

For: Chichester District Council



Local Plan 2021-2039

Viability Assessment – Stage 2

January 2023

DSP21755

Dixon Searle Partnership

Ash House, Tanshire Park,
Shackleford Road, Elstead, Surrey, GU8 6LB
www.dixonsearle.co.uk



Contents

High level summary	i - vii
1. Introduction	1
2. Methodology and assumptions	19
3. Findings review	55
Stage 2 Overview – Concluding	90
Notes & Limitations	94
<u>Appendices</u>	
Appendix I	Development appraisal assumptions build up and overview
Appendix II	Stage 2 full residential typologies review results tables (Sample appraisal summaries provided to rear)
Appendix III	Proposed strategic site allocations review results tables (Sample appraisal summaries and further sensitivity testing data provided to rear)
Appendix IV	Market and values research report

High level summary

Introduction

1. This viability assessment report together with appendices contributes to the evidence base for the Chichester Local Plan (LP) 2021 - 2039 – alongside the Council’s evidence on housing, infrastructure, other needs and factors all influencing the local approach to sustainable growth.
2. Now setting out the further assessment to this Stage 2 across several phases, this report revisits and develops the earlier review of viability. That was as set out within the Dixon Searle Partnership (DSP) Stage 1 report: Local Plan & CIL Viability Assessment Stage 1 (Initial review phase 2019-2020) - April 2021.
3. The work informing the reporting that follows was commenced for Chichester District Council (CDC) by DSP in the summer of 2021, as a continuation of the Stage 1 assessment work. Its purpose has been to provide updated information following Stage 1 and in doing so continue to inform and support the final development of the LP policies. This has been through an iterative approach to further testing and dialogue with the Council through 2021 – 22 and leading up to the Regulation 19 consultation in early 2023.
4. Applying the same principles but including updated assumptions on development costs and values as well as reflecting both the Council’s emerging LP and national policies, this further work has again considered the viability of the emerging Plan approach.
5. Having considered a range of potential policy positions and potential influences on the viability of development (meaning its likely financial health), the assessment has tested the cumulative effect of all requirements (i.e. when considered collectively).
6. Stage 2 has focused on housing development. This being the key strategy and policy area over which a local planning authority through its ‘Plan Making’ has the most influence on development viability owing to the range of policies typically guiding the needed growth (range of new homes provision) and their development sustainably. Having considered it at Stage 1, this further assessment work does not include additional information for CDC on

commercial / non-residential development. It has not been considered necessary to add in that respect given the circumstances and relatively recent provision of Stage 1.

7. Similarly, Stage 2 has continued to use the adopted CIL (Community Infrastructure Levy) charging rates applicable to the Plan area and has not further developed the information relating to any potential review of the charging schedule. This approach has been taken given both the Government's pending review of the CIL basis nationally and the viability findings across the assessment as it has progressed.
8. The National Planning Policy Framework (NPPF) expects there to be clarity provided by Local Plans on the level of developer contributions that will be required to support new sustainable development. The Planning Practice Guidance (PPG) sets out how development viability should be considered in this context, so that development schemes can remain able to come forward viably whilst providing appropriate infrastructure and development mitigation. This assessment has been conducted accordingly by highly experienced consultants, using well established good practice. The approach that has been taken is consistent with national policy and guidance as well as with our extensive prior engagement with this type of work nationally, including through numerous examination processes.

Approach and further context

9. This has been done through reviewing the cumulative (collective) effect of the CDC policy proposals to explore and re-check to what degree the local property market is likely to be able to support the planning policies and obligations that the new LP proposes to set out. Using assumptions representing development costs as have been researched and considered with the Council, and reflecting also on stakeholder consultations, the assessment methodology deducts estimated development costs from estimated development values (completed values on sale – i.e. gross development value or 'GDV'). This is within a calculation method known as residual valuation and the following report provides further information on both the principles involved and the detail of this (as was set out for Stage 1).
10. As is typical and appropriate, this methodology is applied using, in the main, development 'typologies' which are assumed scenarios set up following the information gathering and discussions with the Council. The typologies based review is then supplemented and further informed by looking more specifically (using particular site information as far as available) at relevant strategic scale development which is considered key to the LP delivery overall. In this

case, a range of Strategic Site Allocation (SSA) proposals were selected for review through discussion with CDC. The report sets out the particular assumptions applied for these appraisals alongside others common to the broader assessment and provides our current findings on these having first considered the further typologies based viability review.

11. The calculation (development appraisal) results each time in a residual land value ('RLV') which indicates the level of residual (i.e. potential amount left over as land cost) after allowing for the development costs including proposed planning policies.
12. The RLV indicated from each test (appraisal) carried out in this way is then compared to an appropriate level or levels of benchmark land value (BLV) assessed based on the existing use value (EUUV) of various potential site types plus a landowner's premium reflecting the need, usually, to incentivise the release of land from its existing use. Where the appraisal outcomes (RLVs) meet or exceed representative site BLVs, developments are considered viable when including all the development cost assumptions used as inputs (i.e. including the appraised policy costs, all viewed together). As can be seen through the results presented in the assessment appendices, overall, the making of this strategic overview involves a great many appraisals to inform judgements.
13. Reflecting the likely role of various site (land) types, the BLV levels used range from £250,000 to £500,000/ha (pounds per hectare) for greenfield (larger/strategic and smaller sites respectively) and higher levels up to or perhaps in some cases beyond £3,500,000m/ha (£3.5m+) potentially applicable for some previously developed land (PDL – i.e. brownfield sites). Within the PDL variety in the local context we consider that BLVs in the range £850,000 to £2m/ha are likely to be most relevant overall. In our view, it is likely that on PDL the RLVs would most often need to meet or exceed a BLV of approximately £1.5m+/ha, although the influence of this element will be highly variable across a wide range of site types and existing uses.
14. Both sales values (house prices) and build costs have risen significantly. The report detail sets out the range of assumptions made and sensitivity testing on those. Some other policy related costs / anticipated planning obligations have moved since Stage 1 too, although not all upwards. There are some policy areas where, as part of considering a balance with the extensive local environmental and transport network constraints (A27) related development mitigation, the Council is not proposed to going beyond national level policy requirements

(for example in regard to climate change response at this time). Nevertheless, national requirements have increased and are set to do so further, which costs are all reflected fully alongside the general development costs and new LP policy influences on viability. Within this picture, in the southern part of the Plan area, the A27 related mitigation costs have been factored into the final testing at a significant £8,000/dwelling. This has been found to be a key factor within the consideration of other compromises within an overall balance between strategic needs and objectives; most notably a trade-off with the considered viable levels of affordable housing in the particular circumstances.

15. Additionally on context, the latest assessment work has been conducted at a time of increasing economic uncertainty. At the time of reporting, many aspects around development are very challenging.
16. Consistent with longstanding experience of running strategic (high level) assessments such as this, a wide range of sensitivity testing had been run. This has included running a range of affordable housing (AH) % test levels in different scenarios – across a main range 20 – 40% overall and further exploring and reflecting the LP policy proposals. This testing range also reflects differentials between the Plan area to the south of the SDNP (South Downs National Park) where most development will come forward and the north of SDNP area. There are fewer constraints adding to development costs overall in the northern part of the Plan area (which is not affected by the significant A27 mitigation factors for example). Typically, the development values (house sale prices driving viability) are also higher in the northern area, further supporting viability.
17. Common to all such assessments, of all the various policy impacts that are influenceable locally, the affordable housing provision is seen to have by far the most significant effect on viability. This is why it has been a significant focus in both the Stage 1 and this updated Stage 2 work. The AH viability impact comes from the fact that although its development costs broadly the same as market housing, overall its value on a mixed AH tenure basis is often not more than around half of market value (a general approximation only, for the purposes of highlighting the degree of its effect typically and not just in Chichester District).
18. The influence of market housing sale values (which along with the value of the affordable homes and any other development uses make up the GDV – i.e. gross development assumption) has been sensitivity tested across a range £3,500 to 5,500/m² (pounds per square

metre) overall i.e. approximately £325 to £511/ft² (pounds per square foot). The typologies assessment of specialist accommodation (sheltered / retirement and extra care housing) has considered premium (higher value) levels too. Within this overall spread, in our view the current core part of the values range most relevant to new build developments in the Local Plan area, overall, is £4,000 – 5,000/m². Within this, whilst the latest available data suggests values often towards or at the upper end of this (perhaps even beyond it in some locations) are supportable as key assumptions, we have formed our judgments reporting primarily by focusing on value level (VL) tests at £4,500/m² to £4,750/m² at this time; noting also the sensitivity of outcomes to a lower test assumption at £4,250/m².

19. A key theme to address is the long timeline of the LP which is likely to be operated through varying economic and market circumstances, but whilst also acknowledging current and short term circumstances. The latter may well be seen to be reflected in poorer sales performance and / or greater development risk and therefore reward (development profit) in the coming period. Given the LP strategic overview that is necessary, the base profit assumption has been 17.5% GDV (reflecting the mid part of the range noted in the PPG for plan making purposes).
20. Reflecting this, it is important to consider that while the current economic and property market uncertainty is acknowledged and may flow through into early Plan stage delivery considerations, as only time will tell, the Plan is set to run over the long timeline to 2039. As such it is not appropriate to consider or set strategy and policy only based upon circumstances as experienced right now or even in the coming period – shorter term of up to the next few years, perhaps. Rather, a genuinely strategic overview and judgments are both needed and appropriate; around a range of assumptions, sensitivity tests and policy implications (both local and national) envisaging the planned development delivery and related infrastructure provision over the longer timeframe, through likely varying economic and other circumstances.

Findings

21. Necessarily again using information as far as available at the time of the latest assessment phases within this Stage 2, this has enabled a further appropriate level of revisiting, informing and ultimately final checking of the suitability of the proposed LP policy set in viability terms.
22. Amongst the key points, this confirmation of suitability at the required strategic level on viability includes the headline 30% affordable housing (AH) policy basis (Policy H4) on

greenfield sites; 20% on PDL in the south of SDNP Plan area where the great majority of new housing development is coming forward and will continue to do so.

23. This AH policy differential has been found necessary for CDC to consider because of the higher BLVs (existing use value based site value assumptions) and potentially increased costs involved in development on PDL (previously developed land i.e. brownfield) compared with greenfield (GF) circumstances.
24. In respect of northern Plan area sites, there remains this same level of differential as a consideration, but as noted above the housing sales values generally available to support viability are typically higher there, and lower development mitigation costs are involved (no direct A27 related requirements as affect the southern Plan area). For the area north of the SDNP, we have put forward viability tested AH policy levels of 40% on GF and 30% for PDL.
25. In all cases, 25% of the AH has been assumed (included within appraisals) as 'First Homes' in all cases as per national criteria established in May 2021 and here based on the national price cap (outside London) at £250,000 after a minimum 30% market value discount assumption.
26. As the full reporting sets out, whilst this principle of potential policy differentiation was also identified and discussed earlier in the LP development process, upon moving on from Stage 1 to 2 it has been necessary now to suggest a lowering of the respective AH% positions for the refined policy – as above. Again, this is a reflection of the increased cumulative costs of development and particularly as are influenced by the A27 scenario. The picture assessed also includes the adopted CDC CIL charging as will continue to apply (2023 indexed rates now assumed).
27. The further assessment work also provides updated information in regard to financial contributions in lieu of on-site AH. This is the route of AH provision that has been tested and is proposed within emerging Policy H4 on smaller sites within the designated rural areas in both the south and north Plan localities (developments of 6-9 dwellings, beneath the on-site universal AH policy threshold at 10 dwellings).
28. On the basis described in the full reporting that follows (including again the appended information on assumptions, findings and appraisal summaries), we have found the Local Plan

policies as now proposed for the Plan area of Chichester District to be suitable in viability terms, viewed together (i.e. ‘cumulatively’ as above).

29. We consider that the LP approach will continue to leave developments having the ability to come forward viably, noting that the proposed significant differential between affordable housing policy expectations on greenfield vs PDL sites is a key factor.
30. The findings apply to both the general nature of development represented (as above) through the typologies based review and the strategic scale development that has been considered here, with 6 no. proposed Strategic Site Allocations tested using currently available information to inform appraisal assumptions (all in the southern Plan area). The proposals have been found to have reasonable prospects of viability with the tested policies. Again, the following report sets out the detail in a comprehensive approach to viability in planning at the plan making stage.
31. In addition to the main focus areas as above, through the assumptions used, the report also provides further information on the ongoing viability of the CIL charging schedule (overall, considered to remain broadly suitable at the indexed rates having taken account of this through the assessment). Within the detail, some further points are offered on this.
32. DSP will be pleased to assist with any queries or further work should our input be required by the Council during or following the forthcoming Local Plan consultation period (Regulation 19 stage) and indeed subsequently as the Plan proposals progress towards examination and adoption.

High level summary ends

Final Report (DSP v 11)

1. Introduction

1.1 Introduction, Background & Report Purpose

- 1.1.1 Chichester District Council (CDC) is in the process of developing its new Local Plan, to cover the period to 2039; progressing towards the formal consultation stage on the Draft Local Plan (Regulation 19 publication stage) during the early part of 2023. Once the new Plan is adopted, it will replace the current Chichester Local Plan: Key Policies and will provide the broad policy framework for the Local Plan area.
- 1.1.2 Chichester District's current Local Plan was adopted in 2015 and together with the Site Allocation Development Plan Document (SA DPD) 2014-2029 forms the current basis for the Development Plan and sets the long term spatial strategy for the Local Plan area.
- 1.1.3 The Council is now updating its strategy and policies through a new Local Plan in accordance with the National Planning Policy Framework (NPPF) that requires Local Plans to be kept-up-to date and to cover a minimum 15 year period (and longer in terms of any strategic scale developments where development is likely to occur over an extended period). Policies and sites within the adopted SA DPD will be saved for continued use pending review as part of the next SA DPD.
- 1.1.4 The current emerging Local Plan (2021 – 2039) has developed with the Council commencing work in 2016. Consultation took place on an Issues and Options document between June – August 2017 followed by a Preferred Approach Plan (PAP) consultation between December 2018 and February 2019.
- 1.1.5 During earlier stages of the Plan's development, Dixon Searle Partnership (DSP) was engaged in order to provide viability assistance and evidence in the development of the Preferred Approach Plan. That work was carried out between 2019 and 2021 with a final Stage 1 report issued in May 2021¹.
- 1.1.6 During the course of early 2021 as a result of the PAP consultation, newly emerging evidence and changes to national policy, the Council reflected on the need to alter the Plan approach by considering a higher number of dwellings to be delivered through the

¹ DSP: Local Plan & CIL Viability Assessment Stage 1 (Initial review phase 2019-2020) (April 2021)

Plan period alongside a potentially amended distribution of housing linked to delivery of improvements to the A27 in the Local Plan area. As such DSP were re-engaged to provide an updated viability assessment (this current Stage 2 document) which provides a wholesale refresh of the previous work and considers the viability of the current emerging Local Plan, its sites and policies as well as wider national policy changes.

- 1.1.7 In 2016 the Community Infrastructure Levy (CIL) was adopted in the Local Plan area; brought into effect on 1st February 2016. The CIL Charging Schedule identifies differential charging rates for residential development in the south of the Local Plan area at £120/m², and north of the Local Plan area at £200/m². These rates are indexed annually in accordance with the CIL Regulations (further detail on the currently charged rates is provided below and in Appendix I). Given our Stage 1 exploratory findings relating to CIL, together with ongoing uncertainty as the future of the CIL generally in the context of proposed national planning reforms, the Stage 2 focus here has been on the emerging Local Plan. The existing CDC CIL has been reflected in considering the cumulative (collective) effect of all the development and policy costs – included as an appraisal input.
- 1.1.8 Accordingly, the key purpose of undertaking this assessment has been to update the Stage 1 report and assess the viability impacts of the planning policies to be proposed within the latest version emerging Local Plan, having informed their further development. In the latest phase of Stage 2 this has acted as a viability check of the final proposed draft iterations, together with an updated review of the potential viability of key strategic scale development that has been identified with CDC for closer assessment. Consistent with the above, this has been done through taking account of the influence of the emerging policies cumulatively.
- 1.1.9 Overall, the council requires the assessment in order to check that the policies proposed on development standards and obligations will not unduly affect the ability of developments to come forward viably. This is in the interests of the Council, local communities, developers and all other stakeholders as part of ensuring that the proposed policies and nature of development identified in the Plan will be deliverable overall. This starts with informing and evidencing a sound Plan through the examination process, then going on acts in support of suitable developments having reasonable delivery prospects moving ahead.

- 1.1.10 This is equally true of the level(s) of the CIL that will be charged across the local plan area and including following any review of the levy (or alternatively the introduction of a replacement Infrastructure levy (IL) or similar) as part of the overall costs of and support to sustainable developments being able to progress. At the time of this Stage 2 assessment (viability review work carried out 2021 – 2023) the approach of including the indexed CIL charges amongst the comprehensive development cost assumptions within the appraisals undertaken remains appropriate. Additionally, a section 106 planning obligations (s.106) contingency allowance has been made – details all as set out in later sections of this report.
- 1.1.11 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 and in some respects further amended through to 2021. 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.
- 1.1.12 In light of the above, the Council therefore commissioned DSP, an experienced consultancy in the field of viability in planning, to carry out this further Stage 2 viability assessment to build on and check the continued applicability of the earlier work on viability, bearing in mind the further changed circumstances. The further assessment provided here again involves two main elements. The first being 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). The second element being more specific review of strategic scale development (in the form of Strategic Site Allocations – SSAs – or similar) as far as possible at the study stage, where that is important in delivering the aims and objectives of the Plan overall.
- 1.1.13 The approach taken is consistent with this context and with DSP’s long running and wide experience of similar assessments applying the same principles and methodology, undertaken reflecting the local characteristics. In addition to carrying out the Stage 1 viability assessment for CDC supporting the earlier Preferred Approach Plan, DSP has also undertaken decision taking (development management – DM) stage review work for CDC on a range of schemes. This has been as requested on an ad hoc basis in response to

viability submissions made to the Council as part of some applications or associated occasionally with appeal proceedings.

- 1.1.14 As with our earlier Stage 1 work, this assessment has been initiated, built and progressed through regular close dialogue with the Council’s officers (and contact with others involved in contributing to the Local Plan evidence base) over a considerable time period. This has been a two-way process, with our work both informing the Local Plan policies development as it progressed through evolving information and feedback provided by the Council.
- 1.1.15 Consistent with much our strategic viability assessment work, and particularly in recent years, the approach to / phasing of our brief and in particular the overall project timing has changed during the course of the work. As we have found to happen frequently, there have been pauses during the assessment (while in this case the Council considered its approaches to various areas and particularly such as A27 mitigation) resulting in an extended project period overall. Nevertheless, this has been an effective process with the dialogue continuing (and most recently allowing for) the further assessment of latest policy iterations and refinements up to winter 2022. This Stage 2 assessment builds on the Stage 1 work and forms a comprehensive, standalone part of the evidence base. However, this document should also be read in the context of the earlier Stage 1 work as that fed into the overall Plan viability process. Using the assessment in this way will aid the understanding of the building of the viability picture, approached in this way.
- 1.1.16 This is also reflective of matters drawn out through the Council’s Sustainability Appraisal process and addressed, whereby it has been necessary for the Council (using this and other evidence) to consider and settle upon policy priorities within an overall balance, having unavoidably needed to take a view on some areas of “trade-off” given the range of constraints and costs needing to be accommodated. This is especially relevant in the Plan area to the south of the South Downs National Park, where significant A27 mitigation measures come into effect in addition to all other development and policy costs. These factors have also been influential in the Council at this stage not pursuing some areas of policy going beyond national / Building regulations requirements, given the cumulative costs already needing to be met (without such further additions) owing to the local characteristics and in order to continue developing sustainably here.

