Guildford Borough Council
Plan Viability & Affordable Housing Study

Final Report

On behalf of **Guildford Borough Council**

Project Ref: 30648 | Rev: 2 | Date: August 2014

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1 Introduction

1.1 The study scope

1.1.1 Peter Brett Associates LLP was commissioned by Guildford Borough Council to undertake a viability assessment at a strategic plan level and provide the following outputs:

- A plan viability assessment (PV) of the emerging Plan (Local Plan).
- Inform the Plan affordable housing policy in the context of the PV assessment.
- Viability assessment of theoretical developments taking into account the draft Local Plan requirements and other cost, to inform the draft Community Infrastructure Levy rates.
- Inform the preparation of the Preliminary Draft Charging Schedule Rates

1.1.2 The main purpose of a Plan viability (or PV) assessment is to provide evidence to show that the requirements of the national planning policy framework (NPPF) are met. That is, the policy requirements in the Plan should not threaten the development viability of the plan as a whole. The objective of this study is to inform policy decisions relating to the trade-offs between the policy aspirations of achieving sustainable development and the realities of economic viability.

1.1.3 The report and the accompanying appraisals have been prepared in line with RICS valuation guidance. However, it is first and foremost a supporting document to inform the Local Plan evidence base and planning policy, in particular policy concerned with the planning, funding and delivery of infrastructure needed to support delivery of the plan.

1.1.4 As per Professional Standards 1 of the RICS Valuation Standards – Global and UK Edition[1], the advice expressly given in the preparation for, or during the course of negotiations or possible litigation does not form part of a formal "Red Book" valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.

Defining local plan level viability

1.1.5 The 'Viability Testing Local Plans' advice for planning practitioners prepared by the Local housing Delivery Group and chaired by Sir John Harman June 2012(the Harman Report) defines whole plan viability (on page 14) as follows:

'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs, and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place, and generates a land value sufficient to persuade the land owner to sell the land for the development proposed.'

At a Local Plan level, viability is very closely linked to the concept of deliverability. In the case of housing, a Local Plan can be said to be deliverable if sufficient sites are viable (as defined in the previous paragraph) to deliver the plan's housing requirement over the plan period.

[1] RICS (January 2014) Valuation – Professional Standards, PS1 Compliance with standards and practice statements where a written valuation is provided

1.1.6 Note the approach to Local Plan level viability assessment does not require all sites in the plan to be viable. The Harman Report says that a site typologies approach to understanding plan viability is sensible. Whole plan viability:

'does not require a detailed viability appraisal of every site anticipated to come forward over the plan period… [we suggest] rather it is to provide high level assurance that the policies with the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.

A more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.

1.1.7 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period.

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'

1.1.8 Indeed the Report also acknowledges that a:

'plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.

1.1.9 The report later suggests that once the typologies testing has been done:

'it may also help to include some tests of case study sites, based on more detailed examples of actual sites likely to come forward for development if this information is available' .

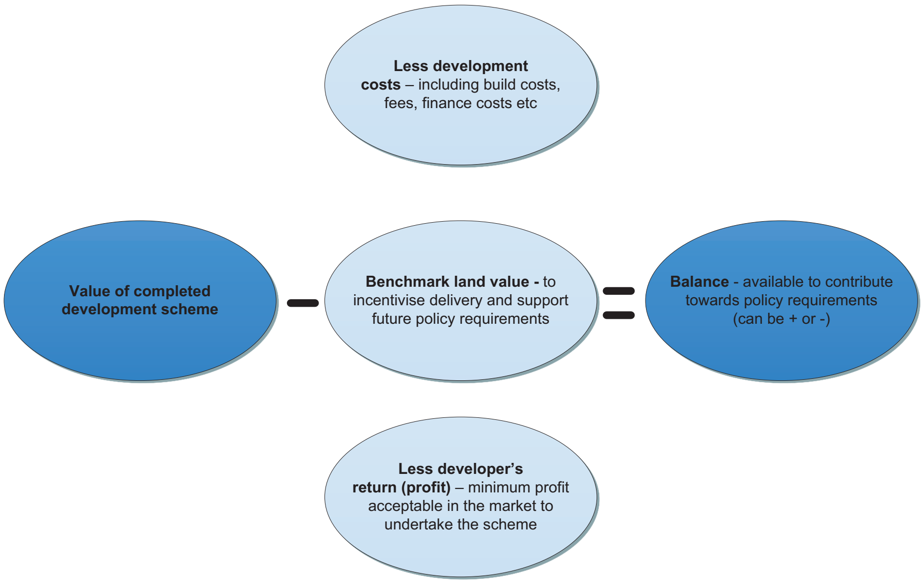
1.1.10 The Harman Report points out the importance of minimising risk to the delivery of the plan. Risks can come from policy requirements that are either too high or too low. So, planning authorities must have regard to the risks of damaging plan delivery through loading on excessive policy costs - but equally, they need to be aware of lowering standards to the point where the sustainable delivery of the plan is not possible. Good planning in this respect is about 'striking a balance' between the competing demands for policy and plan viability.

1.2 Approach used for the development viability appraisals

1.2.1 The PBA development viability model was used to test Plan delivery based on viability and to ascertain a CIL charge. This involved high level testing of a number of hypothetical and named schemes that represent the future allocation of development land in Guildford.

1.2.2 The viability testing and study results are based on a standard residual land valuation of different and uses relevant to different parts of the borough, aiming to show typical values for each site. The approach takes the difference between development values and costs, and compares the 'residual value' with a threshold land value to determine the balance that could be available to support policy costs such as affordable housing and infrastructure. This is a standard approach, which is advocated by the Harman Report. The broad method is illustrated in the **Figure 1.1**.

Figure 1.1 Approach to residual land value assessment for whole plan viability



1.2.3 In the case of the strategic sites, the model has been adapted to test for a range of different infrastructure requirements in the phasing of the development to bring forward sustainable development. When added to a set of locally based assumptions on new-build sales values, threshold land values and developer profits, a set of potential strategic sites development viability assessments are produced. This is then built into the cashflow modelling to assess viability through the lifetime of the development, where costs and returns will be flowing through the development cycle. The purpose of the assessment is to identify the balance available to pay for policy costs at which each of the potential strategic sites is financially viable.

1.2.4 The arithmetic of residual appraisal is straightforward (we use a bespoke spreadsheet models for the appraisals). However, the inputs to the calculation are hard to determine for a specific site (as demonstrated by the complexity of many S106 negotiations). The difficulties grow when making calculations that represent a typical or average site - which is what is required for estimating appropriate CIL charges. Therefore our viability assessments in this report are necessarily broad approximations, subject to a margin of uncertainty.

1.2.5 Examples of the residential and a non-residential site assessment sheets are set out in **Appendix B**.

1.3 Consultation

1.3.1 A developer workshop for the development industry active in the Borough was held to test the assumptions contained within this report. This took place in May 2014 and was attended by developers and agents, in addition to the consultants and Council officers.

1.3.2 The workshop was attended by a broad mix of house builders, surveyors, architects, agents and land owners and promoters. There were also representatives from Registered Providers and council officers from the borough and county councils.

1.3.3 The key data discussed includes:

- Typologies;
- The density and mix of development;
- Estimated market values of completed development;

- Existing use and open market land values;
- Basic build cost;
- External works (% of build cost);
- Professional fees (% of build cost);
- Marketing & sales costs (% of development value);
- Typical S106 costs;
- Finance costs (typical prevailing rates); and
- Developer's margin (% of development value)

1.3.4 A copy of the meeting note is in **Appendix C**.

1.3.5 Further consultation was also undertaken with a number of site promoters on a one to one basis. We also consulted separately with Registered Providers (RPs) of affordable housing operating in the Guildford borough area to gather more detailed information about revenue and costs for affordable housing to assist in the analysis. This was supplemented by discussions with the council.

1.4 Approach

Report structure

1.4.1 The rest of this report is set out as follows:

- Chapter 2 sets out the policy and legal requirements relating to whole plan viability, affordable housing and community infrastructure levy which the study assessment must comply with.
- Chapter 3 outlines the planning and development context, and considers past delivery.
- Chapter 4 sets out the emerging policies and their impact on viability.
- Chapters 5 and 6 describe the local residential and non-residential markets, and the development scenarios to be tested, assumptions and viability results.
- Chapter 7 concludes by setting out the main findings and translates this into recommendations for the whole plan viability and specifically affordable housing
- A glossary of key terms is available in Appendix D

2 National Policy Context

2.1 National framework

2.1.1 The National Planning Policy Framework (NPPF) recognises that the 'developer funding pot' or residual value is finite and decisions relating on how this funding is distributed between affordable housing, infrastructure, and other policy requirements have to be considered as a whole they cannot be separated out.

2.1.2 The National Planning Policy Framework (NPPF) advises that cumulative effects of policy should not combine to render plans unviable:

'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'. [2]

2.1.3 With regard to non-residential development, the NPPF states that local planning authorities *'should have a clear understanding of business needs within the economic markets operating in and across their area. To achieve this, they should… understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.'* [3]

2.1.4 Note the NPPF does not state that all sites must be viable now in order to appear in the plan. Instead, the NPPF is concerned to ensure that the bulk of the development is not rendered unviable by unrealistic policy costs. It is important to recognise that economic viability will be subject to economic and market variations over the Local Plan timescale. In a free market, where development is largely undertaken by the private sector, the planning authority can seek to provide suitable sites to meet the needs of sustainable development. It is not within the local planning authorities control to ensure delivery actually takes place; this will depend on the willingness of a developer to invest and a landowner to release the land. So in considering whether a site is deliverable now or developable in the future, we have taken account of the local context to help shape our viability assumptions.

Deliverability and developability considerations in the NPPF

2.1.5 The NPPF creates the two concepts of 'deliverability' (which applies to residential sites which are expected in Years 0-5 of the plan) and 'developability' (which applies to year 6 onwards of the plan). The NPPF defines these two terms as follows:

To be deliverable, *"sites should be available now, offer a suitable location for development now, and be achievable, with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable."* [4]

To be developable, sites expected in Year 6 onwards should be able to demonstrate a *"reasonable prospect that the site is available and could be viably developed at the point envisaged".* [5]

[2] DCLG (2012) National Planning Policy Framework (41, para 173)
[3] Ibid (para 160)
[4] Ibid (para 47, footnote 11 – note this study deals with the viability element only, the assessment of availability, suitability, and achievability is dealt with by the client team as part of the site selection process for the SHLAA and other site work.

2.1.6 This study deals with the viability element only, the assessment of availability, suitability, and achievability, including the timely delivery of infrastructure is dealt with by the client team as part of the site allocations and infrastructure planning.

2.1.7 The NPPF advises that a more flexible approach may be taken to the sites coming forward in the period after the first five years. Sites coming forward after Year 6 might not be viable now – and might instead be only viable at that point in time. This recognises the impact of economic cycles and variations in values and policy changes over time.

2.2 National policy on affordable housing

2.2.1 In informing future policy on affordable housing, it is important understand national policy on affordable housing. The NPPF states:

2.2.2 To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should[6]:

- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and
- where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.[7]

2.2.3 The NPPF does recognise that in some instances, off site provision or a financial contribution of a broadly equivalent value may contribute towards creating mixed and balanced communities.

2.2.4 Finally the NPPF recognises that market conditions change over time, and so when setting long term policy on affordable housing, incorporating a degree of flexibility is sensible to reflect changing market circumstances.

2.2.5 Note that the NPPF has not amended the definition of affordable housing to take account of the variety of first time buyer mortgage support schemes offered by both the government and developers. It is unclear how long such products will be on the market, but they are not classified as an 'affordable product'[8], although they may in some areas impact on the delivery of affordable products.

2.2.6 In informing future policy on affordable housing, it is important to be clear of the national policy parameters that apply to affordable housing. The NPPF provides local planning authorities greater flexibility in determining their housing delivery strategy based on an understanding of local housing needs and housing market.

[5] Ibid (para 47, footnote 12)
[6] Ibid (para 50 and bullets).
[7] Ibid (p13, para 50)
[8] This is because the purpose of affordable housing is to help provide affordable housing for households in need over the long term.

Threshold limits, off site contributions, and flexibility in policy

2.2.7 As can be seen from the above, the NPPF does not include any affordable housing thresholds and allows flexibility for local authorities to meet local requirements based on a clear understanding of local market, need, viability and delivery.

2.2.8 However, the government has recently published consultation on setting a national threshold of 10 dwellings for seeking provision of affordable housing. Whilst this is not policy at present the government have shown a consistent approach to reducing the burden on smaller development – e.g. removal of CIL liability from self-build schemes, so subject to the consultation it is likely that this will become national policy in the near future.

2.2.9 The NPPF does recognise that in some instances, off site provision or a financial contribution of a broadly equivalent value may contribute towards creating mixed and balanced communities.

2.2.10 Finally the NPPF recognises that market conditions change over time, and so when setting long term policy on affordable housing, incorporating a degree of flexibility is sensible to reflect changing market circumstances.

2.2.11 Note that the NPPF has not amended the definition of affordable housing to take account of the variety of first time buyer mortgage support schemes offered by both the government and developers. It is unclear how long such products will be on the market, but they are not classified as an 'affordable product', although they may in some areas impact on the delivery of affordable products.

2.2.12 The NPPF does include a duty to cooperate with neighbouring authorities – particularly to reflect affordable housing needs and the scope to enable small amounts of market housing to cross subsidise affordable housing[9]:

'in rural areas, exercising the duty to cooperate with neighbouring authorities, local planning authorities should be responsive to local circumstances and plan housing development to reflect local needs, particularly for affordable housing, including through rural exception sites where appropriate. Local planning authorities should in particular consider whether allowing some market housing would facilitate the provision of significant additional affordable housing to meet local needs'.

2.3 National policy on infrastructure

2.3.1 The NPPF requires authorities to demonstrate that infrastructure will be available to support development:

[…]'It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up.' [10]

2.3.2 It is not necessary to prove that all funding for infrastructure has been identified. The NPPF states that standards and policies in Local Plans should 'facilitate development across the economic cycle,' [11] suggesting that in some circumstances, it may be reasonable for a Local Authority to argue that viability is likely to improve over time, that policy costs may be revised, that some infrastructure is not required immediately, and that mainstream funding levels may recover.

2.3.3 An Infrastructure Delivery Plan is being prepared by the Council to set out the necessary infrastructure and proposed funding.

[9] DCLG (2012) op cit (para 54 page 14)

[10] Ibid (p42, para 177)

[11] Ibid (p42, para 174)

2.4 National policy on community infrastructure levy

2.4.1 The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre or number of homes, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be tested by an independent examiner.

2.4.2 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[12], as amended in 2011[13] , 2012[14], 2013[15] and 2014[16].
- The CIL Guidance which was updated and published in February 2014 and since replaced by National Planning Practice Guidance on CIL (NPPG CIL).[17]

2.4.3 The 2014 CIL amendment Regulations have altered key aspects of setting the charge for authorities who publish a Draft Charging Schedule for consultation. The key points from these various documents are summarised below.

