

**For: Worthing Borough Council**

**Worthing Local Plan (WLP)  
Strategic Viability Assessment**

**Final Report (v2)**

**January 2021  
DSP19664**



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## Notes and Limitations

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- I. The purpose of the assessment reported in this document is to assess the viability of the proposals and policies proposed as part of the emerging new Worthing Local Plan (WLP).
- II. This report sets out options to inform the Council's consideration of potential policies from a viability perspective whilst taking into account adopted national policies and local planning obligations (including CIL) that may impact on development viability.
- III. This has been a desk-top exercise based on information provided by Worthing Borough Council (WBC) supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of the WLP development.
- IV. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.
- V. It should be noted that every scheme is different, and no review of this nature can reflect the variances seen in site specific cases. Equally, small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily always reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.
- VI. The Council is currently also revising its Community Infrastructure Levy Charging Schedule (CIL CS), the Examination into which is taking place in January 2021. In assessing the viability of the draft Local Plan, the conclusions of the Worthing Borough Council CIL study<sup>1</sup> have been taken into account (Draft Charging Schedule rates). Those rates, rather than the adopted CIL rates, have been

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<sup>1</sup>Worthing Borough Council CIL Viability Assessment (Dixon Searle Partnership - March 2020)

applied to the relevant appraisals in this study to ensure that this report is based on the most up to appropriate and available evidence and to reflect on whether the emerging rates and charging zones remain appropriate.

- VII. The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with Brexit. In terms of the latest context potentially having a bearing on all of this, the Global COVID-19 (Coronavirus) pandemic situation is now dominating all aspects of the news and economy.
- VIII. This may run through into many potential areas of influence on matters affecting viability or deliverability, short term in particular. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability or other matters. At the point of this assessment while there continue to be uncertainties, it is only possible to work with currently available information. At this stage it appears that it will then be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.
- IX. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan or CIL preparation/review. In the meantime, this work contains information on the impact of varied assumptions. Additionally, in considering the assessment we have also sought to provide wider sensitivity testing to inform the Council’s consideration of development viability in the wider plan delivery context.
- X. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.
- XI. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd (DSP) accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.
- XII. 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 will be applied from case to case.
- XIII. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We have recently undertaken a CIL Review viability assessment and currently also undertake site specific viability assessments on behalf of Worthing Borough Council.



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

# Executive Summary

## Introduction

1. This summary aims to provide a brief overview of the full report that follows (Worthing Local Plan Strategic Viability Assessment (DSP19664)). The overview set out here is not a substitute for the full detail of the report that should be referred to in that.
2. Worthing Borough Council (WBC) appointed Dixon Searle Partnership (DSP) to prepare the Viability Assessment as part of the wider evidence base informing a review of the Council's Local Plan (the Worthing Local Plan or WLP) for the borough. Once adopted, the WLP will replace the current Worthing Core Strategy and will direct the strategy for growth in the borough balanced against key objectives of meeting affordable housing need, sustainable development & carbon reduction and urban regeneration.
3. 'Viability' in the sense of this study refers to the financial "health" of development. This means that the study looks at the likely strength of the relationship between development values and costs, across a range of proposed development types.
4. In this way, the study approach and findings enable a review of how much financial scope there is likely to be for developments in the borough to support the provision of planning obligations (such as for the provision of affordable housing), development standards (such as relating to housing standards and sustainability) and infrastructure.
5. In terms of infrastructure to support the Development Plan, WBC has in place a Community Infrastructure Levy (CIL) charging schedule – implemented in 2015. The Council has recently undertaken a review of their CIL, the viability evidence<sup>2</sup> for which was provided by DSP and will be subject of Examination in January 2021. The CIL rates recommended as part of the CIL Viability Assessment and set out in the Council's Draft Charging Schedule are considered as part of the overall costs of development and cannot be separated, as the CIL takes the form of a fixed top-slice from the development funds. The collective costs of development overall need to be considered. This current assessment also builds on that previous work whilst ensuring the findings remain appropriate.

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<sup>2</sup> Worthing Borough Council CIL Viability Assessment (Dixon Searle Partnership - March 2020)

6. This backdrop and the study approach, conducted by experienced consultants, is consistent with the relevant national policy and accompanying guidance – as updated 2018-19.
7. The National Planning Policy Framework (NPPF) para 34 on ‘*Development contributions*’ states: *‘Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.’*
8. The Planning Practice Guidance (PPG) on ‘Viability’, published alongside the updated NPPF in July 2018 and most recently updated on 1st September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles.
9. The PPG on Viability follows this theme and states: *‘These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development...Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan’.*
10. The national guidance on CIL is within the PPG too, which also contains other sections relevant to considering matters relating to plan making and development of various types.

### **Study (assessment) approach - methodology**

11. Responding to the above, the well-established approach involves a method known as ‘residual valuation’. This deducts estimated costs (using assumptions that reflect the usual costs of development e.g. build costs, fees, finance, marketing and sale costs and



developer's profit) from the expected end value on sale of a scheme (the gross development value or 'GDV'). The approach produces a surplus, hence a 'residual' or (in some cases where viability is challenging) deficit that points to the amount that could be paid for the development land (site or premises to be developed).

12. A large number of these appraisals are undertaken across scenarios ('typologies') broadly reflecting anticipated development in the area. This approach allows varying potential levels of affordable housing, other planning policy costs and CIL charging to be tested for viability – collectively, as above.
13. The resulting 'residual land value' (RLV) levels are compared with a series of benchmark land values (BLVs) as part of assessing the likely prospects of various policy levels being supportable (viable), and sites therefore being deliverable all in support of the Local Plan. The use of BLVs, again a part of the established assessment approach, helps ensure that the RLV results are viewed in terms that should provide an appropriate level of return to landowners. This is based on the principle, as set out in the PPG, of 'Existing Use Value Plus' (EUV+) whereby the value of land in current use is the basis, and a level of uplift or premium is then considered, as may be appropriate to secure a site for development – to take it out of its current use.
14. This assessment was carried out over stages to both inform the development of policy and to support the final approach leading to submission of the Worthing Local Plan. The first stage (Stage 1) reviewed the potential viability of various policy cost options relating to areas such as affordable housing proportion, affordable housing tenure mix, technical housing standards (including accessible and adaptable housing (Building Regulation Standards Part M4(2) and M4(3)), carbon reduction, water efficiency etc.) and other policy areas where a quantifiable development impact / cost was associated with a particular emerging policy. The result of Stage 1 led to the refinement of policies which were then tested across a wider range of site typologies in Stage 2 of this assessment. The third stage (Stage 3) considered, at a high level, the viability of specific site allocations being brought forward through the WLP.
15. The full report and its Appendices set out the details of the approach to the assessment. This includes more on the principles, the assumptions used and their source, an outline of how development industry stakeholders have been consulted and the review and analysis of results leading to the findings; a brief overview as follows.

## Findings – overview

### Worthing Local Plan

16. Viewed as a whole the emerging Local Plan proposals are considered to have reasonable prospects of viability and should therefore be able to meet the criteria of the NPPF and be consistent with the national guidance within the PPG in viability terms.
17. With a functioning property and development market in place, the policy area that has most impact on development viability is that of affordable housing (AH). This is almost always the case and not just a feature in Worthing Borough. The reason for this is due to the fact that affordable housing development costs are essentially the same as for market housing, but in order to make ensure affordability to meet the local need, affordable housing creates a much lower level of value (typically around half of the market sale value overall when considering a mix of affordable housing tenure).
18. Viewed alongside other emerging policies and assuming a tenure split that includes, as a starting point, 75% affordable rent and 25% intermediate tenures, we consider the following approaches to be viable at a Plan-wide level:
  - 20% affordable housing on previously developed land involving the development of flats;
  - 30% affordable housing for all other housing schemes on previously developed land;
  - 40% affordable housing on greenfield land.
19. Linked to the above, as the consideration of affordable housing tenure is relevant alongside its quantity (the proportion of it), the findings also identify that taking a varied view on the mix of rented or other affordable homes will also influence viability and perhaps should not be viewed too rigidly at the plan making stage. Linked to this, it may also be relevant to consider that affordable housing tenure models change over time. For example, at the time of this writing this report, it appears that the Government is going to be confirming the requirement for 'First Homes' to be included within the overall affordable housing mix as another form of affordable home ownership. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the existing 'affordable home ownership' route in the form of shared

ownership. Viability may not improve as a result of First Homes, but also appears unlikely to be significantly negatively affected by that proposed new model.

20. The report also presents information on the relative influences of other policy areas, for example in respect of enhanced accessibility and sustainability standards. The various stages of this assessment help to inform and then support the setting of those policy levels and this report sets out that process. In general, other policies tested and recommended in this assessment are considered to be supportable overall.
21. In summary, this assessment reviewed the overall viability of the proposed Worthing Local Plan and concludes that the residential sites and policies contained within the Plan (unless stated otherwise) have good prospects of delivery. This includes those policies that have potential direct cost impact on development (although noting that in some cases there may be unquantified value / benefits also associated with the same policies) such as:
  - accessible and adaptable housing (Building Regulation standards Part M4(2) and Part M4(3));
  - Sustainability policies relating to carbon reduction, renewable energy, water efficiency and biodiversity net gain;
  - Dwelling mix, size and open space standards.
22. In general terms, the viability of the non-residential proposals / development is more mixed. This was borne out by and consistent with the CIL Viability Assessment findings and hence also the nil-CIL rating of a majority of non-residential development uses with only some forms of retail development likely to be viable. This does not necessarily mean that developments would not come forward for development. They may be brought forward on a different basis to that appraised for this or the CIL assessment purpose. Developments will be expected to meet the usual sustainable development criteria but there are considered to be no WLP policy proposals that unduly affect or influence the viability of such schemes.

### **Community Infrastructure Levy (CIL)**

23. The recent Draft Charging Schedule (DCS) consultation rates discussed above have been used as assumptions within the viability testing for the WLP. In our view the rates proposed under the current CIL review for residential and non-residential development are



considered suitable for carrying forward with the new Local Plan policies as tested and supported through the key findings of this report in order to support the infrastructure requirements associated with the Plan.

### **Additional general context**

24. This assessment has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward. An overview and judgments are always necessary, and indeed are appropriate. However, at this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and the Government's White Paper proposals on planning reform (as well as potential temporary adjustments to affordable housing thresholds for example) present a range of extended unknowns.
25. DSP will be happy to assist and input further, working with WBC and advising additionally if required as its Local Plan proposals progress.

**Executive summary ends**  
**Final Report v2 January 2021**

# 1. Introduction

## 1.1 Introduction & Report Purpose

1.1.1 Worthing Borough Council (WBC) is in the process of preparing its new development plan, called the Worthing Local Plan (WLP), to cover the next 15 years. Once the new Plan is adopted, it will replace the current Worthing Core Strategy (WCS) and will cover all of Worthing Borough (excluding land within the South Downs National Park Authority boundary).

1.1.2 To inform the preparation of the Plan the Council has already published a wide range of evidence and undertaken two stages of consultation – the Issues and Options Stage (2016) and the Draft Local Plan stage (2018). That earlier stage plan making work has fed into the preparation of this assessment. The assessment and Council's further policy development work have been kept running in parallel to build on that. Subsequent to reviewing earlier draft policy positions, the review process has continued to be supported via ongoing 2-way dialogue between WBC and DSP. Throughout the last several months this has both further informed the assessment and the Council's ongoing consideration and refinement of the draft policy proposals.