1.1.17 As part of this context, through from the early phases of this Stage 2 (and continuing a key aspect of Stage 1) it is also worth noting that the consideration of viable levels of affordable housing (AH) provision alongside other requirements has remained a central theme. This is not only because certain elements of development mitigation and infrastructure provision are non-variable (without them development would not be possible) but also because the affordable housing is by far the most expensive policy element to support from development viability. Therefore, it provides the scope for trade-off and balancing with other competing policy objectives whereas typically adjustments to other expectations are insufficient to achieve this to an effective enough degree (in terms of their relative cost).

1.1.18 With the findings from each phase, as considered with the Council, outlined in Chapter 3 below, the main phases involved in the Local Plan viability process since beginning this latest work (Stage 2) have been as follows:

1. Stage 2 project commencement in summer 2021 with a full range of typology testing undertaken. The testing used a viability ‘surplus’ approach in order to help the Council identify the overall scope likely to be available to meet policy requirements. The appraisal testing used the residual valuation methodology which deducts the assumed development cost from the assumed revenue to produce a residual land value (RLV), as the amount indicatively available to purchase a site. Each RLV output was then compared against an assumed range of Benchmark Land Values (BLVs), based on a high-level assessment of existing use value (EUV) plus a premium to incentivise release of the site for development (where appropriate) – as per the PPG. This is consistent with the principles used throughout. As above, the initial approach involved a ‘base’ set of key development cost assumptions only (i.e. excluding policy costs). For each test, the BLV was then deducted from the resulting RLV, producing a surplus (or deficit) amount remaining to support emerging policy requirements over the base assumptions including planning obligation (A27, affordable housing, s.106 & 278 costs). The estimated costs (£) of various policies under review were set out on both a total per dwelling and per sq. m. basis, enabling the Council to compare these either individually or collectively against the amount of surplus identified by the outcomes for each typology. A first stage interim report was produced for the Council in December 2021 setting out early stage findings and options for review in the consideration of further information gathering and policy development.

2. Following our initial feedback in December 2021, subsequent further advice was provided in early January 2022 following which the Council shared a refined/updated list of emerging policies (including on affordable housing tenure – reflecting an increased proportion of social rent) and alongside key contextual points relating to site supply that indicated a more even split between PDL and greenfield site development. Further testing on A27 mitigation costs was also requested. This led to a further interim update with refined findings and policy development advice provided for discussion in March 2022.
3. Further iterative review work was undertaken as requested and on an ad hoc basis between March and July 2022 as CDC considered further potential changes to housing numbers, affordable housing tenure, approach to A27 mitigation costs and the interrelation between those areas, other policy costs and overall likely Plan viability. This was reflected in further updated information and advice on parameters for policy directions provided to the Council over this period.
4. During late autumn and winter 2022, the Infrastructure Delivery Plan (IDP) was updated with further clarity provided related to housing numbers and A27 mitigation costs to be tested as part of the final viability assessment phase, building upon the iterative work progressed as above. At this point and given the Local Plan timetable, it was necessary but also appropriate to run a full suite of updated viability modelling to reflect and re-test the policy positions reached through the prior process; and produce this final report to support the publication version of the Local Plan in early 2023.

1.1.19 This viability assessment has been produced in the context of and with regard to the NPPF, PPG (including crucially on ‘Viability’ but also consistent with other PPG sections such as on First Homes) as well as other Guidance² applicable to studies of this nature. After setting out the assessment context, purpose and general approach within this ‘Introduction’ section, the following report structure, on the study detail, is presented over 2 main sections as included below (brief outline here):

² Including now the latest RICS Guidance Note ‘Assessing viability in planning under the National Planning Policy Framework 2019 for England’ (March 2021 effective 1st July 2021); ‘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)

- **Methodology** – approach to the study, residual valuation methodology, assumptions basis and discussion.
- **Findings Review** – overall results review based on the findings from the typologies and site specific assessment work. Focussing on the available strength of viability in the Local Plan area in relation to supporting affordable housing (AH) proportions (%s) as far as possible bearing in mind affordable housing need; and when considered cumulatively alongside local and national emerging policies, including in areas such as climate change response (sustainable development / carbon reduction) and all other areas considered likely to have a direct influence (through a cost impact) on the viability of developments in the Local Plan area.

1.1.20 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 proportionate test of a range of appropriate site typologies that reflect the potential nature mix of sites likely to come forward. The process should however include more specific consideration of any key proposals upon which the Plan relies overall for the delivery of its growth objectives – e.g. particular strategic sites and especially where there has not been more specific work underway already as schemes progress to or reach DM stage.

1.1.21 Equally, the Local Plan viability assessment does not require an appraisal of every likely policy but rather the emerging policies that are likely to have a direct quantifiable bearing on the overall development costs. In our experience this type of assessment involves a focus primarily on the viability prospects and potential policies associated with housing development. This is because the scope of CDC'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 confined. There is no equivalent to affordable housing policy having such a significant effect even by itself, or to the increased range of standards relevant to residential development. In this case, which is similar to others in our experience, the extent of emerging policy influence on the viability of wider development uses is limited, essentially, to the sustainable construction and development objectives of the emerging Plan.

1.1.22 As discussed briefly above, the overall assessment approach has applied sensitivity testing to explore the likely impacts of the potential policy costs - including on a range of

affordable housing requirements and A27 mitigation costs combined with allowances for meeting the requirements of other policies emerging through the Local Plan process (as well as those applicable at a national level). This covers areas such as carbon reduction measures, Biodiversity Net Gain (BNG), water usage efficiency and space standards.

- 1.1.23 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.
- 1.1.24 The point in time and prevailing economic and housing / property market conditions as schemes come forward can also greatly affect the circumstances around particular developments. It is necessary to consider also that the Local Plan will be delivered over a relatively long timeframe and most likely through varying economic cycles, meaning that taking only an immediate / short term view of assumptions and judgements is not appropriate in this context (whereas it will be more so in most DM stage – PPG ‘decision taking’ – situations). All in all, there are many variables involved. Such an assessment seeks to take a course through the consideration of these and how they come together in looking at the potential for developments to be viable - at this strategic level.

1.2 Chichester District - Profile

- 1.2.1 The emerging Chichester District Local Plan sets out the spatial characteristics of the Local Plan area. This report section provides an outline only, feeding into the consideration of the local characteristics that are influencing the emerging Plan direction and therefore the review of policies and their viability in the relevant local context. The Council’s wider evidence base provides an extensive range of information on the nature of the Local Plan area, and the related planning issues and opportunities.
- 1.2.2 Chichester District is the largest in West Sussex, covering over 800 km² stretching from the South Coast to the southern border of Waverley and East Hampshire in the north; and from Havant in the west to Arun and Horsham in the east. Around two thirds of the district lies within the South Downs National Park with an estimated population of 124,100 (2021 Census). The district also features the Chichester Harbour AONB. Nearly 80% of the district is in either the SDNP or designated as AONB, creating pressure for

development in the remaining areas and contributing to the overall high house prices in the district along with the attractive, high-quality living environment.

1.2.3 The Plan area which this assessment and the Council’s wider evidence addresses (i.e. the area outside of the National Park) is split into three distinct areas:

- The East-West Corridor, running across the width of the plan area, is varied in landscape with the inclusion of both larger settlements (including the city) and rural villages. It has the best transport connections and access to facilities in the plan area with the A27 and railway running throughout.
- The Manhood Peninsula, located in the south of the plan area, is rich in coastal landscapes with the majority of the area covered by environmental designations. It also includes some of the plan area’s larger settlements which rely heavily on limited road accessibility to the north towards Chichester city.
- The North of the Plan Area is primarily rural in character with diverse landscapes, rich cultural and heritage assets and a number of dispersed settlements, some of which are relatively isolated and served by narrow lanes with limited public transport.

Figure 1: Map of Chichester District



1.2.4 The cathedral city of Chichester is the area’s main settlement with four other significant settlements at East Wittering and Bracklesham, Selsey, Southbourne and Tangmere.

- 1.2.5 Amongst the range of strategic objectives of the Council the spatial development strategy identifies a focus on the majority of planned sustainable growth at Chichester City and within the east-west corridor. New residential and employment development is planned to be distributed in line with the settlement hierarchy, with a greater proportion of development in the larger and more sustainable settlements. Non-strategic provision of retail, community, employment, tourism and leisure is envisaged for settlement hubs of Selsey and East Wittering with service villages envisaged to support small scale housing development and local community facilities.
- 1.2.6 The Preferred Approach consultation on the Local Plan was based on meeting an objectively assessed housing need of 638 dwellings per annum (dpa) plus an allowance for unmet need arising from the Chichester District part of the South Downs National Park. However identified constraints (including the capacity of the A27) led the Council to plan for a housing requirement of 535 dpa in the southern plan area and 40 dpa in the northern plan area. The table within Policy H1 of the emerging Local Plan summarises the position. The spatial distribution of housing suggests around 8,712 dwellings within the east-west corridor; 963 dwellings in the Manhood Peninsula and 679 dwellings to the north of the plan area with total planned provision of 10,354 dwellings to 2039 comprising 712 completions, 5,674 known commitments, 3,051 without planning permission, 260 dwellings to meet non-strategic Parish requirements and a small site windfall allowance of 657.

1.3 National Policy & Guidance

- 1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF)³ which says on *'Preparing and reviewing plans'* at para 31: *'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'*
- 1.3.2 NPPF para 34 on *'Development contributions'* states: *'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as*

³At the time of writing further changes to the NPPF were being proposed by Government.

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 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 Planning Practice Guidance on Viability states:

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

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

- 1.3.4 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 NPPF expectation is that the applicant will need to demonstrate what has changed since the Local Plan was adopted.

- 1.3.5 However, the PPG (paragraph 010) is clear in stating that: *'In plan making and decision making viability helps to strike a balance between the aspirations of developers and*

landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission’.

- 1.3.6 The Council adopted a CIL Charging Schedule which came into effect on 1 February 2016 and identifies differential charging rates for residential development in the southern plan area at £120/m² and the remaining areas of the Local Plan area at £200/m². The Charging Schedule includes the following rates (base rate and current indexed rates are shown):

Figure 2: Chichester District Council CIL Charging Rates

Use of Development	Charging Schedule Levy (£/m ²)	Indexed amount for permissions granted 1 Jan 2023 – 31 December 2023 (£m ²)
Residential – South of the National Park	£120	£157.20
Residential - North of the National Park	£200	£261.99
Retail (wholly or mainly convenience)	£125	£163.75
Retail (wholly or mainly comparison)	£20	£26.20
Purpose Built Student Housing	£30	£39.30

Source: <https://www.chichester.gov.uk/cilprocessformspayments>

- 1.3.7 The Council’s Planning Obligations and Affordable Housing Supplementary Planning Document (SPD) sets out the approach for securing contributions and requiring obligations from development, alongside the CIL.
- 1.3.8 Initially, as well as testing the viability of the emerging policies, the Council wished to ascertain whether its adopted CIL Charging Schedule is likely to continue to be suitable, i.e. with charges at a level that will apply to relevant development types and locations, and ensure the ability of developments to come forward viably with the policy burdens and other obligations proposed for inclusion in the emerging Local Plan. Earlier Stage 1 work considered CIL and whether there was a need or scope to alter the existing charging schedule (as indexed). Overall it was recommended that the CIL charges remain broadly appropriate. Accordingly, the applicable charging rates have been included as cost assumptions with the viability testing across this Stage 2 assessment, although with any scope for review of these currently deferred pending the establishment of the Local Plan approach as well as the Government’s review of CIL being clarified.

- 1.3.9 With the study set up in this way, the Local Plan policies and approach settled and once further guidance at a national level on the future of CIL (or any similar levy) becomes available, the viability information provided can be used and updated to supplement any CIL adjustments necessary – for the Council’s further consideration if or as may be appropriate in due course. In the meantime and in order to focus on the Local Plan, this reporting will not go into the additional detail that would be appropriate to also support either a review of the CIL Charging Schedule or the introduction of any new form of infrastructure levy.
- 1.3.10 Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies fully (based on assumptions relevant to testing allied to the Local Plan). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value).
- 1.3.11 The consideration of the collective planning obligations (including affordable housing, A27 contributions, other requirements and CIL, together with any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to ‘striking a balance’.
- 1.3.12 In most cases, where adopted, CIL replaces or largely replaces s.106 as the mechanism for securing developer contributions towards infrastructure. This is understood to be the case in Chichester District Local Plan area although the assessment seeks to reflect development mitigation / obligations that may be required in addition to the CIL in order to make developments acceptable. Strategic scale development is a notable example of where this is likely to be the case. As with the typology assumptions, with the CIL in place this is allowed for in our review work on the strategic sites testing alongside any currently available estimated of specific planning infrastructure works / contributions (as set out within the latest IDP). The 2019 updated CIL Regulations and PPG reflect the greater flexibility that authorities now have to use funds from both section 106 planning obligations and the Levy to pay for the same items of infrastructure, regardless of how many planning obligations have already contributed towards an item of infrastructure (the previous s.106 ‘pooling restrictions’ have been removed).

- 1.3.13 The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion and experience the preparation of this study meets the requirements of all appropriate Guidance.
- 1.3.14 In addition, further relevant information is contained in the publication ‘Viability Testing Local Plans – Advice for planning practitioners’ published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the ‘Harman’ report⁴). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides some still useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.
- 1.3.15 Planning and in particular national policy are constantly evolving processes, particularly at the current time. A viability assessment such as this is carried out at a point in time based on knowledge of the system and policies in place at that time or taking into account likely changes to policy moving forward (through sensitivity testing). It needs to be acknowledged however that no study can cover every future eventuality and without re-starting projects at great cost. It therefore needs to be accepted that there may be cases where an update to an assessment such as this may be required as the Plan moves forward to Examination.
- 1.3.16 During the course of carrying out this assessment (viability review work undertaken and related latest dialogue with the Council between spring 2021 and winter 2022) the Government has both consulted on and more generally considered potential short term and longer-term reforms to the planning system in England and Wales. The White Paper: Planning for the Future consultation (August 2020) sought views on wholesale reforms to the planning system which in some respects would make it almost unrecognisable from the system under which this assessment and the Local Plan are being produced. A second consultation – ‘Changes to the current planning system’ looked at shorter term objectives including the introduction of a First Homes policy⁵ and temporary increase in the national affordable housing threshold⁶. The Government’s response to its

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

⁵ Policy that requires a minimum of 25% of affordable housing to be First Homes for sale at a minimum discount of 30% of market value.

⁶ The government consulted on whether to increase the current affordable housing threshold (where affordable housing may be sought from developments of 10 dwellings or more) to 40 or 50 dwellings for a temporary period.

consultation⁷ concluded that: *‘On balance, we do not consider this measure to be necessary at this stage, particularly in light of the broader way in which the sector has responded to the challenges of the pandemic and the other measures we have available to support SMEs. We therefore do not think any change to existing policy is currently needed’*. The later topic appears to have been revisited recently by government to an uncertain extent, but so far there has been no move to raise the affordable housing policy general threshold from the 10 or more dwellings (reflecting ‘major’ development) level.

- 1.3.17 The longer-term major reforms proposed in the White Paper look likely to have a significant impact on the setting of planning policy and the way in which policy and wider plan development (meaning including the preparation of a CIL in this context) is considered, running also into the operation of policies. The Government’s proposals include potentially a wholesale reform of CIL with potentially an Infrastructure Levy being set across the Country for all Local Authorities.
- 1.3.18 During 2022 the Department for Levelling Up, Housing and Communities (DLUHC) introduced planning reforms, ushered in via the Queen’s Speech and set out in the Levelling Up and Regeneration Bill (May 2022). Further, yet more planning reform proposals were put forward through the Chancellor’s September 2022 “mini-budget” that lead to speculation of further revisions to this new Bill; or scrapping it altogether. Latest developments have led to the Government consulting on “Levelling-up and Regeneration Bill: reforms to national planning policy” in December 2022 with the consultation running until 2 March 2023.
- 1.3.19 There is therefore significant uncertainty about when we will know more and what any new arrangements might be. Given these wide-ranging, proposed planning reforms are not yet confirmed, we are unable to comment at this stage on what the impact may be on the viability assessment or indeed on the Local Plan or future infrastructure levy. The proposed wider reforms may not ultimately take the form envisaged and there could be a considerable amount of time taken before any changes enter the planning system.
- 1.3.20 However, in respect of First Homes, by Written Ministerial Statement 24th May 2021 the Government confirmed the introduction of a requirement for these to be delivered via

⁷ <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system/outcome/government-response-to-the-first-homes-proposals-in-changes-to-the-current-planning-system> (April 2021)

section 106 of the Town and Country Planning Act 1990 (s.106). Therefore, while the potential influence of this new AH tenure pre-dated our earlier Preferred Approach Local Plan viability assessment (to spring 2021) for this current study we have assumed the inclusion of First Homes throughout our testing. So, the subsequent review stage to winter 2022 reflects the inclusion of First Homes in reaching all latest viability results and recommendations.

- 1.3.21 According to the Act and supporting guidance ('First Homes' is now a section of the PPG – added 24th May 2021) a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes with a minimum discount of 30% of market value (MV). Increased levels of discount can be considered (at 40% or 50% of MV) subject to demonstrating appropriate need – although we understand the discount selection to be an area wide matter aside from the potential for Neighbourhood Plan areas to look at this more specifically. After discount, the First Homes must be available on the basis of not exceeding a price cap of £250,000 (cap figure outside London).
- 1.3.22 In addition to the above, during 2019 the Government consulted on and sought views on plans for a Future Homes Standard (FHS) for new homes from 2025, and proposed options for an interim increase to the energy efficiency requirements for new homes ahead of that. The consultation proposed that from 2025, new homes built to the Future Homes Standard will have carbon dioxide (CO₂) emissions at least 75% lower than those built to pre-FHS interim standards (standards applicable prior to the Building Regulations update this year).
- 1.3.23 Introducing the Future Homes Standard will ensure that the homes needed will be fit for the future, better for the environment and affordable for consumers to heat, with very high building fabric standards and low carbon heating.
- 1.3.24 The government's current approach is such that all homes will be 'zero carbon ready', becoming zero carbon homes over time as the electricity grid decarbonises, without the need for further costly retrofitting work.
- 1.3.25 The interim standard is such that carbon reduction of 31% over prior levels is required and this is now reflected through changes to the Building Regulations (Part L) that have become effective from 15th June 2022. In turn this reflects the direction of travel towards

zero carbon, at this stage leading next to the wider implementation of the FHS from 2025 whereby it is expected that a reduction in CO₂ of 75% from pre-June 2022 standards will be achieved, as above.