Striking the appropriate balance

2.4.4 The revised Regulation 14 requires that a charging authority '*strike an appropriate balance*' between:

a. The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and

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

2.4.5 By itself, this statement is not easy to interpret. The guidance explains its meaning. A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for an authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

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

[12] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf

[13] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf

[14] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf

[15] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

[16] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf

[17] DCLG (February 2014) Community Infrastructure Levy Guidance and DCLG (June 2014) National Planning Practice Guidance: Community Infrastructure Levy (NPPG CIL)

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.' [18]

2.4.6 In other words, the 'appropriate balance' is the level of CIL which maximises the delivery of development in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

2.4.7 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. This has been reduced by the 2014 Regulations, but remains. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike an appropriate balance…' i.e. it is recognised there is no one perfect balance;

'Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.'

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence …… There is room for some pragmatism.' [19]

2.4.8 Thus the guidance sets the delivery of development firmly in within the context of implementing the Local Plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the guidance. For example, in guiding examiners, the guidance makes it clear that the independent examiner should establish that:

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole…..' [20]

2.4.9 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

2.4.10 The focus is on seeking to ensure that the CIL rate does not threaten the ability to develop viably the sites and scale of development identified in the Local Plan. Accordingly, when considering evidence the guidance requires that charging authorities should:

'*use an area based approach, involving a broad test of viability across their area', supplemented by sampling '…an appropriate range of types of sites across its area…' with the focus '...on strategic sites on which the relevant Plan relies and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).* [21]

2.4.11 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable (some schemes will be unviable with or without CIL). However, in aiming to strike an appropriate balance overall, the charging authority should avoid threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

[18] DCLG (June 2014) NPPG CIL (para 009)

[19] DCLG (June 2014) NPPG CIL (para 019)

[20] DCLG (June 2014) NPPG CIL (para 038)

[21] DCLG (June 2014) NPPG CIL (para 019)

Keeping clear of the ceiling

2.4.12 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

'…..if the evidence pointed to setting a charge right at the margins of viability………It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[22]

2.4.13 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.
- A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

Varying the CIL charge

2.4.14 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[23] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.4.15 The guidance also points out that charging authorities should avoid '*undue complexity*' when setting differential rates, and *'….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.'* [24]

2.4.16 Moreover, generally speaking, '*Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'*; otherwise the CIL may fall foul of state aid rules.[25]

2.4.17 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [26]

Supporting evidence

2.4.18 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[27]. The guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[28]

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[22] DCLG (June 2014) NPPG CIL (para 019)

[23] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area.

[24] DCLG (June 2014) NPPG CIL (para 021)

[25] Ibid

[26] Ibid

[27] Planning Act 2008 section 211 (7A)

[28] DCLG (June 2014) NPPG CIL (para 019)

2.4.19 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Local Plan.

Chargeable floorspace

2.4.20 CIL will be payable on most buildings that people normally use and will be levied on the net additional new build floorspace created by any given development scheme. The following will not pay CIL:

- New build that replaces demolished existing floorspace that has been in use for six months in the last three years on the same site, even if the new floorspace belongs to a higher-value use than the old;
- Retained parts of buildings on the site that will not change their use, or have otherwise been in use for six months in the last three years;
- Development of buildings with floorspace less than 100 sqm (if not a new dwelling), by charities for charitable use, extensions to homes, homes by self-builders' and social housing as defined in the regulations.

CIL, S106, S278 and the regulation 123 infrastructure list

2.4.21 The purpose of CIL is to enable the charging authority to carry out a wide range of infrastructure projects. CIL is not expected to pay for all infrastructure requirements but could make a significant contribution. However, development specific planning obligations (commonly known as S106) to make development acceptable will continue with the introduction of CIL. In order to ensure that planning obligations and CIL operate in a complementary way, CIL Regulations 122 and 123 place limits on the use of planning obligations.

2.4.22 To overcome potential for 'double dipping' (i.e. being charged twice for the same infrastructure by requiring the paying of CIL and S106), it is imperative that charging authorities are clear about the authorities' infrastructure needs and what developers will be expected to pay for and through which route. The guidance expands this further in explaining how the regulation 123 list should be scripted to account for generic projects and specific named projects).

2.4.23 The guidance states that '*it is good practice for charging authorities to also publish their draft (regulation 123) infrastructure lists and proposed policy for the scaling back of S106 agreements*.' This list now forms part of the 'appropriate available evidence' for consideration at the CIL examination. A draft infrastructure list must be available at the preliminary draft charging schedule phase.

2.4.24 The guidance identifies the need to assess past evidence on developer contributions, stating '*as background evidence, the charging authority should also provide information about the amount of funding collected in recent years through section 106 agreements, and information on the extent to which affordable housing and other targets have been met'*.

2.4.25 Similarly, there are restrictions on using section 278 highway agreements to fund infrastructure that is also including in the CIL infrastructure list. This is done by placing a limit on the use of planning conditions and obligations to enter into section 278 agreements to provide items that appear on the charging authority's Regulation 123 infrastructure list. Note these restrictions do not apply to highway agreements drawn up the Highway Agency.

What the CIL examiner will be looking for

2.4.26 According to the guidance, the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation.
- The draft charging schedule is supported by background documents containing appropriate available evidence.
- The proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area.
- Evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole.

2.4.27 The examiner must recommend that the draft charging schedule should be approved, rejected or approved with specific modifications.

2.5 Policy and other requirements

2.5.1 More broadly, the CIL guidance states that '*Charging authorities should consider relevant national planning policy when drafting their charging schedules*'[29]. Where consideration of development viability is concerned, the CIL guidance draws specific attention to paragraphs 173 to 177 of the NPPF and to paragraphs 162 and 177 of the NPPF in relation to infrastructure planning.

2.5.2 The only policy requirements which refer directly to CIL in the NPPF are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Since April 2013[30] this policy requirement has been complemented with a legal duty on charging authorities to pass a specified proportion of CIL receipts to local councils, to spend it on behalf of the neighbourhood if there is no local council for the area where development takes place. Whilst important considerations, these two points are outside the immediate remit of this study.

2.6 Summary

Plan summary

2.6.1 Plan wide viability testing is different to site viability assessment and adopts a broader plan level approach to viability assessment based on 'site typologies rather than actual sites' combined with some case studies.

2.6.2 The key documents guiding plan viability assessment are the Harman Report and the RICS Guidance – both approach plan level viability different to site specific viability, and take account of current and future policy requirements, but both documents differ in their approach to arriving at the Threshold Land Value. The Harman Report advocates an existing use value plus uplift, whilst the RICS report advocates a market value minus a future policy cost approach.

2.6.3 The NPPF requires Councils to ensure that they 'do not load' policy costs onto development if it would hinder the site being developed. The key point is that policy costs will need to be balanced so as not to render a development unviable, but should still be considered sustainable.

Affordable housing summary

2.6.4 The NPPF has sought to remove nationally prescribed affordable housing thresholds and allows greater flexibility for local authorities to meet local needs based on a clear understanding of local market, need, viability and delivery. There is scope to secure commuted sums for off site delivery

[29] DCLG (June 2014) NPPG CIL (para 011)

[30] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

where appropriate, and importantly, the NPPF recognises the need for policies to be sufficiently flexible to take account of changing market conditions over time.

Infrastructure summary

2.6.5 The infrastructure needed to support the plan over time will need to be planned and managed. Plans should be backed by a thought-through set of priorities and delivery sequencing that allows a clear narrative to be set out around how the plan will be delivered (including meeting the infrastructure requirements to enable delivery to take place).

2.6.6 This study confines itself to the question of development viability. It is for other elements of the evidence base to investigate the other ingredients in the definition of deliverability (i.e. location, infrastructure and prospects for development). Though the study will draw on infrastructure cost (prepared by the client team) to inform the impact on viability where relevant.

CIL summary

2.6.7 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a Draft for consultation after 24 February 2014, (when the 2014 CIL Regulations Amendments came into force) must strike an appropriate balance between the desirability of funding (in whole or in part) infrastructure needed to support the development and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.6.8 This means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

2.6.9 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability.
- CIL charging rates may vary across geographical zones, building uses, and by scale of development. But differential charging must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by ‘appropriate available evidence’, which need not be ‘fully comprehensive’.
- Charging authorities should be clear and transparent about the use of different approaches to developers funding infrastructure and avoid ‘double dipping’.

2.6.10 While charging rates should be consistent with the evidence, they are not required to ‘mirror’ the evidence. In this, and other ways, charging authorities have discretion in setting charging rates.

3 Local Development Context

3.1 Introduction

3.1.1 This chapter briefly outlines the local development context in Guildford Borough reviewing past development that has taken place, and outlining the planned growth in the emerging Plan. This development context has informed the viability appraisal assumptions.

3.2 Past development patterns

3.2.1 Patterns of past development provide can normally provide a guide to the likely patterns of future development (though in Guildford's case the new development strategy may alter some of the past patterns of development). Table 3.1 below analyses the amount of net residential completions over the period 2006 to 2014. Completions have generally been around 270 dwellings; however the average annual target for completions in the Local Plan will be around 650 dwellings per annum which is substantially higher than the past eight years. This will require a significant step change in delivery so the council will need to be mindful in setting their policy so as not to stifle development. Although it is noted that the council is already helping delivery by identifying a wide range of sites to help meet this increased delivery rate including several large new strategic sites of around 1,000 - 2,500 dwellings.

Table 3.1 Residential completions 2006-2014 (data provided by the council)

Period	Net completions	Cumulative Completions
2006/2007	357	357
2007/2008	478	835
2008/2009	130	965
2009/2010	227	1192
2010/2011	188	1380
2011/2012	261	1641
2012/2013	230	1871
2013/2014	132	2003
2006/7 – 2013/14 (annual avg)	250	

Scale and type of past delivery

3.2.2 Table 3.2 shows the scale of applications received over the past eight years. This shows that that in the last five years there has been a reliance on smaller sites coming forward of under 15 dwelling. There have been no larger sites over 200 units and very few over 50 dwellings. This is largely due to limited supply of large sites because of the green belt constraints and the affordable housing threshold which was set at 15 dwellings.

Table 3.2 Gross permission by size of site 2006-2014 (data provided by the council)

Scheme size	% of new homes							
	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
1-4	20%	39%	61%	43%	40%	18%	24%	23%
1-9	26%	56%	79%	76%	58%	25%	39%	34%
1-14	31%	63%	100%	90%	100%	39%	39%	45%
1-19	33%	70%	N/A	100%	N/A	73%	39%	45%
1-49	47%	100%	N/A	N/A	N/A	100%	39%	45%
1-199	47%	N/A	N/A	N/A	N/A	N/A	100%	100%
200+	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

3.2.3 As well as looking at the size of proposals we have also looked at the breakdown of sites types for completions. As can be seen in Table 3.3 the number of dwellings coming forward on brownfield sites is very high. This is due to the policies of the current Local Plan 2003, within this period, residential gardens were reclassified from brownfield to greenfield.

3.2.4 When coupled with the assessment of site sizes and looking at the application detail, many of these are intensification of sites where existing dwellings have been knocked down and replaced with more dwellings or small business such as pubs or garages have been redeveloped for residential uses.

Table 3.3 Development types (completions 2012/2014) (data provided by the council)

Range	Completions
Brownfield	221 (96%)
Greenfield	9 (4%)

Affordable housing

3.2.5 The number of affordable housing units completed has also been considered. The headline figure for affordable housing completions as a proportion of total supply is relatively healthy at 31%, especially given the recent economic cycles (2008-2013).

3.2.6 However, this does mask the real picture in terms of market housing funding affordable housing, when the figures are considered in more detail. The number of schemes with affordable housing is relatively small – as most of the sites that have come forward over this period were under the policy threshold of 15 dwellings. Therefore many of the homes that have come forward have benefited from public subsidy or been brought forward by registered providers. It should be noted that this does not suggest that schemes have not been viable, there could be numerous reasons but mainly it is because of the size of schemes that is contribute to limiting supply.

3.2.7 However it is clear that with more limited public funding for affordable housing the council will need to seek more affordable housing from market housing in order to try and meet its affordable housing requirements. However this is subject to viability and the council will need to be mindful of overloading development costs and potentially stymieing development.

3.3 Future development and the Local Plan

3.3.1 The overall housing number for Guildford Borough is 13,040 new homes from 2011 to 2031. The first five year housing supply of the new plan is proposed to be made up of a mix of brownfield sites, sites that are proposed to be included within villages inset from the greenbelt, and some large greenfield sites. Beyond this period it is anticipated that much of the supply will be from the very large strategic sites. Details are included in Guildford SHLAA.

3.3.2 The draft Local Plan identifies large strategic sites for development. The decision on which strategic site is not a matter for this report.

3.3.3 As this report covers the wider issues around plan delivery and CIL, other uses should also be considered.

3.3.4 The Draft Local Plan suggests up to 29.2 hectares of employment land is required over the plan period. In addition around 50,000 sq. m of comparison floorspace in anticipated in Guildford town centre and further convenience and comparison floorspace of an appropriate scale to support new development, particularly at the strategic sites.

3.3.5 Other uses are likely to be required or promoted over the plan period, however in terms of floorspace and impact on infrastructure these are not considered to be as significant as the residential, employment and retail figures identified above.

3.4 Summary

3.4.1 The land uses which are likely to account for the largest quantum of development, and hence are critical to the delivery of the Local Plan, comprise:

- Residential;
- Light industrial and warehousing space;
- Offices;
- Retail;

3.4.2 Within this report our viability assessments and the resulting recommendations, we have focussed on these types of development, aiming to ensure that they remain broadly viable after the CIL charge is levied.

4 Local Plan Policies Impact on Viability

4.1 Local plan policies

4.1.1 In order to be able to identify the full implications of local policies on development viability, a scoping exercise has been undertaken to include a thorough consideration of the potential policy requirements within the emerging Local Plan.

4.1.2 At the time of undertaking, Guildford borough was preparing a new Local Plan. We have assessed the policies that have been set out in the Draft Guildford Borough Local Plan: strategy and sites, June 2014 (DLP) to identify those that may have a cost implication and hence an impact on viability.

4.1.3 The policies in the DLP have been assessed, firstly to determine whether there is likely to be a cost implication over and above that required by the market to deliver the defined development. For those policies where there will be, or could be, a cost implication, a broad assessment of the nature of that cost has been undertaken, including whether the cost is likely to be borough-wide or site specific, whether costs are related to specific timescales or apply for the entire life of the plan and whether costs are likely to be incurred directly by the developer through on site or off site development, or via financial contributions made by the developer to other agencies or developers towards wider schemes within the borough. Table 4.1 sets out the results of the scoping exercise.