1.1.3 The Council states that the new Local Plan will: *'need to balance the benefits of growth against the potential impact of future development and the need to protect the environment. To do this it will need to:*

- *aim to meet the objectively assessed development and infrastructure needs*
- *identify land where development would be appropriate / inappropriate*
- *contain a clear strategy for enhancing the natural, built and historic environment*

*The Plan will cover many land uses like homes, businesses, retail, transport, community facilities and green infrastructure...The Plan will also include new land use allocations where they are needed and policies which will be used to assess planning proposals'.*

1.1.4 The purpose of undertaking this study is to assess the viability impacts of emerging planning policies, so as to inform their further development, and to assess the potential viability and deliverability of development allocations whilst taking account of emerging

policies. Overall, the council requires the assessment in order to demonstrate that the policies proposed do not undermine the deliverability of the emerging Plan.

- 1.1.5 It is in the interests of the Council, local communities, developers and all other stakeholders to ensure that the proposed policies, sites and the scale of development identified in the Plan are deliverable as a whole - to ensure a sound Plan through the examination process and in support of sites having reasonable delivery prospects moving ahead. This is equally true of the level(s) of CIL that will continue to be charged across the borough, as part of the overall costs of and support to suitable developments.
- 1.1.6 The Local Plan must be prepared in accordance with the requirements set out in the National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG) – as updated 2018-19. Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The key guidance on how to address this is within the PPG, while other publications also provide reference sources.
- 1.1.7 In light of the above, the Council has therefore commissioned Dixon Searle Partnership (DSP) to carry out this viability assessment (study). The assessment involves the review of financial viability using a site typologies approach (test scenarios representing a range of site types/development schemes likely to come forward through the emerging Local Plan) as well as a more specific review of a number of proposed site allocations, where those are important in delivering the aims and objectives of the Plan overall.
- 1.1.8 Consistent with this context and DSP's experience, and reflecting the local characteristics, the assessment provides the evidence base for the viability of the Local Plan policies, informing and supporting its deliverability overall. As above, this will help ensure that the development strategy and sites supply identified in the plan are not subject to such a scale of obligations (including CIL) and policy burdens that their ability to be developed viably is unduly threatened.
- 1.1.9 In summary, the main objectives of this study are to:



- Undertake an assessment of the viability of policies in the new Local Plan as well as to reflect on whether the Council's emerging CIL rates and charging zones remain appropriate;
- Test these using an appropriate sample of sites as represented by development typologies i.e. grouped by shared characteristics such as location, brownfield or greenfield, size of site and current and proposed use of the site;
- Consider the impact of both individual planning policies and the cumulative effect of these and (after any suggested adjustments) demonstrate that the Local Plan is considered viable – and therefore deliverable from a viability perspective, when considered as whole;
- Inform and justify the viability of setting of policies to address a range of planning issues which includes affordable housing (AH) provision - including unit thresholds, on-site percentages and tenure splits;
- Provide viability analysis relating to the emerging site allocation proposals.

1.1.10 This viability assessment has been produced in the context of and with regard to the NPPF, Planning Practice Guidance (including crucially on 'Viability' but which also contains the CIL Guidance), CIL Regulations, and other guidance<sup>3</sup> applicable to studies of this nature. After setting out the assessment context and purpose within this 'Introduction' section, the following report structure, on the study detail, is presented over 3 stages as included below (brief outline here):

- **Methodology** – approach to the study, residual valuation methodology, assumptions basis and discussion;
- **Results Review** – overall results context, analysis of the typology test results, site allocations review current stage (including the strength of viability in relation to range of affordable housing proportions, potential CIL charging rates and other key policy considerations);
- **Summary of Findings** – including any options/alternatives, and set out in the context of the viability of the whole Plan, i.e. taking account of the associated impact of the Council's emerging policies - including viable affordable housing thresholds and

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<sup>3</sup> Including the RICS Professional Guidance Note 'Financial viability in planning' (August 2012) and more recent 'RICS Professional statement on Financial viability in planning – conduct and reporting' (1 September 2019) and 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

proportions (%s), and review of the proposed larger/strategic site allocations (based on the information available to date on these sites).

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

## **1.2 Worthing Borough - 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 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 Submission Draft Worthing Local Plan states *'Whilst there is an aspiration to accommodate and deliver growth this must be achieved within a very constrained area... The overarching challenge is therefore to strike the balance between taking a positive approach to sustainable development and regeneration against the limited physical capacity of Worthing to accommodate it and the need to maintain a good quality of life for new and existing residents.'*<sup>4</sup>
- 1.2.4 In total the WLP plans for 3,672 net new dwellings across the Plan period with a minimum of 28,000 sq. m of employment floorspace (industrial and warehousing) and 10,000 sq. m of commercial (retail and leisure) floorspace.

### 1.3 National Policy & Guidance

- 1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF) as refreshed from July 2018<sup>5</sup> which says on *'Preparing and reviewing plans'* at para 31: *'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'*
- 1.3.2 NPPF para 34 on *'Development contributions'* states: *'Plans should set out the contributions expected from development. This should include setting out the levels and*

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<sup>4</sup> WBC Submission Draft Local Plan 2020-2036 – p.21

<sup>5</sup> Most recently updated in May 2019.



*types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*

- 1.3.3 The updated national Planning Practice Guidance (PPG) on 'Viability', published alongside the new NPPF in July 2018 and most recently updated on 1 September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The PPG on Viability states:

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

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

- 1.3.4 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The latest revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the applicant will need to demonstrate what has changed since the Local Plan was adopted.

- 1.3.5 In addition, further relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local

Housing Delivery Group chaired by Sir John Harman (known as the ‘Harman’ report<sup>6</sup>). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of 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.

- 1.3.6 During the course of carrying out this assessment the Government consulted on proposals for both short term and longer-term major reforms to the planning system in England and Wales. The White Paper: Planning for the Future consultation (August 2020) seeks views on wholesale reforms to the planning system so that in some respects it would be nearly unrecognisable from the system under which this assessment and the Local Plan are being produced. The second consultation – ‘*Changes to the current planning system*’ looks at shorter term objectives including the introduction of a First Homes policy<sup>7</sup> and temporary increase in the national affordable housing threshold<sup>8</sup>. The results of both consultations were unknown at the time of writing and although additional sensitivity testing<sup>9</sup> has been carried out in terms of affordable housing tenure and thresholds as part of the ‘*Changes to the current planning system*’ consultation, no other allowances are made within this assessment.

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<sup>6</sup> ‘Local Housing Delivery Group – Viability Testing Local Plans’ (Harman, June 2012)

<sup>7</sup> Potential for policy that requires a minimum of 25 per cent of all affordable housing units secured through developer contributions to be ‘First Homes’ with a minimum discount of 30% of market value.

<sup>8</sup> The government is consulting on whether to increase the current affordable housing threshold (where affordable housing may be sought from developments of 10 units or more) to 40 or 50 units for a temporary period of up to 18 months.

<sup>9</sup> Carried out towards the very end of the assessment period.

## 2. Methodology & Assumptions

### 2.1 Approach and Residual Valuation Principles

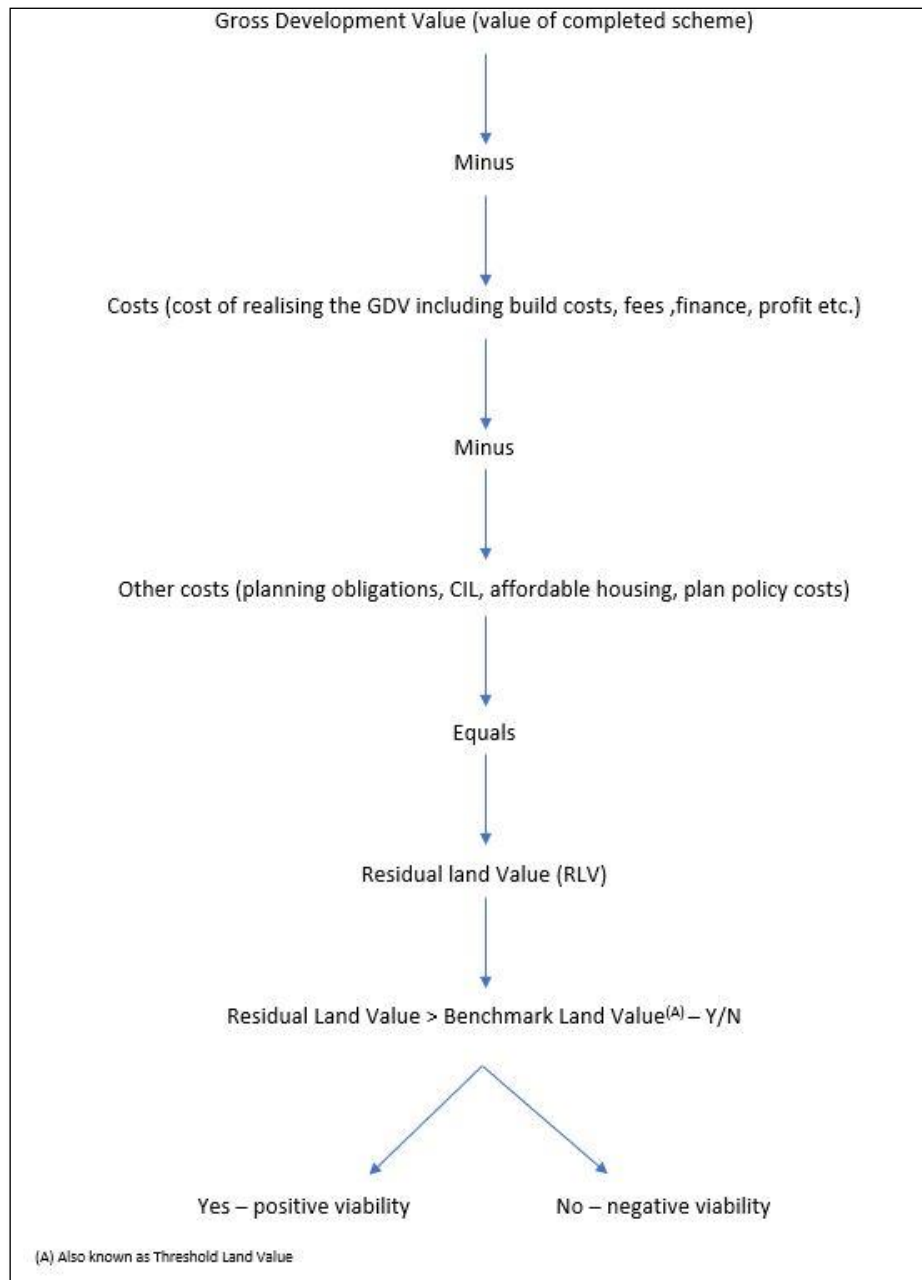
- 2.1.1 The study as described in this report involved a multi-stage approach to get to the point where a robust and deliverable set of policies and sites were deemed viable.
- 2.1.2 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we have undertaken an extensive information review, property market research and a development industry stakeholders' survey. As a part of this, a review of the potential policy proposals enabled us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above the typical costs involved in the development process (for example build costs utilising the costs information from established sources such as the Building Cost Information Service of the RICS (BCIS), associated fees and contingencies, finance, sale costs, development profit; and land costs).
- 2.1.3 Appendix I to this document also provides a quick reference guide to the assumptions used and includes a policy review schedule indicating the view taken with respect to the potential policies so far as those were known at the time of this assessment.
- 2.1.4 The first stage of the process involved carrying out detailed sensitivity testing on a small number of site typologies that best represent potential future development in the Borough. The process was carried out in tandem with the Council's Policy formation process assuming. The typologies tested consisted of a 6 unit housing scheme, 50 unit mixed scheme, 75 unit flatted scheme and 100 unit 6+ higher density flatted scheme (details of the development typology / scheme assumptions are set out later in this chapter).
- 2.1.5 The process required an estimate of the cost of each of those policies and obligations that it was considered had a quantifiable impact on development viability (clearly other policies have indirect cost implications which have been addressed more generally within our appraisal assumptions). These included, for example, testing options around affordable housing, sustainability, access to and use of buildings, open space and considering these alongside the Borough's CIL. Those in turn were tested across a range



of values incorporating a high level assumption on benchmark land values and developer profit.