- 1.3.26 Chichester District Council's particular aims and direction of travel on this aspect – sustainable construction and development – seeks to follow the Government's timeline). Further information on the assumptions used in this study is provided in Chapter 2 and within the appendices to this report.

2. Methodology & assumptions

2.1 General approach

- 2.1.1 The assessment as described in this report has involved a phased approach to informing and subsequently supporting the policies of the Chichester District Local Plan and all conducted based on dialogue with the Council – with information feeding into and out of the study. To recap, this has been carried out over a two stage report process with, in all, multiple review stages involved in developing the council Policy as noted above. Stage 2 concentrates predominantly on residential development, with viability associated with non-residential development forming part of the earlier work (Stage 1). The Stage 1 assessment work on non-residential / commercial development types is still considered relevant in the circumstances experienced since that relatively recent review; at a strategic level appropriate to the Local Plan.
- 2.1.2 Initial findings for this Stage 2 project were provided to CDC during 2021-22 based on what was known of the Local Plan direction and wider (national) policy influences at the time. This very latest work (brought together winter 2022) reflects latest information available to this point.
- 2.1.3 For each appraisals stage, prior to fixing assumptions, necessarily at a point in time, and as outlined in the following sections we have undertaken an extensive information review. This has included property market research, with stakeholder consultation also undertaken as part of our earlier assessment work. As a part of this, a review of the potential policy proposals has 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. Those typical costs being, for example, build costs utilising the costs information from established sources such as the Building Cost Information Service (BCIS), associated fees and contingencies, finance, sale costs, development profit and land costs. At the rear of Appendix I we include our ‘Policy Analysis’ overview, which considers the likely level of influence of various policy positions and therefore their relevance directly (or otherwise) to the viability assessment assumptions. The assessment focus is on the policies which will contribute to impacting

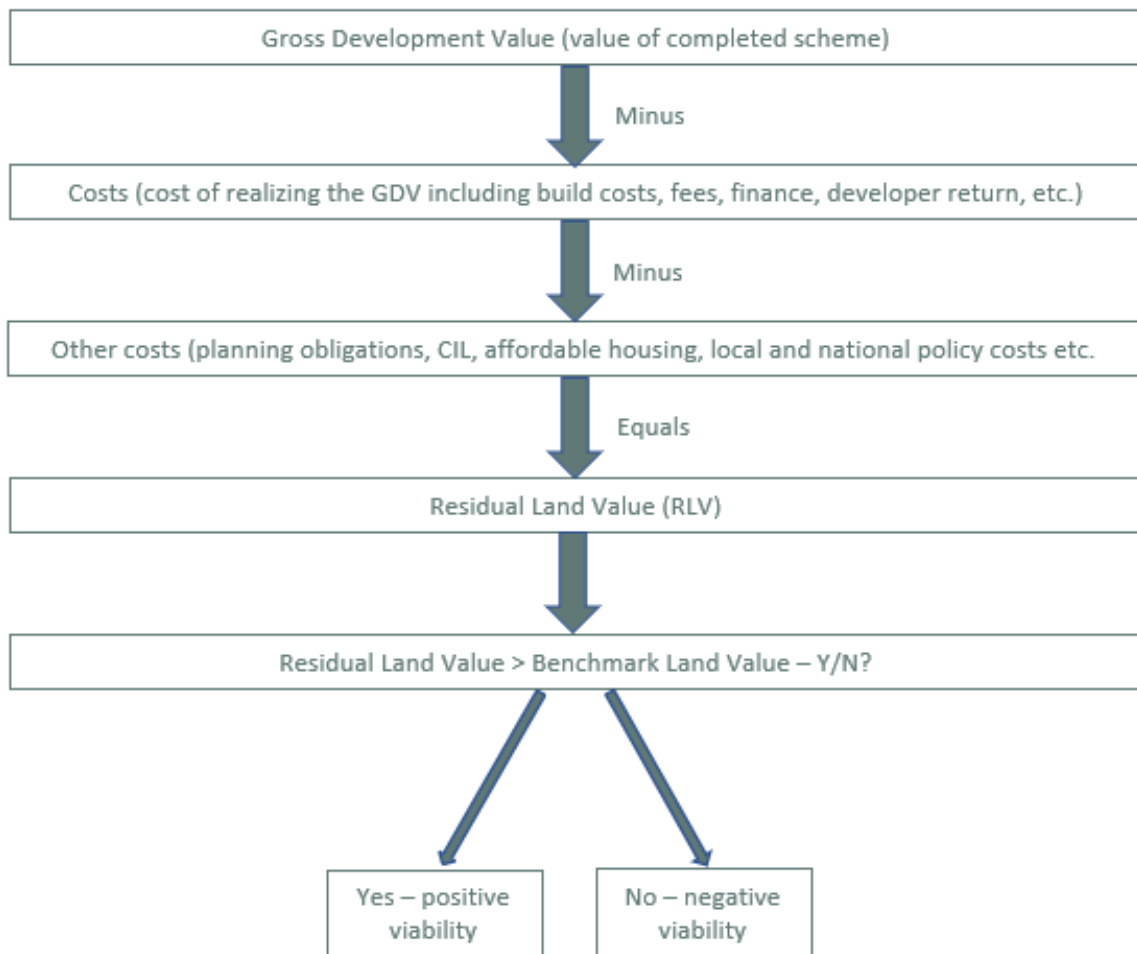
the viability of developments as part of the cumulative costs involved in completing schemes under the scope of the Local Plan.

2.1.4 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, reflecting the levels of CIL in the Local Plan area and an early review of the viability prospects for strategic scale development that is key to the delivery of the Local Plan housing numbers as a whole.

2.2 Residual valuation principles

2.2.1. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability (but also used for site-specific viability assessments) is residual valuation. This is also consistent with the relevant guidance described above. Figure 3 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 findings at all stages.

Figure 3: Simplified residual land valuation principles



(DSP 2022)

- 2.2.2. Having allowed for the costs of acquisition, development, finance, profit and sale, the appraisal results show the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).
- 2.2.3. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a ‘willing landowner’ and ‘willing developer’. The emphasis has moved away from a market value based approach to land as 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+'].

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

2.2.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage / site-specific viability reviews but that it is *'up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage'*⁸. An indication of the types of circumstances where viability could be assessed in decision making is also included in the PPG. These include: *'for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force'*⁹. There is the potential for the development of some site typologies or sites identified by the Council to need to overcome abnormal issues and support added costs. The national approach recognises

⁸ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 006 Reference ID: 10-006-20190509
Revision date: 09 05 2019)

⁹ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 007 Reference ID: 10-006-20190509
Revision date: 09 05 2019)

that within this picture and / or at certain stages in the economic cycles 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.

2.2.6. The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I (Assumptions overview) and IV (research – market / values information review).

2.3 Stakeholder Consultation

2.3.1 The national policy and guidance reflects the need for and value of stakeholder engagement. Consistent with our established practice for strategic viability assessments, DSP sought soundings as far as were available from a range of development industry stakeholders as assumptions were considered in earlier stages of this overall assessment. This offered an engagement opportunity to a wide range of locally active organisations and interests, with a view to gathering feedback on our emerging study approach and inputs - to help inform the assessment.

2.3.2 This engagement process was conducted by way of three survey type pro-formas seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with key participants as appropriate. The approach set out our initial draft assumptions and testing ideas, with the opportunity provided for the stakeholders to then comment on those emerging positions or suggest alternative assumptions with reasoning. Generally, the approach involved inviting pointers or examples from local experience. These were issued as follows: -

- **Development Industry** – range of active or potentially active stakeholders in the Local Plan area with organisations and contact points as informed by the Council, including local property agents, developers, housebuilders, planning agents and others.
- **Key Site Promoters/Agents** – in relation to the SSAs, site promoters or their representatives were contacted as well as the wider development industry exercise, with a bespoke site-based pro-forma document requesting more specific information

as far as available at the time including relating to any initial estimates of infrastructure requirements, land use, ownership and any value indications, early development costs and values assumptions, site abnormalities and any indicative potential phasing/delivery indications, etc.

- **AH Providers** – range of locally active affordable housing providers again as informed by the Council and its housing enabling work. Whilst also invited to comment more generally, these organisations were issued with a narrower pro-forma requesting information more specifically related to the consideration of the AH revenue levels that might be expected by developers on constructing and transferring affordable homes to the RPs, and related assumptions.

2.3.3 As part of this process, a full record of all stakeholder interaction is kept, 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 report. However, this has all contributed to the overall information review, further informing both the consideration of the assumptions range, and the review of and judgments made around the results in the earlier and subsequent 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 supplemented through the relevant stakeholder sourced feedback as far as available at the time.

2.4 Scheme development scenarios (residential typologies)

2.4.1 The scenarios (typologies) modelled as part of our Stage 1 assessment reflected the variety of different types of development that are likely to be brought forward through the planning process across the plan area. They comprised a mix of residential, commercial/non-residential sites and (where relevant) mixed-uses. Through the Stage 1 work, this informed the development of local plan policy and provided guidance on the current levels CIL relative to the viability scope seen. This has enabled 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 alongside the indexed CIL that is in place for the time being. All with the key aim of operating an appropriate balance between policy

requirements (including provision of affordable housing and the desirability of funding infrastructure) and the objective of developments being able to continue to come forward viably on the basis of both the community needs and the commercial drivers being met as far as possible in the available circumstances.

- 2.4.2 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 have considered with CDC the broad nature of the housing supply expected to come forward over the emerging plan period – up to 2039.
- 2.4.3 A full range of housing development typologies have been tested over a range of value levels (VLs) representing varying residential sales values considered appropriate at the time of review across the Local Plan area by scheme location / type. As well as looking at the influence of location within the Local Plan area, this sensitivity testing approach allowed us to consider the potential impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) as well as how this key assumption may vary by location, development type and scale.
- 2.4.4 A summary of the Stage 2 residential scheme typologies is shown at Figure 4 below, with the full detail set out in Appendix I.

Figure 4: Stage 1 – Full Residential site typologies range – summary

Scheme Size Appraised	Type	Site type	Applicable Area Based Testing
6	Houses	PDL	South & North
		Greenfield	
10	Houses	PDL	South & North
		Greenfield	
10	Flats	PDL	South & North
25	Houses	PDL	South & North
		Greenfield	
30	Flats (Sheltered)	PDL	South & North
50	Mixed	Greenfield	South & North
50	Flats	PDL	South Only
60	Flats (Extra Care)	PDL	South & North
100	Mixed	PDL	South Only
		Greenfield	
200	Mixed	Greenfield	South & North

(DSP 2022)

- 2.4.5 In addition to the use of the site typologies approach, this assessment considers the viability of a set of specific site allocations and strategic scale sites that have been requested by CDC to be appraised at a high level utilising latest cost and values assumptions (including reflecting the latest policy proposals, IDP and potential associated costs).
- 2.4.6 A summary of the site allocations and strategic sites scenarios tested is shown in Figure 5 below, again with full details set out in Appendix I.

Figure 5: Strategic Site Allocations (SSAs) Tested – Summary

Local Plan Allocation	Greenfield / PDL	Indicative Site Area (Gross – Ha)	Residential Capacity (Dwellings)
A6: Land West of Chichester	Greenfield	Unspecified – assume 63.5ha	850
A4-A5: Southern Gateway	PDL	2.65	180
Employment allocation (Bognor Road)*	Greenfield	19.5	Nil
A11 – Highrove Farm	Greenfield	13	300
A13 Southbourne Parish	Greenfield	Unspecified – assume 60ha	1,050**
A8 – Land East of Chichester	Greenfield	39	680
A14 – Land West of Tangmere	Greenfield	73	1,300***
A10 – Maudlin Farm	Greenfield	13.4	270

*Not tested. Insufficient information at point of running study

** broad location for development and therefore individual sites / capacities unknown. High level typology testing undertaken including IDP costs from latest IDP.

***Not tested. Subject to viability assessment as part of application stage. DSP high level review of existing evidence

(DSP 2022)

2.4.7 The strategic site testing has been based on information provided to DSP by the Council via a schedule indicating the gross site areas (where known), expected number of dwellings, other uses (including specialist housing) and infrastructure requirements (including relating to open space, education, highways, health, sports and community facilities, parking and other requirements). Details are set out in Appendix I.

2.4.8 As part of considering the site typologies and strategic sites and seeking to make these as representative as 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 6 below and Appendix I. These dwelling mix principles are based on information provided

to DSP by CDC based on emerging evidence supporting the Local Plan and as set out in Policy H5.

Figure 6: Dwelling mix assumptions¹⁰

Property Type	Dwelling Mix (%)		
	Market Units	Affordable Units Affordable Rent	Affordable Units Affordable Home Ownership
1-bed flat	5-10%	35-40%	20-25%
2-bed flat	30-40%	35-40%	45-50%
2-bed house			
3-bed house	35-45%	15-20%	20-25%
4-bed house	15-20%	5-10%	5-10%

2.4.9 In all cases it should be noted that assumptions based on a “best fit” of both the market dwellings mix and affordable housing numbers/mix and tenure assumptions have to be made, given the effects of numbers rounding and also the limited scope that can be available to reflect all aspects of this; particularly in scheme typologies with small dwelling numbers or lower tested AH %. The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc. The affordable housing (AH) content assumed within each test scenario is set out in more detail below. As well as summarising the dwelling mix criteria that we have aimed to follow as far as possible, Appendix I also provides more information on the revenue levels associated with (assumed values of) varying AH tenure types.

2.4.10 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 7 below and based on the Nationally Described Space Standard (NDSS). This is proposed to be adopted by CDC under proposed policy P6. 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

¹⁰ Icen: Chichester HEDNA (April 2022)

and assumptions can be tested rather than every potential iteration. This approach is sufficient to generate a suitable overview, in accordance with guidance.

Figure 7: Residential dwelling sizes

Unit Sizes (sq. m.)*	Affordable	Market
1-bed flat	50	50
2-bed flat	61	61
2-bed house	79	79
3-bed house	93	93
4-bed house	106	130

Notes:

Older persons' housing – Retirement/sheltered dwellings assumed 1-beds @ 55 sq. m; 2-beds @ 75 sq. m

(DSP 2021 - 2022)

- 2.4.11 Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).
- 2.4.12 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.

2.4.13 We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.

2.4.14 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. or shown as £/m² or £/ft²).

2.5 Scheme revenue (gross development value / GDV) – Residential

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

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

2.5.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the Local Plan area – particularly noting the north/south split by the SDNP. This data was collected by both ward and settlement areas having regard to the settlement hierarchy set out in Policy S2 and analysed using both sold and asking prices for new-build and re-sale property, again viewed in the context of the north and south areas of the Local Plan area. We considered this to provide the most

appropriate and reflective framework for this data collection exercise, and the subsequent analysis to inform assumptions. This research 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 plan period. It must be acknowledged that the scope of the data available for review varies through time and by location. In some instances, data samples are small (e.g., relating to a particular period or geography) and this is not unusual. Consistent with the above principles and the need to overview the information for the study purpose, it is important that the available indications are reviewed collectively in setting the values assumptions.

- 2.5.3 Overall, this research indicated a variable values picture across the Local Plan area. This is a common finding whereby different values are often seen to vary within individual developments dependent on design, orientation etc., at opposing sides of roads, within settlements or localities and based on other variables – as well as variations between settlements and areas of course. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations that are considered relevant to influencing varying viability between wards/settlements or other geographical areas in a broader overview sense, including relating to the types and locations of development that are considered most relevant over the emerging plan period and the likely lifetime of any reviewed CIL charging schedule.
- 2.5.4 The inference of the two CIL charging zones within current charging schedule basis (and hence the purpose of the differential that was set out), is that viability is generally lower (which at least in part most likely suggests generally lower residential values) in the south of the Local Plan area compared with the north. This has been borne out by our research and findings as part of both this Stage 2 assessment and the earlier work undertaken to inform Stage 1.
- 2.5.5 On the basis of our updated research and using our tested assessment approach we have applied assumed property ‘Value Levels’ (VLs) to each typology from VL1 (lowest) to VL9 (highest). These VLs reflect an overall updated range between £3,500/m² to £5,500/m², representative of varying new-build sale prices likely to be seen by varying location in the Local Plan area. Overall, we consider the key new build property values – i.e., the most relevant range to housing delivery overall here – to be around the £4,250 - £4,750/m² in

the south of the Local Plan area (where a majority of planned development is to come forward. Higher values (in the range £4,500 - £5,500+/m²) are generally seen in the north of the Local Plan area and indeed could be regarded as a very different market area. Figure 8 below provides an indicative guide to the relevance of the range of VLs to locations in the plan area based on settlement areas.

Figure 8: Indicative relevance of VLs range by settlement area (£/sq. m value levels tested)

Settlement Area	Value Level Range
Birdham (S)	VL3 - VL7
Bosham & Broadbridge (S)	VL4 - VL9
Boxgrove (S)	VL4 - VL8
Camelsdale & Hammer (S)	VL6 - VL9
Chichester City (S)	VL4 - VL8
East Wittering & Bracklesham (S)	VL4 - VL8
Fishbourne (S)	VL3 - VL8
Hambrook & Nutbourne (S)	VL4 - VL8
Hunston (S)	VL2 - VL5
Kirdford (N)	VL4 - VL8
Loxwood (N)	VL4 - VL8
North Mundham & Runcton (S)	VL5 - VL7
Plaistow & Ifold (N)	VL7 - VL9
Selsey (S)	VL2 - VL6
Southbourne (S)	VL3 - VL7
Stockbridge (S)	VL3 - VL7
Tangmere (S)	VL3 - VL7
West Wittering (S)	VL6 - VL9
Westbourne (S)	VL3 - VL8
Westhampnett (S)	VL3 - VL8
Wisborough Green (N)	VL5 - VL9

VL1 £3,500/sq. m
VL2 £3,750/sq. m
VL3 £4,000/sq. m
VL4 £4,250/sq. m
VL5 £4,500/sq. m
VL6 £4,750/sq. m
VL7 £5,000/sq. m
VL8 £5,250/sq. m
VL9 £5,500/sq. m

(DSP 2022)

2.5.6 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to Chichester District Local Plan area. 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 Local Plan area.