Table 4.1 Local Plan Policy assessment matrix

Plan policy	Does the policy have a cost implication?	Viability testing implication?
Policy 1: Presumption in favour of sustainable development	No	
Policy 2: Planning for the borough-our spatial development strategy	Yes	Policy outlines the locations across Guildford Borough Council where development is proposed to come forward. Consideration must be given to values specific to these locations.
Policy 3: Homes for all	Yes	Housing mix shall reflect the latest SHMA. There is also an importance to consideration for specialist residential products for students, elderly population and gypsy & traveller communities.
Policy 4: Affordable Homes	Yes	Policy states that at least 40% of all new homes built in the borough are to be affordable housing on sites of at least 5 homes. On greenfield sites the council will target provision of 45%, of which 70% will be rented and 30% other forms. Affordable Rent must be no more than the maximum percentage of market rent set out in the most recent housing guidance or strategy.
Policy 5: Rural Exception Homes	Yes	The policy permits small affordable housing developments to meet local needs. This is included as a scenario in our testing.
Policy 6: Making better places	No	
Policy 7: Sustainable design, construction and energy	No	

Plan policy	Does the policy have a cost implication?	Viability testing implication?
Policy 8: Surrey Hills Area of Outstanding Natural Beauty (AONB)	No	
Policy 9 Villages and major previously developed sites	No	
Policy 10 Green Belt and countryside	No	
Policy 11: Ash and Tongham	No	
Policy 12: Historic environment	No	
Policy 13: Economic development	No	
Policy 14: The leisure and visitor experience	No	
Policy 15: Guildford Town Centre	No	
Policy 16: District and Local Centres	No	
Policy 17: Infrastructure and delivery	Yes	Cost of required infrastructure needs to be factored into viability testing.
Policy 18: Sustainable transport for new developments	Possible	New larger developments of 20+ dwellings or over 0.5ha of residential development should demonstrate consideration for maximising sustainable travel through provision of a transport assessment and a travel plan.
Policy 19: Green and blue infrastructure	No	

4.2 Affordable housing

4.2.1 Chapter 2 outlined the national policy context relating to affordable housing. The key messages in informing this study from the national policy are as follows:

- The NPPF has made it clear that the viability considerations of the policy requirement for affordable housing should be considered as a whole with other policy requirements such as infrastructure contributions and any other requirements. This is the objective of this whole plan viability assessment.

- The NPPF has removed the previous nationally prescribed affordable housing thresholds and so there is now greater flexibility for local authorities to meet local requirements based on a clear understanding of local market, need, viability and delivery. This study will therefore assess the viability of those schemes below the current threshold of 15 units (or 10 in most rural villages) to make a contribution towards affordable housing either on or off site. Although it should be noted that consultation has recently been published suggesting a threshold of 10 dwellings.

- The NPPF does recognise that in some instances, off site provision or a financial contribution of a broadly equivalent value may contribute towards creating mixed and balanced communities.

- The NPPF recognises that market conditions change over time, and so when setting long term policy on affordable housing, incorporating a degree of flexibility is sensible to reflect changing market circumstances.
- Note that the NPPF has not amended the definition of affordable housing to take account of the variety of first time buyer mortgage support schemes offered by both the government and developers. It is unclear how long such products will be on the market, but they are not classified as an 'affordable product'[31], although they may in some areas impact on the delivery of affordable products.

Guildford's affordable housing need, policy and delivery

4.2.2 The draft policy set out in the DLP has evolved from previous work undertaken on affordable housing need and viability. The emerging policy (Policy 4) sets out the following requirements:

- 40% affordable housing on brownfield sites of 5 or more (gross)
- 45% affordable housing on greenfield sites of 5 or more (gross)
- Contribution in accordance with a formula The same ratios as above on off campus student accommodation of at least 20 bedrooms to be provided
- Contribution in accordance with a formula from elderly people's housing (C3) of at least 20 bedrooms
- On allocated sites as identified

4.2.3 The policy was set within the context of the borough's SHMA and earlier work undertaken on viability that concluded that these ratios of affordable housing were generally achievable within the borough.

4.2.4 The most recent Strategic Housing Market Assessment (SHMA) to incorporate Guildford borough is the Guildford and West Surrey SHMA, Draft Final Report, May 2014. The report highlights that the borough falls within a high value housing market but that affordability of open market housing for sale and private rented accommodation is a big issue. The underlying cause of poor affordability levels is the high price of housing against relatively low incomes. The lower quartile house prices are 10.6 times the lower quartile incomes compared with 6.6 nationally.

4.2.5 The current evidence (SHMA, May 2014) recommends that the following affordable housing tenure mix should be provided:

- 90% Affordable rent/Social rent
- 10% Shared ownership

4.2.6 The Council further refined their approach and have set out an altered mix within their proposed affordable housing policy of 70% Affordable rented and 30% other tenures including Shared ownership. Therefore this is what has been tested within the viability work.

[31] This is because the purpose of affordable housing is to help provide affordable housing for households in need over the long term.

5 Residential Market and Viability

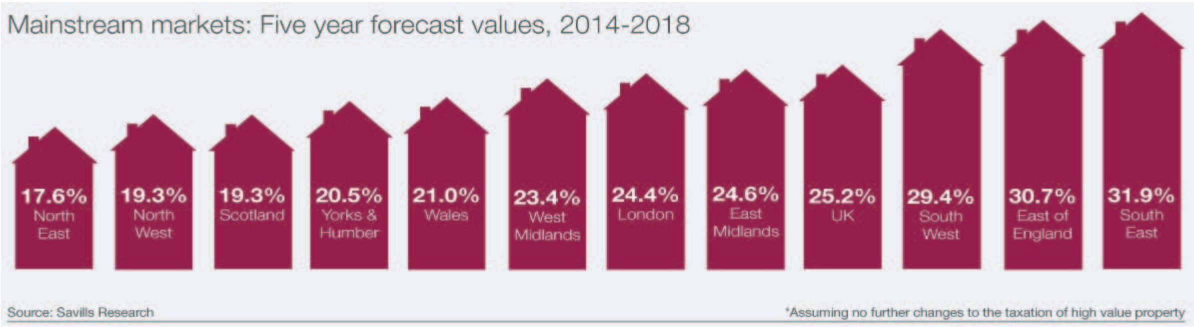
5.1 Residential market overview

5.1.1 The housing market in Guildford continues to outperform the national average considerably. For instance, in the first quarter of 2014 the average price for Guildford was approximately 81% higher than the national average, with the average sales price (for all properties) in Guildford reaching £474,000 compared to the national average of £262,000 (Source: Land Registry).

5.1.2 The recent inflationary pressure on London house prices appears to have also had knock-on effects in the wider areas with figures supplied by RightMove, indicating that average house prices in the South East have increased by 5.9% in the 1 year period between July 2013 and July 2014.

5.1.3 Looking forward in **Figure 5.1**, the latest projections of house prices prepared by Savills in their Residential Property Focus (Q2 2014), shows that the South East is expected to grow at a higher rate than any other region over the period 2014 to 2018, with values forecast to rise by 31.9%. This is considerably higher than the 25.2% average and, on this evidence, is likely to further the gap between house prices in the South East and the national average.

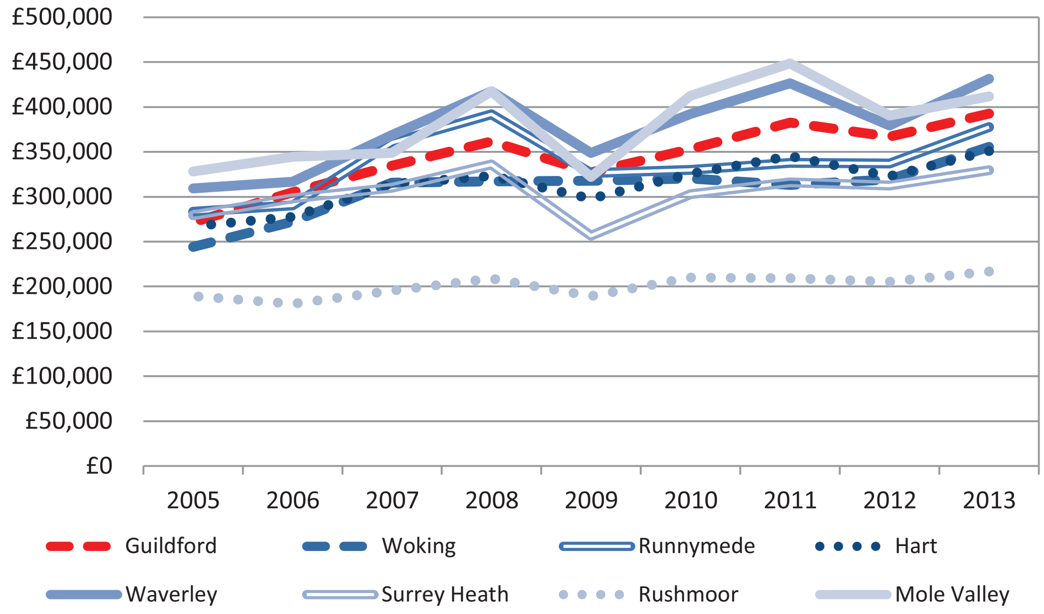
Figure 5.1 Five Year forecast values, 2014-2018



Source: Savills (May 2014)

5.1.4 **Figure 5.2** compares Guildford house prices (red, dashed line) over recent years with that of neighbouring authorities. The graph demonstrates that prices have been fairly resilient to the recession with a small dip in 2009. On the whole house prices have risen considerably over the period and, second to only Waverley, more than any other of the neighbouring authorities.

Figure 5.2 Average house prices in Guildford



Source: PBA derived from Provisor (2014)

5.1.5 Land registry data of new build properties sold within Guildford in the five year period between 2009 and 2014, identifies that property values also vary considerably across locations in the borough. For instance, the data revealed that values in eastern areas, with greater access to central London, such as Effingham and East Horsley have greater values for both houses and flats than locations towards the west of the borough in areas such as Ash and Tongham. This analysis has revealed six distinct value areas, as set out in **Table 5.1**.

5.1.6 Values for student accommodation, retirement homes and care home, have also been estimated in Table 5.1 based on similar schemes which have come forward in comparable (high value) areas in the region but outside London. A wider area has been used due to the limited number of transaction for these types of accommodation within the Borough.

Table 5.1 Average new sales values achieved (£ p sqm)

Location/use	House price	Flat price
Guildford (town)	£4,584	£3,667
Ash & Tongham	£3,170	£2,121
South East Rural	£3,407	£3,167
West Rural	£3,317	£1,894
North East Rural	£3,520	£3,826
East Rural	£4,550	£4,159
Student Accommodation, Guildford	£2,200	£2,200
Retirement home, Guildford	£2,512	£2,512
Care home, Guildford	£2,145	£2,145
Extra care / Assisted living Care home, Guildford	£2,699	£2,699

Source: PBA derived from Land Registry, (2014) Righmove/Zoopla, (2014); websearch

5.2 Residential site typologies for viability testing

5.2.1 The objective here is to allocate future development sites in Guildford to an appropriate development category. This allows the study to deal efficiently with the very high level of detail that would otherwise be generated by an attempt to viability test each site. This approach is proposed by the Harman Report, which suggests 'a more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.[32]

5.2.2 The typologies are supported with a selection of case studies reflecting CIL guidance (2014), which suggests that:

'a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites). The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.'[33]

5.2.3 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period.

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'[34]

5.2.4 Indeed the Report also acknowledges that a:

'*plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.*[35]

Developing site profile categories

5.2.5 A list of typologies, reflecting planned development and representing the cross section of sites identified in the SHLAA were agreed with the client team. However following a consultation workshop with the development industry it was considered that a wider range of smaller sites should also be tested. Thus the original list was amended to reflect these views and the revised list is summarised in **Table 5.2**.

[32] Local Housing Delivery Group Chaired by Sir John Harman (2012) *Viability Testing Local Plans* (9)

[33] DCLG CIL Guidance 2014 page 16.

[34] Local Housing Delivery Group (2012), op cit (para 15)

[35] Local Housing Delivery Group (2012), op cit (para 18)

Table 5.2 Residential typologies

Site reference	Typology	Land type	Nr of Dwellings
1	2 houses (Guildford town)	Guildford town, Brownfield	2
2	5 houses (Guildford town)	Guildford town, Brownfield	5
3	5 flats (Guildford town)	Guildford town, Brownfield	5
4	20 mixed (Guildford town)	Guildford town, Brownfield	20
5	50 mixed (Guildford town)	Guildford town, Brownfield	50
6	100 mixed (Guildford town)	Guildford town, Brownfield	100
7	200 mixed (Guildford town)	Guildford town, Brownfield	200
8	100 Mixed (Ash and Tongham)	Ash & Tongham, Greenfield	100
9	2 houses (Ash & Tongham)	Ash & Tongham, Brownfield	2
10	10 houses (Ash & Tongham)	Ash & Tongham, Brownfield	10
11	15 flats (Ash & Tongham)	Ash & Tongham, Brownfield	15
12	1 house (East rural)	East Rural, Greenfield	1
13	3 houses (East rural)	East Rural, Brownfield	3
14	8 houses (East rural)	East Rural, Brownfield	8
15	10 flats (East rural)	East Rural, Brownfield	10
16	30 flats (East rural)	East Rural, Brownfield	30
17	100 mixed (East rural)	East Rural, Greenfield	100
18	2 houses (West rural)	West Rural, Greenfield	2
19	5 houses (West rural)	West Rural, Brownfield	5
20	20 mixed (West rural)	West Rural, Greenfield	20
21	100 mixed (West rural)	West Rural, Greenfield	100
22	Gosden Hill Farm (Strategic Site)	Guildford town, Greenfield	2,000
23	Blackwell Farm (Strategic Site)	Guildford town, Greenfield	2,289
24	Former Wisley Airport (Strategic	North East Rural, Mixed	2,100
25	Slyfield (Strategic Site)	Guildford town, Brownfield	1,084
26	Exception housing scheme	Rural Exception	10
27	Student Accommodation	Guildford town, Brownfield	100
28	Care homes	Guildford town, Brownfield	40
29	Retirement living	Guildford town, Brownfield	40
30	Extra Care / Assisted living scheme	Guildford town, Brownfield	40

5.2.6 The residential testing, including for impacts relating to affordable housing, also includes specialist market products for care, assisted living, retirement and student living. These have been informed by recent new build schemes or planning applications either in Guildford or in similar places elsewhere within the south east.

5.3 Viability assumptions

5.3.1 It is not always possible to get a perfect fit between a site, the site profile and cost/revenue categories. But a best fit in the spirit of the Harman Report guide has been attempted. For this, the viability testing requires a series of assumptions about the site coverage and floorspace mix to generate an overall sales turnover and value of land, which are discussed here.

Site coverage and area

Site coverage

5.3.2 The net (developable) area of the site informs the likely land value of a residential site. Typically, residential land values are normally reported on a per net hectare basis, since it is only this area which delivers a saleable return.

5.3.3 For the residential typologies, the net developable areas have been derived using a formula[36] based on discussions with the council and the wider development industry, and examples from elsewhere. Details on gross and net areas for each typology are shown in **Appendix A**.

Saleable area

5.3.4 In addition to density, the type and size of units is important because this informs overall revenue based on saleable floorspace, to generate an overall sales turnover.

5.3.5 The type of unit and size of these likely to come forward in Guildford have been informed by the Guildford SHMA (Draft, Jan 2014), along with discussions with stakeholders and judgement based on experience of masterplans for other sites and studies using national standards in order to derive saleable floorspace.

5.3.6 Two floor areas are used for flatted schemes: the Gross Internal Area (GIA), including circulation space, is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue.