- 2.1.6 The result of each appraisal was an approximate high level surplus or deficit (assuming a fixed level of developer return and deducting the residual value from the benchmark land value). These results then allowed the Council to see the impact of the proposed policies (and level of costs generated by those) on the viability of the typologies. The results of these appraisals are shown in Appendix II indicating the surplus / deficit generated by each iteration.
- 2.1.7 The Council used the results of the first stage testing to consider refinements to policy requirements and any priorities that should be considered. This led to Stage 2 of the assessment which considers a wider range of site typologies likely to come forward in the Borough; applying the now settled policy assumptions from Stage 1. The details of all the site typologies and assumptions feeding into the associated development appraisals are set out in this chapter (with the corresponding results provided at Appendix IIa).
- 2.1.8 Stage 3 of the process reviewed the viability of a selection of specific site allocations; again incorporating the policy and planning obligations assumptions from Stage 1 alongside any other site specific assumptions required to test, at a high level (as appropriate to this stage of the Plan making process), the potential viability and deliverability of those specific sites. The outcomes of that exercise are found at Appendix IIb to this report.
- 2.1.9 Collectively, this study therefore investigates the potential viability and, therefore, deliverability of the Local Plan and its policies and obligations - including the affordable housing requirements, a review of the level of CIL across the borough and the viability of those site allocations that are key to the delivery of the plan's housing numbers as a whole.
- 2.1.10 The most established and accepted route for studying development viability at a strategic level, including for whole plan viability, but also used for site-specific viability assessments, is residual valuation. This is also consistent with the relevant guidance described above. Figure 1 below sets out (in simplified form only) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and recommendations.

**Figure 1: Simplified Residual Land Valuation Principles**



(DSP 2020)

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

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

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

2.1.13 The NPPF and associated PPG on Viability indicate a greater link than previous between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications/delivery) stage. The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.

2.1.14 However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage/site-specific viability reviews but that it is: *‘up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage’*<sup>10</sup>. An indication of the types of circumstances where viability could be assessed in

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



decision making is also included in the PPG. These include: *‘for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force’*<sup>11</sup>. There is the potential for the development of some sites identified by the Council to need to overcome abnormal issues and support added costs when further master planning is undertaken. Typically, some PDL and larger strategic sites tend to be influenced to some extent by such factors, for example. The NPPF recognises that within this picture there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.

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

## **2.2 Stakeholder Consultation**

- 2.2.1 The national policy and guidance reflects the need and value of stakeholder engagement. Consistent with our established practice for strategic viability assessments, DSP sought soundings as far as were available from a range of development industry stakeholders as the assumptions were considered. This offered an engagement opportunity to a wide range of locally active organisations and interests, with a few to gathering feedback on our emerging study approach and inputs - to help inform the assessment.
- 2.2.2 This engagement process was conducted primarily by way of bespoke survey type questionnaires seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with any subsequent dialogue as appropriate. The questionnaires set out our initial draft assumptions and testing parameters, with the opportunity provided for the stakeholders to then comment on

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<sup>11</sup> <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 007 Reference ID: 10-006-20190509)  
Revision date: 09 05 2019

those emerging positions or suggest alternative assumptions with reasoning. The survey proformas were issued as follows:-

- **Development Industry** – range of active stakeholders in the borough as per the Council’s contacts lists and supplemented where appropriate from DSP’s experience, including local property agents, developers, housebuilders, planning agents, industry representatives and others.
- **Affordable Housing Providers** – range of locally active affordable housing providers, again through discussion with the Council. These parties were contacted with a directed survey form requesting guide information on likely affordable housing revenue (payment to developer) levels as well as on underlying investment/valuation assumptions and any other commentary – again, all as far as available.

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 response overall. Given potential commercial sensitivities/confidentiality in some instances, the details of the responses received are not included within our published. However, this all contributes valuably to the overall information review, further informing both the consideration of the assumptions range, and the review of and judgments made around the results in the later assessment stages. All in all, the work is informed by a combination of sources, including the Council and its information, our own extensive research process and experience and the relevant stakeholder sourced feedback.

## 2.3 Scheme Development Scenarios

2.3.1 The site typologies modelled as part of this assessment reflect a variety of different types of development that are thought likely to be brought forward through the planning process across the plan area – as considered with WBC. This enables viability to be tested in a way that reflects the likely range of future housing supply characteristics, informed also by the local experience of development to date. This appropriately informs the development of local plan policy process, with the key aim of finding an appropriate balance between policy requirements (including provision of affordable housing and the

desirability of funding infrastructure) and the ability of developments to continue to come forward viably.

- 2.3.2 While this cannot be and does not need to be an exhaustive exercise as the guidance recognises, in order to adopt a relevant range of residential development typologies, we reviewed and analysed the housing supply expected to come forward over the emerging plan period. As discussed above, the emerging Plan concentrates mainly regeneration and urban area sites with only a handful of edge of town sites.
- 2.3.3 Each of the development typologies has been tested over a range of value levels representing varying residential sales values as seen at the time of review across the borough by scheme location/type. As well as looking at the influence of location within the borough, this sensitivity testing approach allows us to consider the potential impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) as well as how this key assumption may vary by location, development type and scale.
- 2.3.4 A summary of the general residential scheme typologies tested as part of this study is shown at Figure 2 below, with the full detail set out in Appendix I. The appendices also show the details of the early informative stages of viability testing at the start of this process.

**Figure 2: Residential site typologies summary**

Scheme Size Appraised	Type	Site Type
6	Houses	PDL
6	Flats (Town Centre)	PDL
10	Houses	PDL
15	Houses	PDL
15	Flats	PDL
25	Mixed	GF / PDL
25	Flats	PDL
30	Sheltered Flats	PDL
40	Mixed	GF / PDL
50	Mixed	GF / PDL
60	Flats Extra Care	PDL
75	Flats (3-5 Storey)	PDL
100	Mixed	GF
100	Flats (6+ Storey)	PDL
300	Mixed	GF

- 2.3.5 In addition to the use of the site typologies approach as above, more specific viability testing has been undertaken through this viability assessment process on a number of site allocations proposed through the Local Plan (see the further detail within the later sections and Appendices).
- 2.3.6 As part of the site typologies and seeking to make these as representative of possible of the emerging policy approach, an assumption is made in relation to dwelling mix, for which we have adopted the principles set out in Figure 3 below and Appendix I. These dwelling mix principles are based on the detail set out in the emerging Local Plan which is informed by the most recent Strategic Housing Market Assessment (SHMA) 2020. These dwelling mix assumptions are also applicable to the specific sites test scenarios.

**Figure 3: Local Plan Review Dwelling Mix Assumptions**

Type	Market Housing	Affordable Housing	
		Social/Affordable Rented	Intermediate
<b>1-beds</b>	5-15%	40-45%	30-40%
<b>2-beds</b>	40-45%	25-30%	35-45%
<b>3-beds</b>	35-40%	20-25%	15-25%
<b>4-beds</b>	10-20%	5-10%	0-10%

- 2.3.7 In all cases it should be noted that a “best fit” of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility available; particularly in scheme typologies with small dwelling numbers. The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc. The affordable housing content assumed within each test scenario is set out in more detail below. Appendix I also provides more information on the assumed dwelling mixes and associated revenue levels. This feeds into the assessment and recommendations of affordable housing policy thresholds, proportions (%) and tenure types/mix.
- 2.3.8 For larger site specific appraisals much depends upon the extent, cost and phasing of the infrastructure to be funded by the development, the amount and type of housing that can actually be accommodated on site and the timing of its provision in relation to that



of the accompanying infrastructure. At this stage, the finer details are not clear and, as such, the site specific testing for this viability assessment is based on a mixture of known requirements and costs (as available at the timing of appraisals), typical assumptions informed by reference to sources such as the Harman Report (as mentioned above), stakeholder engagement and through experience of similar assessments - as is appropriate for this level of viability testing.

- 2.3.9 The dwelling sizes (on a GIA i.e. gross internal area basis) assumed for the purposes of this study are as set out in Figure 4 below. As with the many other variables considered through assumptions, there will be a large range and mix of dwelling sizes coming forward in practice, with these varying by scheme and location. Due to the high-level nature of this study process, a sample of scenarios and assumptions can be tested rather than every potential iteration. This approach is sufficient to generate a suitable overview, in accordance with guidance.

**Figure 4: Residential Unit Sizes**

Unit Sizes (sq. m)*	Private / Affordable
1-bed flat	50
2-bed flat	61
2-bed house	79
3-bed house	93
4-bed house	106

*Notes: Retirement/sheltered dwellings assumed 1-beds @ 55 sq. m; 2-beds @ 75 sq. m  
Extra Care: 1-beds @ GIA 58.5 sq. m; 2-beds @ 76 sq. m (excluding communal areas).*

- 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 given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess,

compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).

2.3.11 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). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For the general flatted typology development tests, we have assumed a net:gross ratio of 85% (i.e. 15% communal space). The sheltered housing scenario assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care development typology. We consider these to be reasonably representative of the types of properties coming forward within the scheme types likely to be seen most frequently providing on-site integrated affordable housing, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per 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 we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area (£/sq. m or £/sq. ft.).

## 2.4 Specific Site Allocations – Residential & Commercial

2.4.1 The PPG is clear that not every site expected to come forward through the Local Plan needs to be viability tested. It states: *‘Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies’*<sup>12</sup>. The PPG goes on to state: *‘It is important to consider the specific*

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<sup>12</sup> <https://www.gov.uk/guidance/viability#viability-and-plan-making> (Paragraph: 003 Reference ID: 10-003-20180724)

*circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites'<sup>13</sup>.*

- 2.4.2 In order to support the Plan making process we have undertaken analysis of a number of sites allocated through the Plan and provided by the Council for DSP to test. Figure 5 below sets out the sites and the approach taken to reviewing the viability and deliverability for the purposes of this study. There are no 'strategic sites' in the context of Worthing but the site supply picture is such that a number of the site allocations (residential, mixed use and commercial) should be considered.
- 2.4.3 In summary, the approach we have taken, is to consider the likely viability (at a high level) of each of the sites in Figure 5 by either aligning those sites to the typologies tested within this assessment or carrying out specific appraisals (generally where sites do not have a 'typology' test that can be readily aligned).
- 2.4.4 At the time of carrying out this assessment, certain sites were both in the development management application process and either under construction or had been through a site specific viability review process, the evidence for which is within the public domain. As such we have not tested those further within this assessment.