- 2.5.7 However, with this a key variable and its relevance perhaps likely to increase with the market currently changing, to provide a wide range of sensitivity tests that reflect both recent / current values as well as provide as an ability to consider the potential effect of higher and lower values, we carried out our modelling across the full expanded range of values sensitivity tests; again, as shown in Appendix I.
- 2.5.8 The Stage 1 sensitivity testing on market prices was conducted across a range of 9 sales value levels (VLs) ranging from £3,250 to £5,500/m². For the Stage 2 testing the number of VLs remains at 9, but with the lower end of the range increased to reflect the latest information. VL tests extending beyond this range (to £7,000/ m²) have also be added in respect of the sheltered housing and extra care typologies and the premium values levels those more typically support as new builds, as shown within the relevant appended tables.
- 2.5.9 The values research refreshing for the Stage 2 assessment commenced in early 2021 and was further updated to winter 2022 as the project was finalised. Consistent with the approach to all our assessments, we use the latest practically available data from a range of sources leading up to the point of needing to settled assumptions before the appraisal running progresses (and the same applies to the build costs assumptions, as below).
- 2.5.10 This means that the research, using latest available data, reflects the post-Brexit and COVID-19 influenced residential market environment to the extent that has been understood over the assessment period. As has been reported more widely, values have risen significantly – overall, negative impacts were not experienced to nearly the extent anticipated by many market commentators. In fact, in terms of both activity levels and prices, the residential market showed a notable and unexpected level of resilience.
- 2.5.11 While the assessment period extended through 2021 and pending the further revisiting in the later part of 2022, the reportable position remained positive overall. We found that although build costs rose sharply too, broadly the buoyancy of the market and the growing prices it supported were sufficient to balance out or even outweighed the costs rises.

2.5.12 As we have noted already, however, upon finalising the assessment in the winter of 2022, we are experiencing different and rather more unstable property market conditions, and it will be necessary to see how this plays out as another set of potentially significant influences on the viability and wider progression of developments. Heightened economic uncertainty appears to be becoming the new norm, with a widely reported and developing cost of living crisis reflecting the high energy costs and inflation rates (at c. 10%), rising interest rates, changes in the leadership of government and resulting financial policy changes; and in general an environment that is resulting in much greater uncertainty as to what the next year and perhaps coming few years might hold.

2.5.13 However, as noted and as we will revisit, the Local Plan timeline runs to 2039 so that a long term strategic overview is needed, across which it is appropriate to make more typical assumptions reflecting potentially a middle line through various economic cycles. Although the viability of strategic scale development and other aspects may be areas to revisit as more specific information becomes available to inform testing, it will not be appropriate to assume only the downside inputs related to deteriorating or poor economic conditions and a tougher housing market for development.

2.6 Scheme revenue (gross development value) – Affordable Housing (AH) Revenue

2.6.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling.

2.6.2 The Council's existing approach (Policy 34 of the adopted Chichester Local Plan: Key Policies 2014-2029) requires the provision of affordable housing in accordance with the following:

'A 30% affordable housing contribution will to be sought as part of residential development where there is a net increase of dwellings.

On all sites of 11 dwellings or more, affordable dwellings should be provided on site. Commuted sums will only be accepted in exceptional circumstances. If it can be demonstrated that affordable housing may not be appropriate, development of affordable dwellings on another site may be considered. If this is not achievable, as a

last resort and in exceptional circumstances only, the Council will seek a financial contribution to enable provision of affordable homes elsewhere within the district;

On sites of 6 to 10 dwellings in areas designated as rural areas under section 157 (1) of the Housing Act 1985 the Council will seek a financial contribution for the provision of affordable dwellings as a commuted sum unless the developer makes onsite provision.'

2.6.3 A key part of the purpose of this assessment has been to ensure a robust and deliverable policy set and provide information the Council on an appropriate and viable level of affordable housing to seek from development through the emerging Local Plan. On this basis, we re-tested a range of affordable proportions against the residential development typologies, also reflecting the latest national policy position as set out in the NPPF and PPG; now including First Homes as 25% of the AH. It is also important to note that not every percentage iteration has been tested on every typology. From our results analysis, it is possible to see where the likely viability lies and also to consider positions between results sets. In summary the testing for this further study covered the following range:

- 1-5 dwellings: Tested at 0% affordable housing (reflecting sites beneath the proposed AH policy threshold)
- 6-9 dwellings: Tested at 20 - 40% AH equivalent reflecting sites within the scale proposed to attract AH contributions by way of financial contributions in lieu of on-site AH. Run reflecting DSP's update of the CDC calculation approach to these contributions (further information and findings provided below and in following chapter 3 – Findings).
- 10 or more dwellings: Tested with 20% - 40% AH on-site, covering overall a range of circumstances both south and north of the SDNP area and reflecting PDL (previously developed land i.e. brownfield) and greenfield (GF) sites.

2.6.4 As part of this Stage 2 assessment a number of tests were carried out (as described in Chapter 1) considering not only the overall proportion (%) of affordable housing considered to be viable but also the tenure mix alongside other policy costs including A27 mitigation. This testing lead to a final tenure mix assumption basis of 35% social rent (SR), 22% affordable rent (AR), 25% First Homes and 18% other intermediate tenures (in this case shared ownership was assumed). The NPPF (para. 65) also requires a minimum of

10% of homes to be provided as 'affordable home ownership' (AHO) products as part of the overall contribution from sites and this has been included within the overall dwelling mix assumptions as closely as possible. It should however be noted again that the target / base assumed AH tenure mix was accommodated as far as best fits the overall scheme mixes and AH proportion in each scenario.

- 2.6.5 The Stage 1 review of the approach to calculating and guide rates for AH financial contributions (see 2.6.2 / Figure 9 of the Stage 1 2021 report) has been carried through to Stage 2 and updated. This considered the likely effect of different levels of financial contribution against the viability of schemes providing affordable housing on site and proposed an updated approach considered to be as ready and simple as possible to further update in future whilst also being suitable for application across a wide range of circumstances.
- 2.6.6 Only where potentially applicable on larger sites, it was discussed with CDC that the suggested £ per dwelling contribution level could be applied pro rata to 'partial units' as well as to whole AH dwellings. However, we noted that CDC's policy basis is for financial contributions in lieu of whole dwellings to be avoided on sites providing more than 10 dwellings, other than in exceptional circumstances.
- 2.6.7 It was also recommended that in terms of futureproofing, the £/sq. m contribution rates and (only where exceptionally agreed) £/unit in-lieu AH sum on larger sites could be updated by reference to indices such as reflecting house price movements e.g., as per Land Registry statistics (House Price Index) using the Chichester District Local Plan area data.
- 2.6.8 As a finding of Stage 2 (and reflecting in the relevant final modelling) the background to and the suggested updated figures are provided within section 3.4 below (see 3.4.27).
- 2.6.9 The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (for AR or SR) or capitalised net rental stream and capital value of retained equity (shared ownership - SO). The starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes is that the AH is developer rather than part grant

funded. We have therefore made no allowance for grant or other public subsidy or equivalent.

- 2.6.10 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the ‘transfer payment’ or ‘payment to developer’. These revenue assumptions are based on our extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).
- 2.6.11 The assumed transfer values for the social and affordable rented units assumed for the study are shown in Appendix I.
- 2.6.12 In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider’s own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here. It follows that the transfer values assumed could therefore be a conservative estimate in some cases and in reality on some schemes an affordable housing provider (e.g. Registered Provider – housing association or similar) could include their own reserves and if so thus improve viability and/or affordability.
- 2.6.13 First Homes have been included as 25% of the overall affordable housing provision within each of the appraisals. The main principles for First Homes provision are as follows:
- Sales to be discounted by a minimum of 30%;
 - After the discount is applied the initial sale price of a First Homes must not exceed £250,000 (or £420,000 in Greater London);

- Initial sales of First Homes must contain a legal mechanism to ensure each future sale maintains the discount (as a percentage of current market value). However, a mortgagee enforcing their security against the property will be exempt from this requirement;
- The First Homes requirement is that a minimum of 25% of section 106 units should be delivered as First Homes. With regards to the allocation of the remaining 75% of units after the First Homes requirement has been met, national policy will be that:
 - The provision for Social Rent as already described in the development plan should be protected.
 - Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.
 - In situations where the local plan allocates more than 75% of contributions to Social Rent, the 25% First Homes requirement will remain.

2.6.14 There are exemptions to the requirement to provide affordable home ownership following the principles set out at paragraph 65 of the NPPF and these include:

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

2.6.15 Transitional arrangements were put in place based on the following criteria:

- Local or neighbourhood plans submitted for Examination before the implementation of the policy or that have reached publication stage before implementation and are subsequently submitted for Examination within 6 months of implementation will not be required to reflect the First Homes requirements;

- The requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) within 6 months of implementation of the policy (or 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if the developer wishes to do so;
- The above arrangements will also apply to entry-level exception sites

2.7 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.

2.7.2 Each cost assumption is informed by data and supporting evidence from such sources as follows in accordance with relevant sections of the PPG:

- 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 or unduly pull down the view of the available scope to support important policies on sustainable development. Where issues are known as likely to impact development viability and early costs estimates are available or can be devised, these are applied to the specific site allocation tests, however. Contingency allowances have however been made for all appraisals. This is another factor that should be kept in

mind in setting policy and potentially review of the CIL charging rates, ensuring the latter 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 shown below is taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be ‘*appropriate data*’¹¹ and rebased using a Chichester District location factor. The costs assumed for each development type (e.g. houses, flats, mixed as well as non-residential etc.) are as provided in Appendix I – and summarised below – Figure 10.

Figure 9: Base build cost data – typologies assessments

Development type (BCIS Median unless stated)	Rate/m ²
Build cost - Mixed Developments (generally - houses/flats)	£1,446/m ²
Build cost - Mixed Developments (generally - houses/flats) – Lower Quartile	£1,320/m ²
Build cost - Houses only (generally)	£1,413/m ²
Build cost - Flats only (generally)	£1,597/m ²
Build cost - Supported Housing (generally)	£1,700/m ²
Build cost - Ground floor commercial (assume retail - shops - Shell only)	£1,066/m ²

(DSP 2022 sourced from BCIS)

2.8.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (all added separately). Across the assessment an allowance for plot and site works has been allowed for on a variable basis depending on scheme type (typically between 10% and 15% of base build cost). These are based on a range of information sources and

¹¹ <https://www.gov.uk/guidance/viability> (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018)

cost models and generally not pitched at minimum levels so as to ensure sufficient allowance for the potentially variable nature of these works. Specifically, site works and infrastructure costs of £500,000/ha have been assumed for the range of site typologies tested. Specific cost allowances have been made in relation to site specific testing. See Appendix I.

- 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 typically of between 5%-10% build cost has also been added to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates).
- 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 of the Local Plan as base build cost levels typically vary over time. However, further sensitivity tests have been run and included where considered most relevant – information included at Appendices IIIa (further sensitivity data) and IIIb (sample Stage 2 appraisal summaries for the SSAs – generated by the Argus Developer appraisal software using the standard format). This additional information is included so as to allow the sensitivity of the various scenario test outcomes to build costs variation to be viewed as well, alongside the stated combination of other variables

viewed – i.e. the VL applied, AH% level tested or assumed profit level. All as set out in the assumptions and results indications – Appendices I and IV.

2.8.7 Appendix IV includes some information on build cost trends / forecasts, as viewed currently.

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 are as follows (see Figure 10 below). Appendix I provides the full detail.

Figure 10: Development costs – Fees, Finance & Profit

Residential Development Costs – Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	8 - 10% of build cost
Site Acquisition Fees	1.5% Agent’s fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and represents costs including ancillary fees) – Local Plan overview assumption rate.
Marketing Costs	3% of GDV sales agent & marketing fees
	£750/unit legal fees
Developer Profit	Open Market Housing – based on range described in PPG of 15% - 20% of GDV (base 17.5% assumed within testing for Local Plan overview; sensitivity tested at 20% reflecting potential higher risk). 15% on non-residential.
	Affordable Housing – 6% GDV (AH revenue on SR, AR & SO; 12% GDV on First Homes)

(DSP 2022-2023)

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. Sales periods are off-set accordingly (i.e. running beyond the construction period) – see Appendix I for detail.

2.11 Key policy areas tested – Summary

2.11.1 A number of the Council’s proposed policies have an impact on development viability, both directly and indirectly. Some do not add or add significantly to the typical costs of development or costs that, at the time of rounding up this appraisal in winter 2022, are now resulting from national level policy.

2.11.2 As discussed previously, a key purpose of this process was to test whether and to what degree those policies could be absorbed by development whilst enabling it to come forward viably (and therefore supporting the viability of the Plan overall).

2.11.3 The policy references in this section are to the latest (final) draft of the Local Plan shared with DSP during the last stage of this assessment – most recent updating (and as subsequently rechecked January 2023). These latest policy numbers are also included in the above mentioned ‘Policy Analysis’ schedule included in Appendix I. The direct impacts are from policies which ultimately result in a specific fixed cost assumption within the appraisal modelling. Those key elements not already discussed above - e.g. dwelling mix (H5), affordable housing (tested to consider the H4 scope), etc. are considered below.

- **Nationally Described Space Standard (NDSS)**

(Policy P6 - Amenity) – Requirement for all housing regardless of tenure to be designed to comply with dwelling sizes to meet as a minimum the NDSS (source: Technical Housing Standards - former DCLG, 2015 or any subsequent standards). The dwelling size assumptions used in the viability testing (across both stages) are set out earlier in this report and in Appendix I, consistent with the NDSS ranges.

- **Open space requirements**

(Policy P15) – Requirement for residential development to provide and improve open space, sports and recreation facilities. For the purposes of this assessment open space allowances (reflecting both land take and maintenance cost contributions) have been included within the appraisal modelling in accordance with proposed P15. Appendix I provides the details.

- **Water efficiency & Water neutrality**

(Policy NE16 & NE17) – A base assumption of 110 lpppd (water usage not exceeding 110 litres per person, per day) has been used in all appraisals with the additional cost considered de minimis. In the north of the Plan area Policy NE 17 requires water usage not exceeding 85lpppd and off-setting measure for which an allowance has been made in all appraisals in the north of the Plan area. Again, Appendix I provides details.

- **Carbon reduction**

Targets for CO₂ emissions, fabric energy efficiency, primary energy rates and building emission rates for new and existing buildings are set through the Building Regulations, which require that new buildings are “nearly zero energy” (Regulation 25B). A new Approved Document Part L published on 15th December 2021 came into effect on 15th June 2022. Approved Document Part L supports Part L of Schedule 1 to the Building Regulations 2010 by providing guidance and requirements relating to the conservation of fuel and power in buildings, and onsite generation of electricity. Part L is in two parts - Volume 1 relates to new dwellings, and extensions to and work on existing dwellings and Volume 2 relates to other buildings. The recent changes to Approved Document Part L form part of the government’s move toward net zero carbon, including through the proposed Future Homes Standard and Future Buildings Standard which will see a phased reduction in energy use. The new Part L represents approximately a 31% reduction in energy use in dwellings compared to the previous Part L (2016 amendments), and 27% in non-residential buildings. This is an interim step prior to the full Future Homes and Future Building Standard which are due to be implemented in 2025, with consultation during 2023.

Earlier stages of this assessment considered the costs of achieving various carbon reduction measures from development beyond those set out by the Building Regulations. As with much of this study, the iterative approach taken to testing the viability of policies

has led to a final position whereby the Council is not currently intending to require development to achieve operational emissions standards over and above those required by Building Regulations which in turn will lead to adherence with the Government's proposed Future Homes and Future Buildings Standards. This is predominantly due to the viability implications of other mitigation and competing development funding requirements when considered cumulatively - including the A27 mitigation, nutrient neutrality, water neutrality and affordable housing.

There are a number of published sources of information relating to the costs of achieving various carbon reduction measures with varying degree of detail and cost outputs. We have assumed cost uplifts from base build costs as set out in Appendix I for achieving compliance with the proposed Future Homes Standard for residential dwellings. This has led to an additional cost allowance made at +3.5% on base build costs.

- **Electric vehicle charging points**

EV charging infrastructure must be designed into all new residential and commercial developments as part of the overall provision of parking facilities in accordance with the Building Regulations 2010 Infrastructure for the charging of electric vehicles: Approved Document S 2021 edition and any subsequent guidance and codes of practice for electric vehicle charging.

An allowance of between £865 / £1,961 per dwelling (houses and flats respectively) has been assumed within this study representing the typical costs of complying with policy on new sites building in the policy from the design process onwards. This is based on the Department for Transport Residential Charging Infrastructure Provision Impact Assessment (September 2021).

- **Biodiversity Net Gain (BNG)**

(Policy NE5) – Requirement to deliver minimum 10% net gain for biodiversity either on-site or via off-site contribution. For the purposes of this assessment we have assumed the central scenario as set out in the Impact Assessment¹² associated with the Government consultation on BNG – 2021 assessment work with an uplift to the cost of

¹² DEFRA: Biodiversity net gain and local nature recovery strategies Impact Assessment (October 2019)

achieving biodiversity units to £20,000 per unit (from £11,000 per BNG unit assumed within the Impact Assessment). Appendix I provides more detail.

- **Self and custom-build**

(Policy H6) – New sites over 200 units which are allocated in the Local Plan will be required to provide self and custom build serviced plots as set out in the relevant site-specific allocation policies. In all other instances 2% of market units provided on strategic scale housing sites should be self/custom build. From DSP’s experience of this type of development, we consider the provision of plots (serviced and ready for development) for self or custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on the viability of a scheme in general. Broadly, we would expect this activity 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. In our view there may be the potential for practical challenges to be involved in integrating plots within general market housing schemes if applied in a rigid way. In practice, many self-builders will look to satisfy their own specific aims through the market – finding either an individual plot, re-build opportunity or similar.

- **Accessible homes**

Proposed policy (H10 - Accessible and Adaptable Homes) requires development to deliver adaptable and accessible dwellings, supporting delivery of more accessible long-term housing options. On all residential development sites:

- a. 5% of affordable housing must meet wheelchair accessibility standards M4(3)((2)(b)) where there is an identified need on the Housing Register.
- b. all remaining dwellings must meet accessibility and adaptability standards M4(2)

The cost of achieving the M4(3)(b) and M4(2) standards are set out in Appendix I and in turn based on details set out within the Government’s consultation on raising the accessibility standards of new homes¹³

¹³ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/raising-accessibility-standards-for-new-homes-html-version#raising-accessibility-standards-of-new-homes>

- **Specialist accommodation**

(Policy H8) All housing sites over 200 units, including those allocated in this plan, will be required to provide specialist accommodation for older people to include a support or care component. The specific type and amount of accommodation required will depend on the size and location of the site.

Site specific testing has been carried out on the site allocations within the proposed Plan. Where directed by the Council, specialist forms of accommodation have been included within the development appraisals. Details are set out in Appendix I.

- **Chichester, Langstone & Pagham Harbour SPA Mitigation**

(Policy NE7) - Chichester, Langstone and Pagham Harbours are designated Special Protection Areas (SPAs) and Ramsar sites (designated wetlands of international importance). Any new development within a 5.6km 'Zone of Influence' (Chichester and Langstone) or 3.5km (in the case of Pagham Harbour) must not adversely affect the integrity of the SPA and appropriate avoidance/mitigation measures must be taken.

Financial contributions towards mitigation measures will be required. Representing the cost of mitigation measures at the LP assessment level, the assumptions include as a base cost within our appraisal modelling (all test scenarios) £652/dwelling as set out by the Council at the time of assessing assumptions, based on the latest Solent Recreation Mitigation Interim Statement (Updated February 2022). This applies to the south of the Plan area only. We understand that the mitigation costs will be higher for Pagham zone of influence affected sites, but nominally so in terms of the extra and when looking at the overall costs and viability scenario being considered.