5.3.7 Details are shown in **Appendix A**.

Sales values

5.3.8 Current residential revenues and other viability variables are obtained from a range of sources, including:

- Generic websites, such as the RightMove and the Land Registry
- Direct research with developers and agents operating in the area.

5.3.9 The evidence for the sales assumptions and distribution has been discussed in the market assessment section of this report. In summary, from analysing the average size of developments likely to come forward in each value area, and using the value data provided by Land Registry, and along with feedback received at the workshops/consultation with development industry, we have arrived at the sales values shown in **Table 5.1**. These are used in the plan wide viability assessment.

5.3.10 The appraisal assumes that affordable housing will command a transfer value to a Registered Provider at lower than market rates. The values have been informed by evidence of recent deals and discussion with the Council's housing team.

[36] Uses a non-linear formula to estimate the net area from the gross area, so that the greater the number of units that there are the greater the amount of gross to net land area.

5.3.11 The testing assumes the following values:

- Affordable rent 55% of market value
- Intermediate 65% of market value

Threshold land values

5.3.12 To assess viability, the residual value generated by a scheme is compared with a threshold land value, which reflects 'a competitive return for a landowner' (as stated in Harman). The threshold land value is important in our calculations of the residual balance to pay for other policy and infrastructure costs to support a sustainable development. The difference between the threshold land value and the residual land value represents the amount of money available to contribute to affordable housing policy, S106/278 contributions or CIL.

5.3.13 The approach used to arrive at the threshold land value is based on a review of recent viability evidence of sites currently on the market, a review of submitted viability appraisal by applicants, published data on land values and discussions with stakeholders. The approach follows both a top down approach of current market value of serviced plots and bottom up approach of existing use values. Account has been taken of current and proposed future policy requirements. This approach is in line with the Harman report and recent CIL examination reports, which accept that authorities should work on the basis of future policy and its effects on land values and well as ensuring a reasonable return to a willing landowner and developer.

5.3.14 In collecting evidence on residential land values, a distinction has been made for sites that might reflect extra costs for 'opening up, abnormals and securing planning permission' from those which are clean or 'oven-ready' residential sites.

5.3.15 For the purposes of this report and testing viability, the benchmark values used in testing viability are shown in **Table 5.3**.

Table 5.3: Benchmark land values

Site typology	Land value per net developable ha
Guildford, Brownfield	£3,000,000
Ash & Tongham, Greenfield	£1,300,000
Ash & Tongham, Brownfield	£1,500,000
East Rural, Greenfield	£3,000,000
East Rural, Brownfield	£3,500,000
West Rural, Greenfield	£2,500,000
West Rural, Brownfield	£2,800,000
Strategic sites – Greenfield/Mixed	£1,000,000
Strategic sites – Mixed	£800,000
Rural Exception	£250,000
Student accommodation	£2,000,000
Care homes/retirement living	£3,000,000

5.3.16 It is important to appreciate that assumptions on benchmark land values can only be broad approximations subject to a wide margin of uncertainty. This uncertainty is considered when drawing conclusions and recommendations. Cross sections of comparable residential land have been examined to identify transactions which are either clean greenfield sites and existing non residential use urban brownfield sites fully serviced with roads and major utilities to the site boundary.

Build costs

5.3.17 Residential build costs are based on actual tender prices for new builds in the market place over a 15 year period from the Build Cost Information Service (BCIS), which is published by the Royal Institution of Chartered Surveyors (RICS). The tender price data is rebased to Guildford prices using BCIS defined adjustments, to give the median build costs for small and large schemes as shown in **Table 5.4**.

Table 5.4 Median build costs in Guild at April 2014 tender prices

Dwelling type	Small housing scheme (3 or less units)	Medium sized house scheme (4 to 14 units)	Estate housing (15+ units)
Flats	£1,185	£1,185	£1,185
Houses	£1,467	£1,234	£1,001

Source: PBA derived from BCIS

5.3.18 Volume and regional house builders are able to operate within the median district cost figures comfortably, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller and medium sized developers of houses are usually unable to attain the same economies, so their construction costs may be higher as shown in **Table 5.4**, which reflects the higher costs for schemes with 3 or less houses (taken from BCIS) and for 4-14 units (taken as a mid-point between the larger and small schemes). However, anecdotally the significantly higher cost of small builds is also likely to reflect higher standards and specifications to match local demand for standalone units, which has been prevalent in Guildford. These costs have been applied in the viability testing.

5.3.19 The BCIS build costs are exclusive of External works, Contingencies, Fees, VAT and Finance charges, plus other revenue costs.

Sustainability and building standards

5.3.20 The BCIS tender price at April 2014 may not reflect the latest England Building Regulations (Part L, 2013 - effective from April 2014), which came effective from April 2014. Building Regulations (currently Part L, 2013) was recently amended to require emission reductions, to give an overall 6% improvement to 2010 standards. This standard is estimated to add approximately £450 in costs per home above the 2010 Building Regulation standards (this is based on the Government's Regulatory Impact Assessment findings. This increase is taken into account in the viability assessments.

5.3.21 Building Regulations are different to the requirements set out in the Code for Sustainable Homes (CfSH). The Code outlines a staged framework to improve the overall sustainability of new homes. In the past, there has been an intention to incorporate the requirements of the code with the Building Regulations. The government has recently intimated in the Building Standards Review that it wishes to simplify national standards and proposes to move away from the CfSH to a single system of standards.

5.3.22 Whilst the Government is no longer intending to support a range of standards in the future, they have indicated that they will allow local authorities, through planning policy, to seek improved building standards in their locations until revised regulations are place. For authorities wishing to incorporate this into planning policy this will have cost implication s that will need to be considered – however at this stage, as reflected in para 4.24 of draft Local Plan, the Council is not intending to introduce a mandatory policy requiring development to meet a higher level of sustainable development.

5.3.23 Similar to the Building Regulations the Government is also reviewing space standards and is currently considering a national voluntary policy on space standards. The details of this have yet to be published.

External works

5.3.24 This input incorporates all additional costs associated with the site curtilage of the built area. These include circulation space in flatted areas and garden space with housing units; incidental landscaping costs including trees and hedges, soft and hard landscaping; estate roads and connections to the strategic infrastructure such as sewers and utilities.

5.3.25 The external works variable had been set at a rate of 10% of build cost.

Other development costs

Professional fees

5.3.26 This input incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing, etc, at 10% of build cost plus externals.

Contingency

5.3.27 It is normal to build in contingency based on the risk associated with each site and has been calculated based on industry standards. They are applied at 5% of build cost plus externals.

S106, infrastructure and site opening costs

S106

5.3.28 The infrastructure requirements anticipated for the majority of small sites (under 10 dwellings) are likely to be met through off site delivery of infrastructure such as schools expansions, open space enhancements, SANGS or transport improvements. It is most likely that this will be met through the CIL and such infrastructure requirements will be identified through the Regulation 123 list.

5.3.29 On larger sites it is likely that substantial infrastructure requirements will continue to be considered through S106. However at this stage the specific requirements are unknown, so in determining a suitable level of CIL, sufficient headroom needs to be available to fund likely S106 requirements.

5.3.30 There are two exceptions to the above in respect of Strategic Access Maintenance and Management (SAMM) and gypsy and traveller sites. In terms of SAMMS these will be continued to be sought through S106 as they are not an infrastructure item and therefore cannot be funded through CIL – however they are calculated on a per dwelling basis using a tariff based system. Since, SAMM costs will continue to be paid by most housing developments (within specified areas and on a net increase basis); this is included as a cost default chargeable at about £700 per unit (although in reality this will vary by unit type or size).

5.3.31 One of the most significant items of S106 sought from residential development sites is affordable housing. This will be tested at different tenures and different proportions to enable the Council to understand the balance between affordable housing and infrastructure provision. Added to this the Council has draft policy indicating that gypsy and traveller (G&T) sites are to be provided on sites above 500 units, therefore we have tested the impact of this policy on development viability. The council's requirements are as follows:

- two pitches or plots for 500 to 999 homes;
- four pitches or plots for 1,000 to 1,499 homes;

- six pitches or plots for 1,500 to 1,999 homes; and
- eight pitches or plots for 2,000 to 2,500 homes.

5.3.32 It is anticipated that each G&T pitch will on average be around 0.05 net hectares – this is based on general design guidance on pitch provision and experience in carrying out over 20 studies on provision of gypsy and traveller pitches. This includes space for turning vehicles, storage and sufficient room for the average number of caravans per pitch in Guildford, which is between one and two caravans per pitch. The cost of providing a serviced and 'ready to go' plot is around £100,000 per pitch. This figure has been derived through consultation with providers who have tendered for these types of development (based on schemes of between 3 and 20 pitches).

5.3.33 It is assumed that there will be no value in the transfer of the land for G&T pitches to a public sector provider, whether that is a local authority or a registered provider. It is also assumed that the land will be made over as a serviced plot with land preparation, including access and hard standings and utilities all provided. The £100,000 cost per pitch has therefore been added to the appraisals for applicable sites as described above.

Opening costs

5.3.34 Developing greenfield, brownfield and mixed sites represent different risk and costs. These costs can vary significantly depending on the site's specific characteristics. To reflect additional costs associated with the tested site typologies, the following assumptions apply:

- For brownfield site development for residential purposes, we have increased the build costs (for demolition and remediation) as follows:
  - Brownfield — £200,000 per net ha
  - Large brownfield — £150,000 per net ha
- On Greenfield sites we make an allowance for opening up works such as utilities, land preparation, SuDS and spine roads. There will be different levels of development costs according to the type and characteristics of each site. Opening up costs vary but generally increase as schemes get bigger. Owing to the nature of being generic appraisals, an allowance for opening costs is applied based on the size of site. Therefore the following opening costs are assumed[37]:
  - Less than 50 units — £0k per unit
  - 50-100 units — £5k per unit
  - 101-200 units — £10k per unit
  - 201-500 units — £15k per unit
  - 501 or more units — £20k per unit

Land purchase costs

5.3.35 The land value needs to reflect additional purchase cost assumptions, shown in **Table 5.5**. These are based on surveying costs and legal costs to a developer in the acquisition of land and the development process itself, which have been established from discussions with developers and agents, and are also reflected in the Harman Report (2012) as industry standard rates.

[37] Once detailed master-planning is undertaken there will be a better understanding of these various costs (site opening costs, site abnormals, and strategic infrastructure such as schools, highways etc.) to inform site specific assessments.

Table 5.5 Land purchase costs

Land purchase costs	Rate	Unit
Surveyor's fees	1.00%	land value
Legal fees	0.75%	land value
Stamp Duty Land Tax	HMRC rate	land value
Development finance for land purchase (pa)	6.00%	land value

5.3.36 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost based on the HM Customs & Revenue variable rates against the residual land value.

5.3.37 These inputs are incorporated into the residual valuation value.

Sales fees

5.3.38 The Gross Development Value (GDV) on open market units need to reflect additional sales cost assumptions relating to the disposing of the completed residential units. This will include legal, agents and marketing fees at the rate of 3% of the open market unit GDV, which is based on industry accepted scales established from discussions with developers and agents.

Developer's profit

5.3.39 The developer's profit is the expected and reasonable level of return that a private developer would expect to achieve from a specific development scheme. In relation to these sites the open market residential dwellings elements are assumed to achieve a profit of 20%, which is applied to their GDV. This also allows for internal overheads.

5.3.40 For the Affordable Housing element, because they will have some, albeit lower, risks to the developer, a lower 6% profit margin is assumed for the private house builders on a nil grant basis. This is applied to the below market development cost of the AH residential dwelling development.

Finance

5.3.41 A monthly cashflow based on a finance cost of 6% has been used throughout the sites appraisals. This is used to account for the cost of borrowing and the risk associated with the current economic climate and near term outlook and associated implications for the housing market. This is a typical rate which is being applied by developers to schemes of this nature.

5.4 Residential assessment outputs

5.4.1 This section sets out the assessment of residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution.

5.4.2 Each generic site type has been subjected to a detailed appraisal, complete with cashflow analysis. A range of different scenarios are then presented, including residential policy costs, student accommodation, older people housing and exception. Each set of scenarios sets out the maximum headroom for development contributions for infrastructure, whether these are collected through a traditional S106 or CIL. An example of an appraisal is shown in **Appendix B**.

Scenario 1 – Residential development including draft policy requirements

5.4.3 The first scenario shows the results of the residential appraisals with 40/45% affordable and a threshold of 5 dwellings. Also included is provision of gypsy and traveller site on compliant sites. As can be seen from the results in **Table 5.6**, the majority of development is viable and generally provide a financial overage against a benchmark land value to accommodate a S106 contribution and/or CIL levy.

Table 5.6 Scenario 1 results

	Site Typology	Value Area	Dwellings	Affordable housing	Residual land value	Benchmark	Headroom	
			No.	%	Per Ha	Per Ha	Per Ha	CIL liable Sqm
1	2 houses (Guildford)	Guildford	2	0%	£6,219,160	£3,000,000	£3,219,160	£746
2	5 houses (Guildford)	Guildford	5	40%	£5,384,394	£3,000,000	£2,384,394	£884
3	5 flats (Guildford)	Guildford	5	40%	£5,879,544	£3,000,000	£2,879,544	£548
4	20 mixed (Guildford)	Guildford	20	40%	£7,383,256	£3,000,000	£4,383,256	£1,369
5	50 mixed (Guildford)	Guildford	50	40%	£6,379,079	£3,000,000	£3,379,079	£1,177
6	100 mixed (Guildford)	Guildford	100	40%	£6,713,859	£3,000,000	£3,713,859	£1,224
7	200 mixed (Guildford)	Guildford	200	40%	£6,835,907	£3,000,000	£3,835,907	£1,196
8	100 Mixed (Ash and Tongham)	Ash & Tongham	100	45%	£2,356,325	£1,300,000	£1,056,325	£405
9	2 houses (Ash & Tongham)	Ash & Tongham	2	0%	£2,504,025	£1,500,000	£1,004,025	£186
10	10 houses (Ash & Tongham)	Ash & Tongham	10	40%	£2,037,163	£1,500,000	£537,163	£166
11	15 flats (Ash & Tongham)	Ash & Tongham	15	40%	-£2,673,313	£1,500,000	-£4,173,313	-£795
12	1 house (East rural)	East Rural	1	0%	£5,364,585	£3,000,000	£2,364,585	£657
13	3 houses (East rural)	East Rural	3	0%	£6,573,761	£3,500,000	£3,073,761	£665
14	8 houses (East rural)	East Rural	8	40%	£5,149,754	£3,500,000	£1,649,754	£637
15	10 flats (East rural)	East Rural	10	40%	£6,535,010	£3,500,000	£3,035,010	£723
16	30 flats (East rural)	East Rural	30	40%	£6,177,460	£3,500,000	£2,677,460	£637
17	100 mixed (East rural)	East Rural	100	45%	£7,971,523	£3,500,000	£4,471,523	£1,339
18	2 houses (West rural)	West Rural	2	0%	£3,106,185	£2,500,000	£606,185	£140

19	5 houses (West rural)	West Rural	5	40%	£2,502,148	£2,800,000	-£297,852	-£110
20	20 mixed (West rural)	West Rural	20	45%	£3,810,442	£2,500,000	£1,310,442	£454
21	100 mixed (West rural)	West Rural	100	45%	£4,112,144	£2,500,000	£1,612,144	£483
22	Gosden Hill Farm (Strategic Site)	Guildford	2,000	45%	£4,277,095	£1,000,000	£3,277,095	£1,426
23	Blackwell Farm (Strategic Site)	Guildford	2,289	45%	£5,161,607	£1,000,000	£4,161,607	£1,696
24	Former Wisley Airport (Strategic Site)	North East Rural	2,100	40%	£2,332,302	£800,000	£1,532,302	£667
25	Slyfield (Strategic Site)	Guildford	1,084	0%	£3,479,935	£1,000,000	£2,479,935	£522
26	Exception housing scheme	West Rural	10	100%	-£236,803	£250,000	-£486,803	£0
27	Student Accommodation	Guildford	100	0%	£3,105,828	£2,000,000	£1,105,828	£85
28	Care homes	Guildford	40	0%	£4,608,000	£3,000,000	£1,608,000	£158
29	Retirement living	Guildford	40	0%	£4,775,984	£3,000,000	£1,775,984	£268
30	Extra Care / Assisted living scheme	Guildford	40	0%	£4,881,642	£3,000,000	£1,881,642	£347

5.4.4 The results suggest that the authority should pursue their policy approach to affordable housing and gypsy and traveller provision on qualifying sites. As stated the headroom identified in **Table 5.5** does not at this stage include an allowance for S106/278 or CIL. To come to a view regarding an appropriate level of CIL and any variance some further analysis has been undertaken in the following sections.