**Figure 5: Site Allocations**

Site Name (and WBC reference)	Allocation	Approach
BEECHES AVENUE (A1)	90 dwellings	Aligned to typology testing
CARAVAN CLUB, TITNORE WAY (A2)	100 dwellings	Aligned to typology testing
CENTENARY HOUSE (A3)	250 dwellings plus non-residential	Specific appraisal testing

<sup>13</sup> <https://www.gov.uk/guidance/viability#viability-and-plan-making> (Paragraph: 005 Reference ID: 10-005-20180724)

Site Name (and WBC reference)	Allocation	Approach
DECOY FARM (A5)	Industrial / commercial	Specific appraisal testing
FULBECK AVENUE (A6)	120 dwellings	Aligned to typology testing
GRAFTON (Marine Parade) (A7)	150 dwellings plus leisure / retail	Specific appraisal testing
LYNDHURST ROAD (A9)	150 dwellings	Aligned to typology testing
MARTLETS WAY (A10)	30 dwellings plus industrial / commercial	Specific appraisal testing
STAGECOACH, MARINE PARADE (A11)	60 dwellings plus commercial / leisure	Specific appraisal testing
TITNORE LANE (A13)	60 dwellings	Aligned to typology testing
UNION PLACE (A14)	170 dwellings plus commercial / hotel / cinema etc	Specific appraisal testing
UPPER BRIGHTON ROAD (A15)	123 dwellings	Aligned to typology testing

*Three further sites, A4, A8 and A12 have been excluded from the above. The sites are either currently consented, under construction or have been tested specifically via a planning application viability assessment and review.*

2.4.5 Although specific appraisals have been carried out for the above site allocations, in reality the length of time over which development is planned (over the lifetime of the emerging plan) in combination with detailed site information (including costings) available at this stage, means that the results can only provide a very high-level assessment of the potential viability of these sites.

2.4.6 The appendices to this report provide a summary of the specific assumptions for each site allocation based on a mixture of available information provided by the Council, other key documents (e.g. Infrastructure Delivery Plan) and our own experience. As noted above, the necessarily high-level nature of this viability testing process means that any specific costings provided to us at this stage are estimates which, through latter stages of



the Plan process, will need to be confirmed once more accurate costings can be ascertained.

- 2.4.7 The 'Findings Review' section below provides a review of the results for these proposed site allocations as well as for the general range of typologies.

## **2.5 Scheme Revenue (Gross Development Value / GDV)**

- 2.5.1 A key part of the appraisal assumptions are the market housing sale values alongside the value generated by any commercial or non-residential components of schemes. 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;
- CoStar property intelligence database;
- Any available information from stakeholder consultations

- 2.5.2 For residential sales values assumptions, 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. For non-residential assumptions, typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisals or elements of scheme appraisals.

- 2.5.3 The residential 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.
- 2.5.4 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 emerging plan period. This approach has been used in a number of previous assessments including for the very recent Worthing Borough Council CIL Review Viability Assessment (March 2020) carried out by DSP.
- 2.5.5 Consistent with previous research for the CIL Viability Assessment mentioned above, overall, this research continues to indicate some variation in values across the borough with a wider range seen in the second-hand market compared to the new build offer. Some variation is also seen due to the quality of development or where properties include some other desirable feature such as sea views rather than necessarily location alone. Appendix III of this report provides more detail but typically 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 £4,500/sq. m. This is the middle of the overall range tested for this assessment (£2,750 - £5,000/sq. m); with the overall range represented by 8 value levels).
- 2.5.6 Figure 6 below provides an indicative guide to the relevance of the range of Value Levels to locations in the borough based on ward areas.

**Figure 6: Indicative relevance of Value Levels range by ward area.**

VL 1	£2,750	Lower End New Build Values							
VL 2	£3,000								
VL 3	£3,250	Typical New Build Values	Northbrook Heene Marine Tarring	Broadwater	Durrington Salvington	Castle Central Selden	Gaisford	Offington Goring	
VL 4	£3,500								
VL 5	£3,750								
VL 6	£4,500								
VL 7	£4,500	Upper End New Build Values							
VL 8	£5,000								

- 2.5.7 With development predominantly planned to come forward in the main urban area where high density flatted development is likely, 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.
- 2.5.8 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.
- 2.5.9 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 (Affordable Housing)**

2.6.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling and at various stages within our assessment work to help inform and support emerging policies in the Local Plan.

2.6.2 The Council's current approach to affordable housing, which clarifies Policy CS 10 of the existing Core Strategy, is set out most recently in an Interim Position Statement (August 2019). That states: 'New residential development (including conversions and changes of use) with the capacity to provide 10 or more self-contained units will be expected to provide an appropriate mix of affordable housing according to the following site size thresholds:

- i. on sites of 10-14 dwellings (gross) 20% affordable housing will be sought via a financial contribution
- ii. on sites of 15 (gross) dwellings or more 30% affordable housing will be sought

2.6.3 Part of the purpose of this assessment is to test and advise the Council on an appropriate and viable level of affordable housing to seek from development through the emerging Local Plan. On this basis, we tested the following affordable proportions against the residential development typologies, also reflecting the latest national policy position as set out in the NPPF and PPG described earlier as well as later the potential impacts from the Government's current consultation on proposed '*Changes to the current planning system*' (potential increased affordable housing thresholds to potentially 30 or 40 dwellings as well as the introduction of a First Homes policy). It is also important to note that it is possible to interpolate between results sets. In summary, the testing covered the following range:

- Sites of fewer than 10 dwellings: Tested at 0% affordable housing;
- Sites of 10 or more dwellings: Tested at 0%, 20%, 30% and 40% AH on-site.



- 2.6.4 Variations to affordable housing tenure were also considered during the early stages of the assessment process in tandem with the Council's Policy development. The following iterations were tested:
- Base position: 75% affordable rented and 25% intermediate tenure (shared ownership / affordable home ownership) of the total affordable housing.
  - Variation 1: 37.5% affordable rent, 37.5% social rent and 25% intermediate;
  - Variation 2: 75% social rent and 25% intermediate tenure.
- 2.6.5 The NPPF (para. 64) also requires a minimum of 10% of homes to be provided as 'affordable home ownership' (AHO) products as part of the overall affordable housing contribution from sites and this has been included within the overall dwelling mix assumptions as closely as possible. Sensitivity testing was also undertaken based on the Government's potential First Homes policy assuming that 25% of the affordable dwellings area available as First Homes with a minimum 30% discount from market value. The appraisal modelling assumes a policy compliant affordable housing requirement on-site. It should however be noted that the affordable housing tenure mix was accommodated as far as best fits the overall scheme mixes and affordable housing proportion in each scenario.
- 2.6.6 The affordable housing revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (affordable rent or social rent) or capitalised net rental stream and capital value of retained equity (shared ownership). Currently Homes England (HE) expects affordable housing of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. This should be the starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes. We have therefore made no allowance for grant or other public subsidy or equivalent.
- 2.6.7 The value of the affordable housing (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 affordable housing policy development and site-specific viability issues and consultation with local affordable housing providers. The affordable

housing revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).

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

## **2.7 Development Costs - Generally**

- 2.7.1 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. Any specific allowances made for the site specific testing are shown within the appraisal summaries for those schemes.
- 2.7.2 Each cost assumption is informed by data and supporting evidence from such sources as follows, in an approach consistent with relevant sections of the PPG:
- Royal Institution of Chartered Surveyors (RICS) Building Cost Information Service (BCIS);

- Locally available information as far as available following the stakeholder consultation process;
- Other desktop-based research;
- Professional experience.

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

## 2.8 Development Costs - Build costs

2.8.1 The assumed base build cost level are taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be '*appropriate data*'<sup>14</sup> and rebased using a Worthing location factor. The costs assumed for each development type (e.g. houses, flats, mixed as well as non-residential etc.) are shown in Appendix I. A summary of the residential base build costs are shown below:

**Figure 7: Base Build Cost Assumptions**

Development Type		Base BCIS Build Cost £/sq. m.
<b>Residential C3</b>	Build Costs Mixed Developments - generally (£/sq. m)	£1,348
	Build Costs One-off Housing – detached (3 units or less) (£/sq. m)	£2,335
	Build Costs Estate Housing - generally (£/sq. m) <sup>1</sup>	£1,335
	Build Costs Flats - generally (£/sq. m) <sup>1</sup>	£1,509
	Build Costs Flats - 3-5 Storey (£/sq. m) <sup>1</sup>	£1,495
	Build Costs Flats - 6+ Storey (£/sq. m) <sup>1</sup>	£1,760
	Build Costs (Supported Housing - Generally) (£/sq. m) <sup>1</sup>	£1,919
	Comparison shops (general/non shopping centre)	£1,361

<sup>14</sup> <https://www.gov.uk/guidance/viability> (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018)

- 2.8.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (all added separately). An allowance for plot and site works has been allowed for on a variable basis depending on scheme type (typically between 5% and 20% of base build cost). 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. Site works and infrastructure costs of £500,000/ha have been added across all site typologies.
- 2.8.3 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.
- 2.8.4 In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.
- 2.8.5 An allowance of between 5-15% of build cost has also been added to the base build costs to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). The figure utilised in the appraisals will reflect the nature of the development typology or site appraisal tested.
- 2.8.6 It is important to note that the interaction of costs and values levels will need to be considered again at future reviews the Local Plan (or CIL) as base build cost levels typically vary over time. Appendix III includes some information on build cost trends, as viewed currently.



2.8.7 At this stage however, we cannot be sure how the UK's decision to leave the European Union or indeed the Coronavirus (COVID-19) pandemic or changes to the planning system will play out in either the short or longer term on the economy, and potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seem likely to be at least as great as those on construction works and build costs. At the time of writing, reports indicate a remarkably resilient housing market with Savills stating *'Despite the weak economic backdrop, evidence points to modest price growth in 2020 and far more activity than we previously expected'* – leading to expected growth of 4% across 2020 and which contrasts a forecast drop in house prices of around 7.5% - 10% only months before. Savills also forecast continued growth in the residential property market with new build prices increasing by 20.4% over the next five years<sup>15</sup>.

## 2.9 Development Costs - Fees, Finance & Profit

2.9.1 Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 8 and 9 below). Appendix I provides the full detail.

**Figure 8: 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% of GDV sales agent & marketing fees
	£750/unit legal fees
Developer Profit	Open Market Housing – based on range described in the PPG of 15% - 20% of GDV (17.5% assumed base within testing)
	Affordable Housing - 6% GDV (affordable housing revenue)

<sup>15</sup> [https://www.savills.co.uk/research\\_articles/229130/305695-0](https://www.savills.co.uk/research_articles/229130/305695-0)

**Figure 9: Commercial Development Costs – Fees, Finance & Profit**

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

## 2.10 Build Period

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

2.10.2 The specific site allocations testing, uses bespoke assumptions applied in connection with timings/phasing based on information provided by the Council and DSP experience.