- **Nutrient neutrality**

(Policy NE19) Development involving an overnight stay (including in dwellings and all forms of holiday accommodation) that discharges into Chichester and Langstone Harbour SPA/ Ramsar (either surface water, non mains drainage development or through wastewater treatment works) will be required to demonstrate that it will be nutrient neutral for the lifetime of the development, either by its own means or by means of agreed mitigation measures. Through discussion with CDC, we understand that the nutrient neutrality policy affects the south of the Plan area only. A cost allowance of £2,000 per dwelling has been assumed for the purposes of this study.

- **Meeting Gypsy, Travellers & Travelling Showpeoples' Needs**

(Policy H11) Allowance for cost of provision for pitches included within site specific site allocation testing where indicated necessary by CDC.

2.12 Community Infrastructure Levy (CIL) & s.106

2.12.1 As discussed earlier in this report, CDC currently has a CIL in place as implemented in 2016 with the charging rates indexed to current levels; applied here alongside other planning obligations and policy costs.

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

2.12.3 Allied to the above, with the removal of the pooling restrictions on the use of s.106 agreements since September 2019 it will also be important for the Council to keep in mind the greater flexibility of s.106 (as appropriate) balanced with CIL. This approach will help to ensure that it maximises the level of funding for essential infrastructure across the Local Plan area, as far as is appropriate.

2.12.4 For the purposes of this assessment, we have assumed an additional £1,000 - £3,000 per dwelling contingency (on all dwellings, including affordable) to cover any site-specific s.106 requirements. For the strategic site testing, specific assumptions have been made with regard to site infrastructure and s106 costs based on information provided within the Council's latest IDP. These have been made alongside the relevant CIL costs, with that charge in place until such time as the Charging Schedule reviewed in its entirety by CDC.

2.12.5 Again, Appendix I provides an overview of the assumptions made at this stage – in both the typologies and more specific review of that large allocation proposal.

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.
- 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 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.
- 2.13.4 As noted above, the PPG on viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development. Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach that could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always “EUV plus” (existing use value plus) consistent with the PPG on Viability.
- 2.13.5 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 results tables appended to this report provide 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).

- 2.13.6 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.
- 2.13.7 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 appraisal¹⁴ providing industrial, office, residential and agricultural land value estimates for locations across the country – including Chichester District.
- 2.13.8 It should be noted that the MHCLG *residential* land value estimates require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher “serviced” i.e. “ready to develop” level of land value.
- 2.13.9 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;

¹⁴ MHCLG: Land value estimates for policy appraisal – most recent version 2019 published August 2020

- 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.

2.13.10 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.

2.13.11 As set out in the results appendices, 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.

2.13.12 Typically, we would expect to apply an EUV+ based land value benchmark at not more than approximately £250,000/ha (applied to gross site area) for bulk greenfield land release, based on a circa ten times uplift factor (the “plus” element) from the EUV for agricultural land at not exceeding c. £25,000/ha.

2.13.13 In our view, moving outside the scope of the general typologies considered in this assessment (i.e. development at a scale of more than approximately 200 dwellings) an appropriate BLV should not need to exceed this level. This reflects the viability in planning policy principles within the PGG as opposed to a more market orientated approach that may start to become influenced by comparison with older (pre-PPG) deals and include more emphasis on ‘hope value’ or similar, rather than being purely EUV plus based. We need to bear in mind that especially for bulk GF land, that figure should not be regarded as a minimum or absolute cut-off. Indeed, gross land area figures may include areas of land where for example lower values may be appropriate in support of ancillary provision, undeveloped mitigation land such as SANG or similar.

- 2.13.14 Above that base level of BLV, and generally reflecting non-strategic scale development, we would expect an EUV+ of up to £500,000/ha could be applicable for greenfield / amenity land use releases.
- 2.13.15 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. Following the extensive research analysis phase, we understand the majority of the proposed development is planned to come forward on Greenfield sites. Taking into account the overall picture of delivery in terms of site type and planned locations, we consider the key BLV ranges for reviewing the results range from £250,000/ha to £500,000/ha (greenfield) and with filtering in the range £850,000/ha to £2,000,000/ha overall for PDL as guides. In some PDL scenarios, we also need to be mindful that EUV+ based BLVs will be higher; hence the overall expanded range as set out below and seen in use across the appended results tables.
- 2.13.16 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 – as per the Appendices II and III results tables where these BLV levels are also shown as part of the ‘key’ or notes.

Figure 11: Range of BLVs (‘Viability Tests’)

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement - reflecting larger scale development
£500,000	Greenfield Enhancement (Upper) - reflecting smaller scale development
£850,000	Low-grade PDL (e.g. former community uses, yards, workshops, former industrial etc.)
£1,500,000	
£2,000,000	Medium PDL - industrial/commercial
£3,000,000	Upper PDL Benchmark/residential land values
£3,500,000	

(DSP 2022 - 2023)

- 2.13.17 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping / double-counting of

development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

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

2.13.19 The PPG¹⁵ 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

¹⁵ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509
Revision date: 09 05 2019

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

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

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

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

3. Findings review

3.1. Relationship with Stage 1 assessment reporting (Spring 2021)

- 3.1.1 This chapter summarises the additional (updated) information and findings shared with CDC during the main assessment phases on the way through the updating from Stage 1.
- 3.1.2 Information wise, this is in respect of the First Homes provision now included and guide positions on affordable housing contributions (set to be applicable under the emerging Plan on sites of 6 to 9 dwellings in designated rural areas). The latter is within the cope of national policy under the NPPF, with on-site AH requirements to take effect at 10+ dwellings.
- 3.1.3 In practice, there was regular dialogue around the many sets of information exchanges and DSP feedback as the Council's information developed and was considered with officers by DSP; a detailed iterative approach to considering changing costs estimates, their potential influence on overall viability viewed cumulatively and further informing proposed policies – emerging policies checking and refinement.
- 3.1.4 On the Stage 2 findings, therefore, first we will pick up on those from the main interim phases of the work conducted from Stage 1 onwards i.e. through from late spring 2021 to the summer of 2022 (as at 1.1.18 above - phases 1 to 3 noted there). We will then conclude with what has been drawn out from the latest assessment and review work. To recap, the latter is made up of further full typologies testing and a review of the SSAs as discussed with CDC. In both cases this concluding work, conducted during the late autumn and winter of 2022, has used the latest settled assumptions as developed iteratively over the course of that preceding work, together with up to date CDC information as far as available for DSP's use on the reviewed SSAs.
- 3.1.5 Reflecting the commentary in earlier sections, the balancing of constraints and mitigation needs with maintaining the key objective of affordable housing provision as far as possible remained the key theme throughout. This was particularly in respect of A27 related costs but also with nutrients and water neutrality impacting on top of the more regular matters and costs – including national level requirements (e.g. relating to more

stringent Building Regulations in response to climate change/carbon reduction, biodiversity net gain and accessibility). We reiterate that the significant A27 related mitigation costs (currently the monitor and manage proposals) are specific to this Local Plan area; a considerable local constraint.

- 3.1.6 The mitigation costs related to the A27 are significant. They are currently estimated and assumed at £8,000 per new dwelling having, previously explored the potential impacts of various levels of mitigation cost between approximately £3,000/dwelling and this final test level. They take effect on top of all other requirements and costs as well as the CIL, hence the consistent need there has been to factor this in to the testing and weighing up how far other priorities could be addressed as requirements within the LP policies.

3.2 First Stage 2 phase emerging findings – December 2021

- 3.2.1 For context, as we saw through other similar assessment work at the time, the housing market had continued to rise strongly in 2021 caused partially by a mismatch between demand and supply. This positive market activity had been strengthening following the easing of lockdown restrictions in relation to the COVID-19 pandemic. According to the Land Registry House Price Index (HPI), since the research was conducted for our original study (2019), house prices in the Local Plan area had increased by approximately 23% overall. Alongside this build costs has risen by approximately 7% compared with the earlier data. However, with government support for the housing market and the wider economy being scaled back at the time, the strength of house price growth and positive transaction activity was considered likely to reduce in 2022. Subject to the pace of the economic recovery, Savills most recent residential property forecast available at the time indicated continued growth in the South East over the following five years by approximately +19% overall, with prices in 2022 expected to see a much smaller rate of growth than had been recently seen - at circa +3%.

- 3.2.2 Our research indicated that the key typical new build values in the Local Plan area were represented overall within the range from around £3,750/m² to £4,750/m² in the south of the Local Plan area and £4,750/m² to £5,500/m² in the LP area to the north of the South Downs National Park (SDNP). Consistent with the Stage 1 (and ongoing) assessment work approach, we considered values across a wider range to allow for

market movements / variability between locations and sites; with sensitivity testing conducted using value levels (VLs) in £250/m² increments from £3,500/m² to £5,500/m².

- 3.2.3 We found a relatively wide range of new-build housing values likely to be relevant to the forthcoming supply in the Local Plan area overall, with typically the highest values seen in the north. Broadly lower values tend to be supported in the south as a whole, and with some areas south of the A27 (for example Tangmere and Manhood Peninsula) seen to more typically support lower values (relatively) for the coastal plain - at around £3,750/m² to £4,000/m². On the other hand, there are exceptions to the general value ranges for the south in the immediate coastal areas and their rural hinterlands where properties tend to be much sought after and in many cases very expensive. With indications broad again, looking at this in a strategic overview way as is appropriate the LP level, generally the areas in the south of the Local Plan area but north of the A27 and boarding the SDNP boundary appeared more consistently able to support values in the region of £4,500/m² - £4,750/m² (e.g. Chichester city fringes, Westhampnett, Boxgrove).
- 3.2.4 As the assessment progressed, we kept a watching brief on the market and local house prices. Carrying on with this approach and with the market continuing to change, a final review of values was undertaken at the end stage of the study Stage 2 (late 2022) – see below and information as appended.
- 3.2.5 With First Homes having now become a national policy requirement (at least 25% of the AH for sale at a minimum discount of 30%) this element was now incorporated with the assumptions DSP used in running appraisals. For CDC's information, we set out the following overview of the likely feasibility of different types of dwellings being deliverable as First Homes. The assessment work was based on an assumption of the 30% discount level being applied locally, thereby minimising their viability impact. As below (see Figure 12) the wider information enabled consideration of the potential implications of selecting a higher discount level - at either of the national policy optional levels of 40% or 50%.

Figure 12 – Indicative effects of First Homes discount levels and property price cap

Chichester DC

100% Market Value										
Home type	Size of home (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£3,750	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500
1BF	50	£175,000	£187,500	£200,000	£212,500	£225,000	£237,500	£250,000	£262,500	£275,000
2BF	67	£234,500	£251,250	£268,000	£284,750	£301,500	£318,250	£335,000	£351,750	£368,500
2BH	75	£262,500	£281,250	£300,000	£318,750	£337,500	£356,250	£375,000	£393,750	£412,500
3BH	93	£325,500	£348,750	£372,000	£395,250	£418,500	£441,750	£465,000	£488,250	£511,500
4Bh	106	£371,000	£397,500	£424,000	£450,500	£477,000	£503,500	£530,000	£556,500	£583,000

30% Discount										
Home type	Size of home (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£3,750	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500
1BF	50	£122,500	£131,250	£140,000	£148,750	£157,500	£166,250	£175,000	£183,750	£192,500
2BF	67	£164,150	£175,875	£187,600	£199,325	£211,050	£222,775	£234,500	£246,225	£257,950
2BH	75	£183,750	£196,875	£210,000	£223,125	£236,250	£249,375	£262,500	£275,625	£288,750
3BH	93	£227,850	£244,125	£260,400	£276,675	£292,950	£309,225	£325,500	£341,775	£358,050
4BH	106	£259,700	£278,250	£296,800	£315,350	£333,900	£352,450	£371,000	£389,550	£408,100

40% Discount										
Home type	Size of home (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£3,750	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500
1BF	50	£105,000	£112,500	£120,000	£127,500	£135,000	£142,500	£150,000	£157,500	£165,000
2BF	67	£140,700	£150,750	£160,800	£170,850	£180,900	£190,950	£201,000	£211,050	£221,100
2BH	75	£157,500	£168,750	£180,000	£191,250	£202,500	£213,750	£225,000	£236,250	£247,500
3BH	93	£195,300	£209,250	£223,200	£237,150	£251,100	£265,050	£279,000	£292,950	£306,900
4BH	106	£222,600	£238,500	£254,400	£270,300	£286,200	£302,100	£318,000	£333,900	£349,800

50% Discount										
Home type	Size of home (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£3,750	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500
1BF	50	£87,500	£93,750	£100,000	£106,250	£112,500	£118,750	£125,000	£131,250	£137,500
2BF	67	£117,250	£125,625	£134,000	£142,375	£150,750	£159,125	£167,500	£175,875	£184,250
2BH	75	£131,250	£140,625	£150,000	£159,375	£168,750	£178,125	£187,500	£196,875	£206,250
3BH	93	£162,750	£174,375	£186,000	£197,625	£209,250	£220,875	£232,500	£244,125	£255,750
4BH	106	£185,500	£198,750	£212,000	£225,250	£238,500	£251,750	£265,000	£278,250	£291,500

Red / pink shading denotes likely property value above the £250,000 FH cap.

Indication of national policy discount level required to fall within £250,000 price cap										
Home type	Size of home (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£3,750	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500
1BF	50	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
2BF	67	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	32.2%
2BH	75	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	33.3%	36.5%	39.4%
3BH	93	30.0%	30.0%	32.8%	36.7%	40.3%	43.4%	46.2%	48.8%	51.1%
4BH	106	32.6%	37.1%	41.0%	44.5%	47.6%	50.3%	52.8%	55.1%	57.1%

(DSP 2021 – 2022)

- 3.2.6 The purpose of this first phase of refreshed assessment, moving into Stage 2, was initially to help inform the Council about the extent to which the full suite of policies and objectives considered would be likely to be accommodated within the available viability scope. It had become clear that with certain elements of development mitigation needing to be in place, there would need to be consideration of some compromise on other aspects over which there is flexibility at a local level whilst still being able to deliver sustainable development. The level(s) of affordable housing and details of the climate change response (in terms of construction and development enabling carbon reduction) were (and remained) key aspects of this; and particularly the AH given the increasing requirements on the latter coming in at a national level through the Future Homes Standard / Building Regulations.
- 3.2.7 This dialogue was informed by indicating the levels of £ surplus potentially available to support additional policy costs once the usual development costs and core policy costs / essential development mitigation had been allowed for based on latest available estimates. Alongside estimates of the costs of meeting further policies, this enabled some further review of potential policy combinations / options that should prove workable.
- 3.2.8 Also indicated from some test scenarios were insufficient looking surpluses or viability deficits, showing that other more ambitious policies were not likely to be workable – for example with higher AH% tests and significantly further increased constructions costs and / or lower values; particularly where viewed on more costly PDL sites and meaning more compromise on policy scope was indicated to be needed.

- 3.2.9 The high level summary of the emerging findings at Stage 2, was noted as follows (paragraphs 3.2.10 – 3.2.18 below). These were the indications to this point with, however, the highways mitigation scope and costs (A27 related) uncertain at this stage. This needed settling for further testing - as the assessment and dialogue around it and other emerging evidence and changing information also progressed.
- 3.2.10 Keeping in mind the importance of considering the costs cumulatively, so far there appeared a strong likelihood that in some lower value scenarios on PDL, even 30% affordable housing would be potentially challenging when combined with a full version of the Council's potential policy set, for example. We noted that while this could also be found to be the case on some large-scale greenfield development (depending on specific infrastructure costs and abnormals). Overall, a need for policy differentiation (reduced from full burdens) on PDL sites appeared be likely. Other compromises may also need to be considered.
- 3.2.11 Although our 2019 study had discussed a similar differential position between PDL and greenfield sites, the changing (enhanced) current emerging policy scope was being found to place more of a "squeeze" on viability compared to previously. We noted that this might place downward pressure on affordable housing alongside the CIL if other development / policy costs are also to be accommodated with 30% AH appearing challenging in some scenarios and a rate beneath 30% probably needing to be considered further. Overall, with the updated view of the locally applicable cumulative costs under review, we were noting a likely swing from the initial approach of also looking above the adopted 30% AH policy to now looking at that as an upper / headline level for most development that would support the LP growth. Our earlier work alluded to this possibility but only in some PDL scenarios – particularly mixed and flatted schemes where it had been found that a sub-30% AH level may be relevant.
- 3.2.12 To this point our review continued to indicate a consistently positive viability scenario for smaller-scale (i.e. non-strategic level / sites without large on-site infrastructure requirements) greenfield sites, however, with the ability to more regularly support 40% affordable housing combined with a range of policy requirements - on sites 10+ dwellings.
- 3.2.13 Accordingly, in terms of the Council's emerging policy scope, we considered greenfield sites to have the potential to carry greater levels of policy requirement compared to PDL

sites (as above) alongside affordable housing – together with some A27 contributions (again, envisaged then at potentially £3-6,000/dwelling). However, it was clear that the viability would be further reduced should the Council seek to apply the most onerous level policy requirements e.g. going ahead of government timeline intentions and requiring zero carbon for example.

- 3.2.14 The above results continue the theme discussed in our previous study. Although there have been a number of changes in the interim period, both in terms of policy scope, changing values and costs, the overall findings on smaller-scale greenfield sites broadly remains the same.
- 3.2.15 Although we did not initially test a strategic scale typology, based on the typical characteristics of such schemes, our previous specific testing in 2019, and noting increasing cumulative costs, we could expect the level of achievable affordable housing to be perhaps in the range 30-40% rather than higher (again, subject to infrastructure costs and abnormals). This and the provisional emerging findings generally would need to be explored further.
- 3.2.16 It is worth noting that the above 30%-40% affordable housing range for the potential strategic allocation sites broadly aligned with the findings of our Stage 1 reporting, where we considered these were unlikely to support more than 30% AH across the board, although some more straightforward sites tested indicated greater scope could be supported, subject at the time (and as at end 2021) to the scope of A27 mitigation contributions. To recap from Stage 1, the only PDL site tested as part of the emerging strategic allocations proposals, Southern Gateway, had indicated a challenging viability position overall, likely due to the inherent nature of the site and mixed-use proposals (as initially proposed and appraised) rather than actually caused by the emerging policy positions or the CIL.
- 3.2.17 The above noted typology testing included the indexed CIL rates applicable at the time for both the south and north of the Local Plan area (£147.45 and £245.76/m² respectively) with that having the effect a fixed slice from the development value generated. Subject to the further testing to come, we considered the differential approach to CIL should continue (i.e. the south and north zones), at charges most likely around the level of current indexed rates. Subject to the infrastructure needs and

understanding of relative priorities, we noted that it could also be possible to consider reducing the level(s) of CIL in order to allow for other enhanced policy scope. This was a highly provisional indication to be considered further, potentially, and particularly on any scope for further differential rates for Chichester city and the nearby proposed strategic sites that will be key to the quantum of development to be planned for. This is one example of potential balancing, dependent on the needs and priorities. However, with CIL (and most other factors) having a much smaller influence on overall viability than affordable housing does, a reduction in CIL or other costs does not provide anywhere near the same level of balancing potential.