5.5 Residential viability zones

5.5.1 As previously stated, CIL Regulations (Regulation 13) allow the charging authority to introduce charging variations by geographical zone, by land use, or both. All differences in rates need to be justified by reference to the economic viability of development.

5.5.2 Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required, and may be contested at examination. However, it will be worthwhile if the additional complexity generates important additional revenues for contributing to the delivery of infrastructure and therefore growth.

Principles

5.5.3 Identifying different charging zones for CIL has inherent difficulties. For example, house prices are an imperfect indicator; and there is no certainty that we are comparing like products; even within a given type of dwelling, such as terraced houses, there will be variations in, say, quality or size which will impact on price. Also the assumed housing type split that is typical for Guildford may produce anomalies when applied to individual houses – especially around zonal boundaries. Even between areas with very different average prices, the prices of similar houses in different areas may considerably overlap.

5.5.4 A further problem with setting charging area boundaries is that they depend on how the boundaries are defined. Boundaries drawn in a different place might alter the average price of an area within the boundary, even with no change in individual house prices.

5.5.5 To avoid these statistical and boundary problems, it is considered that a robust set of differential charging zones should ideally meet two conditions:

i. The zones should be separated by substantial and clear-cut price differences; and

ii. They should also be separated by substantial and clear-cut geographical boundaries – for example, with zones defined as individual settlements or groups of settlements, as urban or rural parts of the authority. Any charging boundaries which might bisect a strategic site or development area should avoid.

5.5.6 It will be for the local authority to determine an appropriate zone, and this decision and delimitation should be based on the viability evidence within this report.

Method

5.5.7 Setting zones requires the marshalling of 'appropriate available evidence' available from a range of sources in order to advise on the best way forward. The following steps were taken:

- First step was to look at home prices. Sales prices of homes are a good proxy for viability. Land Registry data has been used to do this.
- Secondly, consultation with the Council on the distribution of development
- Thirdly, testing of this through formal development appraisals.

House prices

5.5.8 In advising on charging zones, the first step was to look at residential sales prices. In Figure 5.3 below, we looked at the average sales prices of all homes. Average prices are shown for each ward. Aside from the highest and lowest bands (which are tailored to actual values), average prices are broken into eight bands to show price variance across the borough.

5.5.9 This data is mapped to help understand the broad contours of residential prices in the Guildford area. Sales prices are a reasonable, though an imperfect, proxy for development viability, so the map provides a broad idea of which areas would tend to have more viable housing developments, with other things being equal.

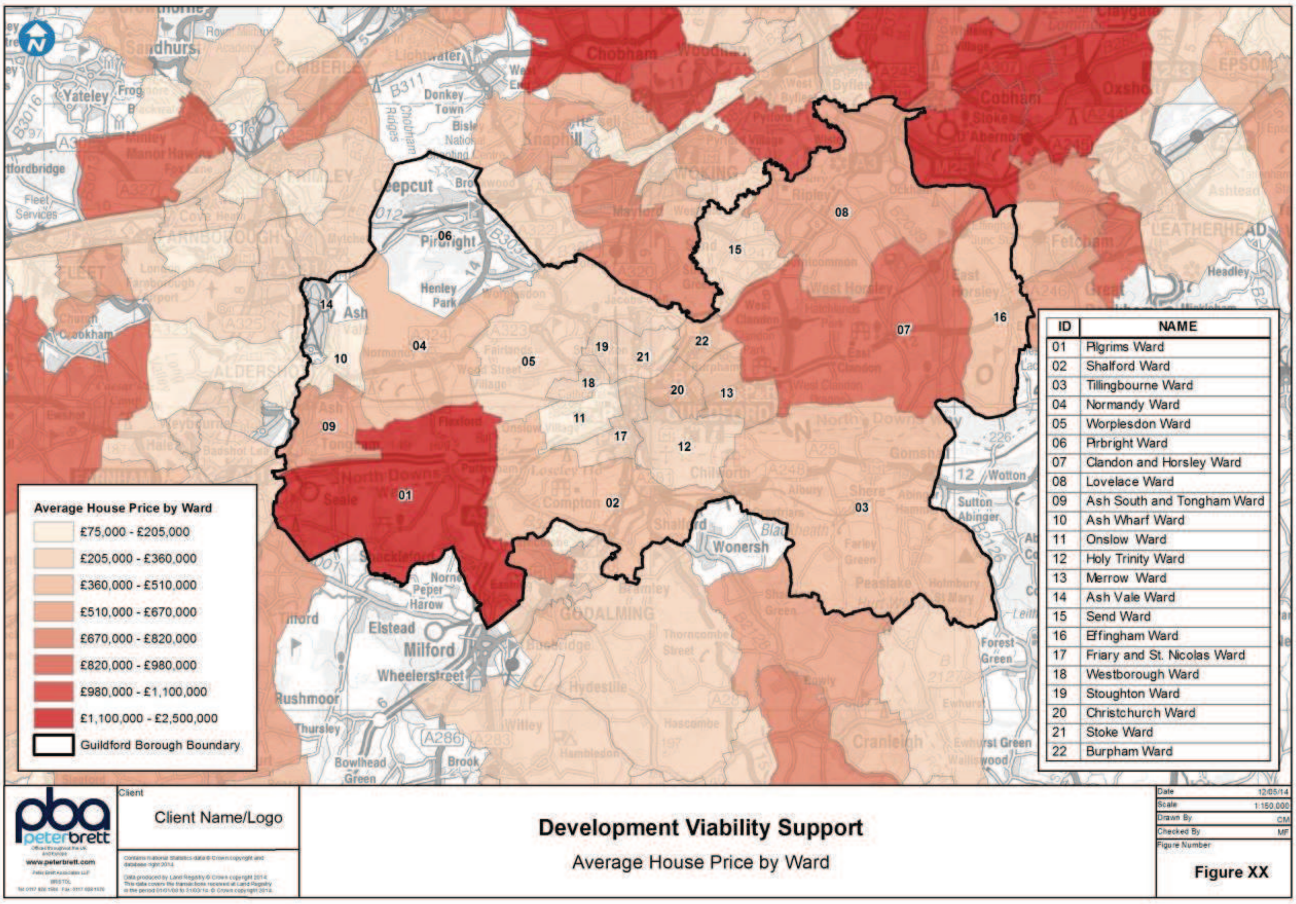
5.5.10 It is worth noting that new homes are typically more expensive than second hand homes, but the prices mapped include both second hand and new homes. Data on both new and second hand homes was used because, firstly, datasets on sales values for new homes only was much smaller (and so more unstable) and, secondly, because at this stage the purpose is of the map is for identifying differentials between areas and not the absolute price levels. There were therefore good reasons to look at both new and second hand data, and no compelling reasons to avoid it.

5.5.11 The map shows that prices do vary across the borough, especially between the various settlements. In broad terms it can be seen that there are three broad areas:

- The highest values achieved in rural areas, especially to the east and south west
- Guildford town also achieves high values, although there is a slight variance between areas in the town
- The lowest values are to the west around Ash and Tongham,

5.5.12 On balance, this spread of prices from west to east, and rural and town, suggests that it might be worthwhile creating more than one charging band. However, it is also important to analyse how development is distributed before coming to a decision. If all development was going in a single price area, making geographical distinctions in the charging schedule would not be necessary.

Figure 5.3 Average house prices



Future supply

5.5.13 Understanding the patterns of development is therefore the next stage in our analysis. If the broad future housing supply is considered in relation to the average price bands, the scope for separate charging bands for residential development can be better understood.

5.5.14 Guildford's housing supply is dispersed across the borough in a range of settlements from villages in the East to the main town of Guildford. However, more detailed analysis shows that of the approximately 14,660 dwellings being planned, the majority would be located in the strategic sites (note percentages do not sum due to rounding):

- Guildford town – 21% future supply by number of dwellings;
- Ash and Tongham - 8% future supply by number of dwellings
- Rural and villages – 14% future supply by number of dwellings; and
- Strategic sites – 56% future supply by number of dwellings.

5.6 Residential recommendations

5.6.1 **Table 5.7** summarises the financial headroom for developments across the borough by area. The financial headroom is the difference between the residual value of the appraised scenario and the threshold benchmark land value. This headroom reflects the expected Local Plan policy compliant position, including the affordable housing rate of 40/45% for sites with a threshold of 5 units.

5.6.2 Please note that the average headroom shown is an average of the headroom, based on broad areas as set out in the individual typologies in Table 5.6. In some cases the average is influenced by one or two more extreme values for individual sites and thus on an average basis may appear to be unviable. In these circumstances we have carefully considered the nature of the types of development likely to come forward in any particular area and taken a view on setting a recommended CIL rate so as to leave sufficient buffer and allow for the majority of development in that particular area to come forward.

Table 5.7 Residential liable headroom and recommendations

Area/Use	Average headroom (per sqm)	Recommended CIL rate
Guildford town	£1,020	£500
Ash & Tongham	-£9	£100
East Rural	£776	£300
West Rural	£242	£300
Strategic sites	£1,015	£400
Exception housing scheme	£0	£0

5.6.3 For the non-strategic developments, the generic testing shows a clear difference in viability by area. Developments in Guildford generate the greatest headroom, whereas Ash & Tongham has a minor overall negative headroom. There is also a large difference between developments in the rural area depending on whether they are located in the east or west of the borough.

5.6.4 Across the borough, developments in the strategic sites generally generate the greatest headroom. However, it does vary within these areas according to the type and location of the development, with Blackwell Farm achieving £1,700 per sqm compared with £270 in Slyfield where the relocation of the sewage works is a significant burden on development.

5.6.5 Since there are differences in the values and the subsequent appraisal results between areas, there is sufficient evidence to be able to robustly define separate charging areas. In doing so, the following recommendations are offered in setting the CIL rate:

- Guildford town has sufficient headroom to comply with the proposed policy requirements. Therefore a CIL charging rate of £500 per sqm should provide the local authority with room for other site related S106 costs while achieving a substantial contribution towards infrastructure.

- The rural sites are deliverable in meeting proposed policy requirements with a CIL rate set at £300 per sqm. The rural areas in the East are able to comfortably meet this requirements, and most (three out of the four testing sites) in the rural west of the borough can afford this too. This rate provides a comfort buffer margin for most developments, with further scope for achieving some site specific S106 contributions.

- Despite showing an overall lack of viability, most developments in Ash and Tongham are able to comfortably afford a CIL rate of £100 sqm. The exception appears to be a flatted development where market evidence indicates the values to be low. However, this form of development is unlikely to be popular and it should not undermine the delivery of the proposed Local Plan.

- The strategic sites do have a significantly different ability to pay a CIL charge as they have higher development costs including essential infrastructure which will be sought through S106 and therefore warrant a separate charge zone. Therefore because of the importance of these sites in delivering the future housing supply and the need for site specific mitigations, a large buffer is suggested and therefore it is recommended that a CIL charge of £400 is set.

- In terms of the new settlement at Slyfield, it is accepted that although much work has been undertaken in understanding the likely S106/278 costs on such a large site, there is still uncertainty whilst the masterplan is developed and until a formal planning application is submitted. Rather than allow this site to undermine the CIL rate, the importance of the site in future housing supply should be considered through a review of the required affordable housing requirements. With a CIL charge of £400 per sqm, Slyfield should comfortably achieve viability at lower affordable housing rate of 10%, along with potentially some further S106. Alternatively if the affordable housing rate was raised to 40% the CIL would need to be much lower at around £150 per sqm.

Scenario 2 – Alternative approaches to Student Accommodation

5.6.6 The Council's draft policy (Policy 4) sets out a requirement for affordable housing to be provided through a commuted sum on off campus schemes of 20 or more units. To test the viability of this policy affordable housing has been tested at zero, the policy rate of 40% and 20% and 30% to provide a range.

5.6.7 **Table 5.8** sets out the results of this testing. It is clear that with no affordable housing student accommodation is sufficiently viable to pay a levy, with a head room of £111 per sqm. This suggests, allowing for a buffer, that a CIL rate of around £75 per sqm would be appropriate. However if affordable housing is included, even as a commuted sum, then at most this would be around 10% but no CIL will be achievable.

Table 5.8 Student Accommodation and affordable housing

Use	Maximum level of CIL (or headroom) liable development £ per sq. m				
	0% affordable housing	10% affordable housing	20% affordable housing	30% affordable housing	40% affordable housing
Student Accommodation	£111	£46	-£34	-£138	-£34

5.6.8 Therefore on this basis the evidence suggest that policy 4 should be amended to exclude Student Accommodation from being required to contribute towards affordable housing. However a CIL charge will be possible.

Scenario 3 – Housing for older people

5.6.9 As with student accommodation, draft Policy 4 requires commuted sums payments for residential developments targeted at older people (over 20 units). This includes both retirement apartments and assisted living/extra care schemes. It is recognised that whilst retirement apartments share characteristics with normal flatted development there is a greater area of communal spaces within assisted living and extra care schemes. However whilst development costs might be marginally higher there is also a premium on prices for these types of developments and extra charges that pay for the additional services and facilities that are available.

5.6.10 For completeness the viability of care (C2) and retirement home products have also been tested. **Table 5.9** shows the results of testing these different types of schemes.

Table 5.9 Housing for older people summary

Use	Maximum level of CIL (or headroom) liable development £ per sq. m				
	0% affordable housing	10% affordable housing	20% affordable housing	30% affordable housing	40% affordable housing
Care Home	£53	-£16	-£101	-£214	-£361
Retirement Living	£268	£209	£136	£41	-£85
Assisted Living/ Extra Care	£347	£290	£220	£129	£7

Care homes

5.6.11 There has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. However, there have been concerns about the occupancy rates and the ability to sustain prices in some areas, although the general residential market in Guildford as discussed previously is relatively strong.