## 2.11 Key Policy Areas for Testing – Summary

2.11.1 A number of the Council's proposed policies have an impact on development viability, both directly and indirectly. As discussed previously, part of this assessment process was to test whether and to what degree those policies and potential future s106 planning

obligations could be absorbed by development whilst maintaining development viability (and therefore viability of the Plan overall). The direct impacts are those policies which ultimately result in a specific fixed cost assumption within the appraisal modelling (including the specific site testing) and those key elements not already considered (e.g. affordable housing proportions, dwelling mix etc.) are discussed below. The appendices show the level of costs assumed by policy/obligation on a per dwelling basis and how those policies altered following the early stages of our assessment. The following summary sets out the assumptions for those key policy areas as tested through the final iteration of this process. [At the point of our final write-up of this assessment, it is worth noting that policy names/numbers and locations/grouping within the Draft Plan change as the planning authority further considers the detail and inter-relationships between policies. This is typical in our experience. However, in working closely with WBC on a continual basis, our emphasis of considering and reflecting the developing policy aims and key content has been maintained and is reflected in the assessment findings.]

- **Nationally Described Space Standard (NDSS) (Policy DM2)** - introduces the requirement for all housing to be designed to comply with dwelling sizes to meet the NDSS. The dwelling size assumptions for viability testing are set out in this study at Figure 4, consistent with the NDSS.
- **Open Space requirements (Policy DM5, DM6)** – Policy is understood to be based on latest Adur & Worthing Open Space Study<sup>16</sup>. As discussed with WBC and taking into account the above WBC context, our appraisal modelling has assumed OS to be funded outside of CIL via s106 through either onsite provision and / or a financial contribution, details of which are included at Appendix I.
- **Enhanced accessibility ‘Access to and use of Buildings’ (Policy DM1)** - following the Housing Standards Review, accessibility is now incorporated into Part M of the Building Regulations with all buildings now being built to a minimum of M4(1) ‘visitable dwellings’ with further enhanced requirements to M4(2) ‘Accessible and adaptable dwellings’ and M4(3) ‘Wheelchair user dwellings’ optional with implementation via policy but subject to evidence of need as well as viability. The Council’s proposals require the following; the costs of which have been incorporated into our testing:

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<sup>16</sup> Ethos Environmental Planning: Adur & Worthing Open Space Study (As part of the overall Sport, Leisure and Open Space Study) - 2020

- Residential development must ensure that all new build dwellings meet Building Regulation requirement M4(2) 'accessible and adaptable dwellings'. Additionally, the Submission Draft Local Plan (Policy DM3 *Affordable Housing*) indicates that a requirement to provide affordable dwellings constructed to Building Regulation Standard M4(3) Category 3: Wheelchair Accessible Standards, will be dependent on identified need at the time a planning application is submitted and the suitability of the site).

*Cost of achieving these requirements is set out within Appendix I.*

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

- **Water Efficiency Standards (Policy DM21)** As a minimum, new housing should incorporate water efficiency measures to limit water use to 110 litres/ person/day (lpppd), and where possible to 100 litres/person/day. A base assumption of 110 lpppd has been used in all appraisal models. The Council will need to demonstrate evidence of water stress in order to require any enhanced standard.
- **Sustainable Design & Construction (Policy DM16, DM17)** – All new build housing will achieve a minimum 20% CO<sub>2</sub> reduction through energy efficiency measures, and where achievable a 31% reduction in CO<sub>2</sub> based on the 2013 Edition of the 2010 Building Regulations (Part L). The Regulation 19 Consultation Draft Plan set out strategic objectives for delivering sustainable development over the Plan period. As part of this, the Council sought to reduce carbon emissions in all new development alongside promoting renewable energy development including a 19% reduction in CO<sub>2</sub> emissions over Part L Building Regulations (2013) solely from energy efficiency measures and BREEAM Excellent for major non-residential floorspace. Over the period of this assessment initial viability testing was carried out following discussions with the Council over the direction of travel for Policy. The following sets out the initial sensitivity testing for sustainable design and construction standards:
  - (1) all new build housing to achieve a min 19% CO<sub>2</sub> reduction on Building Regs;

- (2) All major new-build development should be designed to achieve zero carbon homes and all other new build housing will achieve a min 19% CO<sub>2</sub> reduction on Building Regulations;
- (3) Minimum on-site CO<sub>2</sub> reduction of at least 31% beyond Building Regulations for major development (equivalent to Future Homes Standard Option 2<sup>17</sup>). All options include an additional allowance for biodiversity net gain where applicable. Costs for each option range from 2% to 7% on build cost.
- Following the initial testing it was decided to test the full range of typology testing on the assumption of meeting the Government's Future Homes Standard Option 2 as well as an allowance (contingency) for Biodiversity Net Gain. On this basis, we have assumed an overall allowance for sustainable design/construction standards above Building Regulations at 5% across all typologies and sites tested. In our view this allowance is sufficient to cover the potential Future Homes Standard Option 2 equivalent to a 31% reduction in CO<sub>2</sub> compared to current standards following consultation on proposals by the Government. However, if the Council decides to pursue further enhanced requirements for sustainability (e.g. moving further towards zero carbon) it is likely that the costs would increase over the above assumed base.
- **Custom & Self-build (Policy DM1)** - From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on viability. Broadly, we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process.

## 2.12 Community Infrastructure Levy (CIL)

### 2.12.1 The Council adopted a CIL Charging Schedule which came into effect in 2015 based on the following:

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<sup>17</sup> **Option2-'Fabric plus technology'**. This would be a 31% reduction in CO<sub>2</sub> from new dwellings, compared to the current standards. This option is likely to encourage the use of low-carbon heating and/or renewables. The performance standard is based on the energy and carbon performance of a home with: i) an increase in fabric standards (but not as high an increase as in Option 1, likely to have double rather than triple glazing); ii) a gas boiler; iii) a wastewater heat recovery system; iv) Photovoltaic panels



**Figure 10: Current CIL charging Zones and 2015 adopted rates (pre-indexing)**

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

2.12.2 The Charging Schedule sets out rates on residential and retail development taking place anywhere in Worthing outside of the South Downs National Park area. Prior to undertaking this strategic viability assessment, the Council recently consulted on changes to the CIL and Examination of the Draft Charging Schedule is due to take place in January 2021. The Council is hoping to have the revised Charging Schedule in place by the summer of 2021. The proposed Draft Charging Schedule (DCS) is set out in Figure 11 below. These proposed new rates have been incorporated into this assessment as part of the overall approach to viability testing the emerging Local Plan and its policy proposals – with cumulative costs effects taken account of.

**Figure 11: WBC Draft Charging Schedule CIL charging rates**

Use	Development Type	Levy (£/m <sup>2</sup> )
Residential Including retirement/sheltered housing	10 dwellings or less (all dwelling types)	£125
	More than 10 dwellings (excluding Flatted development)	£125
	Flatted development of more than 10 dwellings	£25
	Extra Care Housing	£0
	Greenfield housing development (greenfield land shown on map in Appendix 1)	£200
Retail	Foodstore/Supermarket/Retail Warehousing development (greater than 280 sq.m.)	£150
	Other forms of retail	£0
All other development		£0

*Note: For mixed use schemes on PDL, of more than 10 dwellings, the flatted part of the development would be charged at £25/sq.m. and the housing part of the development would be charged at £125/sq.m.*

2.12.3 Allied to the above, with the removal of the pooling restrictions on the use of s.106 agreements from September 2019, it will 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. In addition to fully testing the emerging CIL Charging Schedule and allowances for planning obligations and policy costs set out above, within all appraisals a site-specific s.106 contingency at £3,000/dwelling (applied to all dwellings) has been included to cover any site specific planning obligations / s278 requirements not covered by CIL. 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.

## **2.13 Indicative land value comparisons and related discussion**

2.13.1 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of Value Levels, affordable housing policy targets (%s), and other planning obligations with the cost of CIL (at the proposed review rates) also accounted for as above.

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

2.13.3 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” (i.e. existing use value plus) consistent with the updated PPG on Viability.

- 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 resulting residual land values with a range of potential BLVs used as ‘Viability Tests’, based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the Appendix II results tables provides a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-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<sup>18</sup> 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.

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<sup>18</sup> MHCLG: Land value estimates for policy appraisal 2019 (August 2020 report issue)

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 up to around 50% on a 0.5ha site with 35% AH.
- Nil CIL;
- No allowance for other planning obligations;
- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point;
- Lower quartile build costs;
- 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 the Appended 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 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 12 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 using the tables within Appendices II, IIa and IIb. These BLV/viability test levels are also shown with each set of results tables.

**Figure 12: Range of BLVs (Viability Tests)**

<b>EUV+ £/ha</b>	<b>Notes</b>
<b>£250,000</b>	Greenfield Enhancement
<b>£500,000</b>	Greenfield Enhancement (Upper)
<b>£850,000</b>	Low-grade industrial land values.
<b>£1,500,000</b>	Industrial Upper / Commercial lower (includes a 20% uplift).
<b>£2,200,000</b>	Commercial Upper (includes 20% uplift)
<b>£2,800,000</b>	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.
<b>£3,500,000</b>	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 affordable housing and other provision) is not overly squeezed beneath the levels that should be achieved.

#### 2.13.17 The PPG<sup>19</sup> 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.*

*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*

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<sup>19</sup> <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509  
Revision date: 09 05 2019

*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. Results Review & Findings

### 3.1 Introduction

- 3.1.1 The following sections summarise the outcomes of the 3 stages of testing conducted for this assessment; each leading into the next to build a picture for WBC as to the supportable cumulative scope of development and policy costs.
- 3.1.2 As noted above, having recently tested and recommended suitable updated CIL charging rate parameters through CIL Viability Assessment 2020, rather than a wholesale reassessment of those outcomes, this study sought to further test the suitability of those charging rates. This was undertaken with a view to revisiting those rates again only if this further viability suggested that to be necessary. Accordingly, as above, our emphasis here is on the emerging WLP policy development and support. Below we will consider the CIL DCS charging rates only to the extent thought appropriate on review of these latest viability testing.
- 3.1.3 Below we provide an overview of the findings with the results detail to be found in Appendices II, IIa and IIb.

### 3.2 Stage 1 – Initial policy scope testing – sample typologies (Appendix II)

- 3.2.1 Stage 1 of our assessment provided an overview of the relative impacts of the emerging WLP key policy cost areas as known at the time and as were considered likely to have a notable impact both individually and cumulatively on the development viability prospects for a range of schemes typologies.
- 3.2.2 The selection of scheme typologies for this early stage of testing covered sites above and below the major development threshold; reflecting both the national (NPPF) and local (Worthing BC) approach to affordable housing provision. The 10 unit threshold also coincides with the point at which other local plan policies are triggered – for example sustainable design / construction / carbon reduction policies.