3.2.18 Subject to ongoing review based on more settled positions to inform assumptions (including on the A27 mitigation contributions scenario) at this stage, we considered the following emerging headlines relevant:

- 20%-30% Affordable Housing on PDL sites with the upper end of that range likely to be supportable regularly in the north of the Local Plan area.
- Potentially 40% Affordable Housing on non-strategic greenfield sites across the Local Plan area with these providing “headroom” for more cost and potentially further enhanced policy requirements, all to be considered further and likely to be influenced by a more settled view on the A27 related and other costs.
- For strategic development locations / sites the emerging picture, generally, indicated a continuation of the previously reported findings - 30% AH headline.
- CIL charging. Again, subject to understanding relative priorities, at this stage the indexed rates appeared broadly suitable (with potential to consider further differentiation in some circumstances e.g. strategic sites and / or those areas with site supply reliant on PDL).
- Sustainability/carbon reduction. We were working on the basis of potential to support costs reflecting the Government’s trajectory on the Future Homes Standard (i.e. an increasing, stepped approach to carbon reduction) rather than an approach that introduces more cost more quickly in the local circumstances. .

- Accessible homes. It appeared that a mix of provision (including a small element of M4(3) (considered 5% and within AH only) alongside M4(2) should be supportable in viability terms.

3.3 Further interim update – March 2022

- 3.3.1 Having provided our initial Stage 2 emerging findings in December 2021 and continued the two-way exchange on policy development, the Council shared a refined/updated list of emerging policies (including on affordable housing tenure – reflecting an increased proportion of social rent). Alongside this, the likely site supply context was considered further.
- 3.3.2 With the initial testing (findings as per 3.2 above) having been set up to indicate the potential surplus amounts, where available, to support the range of emerging policy options, this next phase of (updated) emerging findings sought to build on that exercise. This reflected the further discussions at CDC and, following further dialogue with the Council in the next period, aimed to provide a cumulatively tested view of how viability looked on the more refined policy scope. That was represented within the updating using assumptions applied directly within the testing. So as had been done in Stage 1, the updated positions proposed policies and development mitigation costs information provided by CDC were allowed for via appraisal inputs (rather than again viewing the residual surplus indications over the base view of viability, with just the usual and essential development costs considered).
- 3.3.3 Again, the general point that in any area typically there are some sites that are likely to have inherent viability issues was noted. This is regardless of the level of affordable housing or other policy, although typically it is the affordable housing policy expectations that are key in considering viability prospects, because as above this is invariably the most costly of the policies to support. These factors are not unique to Chichester – they are common throughout our wide experience of these assessments and informing LP policy development. This is relevant as part of considering a practical approach to policy setting, alongside the clarity of expectations required by the NPPF on developer contribution levels. Once again, the updated indications for CDC were subject to further review.

- 3.3.4 With the base policy set related costs now fixed within the appraisals, these updated findings focused on two key sensitivity test areas - relating to sustainability/climate change response (in respect to new homes building) and A27 mitigation contributions. These were run at 3 no. affordable housing proportions (20%, 30% and 40%) on a 100 mixed dwellings typology. Acknowledging the assessment to be high-level (as it will remain and is appropriate), this exercise further informed the consideration of how these remaining key policy variables would be likely to come together to impact viability as significant elements of the cumulative development costs. The further review considered how this looked when these were tested at different levels, within the ranges we had been discussing and looking at so far.
- 3.3.5 This exercise showed the cumulative impact of the newly emerging policies and in particular the significant impact the A27 contributions were seen to have on the strength of the results on both greenfield and PDL site types (with those costs envisaged as relevant across all schemes south of the SDNP). For example, assuming VL 5 with market sales at £4,500/sq. m. (representative of values in the mid to upper range typical in the south at the time) at 31% carbon reduction produced £RLV/ha indications as follows:
- At 40% AH the RLV/ha indicated a figure of approx. £690,000 (assuming £6,000/unit A27 contributions plus the indexed CIL) and so exceeding the upper greenfield BLV of £500,000/ha that would be applicable to smaller GF sites. However, with a lower VL assumed representing typically lower value locations or falling prices (at circa VL3-4 i.e. £4,000 - £4,250/m²) the RLV fell beneath that BLV level, indicating that alongside the other policy costs and with the higher level potential A27 contributions tested, 40% AH is not likely to be viable on such a site. This was also seen to be the case with a reduced level of A27 contribution tested (at £3,000 per dwelling).
 - With 30% AH tested at VL4 (£4,250/ m²) the RLV/ha was seen to increase back up to approx. £670,000/ha (again assuming £6,000/unit A27 contributions) and therefore exceeding that higher greenfield BLV of £500,000/ha again – with some but not a great deal of capacity to support any unforeseen costs – costs not appraised such at this stage, including abnormals potentially.

- 3.3.6 We also considered how the latest assumptions and findings would be likely to reflect in the viability of other scheme types and sizes, bearing in mind what had been learnt about the likely relativities across the extensive work to this point. On coming back to review the larger potential GF site releases (strategic site allocations) the appraisal RLVs would be appropriately measured against a lower BLV reflecting bulk GF land release (and existing agricultural use rather than smaller parcels of grazing or similar land). Whilst a lower BLV reduces the pressure on the viability outcome from one direction, there is significant further development cost then to be factored in reflecting the much wider scope of specific infrastructure and mitigation requirements, however.
- 3.3.7 How that balance plays out needed to be considered on reviewing those scenarios in greater detail. From what we could see, we expected our earlier indications on these sites likely to remain broadly relevant, however. Therefore, 30-40% AH appeared appropriate as a positive or target indication rather than secure expectation and especially when looking at the top of that range.
- 3.3.8 Again, once we moved to a PDL test scenario, the results clearly indicated a challenging viability picture with 30% AH tested (and with 40% AH beyond the realistic scope as part of the extensive cumulative costs burden). This was when assuming a BLV reflecting PDL at not more than approximately £1.5m/ha (representing low-grade PDL, former community uses, yards, workshops, former industrial etc.).
- 3.3.9 Even when assuming 20% AH (with £6,000/dwelling re A27), an RLV/ha found to be just under £1.3m/ha did not reach the above BLV at the VL5 test (market sales at £4,500/m²). With the tested level of A27 contributions reduced to £3,000/unit, the RLV improved but not sufficiently to meet that BLV and indicating viability that looks likely to be pushed to the margins on some PDL sites – and especially if AH expectations are too rigid / exceed 20%. It was also worth noting from the earlier work on the assessment, and work on others, that such findings also tend come more clearly into focus when allowing for the higher costs that are often associated with flatted development too; especially in a redevelopment context.
- 3.3.10 Overall, and although a south of Plan area pressure (with most development focused there) rather than a whole area wide one, it was clear that the inclusion of the identified potential A27 contributions in combination with other enhanced levels policy

requirements (cumulatively) will have a significant impact on viability. There will need to be some balancing in any event, with the need for this further highlighted by this significant (and non-typical) added cost. This picture builds on our earlier findings, whereby the messages around the likely need to consider reduced AH % headlines were already developing and at this further interim review stage we saw these themes needing to be emphasised further – our view on looking at viability at the LP level.

- 3.3.11 As per the commentary above, the previous findings indicated the likelihood of needing to consider a differential affordable housing target % between greenfield and PDL. This finding remained valid to the spring of 2022. By then, from the latest exercise we could be clearer on the proportion of affordable housing likely to be suitable in viability terms. This was also while keeping in mind this is based on the assumption that the A27 mitigation costs at the assumed levels are to be funded from development contributions rather than from other sources that would not impact directly on viability as the current assumption does. By way of relativities and considering on the more positive side which of the wide-ranging measures appear more readily achievable, in comparison to these A27 costs, the cost and impact of achieving further levels of carbon reduction (beyond the base position June '22 @ 31% reduction) is lower.
- 3.3.12 Accordingly, there remained some key considerations for the Council. These were by now largely in respect of affordable housing and the A27 contributions needed to facilitate development (with DSP understanding that the latter are essential).
- 3.3.13 At this stage, it was again not possible to clearly identify enhanced scope for CIL (over the existing) as well. It appears more likely that CIL might be maintained at levels close to the existing, again subject to further consideration (and which might also be kept under review once the emerging LP progresses beyond the next consultation phase. Hence our continued appraisals approach of including the current CIL as indexed and seeing how the viability looks with that included alongside all other latest development costs estimates. The CIL charging rates for residential development as indexed 2022 were £147.01/m² (LP area to the south of the SDNP) and £245.02 (north).
- 3.3.14 Clearly, with any growth in estimated costs to reflect in the appraisals, the viability indications could become tighter. From this point, the intention was to continue the

information flow and dialogue with CDC as we continued to respond to further information and built up the viability picture – further, final work discussed below.

3.3.15 In summary, the testing to spring 2022 indicated a further developed findings picture as follows, at that stage on the basis of the (then) full £6,000/unit A27 contributions in the southern plan area and noting also that the increased social rental element now assumed within the AH mixes has a negative impact on viability compared with previous (social rented AH is particularly expensive to provide):

- Not exceeding 20% Affordable Housing on PDL sites in the South of the Local Plan area as a target with 30% Affordable Housing being supportable in the North.
- 30% Affordable Housing on non-strategic greenfield sites across in the South of the Local Plan area and 40% in the North of the Local Plan area.
- Strategic sites (SSAs/SDLs) – based on the above latest findings alongside our 2019 work, we consider a suitable affordable housing headline likely to be beneath 40% and closer to 30% (as previous) but subject to fuller review including allowing for latest estimates, as far as available, of the specific infrastructure requirements together with any other associated and known/estimated costs.
- On the CIL – again, as above, subject to understanding relative priorities and how this fits alongside the A27 contributions, on the whole (with CIL similarly a strategic level (Local Plan area-wide) response and tool, the existing indexed rates appeared suitable still - provisionally.
- Sustainability/carbon reduction – our findings remained as previous in that in our view the Council could align its approach with the Government’s trajectory on the Future Homes Standard (i.e. increasing, stepped approach – 31% carbon reduction 2022; 75% carbon reduction 2025). We do not consider a differential standard across site types or location to be warranted or therefore appropriate, because this will need to become embedded amongst the expectations for all developments.

- In updating on this, we noted the comparative policy/mitigation costs, intended to provide a useful overview of the cost relativities between different requirements. As an example, from the assumptions within above noted sample testing and reflecting an average dwelling size, the cost of achieving 31% carbon reduction (Future Homes Interim Standard / Building Regulations tightening June 2022) equates to approximately £40-50/m² compared to A27 contributions at £77/m². Looking at this another way, the A27 contributions (at £6,000/dwelling) are equivalent to very approximately 50% of the 2022 indexed CIL rate (south) – as a further added cost alongside the other constraints.

3.3.16 Following further discussion and reflecting the above, in April 2022 the Council's Development Plan and Infrastructure Panel (DPIP) members meeting resolved to progress with the following recommendations - in order to seek to maximise the affordable housing, A27 contributions and carbon reduction requirements whilst noting that trade-offs need to be made reflecting viability:

- (i) To move forward in further Local Plan preparation with variable affordable housing provision of:
 - 20% South of the National Park and 30% North of the National Park, on previously developed land (PDL);
 - 30% South of the National Park and 40% North of the National Park, on non-strategic greenfield (GF) sites; and
 - 30% on all strategic sites, subject to as much information as possible about specific infrastructure costs for those sites being known.
- (ii) That each new home in the south of the Local Plan area contribute towards the full mitigation costs of the A27 (subject to the outcomes of the traffic impact modelling currently being assessed). We have noted that at the time this was estimated at £6,000/dwelling; CDC provided figure applied in DSP's testing to date.
- (iii) A stepped approach to carbon reduction based on a 31% reduction in 2022 to a 75% carbon reduction by 2025 (in line with national government targets).

- 3.3.17 The DPIP feedback via officers also included a request to DSP to further consider the potential implications of CDC policy going further than the government’s approach to carbon reduction (journey to zero carbon new homes) as currently coming through changes to the Building regulations reflecting the Future Homes Standard (FHS). By approximately how much would the above noted levels of affordable housing need to be reduced to accommodate enhanced carbon reduction policy (if a “gold plated” approach were to be taken)?
- 3.3.18 DSP noted that this would depend on the detail of a more enhanced zero carbon policy beyond FHS 2025 and the intended means of achieving that / metric for measuring it. However, as an example, assuming a zero carbon approach for regulated and unregulated emissions, the indications were that the extra over costs would increase from around +£7,000/dwelling (FHS 2025) to approximately +£12,000/dwelling (houses only) based on available information. Subject to further testing, we estimated this could mean a 5-10% reduction (from the above) in AH levels found to be viable. Were this to be pursued, usually in our experience a supporting energy study or similar is usually commissioned, then also leading potentially to particular technical specifications and related costs assumptions.
- 3.3.19 This was not pursued further because during this extended phase of assessment and dialogue, there was also some discussion over the potential additional impact (on viability and in particular on affordable housing therefore) were the A27 mitigation contribution levels to rise further. Potentially increasing by £10-20m in all, this could equate to circa. £12,000 to £18,000 per dwelling depending on the housing numbers contributing to the overall mitigation costs. We estimated, very broadly, that at the lower end of this greatly increased cost there could still be scope for some affordable homes provision but that the higher end “what if” cost level noted would be likely to leave little or no viability scope for affordable homes.
- 3.3.20 At CDC’s request, DSP went on to provide further testing indications in respect of the level of A27 mitigation contribution that may be required per dwelling overall, dependent upon the settled view on overall housing numbers (testing scenarios as flows – see Figure 13 below):

Figure 13 – further A27 mitigation cost estimate iterations considered (July 2022)

A27 Costs Analysis	11,500 units Local Plan (638 per annum)	9,600 units Local Plan (535 per annum)	12,600 units Local Plan (700 per annum)
A27 Costs	£72,000,000	£72,000,000	£72,000,000
Total plan delivery	11500	9600	12,600
Units (committed)	6000	6000	6,000
Remaining Units to be delivered	5500	3600	6,600
A27 Contributions from committed units	£14,000,000	£14,000,000	£14,000,000
Remaining A27 Contributions	£58,000,000	£58,000,000	£58,000,000
A27 Contributions per remaining unit	£10,545	£16,111	£8,788

(DSP 2022 – CDC sourced further trial testing assumptions)

- 3.3.21 We ran this exercise using the 100 mixed dwellings typology – considered in both a potential PDL and GF context.
- 3.3.22 In summary, in terms of the tested greenfield typology, the results suggested all scenarios to be likely ‘viable’ in as much as the RLVs exceeded the £500,000/ha BLV. However, with the lower and mid-housing numbers the RLV indications only marginally exceeded the BLV and therefore those scenarios allowed only for minimal scope for added cost movement / reduced values etc. With the highest housing numbers, it appeared that 30% AH would probably be viable in most cases (on a general GF site) – based (as with all other appraisal runs) on the cost assumptions made in this test (latest available information).
- 3.3.23 The indications at 20% affordable housing on the greenfield scenario were much more positive and it could be expected that viability could also be ‘maintained’ in that case with the lower housing figures. We did not run a test at 25% AH but through interpolation noted that we could expect those to be midway between 30% and 20% affordable housing and so probably workable at the higher two housing figure trial levels (11,500 / 12,600 dwellings overall); close to being viable at the lower housing figure. Tested at lower AH levels it followed that the results supported viability but thinking also of the housing needs side, it was assumed that going to such levels could not be accepted in policy terms.

- 3.3.24 In terms of the PDL based test scenario, the results looked more challenging reflecting that same relativity discussed above - as found to be the case throughout the various viability modelling exercises that had been conducted so far for CDC. We noted also, therefore, that the approach will also be informed by the level of supply anticipated to come forward on PDL as opposed to greenfield sites; and the type of sites (meaning principally their existing use, nature/condition and scale).
- 3.3.25 Nevertheless, with further A27 mitigation cost tested, the indications were of likely very marginal to poor viability at 30% affordable housing. In our view, such an outcome would need to rely on low existing use values compared with the above noted more likely around or higher than approximately £1.5m/ha (more in some cases, e.g. where there remains a commercial market for a site/premises in existing use).
- 3.3.26 The change in housing numbers as influences these trial levels of A27 related cost tested was (and is) not enough to take a scheme from unviable to viable per se. As a general point, as we have mentioned before, the difference in impact between these two variables (AH v housing numbers / A27 costs) is clear from the results with the impact of the former significantly greater than the latter.
- 3.3.27 With 20% affordable housing tested in the PDL scenario, the viability indications improved but needed to be acknowledged as still potentially or likely 'marginal' results (i.e. at best). At the higher housing figures (and so lower £/dwelling levels of these added tests), the £1.5m/ha BLV was exceeded but again (as noted with some of the greenfield potential RLVs) not allowing any significant scope for a weakening of the value <> cost relationship). It was only with the higher housing figures (lower new test levels of £/dwelling costs) at 20% AH or with reduced AH (10% trialled) that we found potential outcomes that could be considered less marginal / more positive in terms of the PDL scenario.
- 3.3.28 From this exercise we concluded that in our experience it would be unlikely that wider testing at the suitable level for the project context would tell us a great deal more about the relationship between these 2 variables. By this we mean when considered at the proportionate LP making level of review; and with the number of assumptions needing to be made. There are many other variables involved, all in the context of a range of different schemes, varying one to the next. Overall, CDC would need to consider the

balance in all of this, informed by the viability information and also bearing in mind the housing / infrastructure needs and that AH provision alongside all other matters will need to remain as ambitious / positive as possible, particularly bearing in mind perhaps that First homes are now at least 25% of the AH achieved.

3.3.29 We were unable to comment further regarding strategic sites at this stage, pending updated information on and a review of those. However, we remained of the view that there will need to be a substantial differentiation in the AH ask between GF and PDL sites, regardless of the specific A27 / dwelling numbers scenario. With this principle established, as had been considered with the Council, it also became clear that the A27 scenario pulls down the viability scope for AH. A reflection of the relativities between site types will need to be maintained in our view, with greater than tested A27 costs potentially meaning a downward adjustment of the positions arrived at – i.e. relative to the emerging AH policy headlines noted at 3.3.16 above.

3.3.30 Through to the Autumn of 2022 this exploration was not taken further as the Council's information and estimated firmed up as far as possible in the circumstances. Around this time the Council was also made aware of a significant uplift in the estimated cost of the remainder of the full A27 mitigation works to be delivered. This had increased to circa. £126,000,000, which on the basis of previous viability testing was likely to be an unsupportable extra cost – unviable to provide through developments in this way. We were to move on and conclude the viability testing of the LP policy proposals to include A27 mitigation costs at an estimated £8,000/dwelling overall – i.e. a level just beneath the lower of the July 2022 stage estimates as part of the latest, final stage updated assumptions reflecting the cumulative costs for this testing.

3.4 Final review and re-testing autumn – winter 2022

Introduction to appended results information display

3.4.1 The resulting, concluding testing stage produced the following information and further findings – as a final check of the LP viability picture developed and kept under review in response to evolving CDC information, dialogue and context – all as discussed above.