5.6.12 As expected the care home market shows weak prospects in terms of acquiring a commuted sum for off-site affordable housing along with setting a positive CIL charge. As the figure in **Table 5.9** shows, a 10% affordable housing contribution may cause a burden on this form of new development. With a maximum CIL headroom of £53 per sqm, then without any other S106 or Affordable housing obligations, there is a possibility for seeking a contribution through CIL at no more than £25 (after allowing for a safety buffer). Although the authority may want to be even more cautious and set a zero rate.

Retirement/Assisted living

5.6.13 Retirement living and or extra care living does show significant headroom although not as high as normal residential development in this particular area. Affordable housing through a commuted sum is possible although not at the 40% affordable housing rate. If the Council wants to set a CIL for this type of development then it is suggested that affordable housing is set at 20% with a CIL of around £100 per sqm.

Scenario 4 – Exception housing

5.6.14 Policy 5 in the draft Local Plan allows rural exception homes on sites that may otherwise not normally be allowed, on the basis that they are meeting local affordable housing needs. In some circumstances the authority has indicated , through the accompanying text to the policy, that a market house may be permitted to help subsidise the development of the affordable housing, but only if the price of the land is no more than 10 times agricultural value. Given the local market and the high land values and property prices for market housing this is a considered and reasonable approach to help ensure provision of affordable housing.

5.6.15 In order to test the viability of this approach table 5.8 shows the viability of scheme for 10 dwellings in the rural area with 100% affordable housing and 90% affordable housing, i.e. 9 affordable unit and 1 market house. Agricultural land values range from around £15,000 to £25,000 per gross hectare in this area. Therefore, assuming the middle ground of £20,000 per hectare, the benchmark threshold land value is set at £200,000 (10 times the agricultural value).

Table 5.10 Rural exception summary

Use	Maximum level of headroom £ per sq. m	
	100% affordable housing	90% affordable housing
Rural exception scheme	£24	£119

5.6.16 The results set out in Table 5.10 suggest that if a threshold land value of £200,000 is assumed and the scheme is 100% affordable housing then it is marginally viable. However, if build costs rise or land value is higher the scheme may become unviable, however it is anticipated that as exception schemes land values should generally be lower than 10 times agricultural value. If a market dwelling is added then the scheme becomes much more viable with significant headroom, although this would be reduced slightly with the market dwelling being liable for CIL.

Scenario 5 – Commuted sums

5.6.17 As identified in Chapter 2, there is scope to secure commuted sums for off-site delivery for affordable housing where appropriate. This scenario attempts to streamline the calculation of financial contributions to off-site affordable housing.

5.6.18 The general approach is a contribution to off-site affordable housing based on the permitted number of on-site dwellings.

5.6.19 The scale of the contribution that developers should make for off-site affordable housing is derived from the projected opportunity cost of on-site affordable housing provision to the developer. The opportunity cost value is taken from the residual value of land with no affordable housing minus the residual value of land with the proposed rate of affordable housing on site. The difference is then divided by the number of on-site permitted units (including both open market and affordable units) to provide a per affordable housing unit opportunity cost.

5.6.20 To assess the capacity of different types of development to pay an affordable housing contribution in Guildford Borough, indicative development appraisal summaries of tested typologies where the currently proposed affordable housing requirements would be required, are considered as set out in **Table 5.11**. Since CIL would be liable on open market units, an assumed CIL charge based on the recommendations in Chapter 7 is also applied since this will place a cost on development that would normally come off the purchase land value.

Table 5.11 Site appraisal identifying potential for off-site affordable housing contributions

Site/Typology	Dwellings	Affordable housing	Residual land value		Opportunity cost of AH (difference in RV)	Equivalent value
	Total nr	Rate	With no AH	With AH		Per unit
5 houses (Guildford)	5	0%	£897,851	£500,000	£397,851	£79,570
5 flats (Guildford)	5	0%	£331,666	£136,023	£195,642	£39,128
20 mixed (Guildford)	20	0%	£3,914,969	£2,323,314	£1,591,654	£79,583
50 mixed (Guildford)	50	0%	£9,523,053	£5,550,109	£3,972,944	£79,459
100 mixed	100	0%	£18,977,304	£11,060,381	£7,916,923	£79,169

(Guildford)						
200 mixed (Guildford)	200	0%	£36,888,409	£21,187,956	£15,700,452	£78,502
100 Mixed (Ash and Tongham)	100	0%	£9,092,369	£4,689,637	£4,402,733	£44,027
10 houses (Ash & Tongham)	10	0%	£735,475	£346,811	£388,664	£38,866
15 flats (Ash & Tongham)	15	0%	-£140,673	-£381,389	£240,716	£16,048
8 houses (East rural)	8	0%	£1,412,376	£885,838	£526,538	£65,817
10 flats (East rural)	10	0%	£880,359	£536,622	£343,737	£34,374
30 flats (East rural)	30	0%	£2,533,119	£1,505,095	£1,028,024	£34,267
100 mixed (East rural)	100	0%	£19,243,465	£12,206,564	£7,036,901	£70,369
5 houses (West rural)	5	0%	£485,797	£213,179	£272,617	£54,523
20 mixed (West rural)	20	0%	£2,375,902	£1,204,289	£1,171,614	£58,581
100 mixed (West rural)	100	0%	£11,365,373	£5,531,470	£5,833,903	£58,339

5.6.21 The findings suggest that, at the proposed affordable housing rates and recommended CIL rates, an off-site contribution at the following rates are suggested:

- Between £40,000 and £80,000 per permitted unit in Guildford ;
- Between £16,000 and £44,000 per permitted unit in Ash & Tongham; and
- Between £34,000 and £70,000 per permitted unit in rural areas.

5.7 Summary of all residential testing

5.7.1 The relatively high values achieved in Guildford Borough means that most forms of residential development are viable. Coupled with a lack of large sites currently suitable and available for development, this means that market across the borough is buoyant and is amongst the best performing areas in the country outside central London.

5.7.2 However the borough does not have a one size fits all viability picture. Guildford and the rural areas enjoy the higher values and can thus accommodate a higher level of CIL and other development costs. Ash and Tongham does not have the same market as the rest of Guildford and therefore a different approach is required in that location. There is also a case to be made for a different approach to the strategic sites, where, whilst their values are not dissimilar to other types of development they will have higher S106 costs as infrastructure is more likely to be provided on site.

5.7.3 Other forms of residential accommodation for students and older people are viable but not as significantly as the general market housing and therefore a more cautious approach to policy requirements and CIL setting is required.

5.7.4 Lastly, should the Council seek to provide an alternative to on-site provision of affordable housing, then it would be possible to set a contribution towards off-site delivery. The findings suggest that a charge of between £10,000 upwards to £80,000 per permitted dwelling, depending on location, would be possible.

6 Non-residential Market and Viability

6.1 Assumptions

6.1.1 None of the Local Plan policies considered in Chapter 5 are seen to burden the viability for delivering non-residential uses in the Plan period. Therefore, this section sets out the assumptions used for the non-residential viability testing work to scope solely the potential for collecting CIL.

6.1.2 The initial appraisals make no allowance for either CIL or S106 contributions to establish if there is for scope to charge CIL.

6.2 Site typologies

6.2.1 The testing has been conducted on a hypothetical typical site basis. This is because it is impossible for this study to consider viability on a site-specific basis at this stage, given that there is currently insufficient data on site-specific costs and values, as site details have yet to be established. Such detail will evolve over the plan period.[38]

Site coverage and floorspace

6.2.2 As the viability testing in some circumstances is being undertaken on a 'per net developable hectare' basis, it is important to consider the density of development proposed. The following table sets out the assumed net developable site area for each development type, the amount of floorspace this is likely to support within Guildford and the site area coverage.

Table 6.1 Non-residential uses – rent and yields

Use	Net site area (ha)	Floorspace (GIA sqm)	Site coverage
1. Retail – Town centre	0.02	200	100%
2. Retail – Out of centre comparison	0.13	500	50%
3. Supermarket	0.50	2,000	40%
4. Local convenience	0.04	300	80%
5. Town centre office	0.08	1,500	150%
6. Out of centre offices	0.50	2,000	100%
7. Industrial factories	0.25	1,000	50%
8. Warehouse/stores	0.25	1,000	50%
9. Budget Hotel	0.10	1,200	120%

Source: PBA research

6.3 Establishing Gross Development Value (GDV)

6.3.1 In establishing the GDV for non-residential uses, this report has also considered historical comparable evidence for new values on a local and for some uses, national, level.

[38] Site-specific testing would be considering detail on purely speculative/assumed scenarios, producing results that would be of little use for a study for strategic consideration.

6.3.2 The following table illustrates the values established for a variety of non-residential uses, expressed in sqm of net rentable floorspace and yield. The table is based on our knowledge of the market and analysis of comparable transaction data. The data has then been corroborated through a discussion with local stakeholders and through the stakeholder workshop.

Table 6.2 Non-residential uses – rent and yields

Use	Rent	Yield
1. Retail – Town centre	£270	6.80%
2. Retail – Out of centre comparison	£209	6.60%
3. Supermarket	£240	5.00%
4. Local convenience	£220	6.90%
5. Town centre office	£210	8.60%
6. Out of centre offices	£180	9.20%
7. Industrial factories	£92	10.50%
8. Warehouse/stores	£80	9.40%
9. Budget hotel	£150	6.40%

Source: PBA research

6.4 Costs

6.4.1 Like in the residential uses testing, once a GDV has been established the cost of development (including developer profit) is then deducted. For the purposes of viability testing, the following costs and variables are some of the key inputs used within the assessment:

- Build Costs;
- Professional Fees and overheads;
- Marketing Fees;
- Legal Fees and land Stamp Duty Tax
- Finance costs; and
- Developer profit.

Build costs

6.4.2 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS) at values set at the time of this study (current build cost values) and rebased to Guildford prices. The build costs adopted are based on the BCIS mean values shown in **Table 6.3**.

Table 6.3 Non-residential uses – build costs

Use	Build cost per sqm
1. Retail – Town centre	£1,118
2. Retail – Out of centre comparison	£656
3. Supermarket	£1,445

4. Local convenience	£1,245
5. Town centre office	£1,406
6. Out of centre offices	£1,451
7. Industrial factories	£751
8. Warehouse/stores	£557
9. Budget hotel	£1,656

Sources: BCIS

External works

6.4.3 Plot externals relate to costs for internal access roads, car parking and hard and soft landscaping associated with the site curtilage of the built area.

6.4.4 This input incorporates all additional costs, so the external works variable had been set at a rate of 10% of build cost.

Other development costs

Professional fees

6.4.5 This input incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing, etc, at 10% of build cost plus externals.

Contingency

6.4.6 It is normal to build in contingency based on the risk associated with each site and has been calculated based on industry standards. They are applied at 4% of build cost plus externals.

Acquisition fees and Land Tax

6.4.7 This input represents the fees associated with the land purchase and are based upon the following industry standards: Surveyor – 1%; Legals – 0.75% of residual land value.

6.4.8 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost against the residual land value at the standard variable rates set out by HMRC (0 – 4% of land value).

Developer profit

6.4.9 The developer's profit is the expected and reasonable level of return a private developer can expect to achieve from a development scheme. This figure is based a 20% profit margin of the total Gross Development Value (GDV) of the development.

Finance

6.4.10 A monthly cashflow based on a finance cost of 7% has been used throughout the sites appraisals. This is used to account for the cost of borrowing and the risk associated with the current economic climate and near term outlook and associated implications for the market specific to the proposed development.

Land for non-residential uses

6.4.11 After systematically removing the various costs and variables detailed above, the result is the residual land value. These are measured against a benchmark value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.

6.4.12 Establishing the existing use value (EUV) of land and in setting a benchmark at which a landowner is prepared to sell to enable a consideration of viability can be a complex process. There are a wide range of site specific variables which affect land sales (e.g. position of the landowner – are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.

6.4.13 VOA data from 2008 suggests that average industrial land value for Guildford was in the region of £2,000,000 per hectare. From discussions with agents' active in the commercial sector, and an analysis of recent transactional data, a benchmark figure of £2,200,000 is considered appropriate. Discussions with agents also confirmed that this figure is both higher for units in town centre locations and varies depending on type of development.

6.4.14 We have therefore concluded that a benchmark figure towards the lower end of the range of £2,000,000/ha is appropriate as a starting point. The benchmark is then adjusted on the basis of location and different uplifts applied according to use. So for example a town site will be at the upper end of the existing use value as it will already have a comparatively high value and if the potential use is retail then it will also have a higher uplift value as expectation on return will be higher.

6.5 Non-residential assessment outputs

6.5.1 This section sets out the assessment of non-residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution. The tables below summarise the detailed assessments, and represent the net value per sqm, the net costs per sqm (including an allowance for land cost) and the balance between the two.

6.5.2 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However there will also be bespoke development that is undertaken for specific commercial operators either as owners or pre-lets.

Retail uses

6.5.3 The appraisal summary shown in **Table 6.4** is for all retail development. As identified there is scope for charging, to various degrees, on all types of retail uses.

6.5.4 Our testing shows that residual values for all types of tested retail development within the borough are viable. This is not surprising given the buoyancy of the town centre and the attraction the centre has to the market. Given that all the typologies are viable and these reflect what is most likely to happen over the plan period the Council, in the spirit of the regulations and statutory guidance could opt for a simple approach and set a flat rate that applies to all retail development.

Table 6.4 Summary of Retail uses viability (headroom per sqm)

Use	Retail – Town centre comparison	Retail – Out of centre comparison	Supermarket	Local convenience
CIL overage	£677	£501	£491	£231

Source: PBA research

B-class uses

6.5.5 In line with other areas of the country our analysis suggests that for commercial B-class development it is not currently viable to charge a CIL. Whilst there is variance for different types of B-space, essentially none of them generate sufficient value to justify a CIL charge.

6.5.6 As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market. Importantly this viability assessment relates to speculative build for rent – we do expect that there will be development to accommodate specific users, and this will based on the profitability of the occupier's core business activities rather than the market values of the development.

Table 6.5 Summary of B-class uses development viability (headroom per sqm)

Use	Town centre office	Out of centre offices	Industrial factories	Warehouse/ stores
CIL overage	-£209	-£880	-£723	-£506

Source: PBA research

Hotel development

6.5.7 The rapid expansion in the sector at the end of the last decade was in part fuelled by a preference for management contracts or franchise operations over traditional lease contracts. Outside London, which has shown remarkable resilience to the recession, hotel development is being strongly driven by the budget operators delivering new projects through traditional leasehold arrangements with institutional investors. Feedback from the workshop suggested that it was more likely for these types of hotels to be delivered in this borough.

6.5.8 As can be seen in **Table 6.6**, hotel development in Guildford does not realise sufficient residual value to warrant a positive levy charge.

Table 6.6 Summary of Hotel viability (headroom per sqm)

Use	Hotels
CIL overage	-£395

Source: PBA research

7 Conclusions and findings

7.1 Viability findings

7.1.1 The assessment identified the policies most likely to impact on the residential viability of the Local Plan were affordable housing, gypsy and traveller sites and infrastructure (wide ranging). Other policy costs identified are already factored into the viability appraisal 'inputs'.