- 3.2.3 This approach further informs the consideration of (and tests) other key local and WLP characteristics, building on the appropriate available evidence relating to viability and including the recent CIL assessment.
- 3.2.4 Some of the key themes explored within the CIL assessment (and again here) include examining the viability of PDL developments compared with greenfield (GF) and the impact that a high proportion of flatted development has on Plan viability. These matters overlap – they come together as potential or likely pressures on viability (flatted schemes on PDL) and particularly in regard to the expected predominance of flatted schemes in the main Worthing urban centre, though not necessarily limited only to a “tightly drawn” understanding of the town centre area/boundary.
- 3.2.5 Appendix II shows the following for each Table 1 – 4 by ascending scheme typology size– i.e. Table 1 - 6 houses; Table 2 – 50 mixed (houses and flats); Table 3 – 75 flats (3 – 5 storey); Table 4 – 100 flats (6+ storey).
- Summary of the assessment-wide benchmark land values (BLVs), as applied to the assumed overall (gross) site area.
  - Indicative ‘potential maximum’ surplus analysis on deducting the typology residual land value appraisal result from the range of BLVs in each case. Each ‘surplus/deficit’ is calculated at the relevant affordable housing proportion tested and at the representative value levels range (VL2 4 to 6). The surplus / deficit can be compared with the assumed policy costs (see below) to help assess the scope considered likely to be available to support those costs either singly or in combination.
  - Table of key policy costs – assumptions expressed as scheme (typology) wide total costs, and £/dwelling (all dwellings).
  - Each of the Appendix II tables shows the above 3 sets of information. For the three largest sites (above the affordable housing threshold) further testing on tenure sensitivity testing is also shown:
    - Base Test: 75% affordable rent / 25% intermediate tenure
    - AH tenure variation 1: 37.5% social rent / 37.5% affordable rent / 25% intermediate.
    - AH tenure variation 2: 75% social rent / 25% intermediate.

- 3.2.6 It is important to note that each combination of tested typology and key variable (in this case affordable housing proportion, tenure, value level and benchmark land value) produces a particular indicative level of surplus or deficit. When analysing the results and providing conclusions and recommendations for the Council, a certain amount of professional judgement and an overview are necessary. This is unavoidable and is appropriate; again noting the high-level nature of this assessment and ultimately the strategic, guiding nature of the emerging plan.

**Table 1 – 6 houses**

- 3.2.7 Under emerging WLP policy, sites of less than 10 dwellings are not required to provide affordable housing a position that is consistent with national policy.
- 3.2.8 The relevant cumulative policy costs amount to around £19,000/dwelling equivalent, including a CIL rate tested at £125/sq. m.
- 3.2.9 Following our review and analysis of WBC's SHLAA 2019 and a consistent approach with the CIL Viability Assessment, we consider this typology to most likely come forward on and be representative of a relatively low-grade PDL site type (e.g. former community or club use, Public House, garaging/workshops, car parking, smaller industrial/storage premises, storage yards, etc.) with appropriate BLVs accordingly assumed towards the lower to mid-range PDL assumptions at £850,000/ha to £1.5m/ha. There is also a possibility of this type of development taking place on garden land, as backland / housing infill development or in the form of residential intensification. The mid/base results produce some significant surplus levels with the lower-end PDL BLV, sufficient to support positive results at least up to the £2.2m/ha BLV and beyond that with VL5+ sales values assumption.
- 3.2.10 The outcomes indicate development that should be viable, with the relevant policy costs allowed for (including base sustainability test extra-over build costs allowance of +2%).

**Table 2 – 50 mixed dwellings (flats and houses)**

- 3.2.11 As set out in Appendix I, we assume that development represented by this typology could come forward on either PDL or greenfield (GF) site types. The results can then be



compared to the appropriate benchmark land value to consider the surplus (or deficit) levels for each site type.

- 3.2.12 From these outputs we can see a clear distinction between the viability prospects on GF or lower value PDL (as represented by low to mid-range only BLVs) and a potential wider range of PDL site BLVs.
- 3.2.13 Allied to this, introducing affordable housing (i.e. moving from 0% to the lower 20% affordable housing test) and then of that increasing to 30% and 40% is also clear to see.
- 3.2.14 The other policy effect seen here (assumed applied to major developments) is the enhanced sustainability assumption represented by the 5% added to build costs at this stage.
- 3.2.15 The results using the base test affordable housing tenure assumption (affordable housing comprising 75% affordable rented and 25% intermediate) indicates viability available to support a BLV (assumed site value of up to £2.2m/ha) with 30% affordable housing across all these main Value Level tests.
- 3.2.16 However, 40% affordable housing appears supportable across all tests when looking at the £1.5m/ha BLV. Viewed against the lower BLVs, the results point to support for 40% affordable housing and we consider this to be relevant to any greenfield development. This could help to provide some balance with our overall view on some development typologies (particularly relating to flatted and some mixed developments on PDL sites) that indicate no more than 20-30% affordable housing is likely to be viable on those generally. This is particularly the case alongside the other emerging policy costs (including sustainability and accessibility).
- 3.2.17 The two additional (lower) tables show how the results (potential surplus levels) reduce notably when affordable rented (AR) affordable housing tenure is switched to include an even mix of that and social rent (SR) and then further again with SR assumed to replace the AR element entirely. This really just demonstrates that the higher the affordable housing proportion expectation (overall provision level) is, there is likely to be reducing scope for any flexibility in considering and scope to secure an affordable housing tenure mix that leans more towards affordability. This also suggests in our view that while the assumed base tenure mix looks reasonable from a viability view in informing the likely

continued site-level discussions on this, WBC should consider an approach that does not become too rigid in looking to fix the affordable housing tenure absolutely at LP policy level.

### **Table 3 – 75 Flats (3-5 storeys)**

- 3.2.18 These results essentially indicated a very similar picture to the above, suggesting in our view the likelihood of WBC needing to consider a differentiation between the affordable housing policy as impacts PDL based schemes compared with those on GF site, with the other emerging policy positions taken into account.
- 3.2.19 Owing to the nature of site supply and types of development planned to come forward in and around the town centre especially and while it appears that there is set to be a significant emphasis on flatted developments, these results suggest that it could also be appropriate to consider a differential affordable housing policy treatment for developments that contain flats or PDL development more widely.
- 3.2.20 The same observations as above were noted on looking at the likely sensitivity of outcomes to varying affordable housing tenure – again the introduction of SR or replacement of the AR with that (and again see the lower results tables for those test indications – further reducing outcomes).

### **Table 4 – 100 Flats (assumed at 6+ storey)**

- 3.2.21 Although both stage 1 flatted typologies tests produce mixed and potentially challenging looking results, particularly when assuming upper PDL benchmark land values, there is also a differentiation seen between the lower-rise, lower density typology outcomes and those from this higher density typology. The modelling here aimed to consider the influence on viability of the type of flatted development, again bearing in mind the importance of Worthing centre as regards overall supply and also the WBC regeneration emphasis.
- 3.2.22 The outcomes show significantly reduced viability (compared with the Table 2 and 3 tests as above) at the value levels that are assumed to be more typical for the borough, although with the tests also looking here towards the higher values that the town centre could support, and particularly regeneration of areas of the sea front.

- 3.2.23 In our view these indicate schemes that are unlikely to be able to support more than 20% affordable housing, with that reduced level of provision (compared with the adopted policy at a flat borough-wide level of 30%) in itself likely to prove challenging in at least some situations alongside the other emerging policy positions.
- 3.2.24 This is not an unusual finding in our experience in areas which have mixed values generally not consistently high enough to support the higher development costs involved in flatted-only schemes and particularly as their density and height increases. In WBC's case this issue appears to be of increased relevance, however, given the emerging WLP site supply. These findings, as reviewed further as the assessment built, were also considered to be consistent with delivery experience "on the ground".
- 3.2.25 The CIL viability assessment also picked up on this as a significant theme for the borough, with the Council going on to consult and more recently submit for examination a Draft Charging Schedule that includes a low rate of CIL at £25/sq. m for flats (again, the CIL rate assumed for testing flats in this WLP assessment).

### **Stage 1 Findings Summary**

- 3.2.26 Informing the Council's work on refining of policy positions as its evidence built up, the following were therefore the key observations from the first stage of review and appraisal testing:
- (1) A likely need to consider a differential approach to affordable housing proportion in WLP policy as will affect at least some if not most or all PDL developments, and particularly bearing in mind the local characteristics and likely key role of flatted developments or developments that contain a significant proportion of flats.
  - (2) Subject to further review in this assessment, the outcomes pointed to a suitable headline affordable housing position of 20% for flatted developments (or, as above, potentially applied at this reduced expectation level (compared with the adopted 30%) to a wider range of developments that include flats or that come forward on PDL more generally).

- (3) Some developments on PDL could potentially bear more affordable housing cost (support more than 20% affordable housing, but not likely exceeding 30%). However, the Council could consider these parameters in the context of both the ongoing site supply and experience to date of operating the Core Strategy 2011 flat borough-wide 30% affordable housing based on the delivery using adopted policy to date.
- (4) The high-level starting point affordable housing tenure mix of 75% AR together with 25% intermediate (assumed as shared ownership or other form(s) of affordable home ownership) appears appropriate. Introducing social rent in place of affordable rent clearly reduces viability, and so there would be less scope for flexibility and considering this at a site level if the affordable housing proportions (affordable housing quantum) were to be set too high.
- (5) Schemes were found likely to have reasonable prospects of viability based on these parameters. In all cases, from the outset these were considered alongside the aim to provide all new homes to the M4(2) enhanced accessibility standard and include climate change mitigation measures (sustainable construction, reducing carbon emissions). As part of what DSP is currently finding to be a fairly typical approach to strategic viability testing, the latter was tested at base level on minor developments (+2% build cost allowance, reflecting former Code for Sustainable Homes Level 4 – 19% improvement on Building Regulations carbon reduction requirements) and at an enhanced level on major developments (10+ dwellings) assuming a 31% carbon reduction (assumption aligned to Government Future Homes standard (2)) based on available information. Likewise, as part of the review of the cumulative costs of development, policy areas such as on the use of the NDSS and water usage efficiency at 110 litres/person/day were tested and considered supportable in viability terms.

### **CIL and other points**

- 3.2.27 If the Government's recent consultation proposal to raise the current national minimum affordable housing threshold to 40 or 50 dwellings comes into effect (proposed initially as a potential temporary measure and general economic downturn repose), there would be more viability scope on those sites no longer contributing costly affordable housing. So, for example, were there to be such policies in place longer term then it is quite possible that a greater level of CIL or other cost could be supportable and considered

(based on current assumptions, although potentially subject to further review). However, it is not clear what form this proposal may (or may not) finally take.

- 3.2.28 As regards the WBC CIL in the meantime, with the recent Draft Charging Schedule (DCS) consultation rates used as assumptions within the further viability testing for the WLP, the rates proposed under the current CIL review are considered suitable for carrying forward with the new Local Plan policies as tested and supported through the key findings of this report.
- 3.2.29 In the same way that the emerging policy positions were further tested through a review of widened typologies and then also using of a selection of appraisals aligned more specifically to selected proposed WLP site allocations, this finding on CIL was also kept under consideration as this progressed. Accordingly, the use of the same assumptions on policy and CIL costs testing alongside the above noted variables on scheme type, sales Value Levels and site type/potential value (use of BLVs) was continued through those subsequent stages of this viability assessment Stages 2 and 3 as reported below.
- 3.2.30 In each case and for all stages of this assessment, we have allowed a contingency for s106 / s278 costs of £3,000 per unit in addition to the CIL charged on development. This covers currently unidentified / unknown, on-site mitigation planning obligation requirements that may come forward on specific sites.
- 3.2.31 Aside from the typically observed impact of affordable housing requirements (a universal observation and not specific to WBC), the emerging policies that showed potentially the greatest impact were noted to be WLP Policy Options 2 and 3 on sustainability standards. The extent to which these or related policies are appropriately incorporated into Local Plan policy at review points such as this may well also depend upon or be influenced by developing national policy. Councils may need to consider how much weight should be placed on achieving a more ambitious and significantly more costly zero carbon standard moving ahead
- 3.2.32 If the Council wishes to pursue zero carbon on all new development over time, then subject to how the picture on the related requirements, routes for compliance, technologies and therefore costs develops over time, trade-offs with other aims and provision (potentially including CIL and/or affordable housing) may need to be considered in order to not unduly impact the viability of development overall.