3.4.2 Informing and accompanying this rounding up stage and using a similar format to that within the Stage 1 assessment, the following Appendices are provided:

Appendix I – Assumptions overview (including policy review schedule) – Tables A – D

Appendix II – Final Stage 2 residential typologies review results – Tables 1a – 1n

Appendix III – Strategic sites – proposed allocation testing results – Tables 2a – 2f

Appendix IV – Market research and values reporting

- 3.4.3 Provided after the Appendix II and III results tables are sample appraisal summaries generated in the Argus Developer software format.
- 3.4.4 To the rear of the appraisal summaries on the proposed strategic sites reviewed (at Appendix III) further sensitivity testing data is also provided. For additional information, this enables the viewing of potential further RLV indications as the construction cost assumption changes in +5% or -5% steps from the current base level (BCIS) by up to 20% higher or lower than base. So, for example in the case of site A6, the appraisal summary shows the RLV when applying VL5 (market sales at £4,500/m²) at approximately £31.532m (see the figure under the appraisal summary heading ‘ACQUISITION COSTS – Residualised Price’). This is the £ RLV figure shown in the centre of the ‘Sensitivity Test Analysis’ grid that follows the summary – with that £4,500/m² assumption applied together a 0% adjustment to the assumed base build cost. The grid then indicates the extent to which the RLV varies when applying different value and cost assumptions together in this way. As can be seen, the RLV reduces moving top to bottom as the sensitivity tested construction cost rises. As seen throughout the assessment, the appraisal RLV is seen to rise as the tested VL level increases (in this case shown on moving left to right in the grid).
- 3.4.5 Using the same display format across Appendices II (typology tests) and III (SSA tests) each table outlines the nature of the typology tested. Shown in the column headings in each results section are the main variables tested behind each residual land value (RLV) indication (each £ figure being the outcome of an appraisal). The figures in the top (white / non-shaded) results table areas are the appraisal RLVs expressed in £s. Beneath those, the same RLVs are expressed in £/ha terms – in the colour shaded table sections. The £/ha RLV levels can then be compared against the selected range of benchmark land values (BLVs) – as are shown in the ‘BLV Notes’ below the results tables. The ‘Key’ shows how the “filtering” has been applied in setting this out

- 3.4.6 Used in this way, the colour shading aims to highlight the results trends and shows using graduated shades of green the results that meet or exceed at least the lowest BLV test through to those that meet higher BLV tests. Some orange colouring indicates the areas of results that are potentially viable but are likely much less secure outcomes unless on lower value sites. Accordingly, this acts like filtering, enabling the viewing of which scenarios are indicated to be viable at the various BLV levels used for comparison with the RLV results. With increasing intensity of green colouring, the RLVs are meeting higher BLVs, indicating likely viability across an increasing range of site types. Overall, this view covers the range of BLVs from lower levels relevant to greenfield sites (£250,000 – 500,000/ha) through increasing BLVs reflecting PDL sites (previously developed land i.e. brownfield) in varying potential existing uses and accordingly with higher existing use values (EUVs) through a range £0.85 – 3.5m/ha although in many cases not exceeding £1.5 - £2m/ha in the context of mixed site types in the Local Plan area. In our view, it is likely that on PDL, the RLVs would most often need to meet or exceed a BLV of £1.5m+/ha, although the influence of this will be highly variable across a wide range of site types and existing uses.
- 3.4.7 Looking at the trends, this shows how there can be more confidence in results as they surpass the higher BLVs. As above, this is especially relevant to viewing the viability prospects associated with PDL development; particularly when it comes to higher value main urban area sites (Chichester City) and other commercial locations with typically higher EUVs as well as sites in existing residential use. In those situations it is often necessary to consider the higher BLVs, with the lower levels most likely representing the more suburban or wider PDL sites (for example land in former industrial and other lower value commercial uses).
- 3.4.8 Consistent with section 2.13 above this is all based on BLVs reflecting the EUV plus principles as a basis for selecting the BLV guides, per the PPG.
- 3.4.9 As a further guide to the results tables and how these reflect the tested scenarios, moving from top to bottom are seen the range of sales value levels (VLs) tested – representing the influence on viability of market housing sales values overviewed across the range £3,500 to £5,500/sq. m (approx. £325 to £511/sq. ft.). The data shows that values also go beyond these levels in certain circumstances in the Local Plan area, but which are not considered key to the overall site supply (Plan wide development level) picture at this

time. We have, however, reviewed the potential viability of the tested typology forms of older persons (specialist) housing at higher test VL levels, as the information on those shows.

- 3.4.10 Within the above overall range, in our view the current core part of the values range most relevant to new build developments in the Local Plan area, overall, is £4,000 – 5,000/m². Within this, whilst the latest available data suggests values towards or at the upper end of this (perhaps even beyond it in some locations) are supportable as key assumptions, we are forming our judgments (and accordingly reporting on example scenarios below) that focus on £4,500/m² (VL 5) to £4,750/m² (VL6) at this time, also noting the sensitivity of outcomes to a VL 4 assumption (£4,250/m²). This is considered a prudent approach at this time, pulling back from what the data fully applied appears to suggest, given the lag in the recording and availability of the very latest picture and the way the market has changed to a less certain / more negative outlook in the most recent period at the time of final reporting. In balance with this, it is the whole plan period and picture that is being considered, which is likely to be delivered through varying economic circumstances overall, so that is also appropriate to consider the wide data and a balance in reviewing this. As the data shows, values to the north of the SDNPA are generally higher than in the south, which the review and findings also reflect.
- 3.4.11 Purely as a visual on the VLs range and indicative relevance by location with the Local Plan area, the following provides an overview (see Figure 14 below):

Figure 14: Illustrative relevance of VLS range by location

Settlement Area	Value Level Range	Market Value (MV) - Private units								
		VL1 £3,500	VL2 £3,750	VL3 £4,000	VL4 £4,250	VL5 £4,500	VL6 £4,750	VL7 £5,000	VL8 £5,250	VL9+ £5,500
Birdham (S)	VL3 - VL7	Birdham (S)								
Bosham & Broadbridge (S)	VL4 - VL9	Bosham & Broadbridge (S)								
Boxgrove (S)	VL4 - VL8	Boxgrove (S)								
Camelsdale & Hammer (S)	VL6 - VL9	Camelsdale & Hammer (S)								
Chichester City (S)	VL4 - VL8	Chichester City (S)								
East Wittering & Bracklesham (S)	VL4 - VL8	East Wittering & Bracklesham (S)								
Fishbourne (S)	VL3 - VL8	Fishbourne (S)								
Hambrook & Nutbourne (S)	VL4 - VL8	Hambrook & Nutbourne (S)								
Hunston (S)	VL2 - VL5	Hunston (S)								
Kirdford (N)	VL4 - VL8	Kirdford (N)								
Loxwood (N)	VL4 - VL8	Loxwood (N)								
North Mundham & Runcton (S)	VL5 - VL7	North Mundham & Runcton (S)								
Plaistow & Ifold (N)	VL7 - VL9	Plaistow & Ifold (N)								
Selsey (S)	VL2 - VL6	Selsey (S)								
Southbourne (S)	VL3 - VL7	Southbourne (S)								
Stockbridge (S)	VL3 - VL7	Stockbridge (S)								
Tangmere (S)	VL3 - VL7	Tangmere (S)								
West Wittering (S)	VL6 - VL9	West Wittering (S)								
Westbourne (S)	VL3 - VL8	Westbourne (S)								
Westhampnett (S)	VL3 - VL8	Westhampnett (S)								
Wisborough Green (N)	VL5 - VL9	Wisborough Green (N)								

(DSP 2022)

- 3.4.12 The two (indexed) CIL charging rates (south and north) applicable and tested in combination with varying VL are shown in the column headings.
- 3.4.13 Following on from the iterative review work conducted over multiple stages as outlined above, each of these sets of appraisals have been run at varying affordable housing (AH) % too as shown in the tables and relevant to the final exploration and testing according to site and scheme type.
- 3.4.14 Looking at the main variables and accordingly the viability influences explored within these tables, the trends clearly show how the viability indications increase (improve) with increasing VL. The indications decrease (become weaker) with increasing AH% tested. The BLV filtering then overlays this, as above.

Review of typologies results – final, Stage 2

Small sites – designated rural areas: 6 – 9 dwellings

- 3.4.15 As part of our earlier viability assessment work Stage 1, feeding into the 2021 report, we were asked to review the Council's approach to financial contributions supporting off-site AH provision (only as far as appropriate). These were calculated based on a rate of £350/m² applied across a development – a rate implemented from 2015 and which the Council had been successful in using.
- 3.4.16 DSP ran a review into the levels of affordable housing contributions, considering various potential approaches to setting a guide contributions level or levels, with a view to the Council's approach being reconsidered / updated.
- 3.4.17 For smaller schemes (below the threshold for on-site affordable housing) we noted that the default position would be for an off-site contribution, and we carried out appraisals which indicated that a rate of £400/m² could be supported in the south Plan area (at the time of testing, May 2019), and a higher rate of £500/m² in the north area. DSP's Stage 1 report refers (text around 2.6.2 / Figure 9).
- 3.4.18 At that stage, taking a simple overview approach, we did not include an allowance for differences between sites – however the testing was carried out based on considering

typical new build values at the time and it was noted that smaller schemes could often achieve higher than general market values. Indexing was also considered.

3.4.19 At the time it was suggested that over time the rates could be linked to house price change (e.g. as viewed through a house price index - Land Registry HPI).

3.4.20 We also reviewed various other potential measures for the setting of £ AHFCs, including:

- Indexing the existing rate, which led to a rate of £414/m² at the time, based on HPI indexing.
- A more simplistic proportion of GDV, for example assuming a blended 50% of market value for affordable housing, therefore looking at the scheme GDV x 50% x the affordable housing percentage required (which at that point was being tested at 30%). Therefore, GDV x 50% x 30% which would be 15% of the scheme GDV. Divided by the scheme floor area, this led to a higher figure of £637.50/m². However, was noted as a more crude calculation which does not take into account the difference in profit allowances that would typically be applied to market housing and affordable housing, for example.

3.4.21 In respect of £ AHFCs that may be used exceptionally only in the case of larger schemes (threshold proposal 10+ dwellings consistent with national policy) we used a similar method of appraisal testing to arrive at a flat rate per dwelling that could be applied either to whole dwellings, or partial units (resulting from the calculation of AH% x scheme dwelling number) if the Council preferred. This is a simplified method which is intended to broadly reflect the improvement in financial outcomes when AH is not provided on site, but also to be at a level which will support affordable housing provision wherever the opportunity might arise in the Local Plan area. At the time a rate of £140,000 (for a whole dwelling AH equivalent) was suggested for this. It was noted that the use of an off-site contribution in such circumstances would not be the default position, and would typically only relate to a small number of homes (or part of a dwelling) required by policy.

3.4.22 In our view the per unit amount of £140,000 per unit was also pitched at a level considered sufficiently high to discourage planning applicants/developers from seeking off site contributions out of preference; and in cases where site viability was an issue, this would set out the amount required by policy, but the scope to provide contributions would be identified by a site specific viability assessment (only where strictly necessary)

and through this route might be lower than the identified policy contribution level; reflecting the process that may also be relevant in some on-site AH discussion cases.

- 3.4.23 At CDC's further request, at this Stage 2 we have gone on to consider the relevance now of that earlier exercise on £ AHFCs review, with the LP policy development and other context having moved on. Since that exercise was carried out, further LP viability work has taken place, and assumptions have been revised. There are increased costs of construction arising from both general step inflation in those and national and local policies - for example changes to Part L of the building regulations, additional sustainability requirements, electric vehicle charging, biodiversity and in this case the significant A27 mitigation together with other factors. However, the effect of steeply rising house prices generally in the interim also weighs into this.
- 3.4.24 Moving on to the current (updated) consideration AHFCs, in our view the rate of £140,000 (per whole AH dwelling equivalent) remains relevant as a broad brush and simplified figure to establish a basis for contributions for payments in lieu – in exceptional situations where the AH should and would normally be provided on site.
- 3.4.25 To consider whether the previously suggested £/m² rates for this bracket of small sites (in designated rural areas) remains relevant or needs review reflecting updated values and cost assumptions, we have run appraisals based on 6 dwellings typologies. Our previous review was based on CDC policy at the time (as remains under adopted policy) requiring 30% AH across the board. However, having reached the recommended revised AH policy headlines through this Stage 2 work (as reported above and subject to final confirmation through the latest review phase – as below) our revised recommendations for CDC's further consideration are for the £ AHFCs basis to vary according to both location in the Local Plan area (south or north of SDNP) and the site type (greenfield or PDL).
- 3.4.26 This approach would reflect the reported findings for the mainstream on-site AH provision levels proposed for the new LP policy. Therefore, we have reviewed the previously suggested rates (as at 3.4.17 above), adjusting those pro rata to represent the % AH required in the new LP proposed AH policy (H4) for each site type.

3.4.27 This produces the following suggested updated rates for this purpose – a starting point expectation for these circumstances (schemes of 6-10 dwellings in designated rural areas) – applicable across the scheme proposal floor area (GIA total of dwellings):

- South GF £400/m² equivalent to 30% AH
- South PDL £267/m² equivalent to 20% AH
- North GF £666/m² equivalent to 40% AH
- North PDL £500/m² equivalent to 30% AH

3.4.28 Reflecting this review element, these levels of contribution have been used in our latest appraisals, with the results as set out in Tables 1a and 1b within Appendix II. They indicate that for greenfield sites, the above rates result in RLVs which exceed our relevant non-bulk land) greenfield benchmark of £500,000/ha, for all of the key range VLs in both the south and north areas, i.e. from VL5 upwards and noting that, for such schemes, as noted above we could reasonably expect higher values to be seen in many cases. Therefore, the above rates are considered reasonable based on current cost and values. As previously, we recommend CDC considers an indexing arrangement for these.

3.4.29 For PDL sites, viability appears more challenging when considering the lower end of the typical values and particularly alongside the mid to higher end PDL benchmarks (BLVs). However, it is likely that rural areas sites (in villages and hamlets; or even more individual properties) will achieve sales values towards or at (in some cases even beyond the typical range). It is also likely that many PDL sites in these areas will not regularly support the type of existing use values more often associated with Chichester City or other more commercial locations and are more likely to be lower grade PDL, e.g. former community uses, yards, workshops, former industrial or agricultural, etc. Clearly these are overview points as is appropriate to this level of assessment, with scheme proposals and sites differing from one to another.

3.4.30 From the updated review and findings, the proposed LP policy is considered supportable alongside all other policy and development costs re-tested cumulatively.

Larger general sites (represented by typologies range) – 10+ dwellings

3.4.31 With the extensive assessment and reporting undertaken to this point, upon review of the latest typology testing results it is not necessary to go through the results per

typology – Appendix II Tables 1c to 1n. The final re-tests include all currently proposed emerging LP policies (December 2022 as reflected in Table of Appendix I) that have a direct cost and viability impact and have been appraised cumulatively (together).

3.4.32 The latest outcomes clearly show the differential that we consider is likely to be typical between PDL and greenfield hosted development, with a range of stronger outcomes indicated for the latter. Although all scenarios are different, taking the appropriate Plan wide overview, in our view PDL schemes are going to need the support of lower AH policy expectations. This confirms the earlier Stage 2 findings as reported above and reinforces the need, in our view, for the reduction in AH expectations from the Stage 1 reported levels as a matter of course. This is reiterated, with the cumulative policy costs so extensive in the Local Plan area; and especially with the estimated A27 mitigation contributions factored in (now assumed at £8,000/dwelling) as well. The differential CIL charging rates (as indexed 2023) are factored into this, reflecting their current role and effect; and again noting as above that at this time there is not considered to be any significant scope for review of these upwards, wholesale, given the viability findings. This, on CIL, can be kept under review as the LP content settles in due course.

3.4.33 Therefore, the AH policy headlines from a viability point of view and reflecting draft H4, remain as follows:

- | | | |
|-------------------|-----|--------|
| • South (of SDNP) | PDL | 20% AH |
| • South | GF | 30% AH |
| • North | PDL | 30% AH |
| • North | GF | 40% AH |

3.4.34 In discussion with CDC we noted these findings to be appropriate headlines for clarity of expectations (as per the NPPF) given the local characteristics. This is in the relevant context of the Council needing to address both the Local Plan area's AH needs and viability as part of forming an appropriate Plan overview, while also acknowledging high level nature of this review work.

- 3.4.35 The assessment necessarily reflects the usual early stage (and generally limited) information level available on sites and the consideration of a wide range of site and scheme types for this strategic overview; all through assumptions.
- 3.4.36 As a practical point noted for the Council, in our experience of viability in planning at both plan making and decision making stages (as per the PPG), the acknowledged aim of NPPF paragraph 58 is likely to be difficult to always achieve in terms of full front-loading of viability assessment to the plan making stage. For ease of reference paragraph 58 says: *'Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available'*.
- 3.4.37 With the reality of variable development costs across a wide variety of sites and schemes, there can never be a strict guarantee that the tested levels of infrastructure and AH (and / or its tenure) will always be viable alongside fully meeting other policies when viewed in the full, fixed way that we have done within this assessment.
- 3.4.38 However, with a range of AH requirements for a particular set of circumstances not permitted in national policy owing to the need to create clarity, this brings us back to the Council needing considering a balance between the high AH and infrastructure / development mitigation needs and the ability of developments to continue to come forward viably.
- 3.4.39 Clearly, it is not likely to be appropriate to adjust requirements so far away from the needs end that PDL sites for example, or many of those, would be expected to provide no or only very low AH contributions as the norm throughout the plan period. Additionally, as above, while even a low-pitched AH % based only on the lowest interpretation of the viability prospects could not be guaranteed to be delivered in all

cases (such as in some PDL redevelopment cases) this would underplay viability overall and would therefore be likely to “undershoot” the AH delivery potential on others (and therefore across the Plan overall as well).

- 3.4.40 The cumulative costs burden is very significant in the Local Plan area circumstances and, with this, there are particular pressures here leading to the balance and trade-offs and outcomes presented. However, the general principles noted here are not unusual as findings by any means. We see these types of factors being relevant regularly across our work to varying degrees.
- 3.4.41 While AH policy always has the most influence (owing to the significantly lower revenue levels supported by the affordable homes), another area to note is the influence of tenure mix and the potential ability to vary that according to circumstances if appropriate. So, this may not be only about the AH quantum (%) but also the nature of it.
- 3.4.42 The reviewed and by now consistently presented policy headline recommendations on affordable housing, while supporting all other requirements and policies as assumed, are intended to and should cater for the necessary balance on the whole.
- 3.4.43 Following discussions with the Council as part of the continued two-way information flow feeding into and out of the assessment, the practical need to recognise the role of viability in supporting both affordable housing and infrastructure provision has also been considered, however. An appropriate level of potential for discussion scope and flexibility is proposed for inclusion within the LP wording (for both affordable housing and Infrastructure policy framing – H4 and I1 respectively). In summary, the policy approach as reviewed proposes to acknowledge that the needs, site specifics and economics of provision would be considered where absolutely necessary and where supported by full, open viability information.