7.1.2 The emerging Local Plan indicates that the housing supply is dependent on the delivery of a mix of small and large urban brownfield sites, small/medium greenfield sites and strategic sites. This has shaped the viability assumptions for the urban and greenfield sites.

7.1.3 An important study finding is that Guildford has distinct value areas, ranging from low value areas in Ash and Tongham to much higher values in Guildford and the rural areas. Thus it is considered, based on the evidence, that there are effectively three value zones. This was further agreed by the stakeholder consultations and supported by the research on sales values.

7.1.4 The relatively high values achieved in Guildford means that viability of development is not an issue in many places across the borough. This is reflected in the housing market which has been identified as one of the best performing markets outside of London.

7.1.5 The review of planning consents identified that the majority of qualifying applications have included affordable housing even when there has been no grant available.

7.2 Is the Local Plan deliverable?

7.2.1 The final stage of this viability assessment is to draw broad conclusions on whether the Guildford Local Plan is deliverable in terms of viability.

7.2.2 Chapter 5 shows that most of the residential development scenarios relevant to the planned trajectory are currently viable, even when all additional policy costs are included. Where typologies are viable once affordable housing and infrastructure policy costs are included, the viability of schemes varies further depending on the scale of policy obligation.

7.2.3 Where development is marginal with full policy costs (student housing and housing for older people in particular), some policy trade-off will be required between affordable housing and infrastructure (as outlined below). The Council will need to carefully consider the requirements set out in their Infrastructure Delivery Plan and the Housing Market Assessment to arrive at an appropriate balance.

7.2.4 The viability assessment has been tested at current costs and current values. There has not been a need to test the impact of longer term variations in assumptions, as the plan has be demonstrated to be viable based on current values and with the inclusion of a sensible mix of policies.

7.2.5 With regard to non-residential element of the planned development, the delivery of schemes taking place is less affected by the impact of 'policy burdens' and more sensitive to wider economic market conditions of demand and supply for such development. The viability assessment assessed a range of speculative development scenarios, without the imposition of any planning obligations and found the schemes most likely to take place are those that have an identified client requiring specific development requirements rather than speculative delivery.

The study findings for affordable housing policy and infrastructure

7.2.6 The whole plan viability assessment and emerging options for affordable housing policy and infrastructure (in the form of CIL and S106) are set out in chapter 5 and 6. The main findings and policy trade-off to inform the recommendation options are as follows:

- The appraisal findings demonstrate that viability does vary across the borough and that different policy approaches may be required for different areas
- Ash and Tongham has the lowest headroom for viability and in one scenario (100% flatted development) is not viable. However, one scenario should not guide the overall approach and a CIL can be set with the appropriate affordable housing level
- Development within Guildford town and in the rural areas is viable and the large headroom suggest significant scope to charge a levy
- Development of onsite gypsy and traveller sites is likely to be viable on the strategic sites, subject to sensitive design and layouts.
- The strategic sites are all viable, although caution should be exercised in setting a CIL rate in order to allow for the currently unknown site specific S106 costs. As this information becomes available further testing is advised.
- The non-residential viability assessment indicates that very little speculative development is viable at present apart from retail development. It would be prudent to err on the side of caution to avoid charging at the margins of viability, and therefore a figure of up to £200 sq.m may be appropriate for retail uses
- There is also potential for a levy on student accommodation and housing for older people, but because of more limited headroom the council will need to consider an alternative affordable housing approach.
- A contribution towards off-site delivery of affordable housing of between £10,000 upwards to £80,000 per permitted dwelling, depending on location, would be possible.

Study recommendations

7.2.7 The viability appraisal findings demonstrate that policy trade-off decisions are required between the need to deliver infrastructure to support the delivery of growth and meeting the affordable housing need if the delivery of the Local Plan overall is to remain viable. These decisions will be informed in part by the requirement to meet housing need, infrastructure need and political priorities.

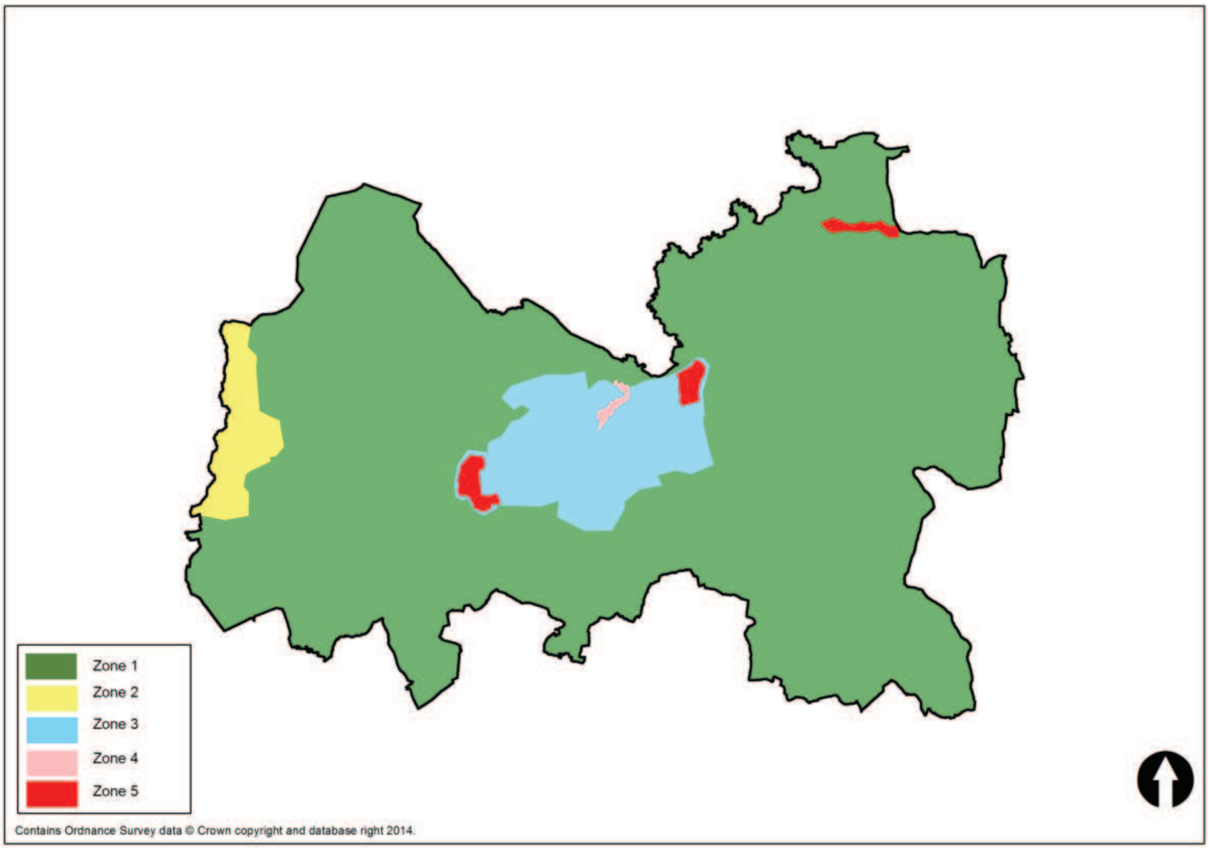
7.2.8 The Local Plan policy and CIL charge recommendation options are set out in table 7.1. A charging zone map is also included below the Table 7.1.

Table 7.1 Policy and CIL recommendations

Policy position	Recommendations
Affordable housing percentage	To be included within Plan policy: 45% affordable housing target greenfield sites 40% affordable housing target brownfield sites 40/45% strategic sites*

	0% affordable housing student accommodation 20% affordable housing target retirement and assisted living/extra care schemes 0% affordable housing target care homes
Housing tenure	To be included with Plan text: Target of 70% Affordable rent and 30% Intermediate or other tenure types to be included as a target within supporting text, to allow flexibility, where schemes are marginal
Gypsy and travellers	To be included within Plan policy: Requirement for onsite provision for gypsy and travellers on sites above 500 dwellings but subject to viability
CIL	The residential CIL should be set according to the affordable housing and proportions set out above: Ash and Tongham – £100 per sqm CIL Guildford town (excluding strategic sites) - £500 per sqm CIL Rural areas and villages - £300 per sqm CIL Strategic sites* - £400 per sqm CIL Student accommodation - £75 per sqm CIL Assisted living/extra care housing - £100 per sqm CIL On non-residential development CIL should be set at: All retail floorspace - £200 per sqm CIL All other forms of liable floorspace - £0 per sqm CIL
Exception housing	Policy should allow up to ten percent market housing on exceptions schemes as long as land values do not exceed 10 times the prevailing agricultural land value.
*Slyfield Strategic site	There is a policy choice here with either 40% affordable housing at 150 CIL or 10% affordable and £400 CIL

Figure 7.1 Draft Charging zones



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Appendix A Viability assumptions

Residential typology land areas and densities

Ref	Typology		Gross area (ha)	Net area (ha)	Total	dwg/net ha)	G&T pitches (Policy 3)
1	2 houses (Guildford)	Brownfield	0.05	0.05	2	40	-
2	5 houses (Guildford)	Brownfield	0.12	0.12	5	42	-
3	5 flats (Guildford)	Brownfield	0.04	0.04	5	125	-
4	20 mixed (Guildford)	Brownfield	0.50	0.39	20	51	-
5	50 mixed (Guildford)	Brownfield	1.50	1.10	50	46	-
6	**100 mixed (Guildford)**	**Brownfield**	**3.00**	**2.08**	**100**	**48**	**-**
7	200 mixed (Guildford)	Brownfield	6.00	3.93	200	51	-
8	100 Mixed (Ash and Tongham)	Greenfield	3.20	2.21	100	45	-
9	2 houses (Ash & Tongham)	Brownfield	0.04	0.04	2	50	-
10	10 houses (Ash & Tongham)	Brownfield	0.20	0.20	10	50	-
11	15 flats (Ash & Tongham)	Brownfield	0.12	0.12	15	125	-
12	1 house (East rural)	Greenfield	0.03	0.03	1	33	-
13	3 houses (East rural)	Brownfield	0.07	0.07	3	43	-
14	8 houses (East rural)	Brownfield	0.20	0.20	8	40	-
15	10 flats (East rural)	Brownfield	0.10	0.10	10	100	-
16	30 flats (East rural)	Brownfield	0.30	0.30	30	100	-
17	**100 mixed (East rural)**	**Greenfield**	**2.50**	**1.73**	**100**	**58**	**-**
18	2 houses (West rural)	Greenfield	0.05	0.05	2	40	-
19	5 houses (West rural)	Brownfield	0.12	0.12	5	42	-
20	20 mixed (West rural)	Greenfield	0.40	0.40	20	50	-
21	**100 mixed (West rural)**	**Greenfield**	**2.50**	**1.73**	**100**	**58**	**-**
22	Gosden Hill Farm (Strategic Site)	Greenfield	88.83	48.36	2,000	41	8
23	Blackwell Farm (Strategic Site)	Greenfield	105.00	56.55	2,289	40	8
24	Former Wisley Airport (Strategic Site)	Mixed	114.00	57.00	2,100	37	8
25	Slyfield (Strategic Site)	Brownfield	41.00	23.44	1,084	46	4
26	Exception housing scheme	Greenfield	0.35	0.35	10	29	-
27	Student Accommodation	Brownfield	0.20	0.20	100	500	-
28	Care homes	Brownfield	0.20	0.20	40	200	-
29	Retirement homes	Brownfield	0.45	0.34	40	119	-
30	Extra Care / Assisted living scheme	Brownfield	0.55	0.41	40	98	-

Residential typology unit types

		OM dwelling type (%)				AH dwelling type (%)			
Ref	Typology	1-2 bed Flats	2 bed house	3 bed house	4+ bed house	1-2 bed Flats	2 bed house	3 bed house	4+ bed house
1	2 houses (Guildford)	0%	33%	43%	23%	0.0%	0.0%	0.0%	0.0%
2	5 houses (Guildford)	0%	33%	43%	23%	30.0%	40.0%	25.0%	5.0%
3	5 flats (Guildford)	100%	0%	0%	0%	100.0%	0.0%	0.0%	0.0%
4	20 mixed (Guildford)	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
5	50 mixed (Guildford)	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
6	100 mixed (Guildford)	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
7	200 mixed (Guildford)	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
8	100 Mixed (Ash and Tongham)	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
9	2 houses (Ash & Tongham)	0%	33%	43%	23%	0.0%	0.0%	0.0%	0.0%
10	10 houses (Ash & Tongham)	0%	33%	43%	23%	30.0%	40.0%	25.0%	5.0%
11	15 flats (Ash & Tongham)	100%	0%	0%	0%	100.0%	0.0%	0.0%	0.0%
12	1 house (East rural)	0%	33%	43%	23%	0.0%	0.0%	0.0%	0.0%
13	3 houses (East rural)	0%	33%	43%	23%	0.0%	0.0%	0.0%	0.0%
14	8 houses (East rural)	0%	33%	43%	23%	30.0%	40.0%	25.0%	5.0%
15	10 flats (East rural)	100%	0%	0%	0%	100.0%	0.0%	0.0%	0.0%
16	30 flats (East rural)	100%	0%	0%	0%	100.0%	0.0%	0.0%	0.0%
17	100 mixed (East rural)	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
18	2 houses (West rural)	0%	33%	43%	23%	0.0%	0.0%	0.0%	0.0%
19	5 houses (West rural)	0%	33%	43%	23%	30.0%	40.0%	25.0%	5.0%
20	20 mixed (West rural)	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
21	100 mixed (West rural)	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
22	Gosden Hill Farm (Strategic Site)	25%	15%	40%	20%	30.0%	40.0%	25.0%	5.0%
23	Blackwell Farm (Strategic Site)	4%	21%	45%	30%	10.0%	40.0%	40.0%	10.0%
24	Former Wisley Airport (Strategic Site)	10%	30%	40%	20%	30.0%	40.0%	25.0%	5.0%
25	Slyfield (Strategic Site)	25%	7%	47%	21%	25%	7%	47%	21%
26	Exception housing scheme	5%	35%	40%	20%	30.0%	40.0%	25.0%	5.0%
27	Student Accommodation	100%	0%	0%	0%	100.0%	0.0%	0.0%	0.0%
28	Care homes	100%	0%	0%	0%	100.0%	0.0%	0.0%	0.0%
29	Retirement homes	100%	0%	0%	0%	100.0%	0.0%	0.0%	0.0%
30	Extra Care / Assisted living scheme	100%	0%	0%	0%	100.0%	0.0%	0.0%	0.0%

Residential typology unit sizes

Unit type	Unit size (sqm)
Flats (NIA)	66
Flats (GIA)	70
2 bed house	90
3 bed house	110
4+ bed house	130