- 3.2.33 Subject to the expanded testing outcomes (as below), at this stage the outcomes suggested that a compromise policy position on sustainability standards might need to be considered – i.e. aligning with the potential new Future Homes Standard (WBC Policy Option 3) and whether brought into effect either by national policy in due course (understood to be potentially 2025) or, if appropriate, more locally through the WLP. However, there may also be an opportunity for a differential approach to sustainability by site type e.g. greenfield/PDL with higher costs and therefore standards potentially supportable in some respects on greenfield sites relative to previously developed ones.
- 3.2.34 The initial and main continued assessment focus was on residential development viability. This was and remains appropriate given the relative reach of borough planning authority level policies that affect commercial property development compared with residential. However, following the recent CIL viability study we have also undertaken updated checking research on commercial development values and costs.
- 3.2.35 This both confirmed the above noted initial findings – our view that the recent CIL DCS (WBC CIL review) proposals (subject to examination in early 2021) would be suitable to carry on in the context of and to support the emerging WLP. Although the research suggested no material change to the CIL viability assessment presented view of viability, at a strategic level, applying the same principles as for the residential viability review for the WLP, Stage 3 goes on to consider selected site allocation proposals involving both elements of mixed-uses within key residential-led sites and employment use based allocations.
- 3.2.36 When considering the approach to and findings indicated by this assessment or any similar exercise (and carried through from plan making to decision making stage) it is also important to keep in mind that there will always be some sites with inherently poor viability prospects, regardless of the level of planning obligations sought or assumed. While site-specific assessments are in our view likely to continue to be needed in some cases, the principles are now such that this stage of work should look to limit the need for that as much as possible, which comes back to setting the policy burden realistically, according to the circumstances.
- 3.2.37 National policy and guidance indicates that the Plan could set out and effectively seek to limit the types of circumstances where decision stage reviews may be appropriate. In our

view in the Worthing context and at this time, the consideration of this may revolve around matters such as:

- Economic circumstances – property market strength/movements.
- Site-specific costs – particularly any demonstrated abnormals (although this should also be considered as part of not over-allowing for land value).
- National policy uncertainties/potential developments – for example on sustainability (Carbon reduction - Future Homes or other) and biodiversity (although this assessment builds in contingencies); affordable housing tenure/funding (for example First Homes, Shared Ownership model consultations/proposals as at November 2020 (noting that potentially some such changes could be positive or at least not negative for viability); potentially other planning system changes as have been consulted upon via both the 2020 White Paper (Planning for the Future) and other potentially shorter term/temporary adjustment proposals.

### **3.3 Stage 2 – Full typologies range – emerging policies testing**

- 3.3.1 The purpose of the second stage exercise was to further explore, review and build on or refine/amend as necessary the Stage 1 findings as reported above and discussed with WBC as soon as that emerging picture was developing in order to aid policy development.
- 3.3.2 Therefore, a key aspect was again the ongoing consideration of a likely differential (lower) suggested affordable housing policy expectation in relation to at least some PDL developments, and above all in respect of the development of flats.
- 3.3.3 Having established key themes to explore further, the results of the much wider appraisals sets of this stage are provided at Appendix IIa – Tables 1a to 1r.
- 3.3.4 Included within the expanded typologies set were tests representing apartments for retirement/sheltered housing (30 dwellings) and extra care (60), as well as a larger mixed housing typology at 300 dwellings (houses and flats – results Table 1r) envisaging potential larger scale (although non-strategic type) development of this type in the borough context, on greenfield land.

- 3.3.5 The Stage 2 testing was conducted across the full range of assumed market sales value levels and also at both a base 17.5% of gross development value (GDV) assumption on developer return (representing the mid-point of the range discussed in the Planning Practice Guidance (PPG) on Viability relating to plan making) and higher test profit level at 20% GDV (upper end of 15 – 20% GDV range within PPG). Profit relating to the assumed affordable housing content was placed at 6% GDV, while for commercial/non-residential elements of mixed-use schemes and other non-residential tests as far as appropriate (i.e. including high-level appraisal of potential employment site allocations) it was set at 15% GDV; both standard assumptions also used regularly where viability is reviewed at decision making stage.
- 3.3.6 In all cases, the CIL cost assumption applied was again based on the recent DCS rates – at £125/sq. m for houses and £25/sq. m as proposed to be applicable to flats.
- 3.3.7 Through additional sensitivity tests, as developments vary rather than always needing to carry higher costs, in regard to the 100 flats typology (base results at Appendix IIa Table 1o) comparative results also looked at the potential effect of additional costs that could be involved where designs include basement car parking and/or and enhanced proportion of communal space. Those further sensitivity test results are included at Tables 1p and 1q as additional information for the Council.
- 3.3.8 The results table format is again consistent throughout, this time with the residual land value (RLV) indication from each stated combination of assumptions displayed (by affordable housing proportion and profit levels tested across the top row and Value Level in the first column). The non-shaded (white/blank) results column shows the RLV and to the right of that (column including graduated green shading) shows the same result but expressed in terms of a £/ha (£ per hectare) indication. The increasing strength of green shading represents comparisons with the range of benchmark land values (BLVs) used as per Stage 1 and reported above - £250,000/ha to £3.5m/ha overall, with £850,000/ha+ considered relevant to PDL sites and a focus for those mainly around the mid-range of those PDL related BLVs. Used and viewed in this way, the results trends and their relative strength either within or between sets can be considered.
- 3.3.9 The Stage 2 appraisals included the above noted costs assumptions (and again see Appendix I) so that the relevant emerging WLP policy costs have all been allowed for. This means that rather than the potential surplus/deficit view from Stage 1, through these

further tests we see the potential cumulative impact of these policies added to the assumed typical development costs.

- 3.3.10 With the results set out as they are, it is not considered necessary to comment on each one or each set specifically. Instead we will again draw out the key themes and observations here, as were provided to WBC with the aim of further informing the WLP policies refinement or development. Again, this involves providing professional judgement and an overview of the results as part of an appropriate approach at this strategic level, because in theory the particular tests or even individual appraisal level results could be interpreted so as to lead to a highly varied and complex range of tailored policy positions. Taken to its full potential extent, even that would still not fully reflect all the variety though, and yet it would be overly complex, leading to insufficient clarity for all involved in development.
- 3.3.11 Overall, the findings are considered consistent with the themes identified at Stage 1, as above.
- 3.3.12 The assumption of having a functioning development market in place, so that the conditions exist in order for new housing, regeneration and other property development schemes to come forward, is necessary as a base premise of such an assessment. Aside from that, affordable housing is typically an area that is one the main influences on viability and certainly has the most bearing in terms of a single local authority level policy impact (as a universal effect within local plan making and at decision making stage, and not only as relates to the WLP). This is because the affordable homes cost broadly the same to build as those for market sale, and yet provide a level of revenue which is typically at about 50% to a maximum of around 70% of the market revenue level, depending on the affordable tenure and mix (the specific affordable housing revenue assumptions made in this case are set out at Appendix I).
- 3.3.13 In terms of revenue levels supported by the affordable housing, it is possible that the Government's proposed new affordable home ownership (AHO) model 'First Homes' could have a positive influence on viability relative to other forms of AHO (such as shared ownership as currently assumed for the intermediate tenure content within the appraisals). However, although the early information on pricing caps for First Homes appears unlikely to affect their values in Worthing, with an expected discount at a minimum of 30% from market value it is also possible that the influence on overall

viability is similar to that of shared ownership as has been assumed here. It is also worth noting that in November 2020, at the point of finalising this assessment, there is also a new Government consultation out on Shared Ownership (New model for Shared Ownership: technical consultation – issued 19<sup>th</sup> November 2020; consultation closing 17<sup>th</sup> December 2020). When such matters are settled and assumptions and calculations can more directly reflect any new view of an affordable housing mix, this could be looked at further. At this stage, however, it appears that the details and effects of this will probably need to be amongst the matters considered at a site-specific level when the suitable affordable housing provision relating to particular schemes is discussed, much as it usually is now. In the meantime, for information, the November 2020 consultation on the introduction of a new model for shared ownership is introduced with the following themes, intending that the model will:

- *‘Reduce the minimum initial share from 25% to 10%’*
- *‘Introduce a new gradual staircasing offer, to allow people to buy additional shares in their home in 1% instalments with heavily reduced fees’*
- *‘Introduce a 10-year period during which the shared owner will receive support from their landlord to pay for essential repairs’*
- *‘Give Shared Ownership leaseholders (shared owners) more control when they come to sell their home’*

3.3.14 As per the emerging WLP, our assumption is that the affordable housing policy threshold would be 10 dwellings, consistent with current national headline policy. However, with the Government recently also consulting on changes to the planning system that we assume could come in before any more fundamental changes in due course flowing from the White Paper, the Council could find that the national default policy position moves out to a threshold of 40 to 50 dwellings. At this stage this, should it be confirmed, appears very likely to result in a windfall relaxation and viability improvement with a range of medium/typical sized sites in the Worthing context potentially not required to support affordable housing for a period. We assume that were this to become more than a temporary relaxation aimed to assist market housing delivery in the current/short term circumstances, however, then planning and CIL charging authorities would begin looking at balancing this up. For example, it could be considered that with no affordable housing applying to a wider range of sites, those under a much higher threshold could most likely support other community requirements and obligations to adjusted levels instead.



- 3.3.15 Building on the Stage 1 findings and those from the CIL viability assessment work from earlier in 2020, with the emerging WLP policy costs included the Stage 2 results continued to point towards a suggested approach for the Council to consider a significant differential in the policy expectations for affordable housing, depending on site/scheme type.
- 3.3.16 The typically lower and more challenging viability characteristics of both flatted development and the use of PDL sites should be considered. This means also considering, or particularly considering in the local context how frequently these characteristics come together and the extent to which the WLP overall delivery depends on these circumstances.
- 3.3.17 Once again, in our view considering the application of a 20% affordable housing policy expectation on flatted developments (or flatted elements of larger schemes/potentially all schemes with flats) would be a suitable approach bearing in mind the viability indications.
- 3.3.18 While this would amount to a reduction from the adopted Core Strategy affordable housing policy level of 30% here, in our view and experience of the borough to date this would represent an approach that significantly better respected the local characteristics and likely associated viability position of those schemes. This is also consistent with their likely continuing prominent role within the WLP context, alongside the other policies proposed.
- 3.3.19 Based on the findings and influenced by site supply, as per the Stage 1 overview above the Council could in our view consider extending such a differential to a wider range of PDL sites, with the central areas of Worthing in mind but also given the almost entirely built up nature of the borough.
- 3.3.20 Although, as the mixed results show, 20% affordable housing on flatted schemes/wider PDL is in our view likely to still be a relatively challenging expectation in some instances, we assume that the Council also needs to consider balance with the very significant need for affordable housing (as well as community infrastructure provision) and therefore the settling of final WLP policy cannot simply be a matter of lowering expectations until the viability criteria alone may be satisfied as closely as possible. Indeed, it needs to be acknowledged that regardless of the positioning of requirements, some scenarios will not

prove viable either at the full policy level or any lower level of provision – inherent viability issues relating to site characteristics and high levels of development costs are seen both locally and in most other areas.