Specialist older persons housing

- 3.4.44 The results from the further testing of the sheltered housing typology using updated costs assumptions are shown in Table 1h of Appendix II, following the same format as used for the other (general needs / market) housing. On the same basis and with the further adjusted assumptions, the extra care typology results are included as Table 1k.

- 3.4.45 Although these cannot be compared directly with the 50 general market flats typology (outcomes at Table 1j) they are considered to be broadly similar, with higher build costs involved but premium (higher than typical flatted) values also usually supported. All of these types of development would be supported on the more typical PDL locations we see them in, via the proposed AH policy differential i.e. 20% / 30% AH (PDL) rather than 30% / 40% (GF).
- 3.4.46 It appears that sheltered housing schemes are likely to need the support of VL5+ values (£5,000/m²+) in order to support the relevant requirements, with the apartments based extra care development typology tests indicating this to be more like £5,500 - £5,750/m² in those cases. A variety of scenarios may be seen, and the viability of these is seen to improve if coming forward on GF sites (as is the case as part of some strategic development proposals (see Appendix I Table C and Appendix III)).
- 3.4.47 The viability of these types (and especially extra care / as the care provision increases) could be more challenged than that of general market development in some cases. Overall, however, bearing in mind the variety of scenarios that could be seen, it is our view that with the AH policy differential in place and the further potential “safety valve” of the above noted intended practical application of policy should be sufficient. We are not of the view that bespoke policy should be necessary in this area, and considered that the CDC proposed approach should enable developments to come forward viability and sustainably.
- 3.4.48 Additionally on these development types, as any differentials in infrastructure requirements for such schemes were not known at the time of assessment, it is also possible that there is at least some element of extra contingency within the assumptions. As a potential further balancing aspect, requirements for some service areas provision (e.g. education and some elements of open space; potentially others) may be lower.

Overall – updated typologies outcomes

- 3.4.49 Continuing the above theme, to include the proposed AH policy differentials and alongside the adopted CIL, the proposed LP policy set has been found suitable as regards general sites. Developments should be able to continue to come forward viably.

3.4.50 As part of the backdrop to this key finding, it is also worth noting that in support of the infrastructure requirements / development mitigation and policy areas brought forward as far as possible within the overall balance, CDC is not looking to go beyond national level policy expectations in key respects at this time.

Review of proposed strategic site allocations – Appendix III Tables 2a to 2f

3.4.51 As noted above, further appraisal of sites selected by CDC was also undertaken in the latest phase of this assessment. The particular appraisal inputs used alongside the general development assumptions are detailed in Table C of Appendix I, with the results tables again setting out the tested scenarios. The appraisal summaries provided to the rear of the results tables will also help guide as to the assumptions and the values and costs these create within the appraisals.

3.4.52 We acknowledge that it has been necessary to conduct this exercise using information as far as available from CDC at the time. Accordingly, this remains a preliminary look at the viability prospects based on a mix of assumptions; some more refined/specific and others remaining high level.

3.4.53 All sites reviewed are in the Plan area to the south of the SDNP, focussing on, adjacent to or around the Chichester city area. The general development / policy assumptions have been reflected and the likely values considered accordingly.

3.4.54 Our findings are provided below. The results display follows the same format as used for the typologies. Accordingly, the guide to this will not be repeated here (principles and use as per 3.4.4 – 3.4.14 above). The further review now undertaken has been informed by the same policies development testing, infrastructure/mitigation considerations and discussion as has been relevant across the emerging LP. This moves this element of assessment on from the Stage 1 review approach that considered potential surplus / deficit outcomes from various initial test scenarios (2021 report Appendix IIc).

Greenfield (GF)

3.4.55 As can be seen in all but Table 2c (which addresses the only strategic proposal on PDL) the results show a broadly similar pattern throughout. This is that 30% AH together with all other policies as applied through the appraisal assumptions, without pushing the value

level (VL) assumptions high and also appearing to provide potential to support some cost growth if necessary. The appropriate £250,000/ha BLV is generally exceeded at 30% AH with VLs 4 to 5 £4,250 to 4,500/m² market sales values.

3.4.56 A VL 5 to 6 assumption is seen to indicate RLVs close to or that exceed £500,000/ha. In each case it can be seen that 40% AH requires the support of higher values (usually one VL step higher) which means that there would be much less tolerance for values moving downwards from our assessed key areas of the range and / or scope to support any costs increases over the assumptions made. On the other hand, 20% AH appears supportable at values lower or potentially significant lower than those considered appropriate as main assumptions now, so would appear to be beneath the overall potential over the LP timeline.

3.4.57 In respect of these GF scenarios then, the findings also continue to support the 30% AH policy headline advanced by CDC – as above, assessed as part of the wide ranging development and policy costs, assessed cumulatively. There is variation within the results indications as is to be expected with varying assumptions used as appraisal inputs to some extent site to site, but all sites are considered capable of coming forward viably based on the provided information.

3.4.58 Owing to its progression through planning the Tangmere allocation proposal (A14) has not been appraised. This scheme underwent significant specific viability assessment related to the application process. The findings of our exercise are considered broadly consistent with the scenario there, which includes 30% affordable housing along with the range of other provision.

Previously developed land (PDL)

3.4.59 Similarly, the updated review of the Chichester Southern Gateway site also reflects the nature of the general sites typologies based review in respect of PDL. These results, included at Table 2c of Appendix III, show that to reach viability beyond the orange bands of shading that mostly represent lower end PDL BLVs, values at VL5 will support the policy proposed 20% AH.

- 3.4.60 This increases to VL6 needed to support 30% AH and the effect of any verified higher land value assessment can also be seen, with the RLVs dropping away as the AH% tested goes beyond 20%.
- 3.4.61 Although a higher build cost contingency (at 10%) has been included within the assumptions in this instance for the purposes of plan making stage viability, the effect of any abnormal costs or other costs increased beyond the assumed levels would be to place the stated outcomes under further pressure.
- 3.4.62 Overall, from the review this allocation proposal (and any other sites of a similar nature) using latest assumptions can also be considered to have the potential to come forward viably based on the proposed LP policy set (including 20% AH) and reflecting the commentary above.
- 3.4.63 As with the trends seen from the typologies reviewing, the potential very positive effect of rising values (in the Local Plan context) is shown again. So is the potential effect of rising costs, however, unless these are also accompanied by values growth. Along with the main results tables, the further sensitivity data helps give a feel for the potential upside and downside areas of this likely variable picture over time.
- 3.4.64 Although acknowledged again as preliminary still at this stage, prior to worked up site proposals, the findings indicate development of the identified nature certainly to have reasonable viability prospects in terms of the context of the NPPF and the approach to viability in planning within the PPG.

CIL charging scope preliminary review – context

- 3.4.65 As noted above, the development costs assumptions include the CDC CIL at the indexed rate.
- 3.4.66 Following on from the above, with the cumulative costs assumed as they are, we have not been able to point to any clear significant scope to review the CIL upwards for residential development uses on the whole at this stage, alongside the emerging proposed policy set.

- 3.4.67 We have found that, if anything, the costs burden (with the adopted CIL as now indexed) looks full on at least some PDL schemes, and perhaps especially all-flatted developments.
- 3.4.68 As has been reflected in the assumptions, with the CDC CIL set up at it is, the charging will apply to strategic sites too. We have found that CIL charging schedules (including where informed by DSP's viability assessment work) have often set differential rates for such sites (nil or low rate basis) reflecting both the scale and nature of site specific development mitigation and infrastructure, and the direct linkage with its provision that the s106 planning obligations route usually more readily creates. However, this does not mean that CIL is inappropriate on such sites per se. These are areas that might be looked at in the event of a CIL review, however.
- 3.4.69 With the source of funding altered rather than infrastructure requirements removed or reduced, any such change on this might not affect the viability outcomes significantly, but again this is offered as an additional general point at this stage.

Related commentary - generally

- 3.4.70 The consideration of the key finding on the AH policy differential for developments on PDL cannot be separated from our more general findings and suggestions as are offered below. These are mentioned here because although they may be more generally applicable in our view they will be most relevant in PDL scenarios.
- 3.4.71 While there is a difference between the longer Local Plan timeline strategic overview and the likely short term challenges of potentially the next few years (hence AH policy %s not suggested at lower levels still for example) the findings continue to point to a significant policy differential based on broad site type as has been discussed. Beyond this, it is not thought necessary or appropriate to make policy more complex and thus its expectations less clear to stakeholders considering proposals and planning developments.
- 3.4.72 Extending this point, and again with a difference between the Local Plan overview (e.g. as economic circumstances pick up and currently viewed extra over policy costs reduce) it appears likely that CDC will probably need to consider some elements of potential flexibility over the operation of policy aims and perhaps particularly in the short term.

- 3.4.73 This, however, this is not to undermine the Local Plan overview that the policy aims should be supportable and reasonably placed over the longer run that is relevant. The Council has to consider the sustainability of development, the affordable housing and other community needs in balance with viability. It is able to consider how much weight to give to viability at decision making stage as per the PPG. The purpose of viability in planning is to inform rather than constrain sustainable development and in doing so to enable the optimising of planning obligations to be considered.
- 3.4.74 Different appraisal inputs could result in different viability indications so that for example a varied dwelling number or mix, assumed density or other alternative assumptions could be expected to have an influence. The assessment does not amount to an options appraisal for sites or similar, whereas prospective developers can be expected to work up the most viable scenarios that will be able to address the individual site characteristics and requirements as far as possible.
- 3.4.75 It is possible also to consider the likely effect of intermediate levels of AH or other assumptions through interpolation – i.e. viewing between two results points, if relevant. Overall, the sensitivity testing information could also be used to broadly assess different combinations of appraisal inputs (assumptions) that would support similar outcomes or which might be viewed on a “trade-off” type basis if needs be in particular instances.
- 3.4.76 The significant viability impact of the affordable housing relates to its development cost being broadly the same as market housing while it generates revenue (sale value) at a very much lower level – often around half (50%) of market value when a blend of AH tenure is taken into account overall. This is also behind the affordable housing generally needing to be considered (and potentially not being provided at highest levels within a targeted range) when it comes to considering support of a mix of policy objectives within an overall balance. Aside from the nationally required First Homes now allowed for as a base assumption, the AH policy as impacts viability is entirely locally set. In balancing up, the cost of providing the AH is such that some adjustment in its provision can often “pay for” other less costly policy objectives in their entirety, and collectively. This has been both an unavoidable and important factor in the long-running two-way dialogue with the

Council, feeding into and out of the viability assessment work; between this and the Plan's development progression.

- 3.4.77 DSP notes that this has been a common factor across such assessments undertaken in recent years, and continues to be. The dynamics described here are by no means unique to Chichester District. In our extensive experience of these matters, they are typical considerations (albeit at varying policy levels etc. according to local characteristics and at this point in time exacerbated by circumstances in terms of short term effects).
- 3.4.78 Although clearly unhelpful for affordability within the market, a significant positive viability influence is seen to come from increasing market housing sale values which are a key driver of the viability scope and variations between locations and sites / schemes in some circumstances. The trend of increasing viability indications and consistency of positive outcomes supported by the mid to higher values tested shows that the achievable value level (VL tested) will be a key influence. This picture, and how it may move in the coming period, is difficult to assess at the present time. However, the results indications are largely positive overall having considered the policy set, based on a prudent approach to considering the values assumed at this time; at levels often within those considered potentially achievable for high quality new development moving ahead.
- 3.4.79 Furthermore, no allowance has been made at this stage for the likelihood of extra over costs assumptions reducing as the currently new or emerging sustainability and other requirements become the norm; reflecting improvements in knowledge, techniques and technologies, and economies of scale.

Stage 2 – Overview (latest update) – Concluding

- 3.4.80 This has been a challenging time at which to consider development viability, as it is for development activity. This has been particularly the case in recent months, over the period in which we have been concluding this assessment – autumn and winter of 2022, using information as provided and gathered to December 2022.
- 3.4.81 With a need to consider recent and current circumstances but above all a requirement to look across the Local Plan period (to 2039) overall, this assessment has been done at a point in time but also reflects on this more strategic, longer term relevance as part of

the Local Plan overview. This is consistent with the application of viability in planning at plan making stage, as per the NPPF and reflecting the PPG.

- 3.4.82 We note that available information and assumptions tend to be on a snapshot basis whereas during the relatively long term life and strategic approach of the Local Plan, current estimates of extra over costs can reasonably be expected to reduce very significantly, as higher standards quickly become the norm and other matters develop with new techniques and growing knowledge. This commentary is considered relevant to both residential and other development use types.
- 3.4.83 We expect also that multi-purpose solutions to supporting measures for achieving biodiversity and other elements of the landscaping, open space, environmental and ecological requirements will be developed too, whereas currently we are taking more of an individual costs assumptions approach to some of these elements. All in all, within the nature of viability in planning it is appropriate to consider how development can and will come forward, rather than only how it might not be able to comply with reasonable requirements.
- 3.4.84 The same context applies to other policy related matters proposed by CDC, including on accessible homes, although latest national requirements are now set to mean that universal application of Building regulations Part M4(2) will become standard, meaning that CDC's additional policy becomes the M4(3) element proposed and which we have assumed and noted as costly to fully provide (within Local Plan proposed H5 scope).
- 3.4.85 With the other policies and requirements applied, we have continued to find that in the wider Local Plan context a 30% AH policy on greenfield (GF) developments should prove suitable as a basis overall to the south of the National Park; 40% in the part of the Plan area to the north.
- 3.4.86 However, with mixed results generated but typically lower viability on PDL sites, a significant differential reflecting this has been consistently suggested for CDC's consideration as this Stage 2 viability assessment work has progressed. This has built on the consideration of this at Stage 1.

- 3.4.87 The positioning of this suggested AH % policy differential has been further assessed and reflected upon through this Stage 2. That context includes considering the balance with the need to do all possible to meet affordable housing needs and the nature of the proposed land supply (site types) supporting the delivery, particularly the site types that are most relevant to the Local Plan overall.
- 3.4.88 This leads to the 20% AH position on PDL in the south; 30% in the north - a 10% differential (reduction) between the requirement for these of GF sites.
- 3.4.89 On the whole, taking the wider Local Plan context rather than only the short term, we are able to support the viability prospects related to the policy directions and nature of development coming forward. All in all, we consider that approach proposed by the Council should be capable of supporting viable developments.
- 3.4.90 The policy proposals have been tested cumulatively and the nature of the development proposed is considered able to come forward viably, including on the proposed strategic allocations as reviewed.
- 3.4.91 However, it is also appropriate in our view to consider that in the short term (potentially the next few years) the increased development costs related to local as well as national policy requirements will be impacting at a time when the economic circumstances seem likely to continue to be difficult, with general costs inflation pressures. So, it is likely that there will be a coming together of aspects that will be challenging for viability in some cases. This will be likely to influence matters across the board to some extent, but the assessment suggests this will be at its most challenging on some PDL sites. These are where more frequently there will be inherently less or very limited viability headroom owing to higher site values (BLVs based on existing use plus as per the PPG) in combination with often higher development costs.
- 3.4.92 With this context set out we have provided further commentary extending this point about the difference between the necessary Local Plan overview (e.g. including reflecting matters as economic circumstances pick up and currently viewed extra over policy costs reduce) and the immediate period / short term. Similarly, although build costs are continuing to rise, there are some indications that this pressure may be beginning to ease and this can be expected to happen in the event of a decline in demand.

- 3.4.93 Nevertheless, as reflected in the policy proposals that have been discussed through this assessment, it appears likely that CDC will probably need to consider some elements of potential flexibility over the operation of policy aims in the short term.
- 3.4.94 We reiterate here that this is not to undermine the relevant Local Plan overview that the policy aims should be supportable and reasonably placed over the longer run. The Council has to consider the sustainability of development, the affordable housing and other community needs in balance with viability. It is able to consider how much weight to give to viability at decision making stage as per the PPG. The purpose of viability in planning is to inform rather than constrain sustainable development and in doing so to enable the optimising of planning obligations to be considered.
- 3.4.95 The Local Plan policies are developing so as to be constructed with some appropriate flexibility in view, but with that potentially exercisable once all compliance has been fully explored and tested. So that the bar would be kept high in terms of expectations as the starting point and that clarity of approach to those is provided.
- 3.4.96 Very soon it should be possible to assess whether more energy efficient homes and business premises attract higher values. There have been suggestions of this for some time, but mostly anecdotally that we have seen and so with data on this awaited. We have noted that this is being seen already in some commercial sectors, but we expect it to flow through into the residential market. Developer's marketing campaigns are now often including or focusing on energy efficiency. That along with the cost efficiencies anticipated over time (demand leading to bigger markets, economies of scale, improved designs and technologies) may well help further to balance out what will likely be some initial viability pressures. Nevertheless, it seems very likely that there will be some form of transition to make and probably some time taken with that.
- 3.4.97 DSP will be pleased to assist Chichester District Council with any further work or points in relation to this assessment.

Notes and Limitations

- i. Following on from the earlier Viability Assessment (VA) for Chichester District Council (CDC) (Stage 1 work undertaken 2019 – 2021), the purpose of the further assessment reported in this document (as conducted between early 2021 and the end of 2022) is to continue and build upon the evaluation of viability; informing and supporting the firmed-up policies now proposed as part of the emerging Chichester District Local Plan (Local Plan) – current proposed Draft Regulation 19 stage.
- ii. Gathering up and reflecting on the testing of typologies and strategic scale development over 4 main phases of assessment over the above noted period, this report sets out additional information considered as part of the Council’s further development of its Local Plan proposals from a viability perspective whilst also taking into account national policies and initiatives that may have an impact on development viability.
- iii. This has been a desk-top exercise based on information provided by CDC supplemented with information gathered by and assumptions made by DSP, once again as appropriate in the context of Local Plan development (‘plan making’).
- 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 all the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to directly prescribe assumptions. Assumptions applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council’s approach to and proposals for a robust and viable Local Plan.

- vi. 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 indications generated by the development appraisals for this strategic purpose will not necessarily reflect site specific circumstances. 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.
- vii. The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with Brexit, the after effects of the COVID-19 (Coronavirus) pandemic situation, more latterly the war in Ukraine, and challenging economic circumstances in general, with the latter coming to more the fore as this assessment has progressed to its later stages and the write-up has been finalised.
- viii. This may run through into many potential areas affecting development viability or deliverability, particularly in the short term. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability. It is of course only possible to work with available information at the point of carrying out the assessment. At this stage it appears that it will be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.
- 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 preparation/review and potentially pending or during examination. In the meantime, this work contains information on the impact of varied assumptions applied within a wide range of sensitivity tests. Run in this way, and through regular dialogue with the Council while in progress, this has helped and continues 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 undertaken a number of site-specific viability assessments on behalf of Chichester District Council over a number of years now – requested on an ad hoc basis and the subject of specific arrangements. We have continued to carry out some review work for CDC on a small number of such 'decision taking' stage cases during the course of this strategic assessment work.
- 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. In the preparation of this assessment DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

Report ends
Final v 11