically from case to case; for example using the review of and discussions on viability and other matters as may be appropriate.

5. It should be noted that every scheme is different and no review of this nature can reflect the variances seen in site specific cases. 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 the Council's policy development.

6. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated, therefore the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances.

7. Accordingly, 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 individual developments with varying characteristics come forward. This is also true in respect of the long timescales in Local Plan development and implementation over which the economy and development climate (national and more local influences and impacts) are very likely to vary. Nevertheless, the assumptions used within this study reflect both the adopted policy and strategy direction and emerging policies of the Council as far as known at the time of carrying out this assessment and therefore take into account the cumulative cost effects of policies where those are relevant.

8. Dixon Searle Partnership conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interest. We do not operate any work on the basis of incentivised arrangements – all fees for this work are quoted and fixed up-front.

9. We can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base.

Report ends –

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Appendices follow