- 3.3.21 In our view, this mix of circumstances, review of viability and consideration of appropriate responses is all consistent with the PPG, which noted in its introductory paragraphs 001 and 002 on ‘Viability’ (extracts below):

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

*These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types or location of site or types of development.*

*See related policy: National Planning Policy Framework paragraph 34*

*Paragraph: 001 Reference ID: 10-001-20190509*

*Revision date: 09 05 2019*

*‘The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.’*

*Paragraph: 002 Reference ID: 10-002-20190509*

*Revision date: 09 05 2019*

- 3.3.22 In referring to flatted or potentially a wider range of PDL developments at a suggested lower affordable housing proportion, we envisage that all flatted development types i.e. including housing for specific sectors such as the elderly (retirement living/sheltered) and any relevant extra care apartments developments that would also be required to contribute towards meeting affordable housing needs should also be the subject of this differential approach – i.e. treated as per other forms of flatted development/any potential wider PDL policy differential.
- 3.3.23 In balance with this, the viability testing indications again showed that GF (greenfield) developments could support more affordable housing along with the slightly expanded WLP policy scope compared with the Core Strategy – i.e. more than the existing 30% flat rate policy headline.
- 3.3.24 In the Worthing context, such developments are going to be infrequent in the borough. They are not expected to be of a very large and certainly not a strategic scale where the site-specific mitigation, infrastructure and other developments costs (often including on-site school provision, road links or other major new works/contribution obligations) would mean viability pointing to a lower or nil CIL and possibly other reduced scope to meet planning policy costs as well. Represented by 300 dwellings typology at broadly the mid to upper end of such proposals here, we can see that there should be a capacity for 40% affordable housing in these circumstances – see table 1r at Appendix IIa.
- 3.3.25 The same is seen from the smaller typology tests when envisaged in comparison with the much lower BLVs ('viability tests') that are appropriate to be considering in this GF site context (e.g. results for 25, 40, 50 and 100 mixed dwellings – Tables 1f, 1i, 1j and 1n respectively – as well as those for the smaller scheme typologies such as for 6, 10 and 15 houses, should those be relevant too).
- 3.3.26 Overall, in our view, an affordable housing policy at up to 40% provision on GF sites should be a workable basepoint for the WLP as part of the overall mix and balance that is under consideration.
- 3.3.27 Allied to all of the above, it is worth reiterating that the provision of and viability impact from the affordable housing is not just about its quantum (i.e. % level in policy setting terms). The mix of affordable homes and their tenure and so the varying affordability and revenue levels that they could support will also be both highly relevant to consider and

have the capacity to help balance-up viability and need as far as possible in particular cases. Therefore, applying relevant policy requirements in a practical, responsive type way rather than too rigidly could also be very influential/helpful here too. The relevance and usefulness could also extend to other policy areas too, where some flexibility owing to matters such as particular site constraints or clearly demonstrated viability issues could mean looking at whether sustainability or accessibility requirements need to be considered with some flexibility in some cases, for example. The practical/physical development angles and cumulative costs of development will continue to need to be considered.

### Stage 2 – as relates to the WBC CIL Review proposals

- 3.3.28 With the recent DCS proposed headline charging rates included within the Stage 2 cumulative development and policy costs testing, again our findings do not point to a need to consider different findings from those set out in DSP's earlier CIL Viability Assessment (Ref. DSP 18551 – March 2020). The current WBC CIL Review proposals should in our view continue to relate appropriately to and support the emerging WLP.
- 3.3.29 As a reminder, replicated from Figure 11 above and sourced from the DCS, the current CIL proposals, now subject to examination in early 2021 are as follows:

Use	Development Type	Levy (£/m <sup>2</sup> )
Residential Including retirement/sheltered housing	10 dwellings or less (all dwelling types)	£125
	More than 10 dwellings (excluding Flatted development)	£125
	Flatted development of more than 10 dwellings	£25
	Extra Care Housing	£0
	Greenfield housing development (greenfield land shown on map in Appendix 1)	£200
Retail	Foodstore/Supermarket/Retail Warehousing development (greater than 280 sq.m.)	£150
	Other forms of retail	£0
All other development		£0

*Note: For mixed use schemes on PDL, of more than 10 dwellings, the flatted part of the development would be charged at £25/sq.m. and the housing part of the development would be charged at £125/sq.m.*

### 3.4 Stage 3 – Review of proposed WLP Site Allocations and Rounding-Up

3.4.1 As noted above the proposed WLP Allocation sites were considered using two modes of review and appropriate available evidence, again as part of the proportional approach to viability for this purpose:

1. Viability considered by alignment to the typology testing discussed above, given the characteristics of sites and the level of information available on them and the nature of the WLP level proposals – i.e. prior to any scheme details being established, and so subject to all the usual early stage unknowns and subject site investigations and feasibility work etc. – Viability results provided in the first two sheets at Appendix IIb, – Table 1. The emphasis here was largely on proposed GF or amenity value sites (A1, A2, A6, A13 and A15) except for at Lyndhurst Road (A15) which is a brownfield site with likely contamination and significant abnormal issues to overcome.
2. Specific appraisals of selected sites based on the available information within the WLP and as provided to DSP. This exercise allowed further testing and building on the Stage 1 and 2 review processes. It covered proposed Allocation sites A3 (Centenary House), A5 (Decoy farm), A7 (Grafton Site, Marine Parade), A10 (Martlets Way), A11 (Stagecoach site, Marine Parade) and A14 (Union Place). The appraisals used the same principles, approach and assumptions as were run through Stage 2 (typologies assessment) but for this review phase more specific assumptions aligned to the sites/indicative WLP capacities etc. were also used or used in place of the typology assumptions. Additional/particular assumptions are noted within the relevant Appendix IIb tables – Tables 2a to 2f – and also at sheet 3 of the Assumptions overview with Appendix I. The WLP policy directions and other relevant costs were reflected as per Stage 2, including the 2020 CIL Review DCS charging rates.
3. Note that although considered in general, ultimately a third category of sites was not appraised (see Table 3 at the rear of Appendix IIb). The relevant Allocation proposal sites were A4 (Civic Centre, Stoke Abbott Road), A8 (HMRC offices, Barrington Road) and A12 (Teville Gate). This was due to the progress on planning applications and/or work progressed on-site or because DSP had previously



reviewed the site-specific viability at decision making stage (A8 - resulting in a comprehensively reviewed necessary significant compromise relative to the Core Strategy affordable housing policy, for example).

- 3.4.2 Table 1 of Appendix IIb covers those sites reviewed relative to the typology testing (No. 1 above).
- 3.4.3 That exercise indicates that there is a reasonable prospect that those greenfield sites / land in lower value existing use (amenity land or similar) could viably accommodate 40% affordable housing along with the wider set of emerging WLP policies. In contrast, broad consideration of the Lyndhurst Road and similar sites (PDL and with other potential viability challenges) in the context of our typology tests together with delivery experience in Worthing shows that a significant downward adjustment to the currently adopted affordable housing policy approach is warranted (despite the fact that this affects the affordable housing need / requirement). Hence a balance is suggested, as above. The specific review of other proposed Site Allocations on PDL also further demonstrates these themes – see below.
- 3.4.4 The outcomes of second element of Stage 3 (site-specific appraisals and review) are displayed using the same principles as per the Stage 2 typologies test results, but in a slightly different format - within Appendix IIb Tables 2a to 2f. The results shown are the £RLVs (being the ‘Residualised Price’ or ‘Land Cost’ under the ‘Acquisition Costs’) produced by our Argus Developer appraisals, sample summaries of which are also included for information. The large bold type figure emphasised (by DSP) in the centre of each results table is the base RLV result. The lower set of tabulated results shows the RLVs when expressed in £/ha terms, which are then “filtered” against the relevant benchmark land values assigned per site. Each of the results is sensitivity tested in order to see how sensitive the results are to a change in the assumed sale value level (varying across the top of the table – horizontal axis - in £250/sq. m steps) and/or build cost (varied in the vertical axis of the grid in steps of 2.5%). Combined with the filtering by BLV (viability tests) the strength or otherwise of the green shading provides an overview of the results trends and a guide as to which variables support the various levels of BLV (or do not).
- 3.4.5 Again, tested at 20% affordable housing and relating back to the previous assessment stages the PDL residential-led/mixed-use sites are considered potentially viable (A3, A7,

A11, A14). The testing assumptions also include specifically increased contingency allowances made in relation to the build costs, reflective of the likely nature of works on these central Worthing brownfield sites and the potential for abnormalities to be encountered. These can be considered as a proxy for additional (although currently unknown/unquantified) costs that might well be involved in the development of these sites,.

- 3.4.6 DSP decided to appraise WLP Site Allocation proposal A3 (Centenary House) both with and without the local services/community use provision – for WBC’s information given the very significant likely downward pull on the overall viability once those facilities are re-provided on-site, as proposed. As can be seen, a residential development alone is considered viable with 20% affordable housing, but with the various services also provided as envisaged, the viability picture appears likely to be reduced to one in significant deficit unless other subsidy in some form is involved.
- 3.4.7 The non-residential (employment generating use) site proposals on the other hand are not considered viable without subsidy of some form based on the assumptions used (and as appropriate for an assessment of this nature). This, however, is consistent with the CIL Viability Assessment findings and hence also the nil-CIL rating of such development uses. As noted previously, it does not necessarily mean that developments would not come forward. They may be brought forward on a different basis to that appraised for this or the CIL assessment purpose. Developments will be expected to meet the usual sustainable development criteria and there are considered to be no WLP policy proposals that unduly affect the viability of such schemes. Once again, the further assessment has the effect of also back-testing and further endorsing the WBC CIL Review DCS proposals.
- 3.4.8 Whilst it must be acknowledged that at this stage assumptions can only be high-level, meaning an unavoidable element of uncertainty and probable later stage further exploration required, our review suggests that the WLP policy positions as proposed to this point (Draft WLP) are considered supportable cumulatively in viability terms. These include a headline/baseline policy approach at 20% affordable housing from developments of/including flats – or potentially on a wider range of PDL sites – and with GF sites considered to have reasonable prospects of coming forward viably with up to 40% affordable housing. Those, therefore, are the policy positions that can be supported having carried out this comprehensive assessment over a number of stages; building also on the March 2020 CIL Viability Assessment.

- 3.4.9 Again, as has been acknowledged through the phased review approach, by the time as yet unquantified abnormal or other constraints/costs are potentially identified through specific planning application proposals, it is possible that areas relating to tenure mix, policy compliance with other matters (e.g. sustainable construction or accessibility) will need some level of site-specific review (and potentially compromise). This may be related to practical/physical feasibility or to viability pressures. However, along with a revised CIL Charging Schedule as currently proposed and submitted for examination, it is considered that the above reported and suggested affordable housing policy headlines as part of an updated differential and locally responsive approach are suitable in viability terms; all for consideration and progression by WBC.
- 3.4.10 Allied to this, there are other factors involved in relation to the WLP delivery. There is the significant regeneration aim of the Council and various partners. WBC or other public sector owned land and interests are also involved and could play a role in contributing to the delivery objectives related to the WLP. Landowner returns will need to be realistic in general.
- 3.4.11 DSP will be pleased to assist WBC with anything further on this.

Worthing LP Viability Assessment Report Ends

Final Report January 2021.

Appendices I, II, IIa, IIb and III provided within separate documents