Appendix B Example appraisals

Non Residential

	2. Retail – Out of centre comparison						
ITEM							
		Residual value					
Net Site Area	0.13	£5,204,405.06 per ha					
1.0	**Development Value**						
		No. of units	Size sq.m	Rent	Yield	Value per unit	Capital Value
1.1	2. Retail – Out of centre compari	1	475	209	6.6%	£1,504,167	£1,504,167
						Rent free period	Adjusted for rent free
					No. of months	3	£1,480,324
							5.75%
	Total development value						**£1,395,205**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						£650,551
			Purchaser costs				5.75%
							£687,957
2.2	**Build Costs**						
		No. of units	Size sq.m	Cost per sq.m			Total Costs
2.2.1	2. Retail – Out of centre compari	1	500	£656			£328,000
							£328,000
2.3	**Externals**						
2.3.1	external works as a percentage of build costs		10.0%				£32,800
							£32,800
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		10%				£36,080
							£36,080
2.5	**Total construction costs**						**£396,880**
3.0	**Contingency**						
3.1.1	as a percentage of total construction costs		4%				£15,875.20
							£15,875
	TOTAL DEVELOPMENT COSTS (including land payment)						**£1,100,712**
4.0	**Developers' Profit**						
			Rate				
4.1	as percentage of total development costs		20%				£220,142
							£220,142
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£1,320,855**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£74,350
			APR			PCM	
5.00	**Finance Costs**		7.00%			0.565%	-£74,350
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£1,395,205

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Residential

20 mixed (Guildf	Guildford	20 Units			
ITEM					
Net Site Area	0.39	Brownfield	Residual Value £7,383,256 per net ha		Technical Checks:
					Sqm/ha 5,022
					Units/pa 13
					Dwgs/ha 51
					GDV=Total costs -

	Units	Private	Affordable	Social rent	Intermediate	Shared ownership
Yield	20	12.00	8.00	0.00	5.60	2.40

Ref	Item	Type	No. of units	Size sq.m	Total sq.m	£psm	Total Value
1.0	Development Value						
1.1	Private units	Flats (NIA)	0.60	66	40	£3,667	£145,213
		2 bed house	4.20	90	378	£4,584	£1,732,752
		3 bed house	4.80	110	528	£4,584	£2,420,352
		4+ bed house	2.40	130	312	£4,584	£1,430,208
			12.0		1,258		
1.2	Social rent	Flats (NIA)	0.00	66	0	£1,650	£0
		2 bed house	0.00	90	0	£2,063	£0
		3 bed house	0.00	110	0	£2,063	£0
		4+ bed house	0.00	130	0	£2,063	£0
			-		-		
1.3	Affordable rent	Flats (NIA)	1.68	66	111	£2,017	£223,628
		2 bed house	2.24	90	202	£2,521	£508,274
		3 bed house	1.40	110	154	£2,521	£388,265
		4+ bed house	0.28	130	36	£2,521	£91,772
			5.6		503		
1.3	Intermediate	Flats (NIA)	0.72	66	48	£2,384	£113,266
		2 bed house	0.96	90	86	£2,980	£257,437
		3 bed house	0.60	110	66	£2,980	£196,654
		4+ bed house	0.12	130	16	£2,980	£46,482
			2.4		216		
	Gross Development value						£7,554,303
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site value (residual land value)						£2,904,929
					Purchaser Costs		5.75%
							3,071,963
2.3	Build Costs						

Ref	Item	Type	No. of units	Size sq.m	Total sq.m	Cost per sq.m	Total Costs
2.3.1	Private units	Flats (GIA)	0.60	70	42	£1,269	£53,298.00
		2 bed house	4.20	90	378	£1,070	£404,460.00
		3 bed house	4.80	110	528	£1,070	£564,960.00
		4+ bed house	2.40	130	312	£1,070	£333,840.00
			12		1,260		
2.3.2	Affordable units	Flats (GIA)	2.40	70	168	£1,269	£213,192.00
		2 bed house	3.20	90	288	£1,070	£308,160.00
		3 bed house	2.00	110	220	£1,070	£235,400.00
		4+ bed house	0.40	130	52	£1,070	£55,640.00
			8		728		
2.3.3	Extra-over BR2014			£450	per unit		£9,000
			20.00				£2,177,950

Ref	Item	Input	Basis	Total
2.4	Construction Costs			
2.4.1	External works as a percentage of build costs	10%		£217,795.00
2.4.2	Site abnormals (remediation/demolition)	£200,000	per net ha	£78,690
2.4.2	Site opening up costs	£0		£0
				£296,485
2.5	Professional Fees			
2.5.1		10%	of build cost (incl: externals)	£239,575
				£239,575
2.6	Contingency			
2.6.1		5%	as percentage of build costs	£119,787
				£119,787
2.7	Extra overs			
2.7.1	Lifetime homes	£0	per unit	£0
2.7.2	CSH Level 4	0.0%	build cost	£0
2.7.3	Strategic Access Management and Monitoring (SAMM) Contributions	£750	per unit	£15,000
2.7.3	G&T pitches	£100,000	per pitch	£0
2.7.4	CIL	£0	per sq.m	£0
				£15,000
2.8	Sale cost			
2.8.1		3.00%	as percentage of GDV	£171,856
				£171,856
	TOTAL DEVELOPMENT COSTS (including land)			£6,092,615
3.0	Developer's Profit			
3.1	Private units	20%	of gross development value	£1,145,705
3.2	Affordable units	6%	of build cost	£109,547
				£1,255,252
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]			£7,347,866
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]			£206,437
4.0	Finance Costs			
4.1	Finance	APR 6.00%	PCM 0.487%	-£206,437
	TOTAL PROJECT COSTS [INCLUDING INTEREST]			£7,554,303

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Appendix C Workshop notes

Meeting Title: Guildford Borough Council Local Plan Development Viability Workshop

Attendees:

Peter Brett Associates

Mark Felgate (MF)

Louise Fenner

Guildford Borough Council (GBC)

Carol Humphrey (CH)

Tanya Mankoo-Flatt (TMF)

Participants

Name	Organisation
James Stevens	Home Builders Federation
Derry Caleb	University of Surrey
Professor Stephen Baker	University of Surrey
Alec Arrol	Savills
Michael Knott	Barton Willmore
Steve Molnar	Terence O'Rourke Plc
Andrew Steen	White and Sons
Steve Coggins	A2 Dominion
Rob Cummins	Radian Group
Mike Owen	Owen Ship
Derek Cordon	Kingstons
Charlotte Gartshore	Planet Consulting
Laura Caines	Lytle Associates
Adrian Buffery	Greenoak Housing Association
Tom Elliot	Savills
Terry Martin	Land Securities
Sophie Groves	Strutt and Parker
Kenneth Joyner	Worldwide Estates Guildford Business Forum – Property and Transport Group
Gaurav Choksi	Development Projects manager, GBC
Nick Molyneux	Housing Development manager, GBC
Mary Anne Pryor	Planning Obligations Officer, GBC

Date of Meeting: 13th May 2014

Item	Comments

	Introductions and context
1.	CH welcomed attendees to the workshop, outlined the purpose of the workshop and presented an overview of the LDS timeframe.
2.	MF began workshop with overview of viability in the context of LDF examination, NPPF requirement and the introduction of CIL.
3.	MF outlined past delivery rates for the borough and future proposed development, including strategic housing development sites.
	Method and approach
4.	MF presented approach to viability testing and viability model, including model inputs and guidance on viability testing from Harman Report. Workshop attendees agreed with the proposed approach.
	Non-residential testing - scenarios
5.	MF presented the non-residential development typologies to be assessed in the viability appraisal. There was broad agreement with the list. However, it was suggested that hotels be added. Representative from the university questioned whether there would be a differentiation of private and university owned student accommodation – MF explained that all student accommodation would be treated the same in terms of testing but in some circumstances student accommodation may not be liable if developed by the University.. The inclusion of educational uses was suggested. Particularly nursery buildings which have been liable for S106 payment in the past. – MF responded that whilst Nurseries may still attract a S106 payment subject to the regulations it is not likely that it will be specifically tested for CIL as floorspace over plan period will be minimal. *Post meeting note – it is also common for nursery space to be developed from existing floorspace so there will be no net gain in floorspace in many circumstances.*
	Non-residential testing - assumptions
6.	MF presented the proposed cost breakdown assumptions made in assessing the viability of non-residential uses. The following comments were made: The finance figure of 7% was considered a bit low, particularly in relation to employment uses, where it was suggested that 9-10% was more commonplace. *Post meeting note – it would be helpful if there was some evidence for this.* It was suggested that holding costs on rates and void periods should also be added. MF responded that as schemes were cashflowed through the lifetime of development through to sale that this should take into account - however it would be helpful to understand how long commercial schemes are taking. MF to set out typologies by size and suggested development period and consult further with local commercial agents. A rent free period of 3months was considered too low. It was noted that, particularly in relation to office schemes, it was commonplace to expect between 12-18 months' rent free on a 5 year lease. The risk of inoccupation was also raised, with one participant citing an example of a scheme that had failed to be let in 10 years (those with high quality design and finish were more popular). In light of the risks taken in bringing forward a commercial scheme, it was suggested that some developers were targeting a 25% return, rather than the assumed 20%.

7.	MF provided further detail on build cost disaggregated by development typology. Costs in relation to refurbishment were raised as missing. MF stated that non-residential testing was primarily focused on CIL liable schemes, which require additional floor space to be created. Factory build costs were considered closer to £100 than the £70 assumed figure per square foot. *Post meeting note – please can we have some evidence to support this higher cost* The issue of labour supply in the borough was raised in relation to local plan proposals to significantly increase the number of houses coming forward annually. It was suggested that demand for labour produced by the extra residential schemes would increase build costs for commercial projects. – MF responded that that the consultant team would look at this in more detail to determine how this should be accounted for.
8.	MF presented testing rents (psqm) and yields by development typology. There was some confusion over the values for student accommodation and care homes. *Post meeting note – the figures for care homes and student accommodation are gross development value per sqm – the rents and yields shown for other typologies will be capitalised to arrive at a gross development value.* Several participants noted that land values and rents differ significantly depending on location in the borough, particularly retail uses. *Post meeting note – if there are any distinctions for commercial development please advice further.*
	Residential testing - typologies
9.	MF set out residential testing development typologies, including strategic residential sites and generic brown and greenfield sites. Participants suggested that most 'generic sites' would be brownfield as the council would be unlikely to release any further greenfield land than that removed from the greenbelt for the strategic sites. However, GBC confirmed that small greenfield sites around major villages would be released to meet the borough's 5 year housing land requirement, as homes on strategic sites are not expected to deliver significantly within the 5 year period. TMF also suggest that there are a significant number of sites with permission, mostly brownfield, that have yet to come forward which will also contribute to 5 yr supply It was suggested that the SHLAA should be used to guide the range and type of generic sites to be tested
	Residential testing - assumptions
10.	MF presented spatial distribution of land values in Guildford. There broad agreement with spatial representation of land values. It was noted that whilst some areas of the borough attracted higher land values than others, due to the state of the residential market in Guildford, "anything you put a house on is attractive".
11.	MF presented average land values for each area distinguished by flats and houses. There was broad agreement that the same information disaggregated by property type would provide a useful benchmark to judge assumption accuracy. *Post meeting note – below is a breakdown of prices by house types – this is sourced from Land Registry data for new build properties:*

	Average of Price **Column Labels** | **Row Labels** | **Ash and Tongham** | **East** | **Guildford** | **North east Rural** | **Rural West** | **South East Rural** | | Detached | £465,500 | £702,585 | £820,300 | £479,375 | £498,333 | £545,000 | | Flats | £132,821 | £379,917 | £277,036 | £252,313 | £121,625 | £208,750 | | Semi | £273,000 | £461,848 | £445,036 | £354,425 | £363,185 | £393,325 | | Terraced | £203,750 | £445,357 | £442,045 | £399,375 | £358,892 | £380,980 | Participants were is agreement that for the borough, the tipping point for higher value properties was when the size reached that of a proper 'family home'. *Post meeting note – the bigger size of properties in the Borough when compared elsewhere was mentioned in the discussion – if would be useful if you could provide further information on the size of properties on a sqm/sqf basis that you think will come forward over the plan period. Also whether there is any dintinction in returns on a sqm/sqf basis between sizes of property e.g. do you get a better per sqm return for a ¾ bed property than a two bed or a flat?* The London bound rail lines through the villages in the east of borough was identified as a key driver of higher land values in these parts of the borough. One participant suggested that, unlike other rural locations where demand for primarily family house meant that few schemes included flats, developers of schemes within close proximity to the stations along this slow line had a preference for a 50/50 flat/house split.
12.	MF presented a benchmark land value of £2,000,000 per net hectare as a reasonable assumption to use, he explained that this had been used in the previous viability work on affordable housing. A representative from the house building industry considered £2 million to be the minimum local landowners would accept, as the rising housing market has raised landowners' expectations. It was suggested that sites allocated in the forthcoming Guildford Local Plan were likely to have a higher land value due to the greater certainty of securing planning permission. Although it was also suggested to the consultant team in discussions after the presentation that the because of the release of more sites there was more competition than in the previously constrained market and that perhaps £2m was too high now. It was suggested that a figure based on the developable area of a site would be more appropriate. MF confirmed that the figure was a per net hectare basis. It was suggested that an across the Borough figure should not be used, based on actual residual calculations, as land values will vary and will also depend on the nature of the site ie greenfield strategic sites were likely to have lower values than brownfield sites with a higher existing use value. MF confirmed that more work was needed on land values but that required cooperation from those round the table to provide evidence. He urged those present to provide some examples of local transactions to help guide and set an appropriate figure. *Post meeting note – please send any examples to the consultant team, they will not be quoted directly and can be treated in confidence.*
13.	MF presented proposed build cost assumptions for estate and small scheme housing. It was noted that 20-100 unit schemes in Guildford had a build cost closer to £1500 per square meter than the prosed £1,001. Although it was later confirmed that the build cost was probably about right if the externals was added. It was suggested that the build cost assumptions should also take into account the proposed change to building regulation due to come forward in 2016. Attendees were uncertain about view of the Planning Inspectorate on this matter. MF responded that whilst there may have been a past expectation of a change to Building Regs to move towards zero carbon by 2016 the Government have not yet indicated whether any changes would be made. It was also pointed out that if Building

	Regs were bought in that the Council could review policy/CIL accordingly as it is unlikely the requirements would be implemented straight away. *Post meeting note – it is also of note that work undertaken on cost of improving standards has often dropped significantly from initial estimates*. It was suggested that, as part of the iterative plan-making process, public consultation should include presenting various options for affordable housing in order to promote greater understand of plan viability and ascertain public priorities. The idea of applying a 'risk buffer' to the viability testing was raised as a sensible option to account for spatial variation in cost and potential changes to building regulations. MF noted that if conservative cost assumptions are used in the testing it could be argued that this buffer is inbuilt, but that discussion would be had with the Council as to the approach and the associated risks.
14.	MF presented percentage breakdown of build costs by component. Participants were in broad agreement. It was highlighted that the amount spent on professional fees was dependent on whether the scheme was at a pre or post planning permission stage. A Contingency of 5% was considered a little low but no alternative was presented. Discrepancy between residential and non-residential contingency assumptions was raised (5%/4%). It was asked whether purchase costs are included – MF confirmed that they are *Post meeting note – purchase costs of 1.75% plus relevant stamp duty are included within the appraisal*
15.	MF presented abnormal (for brownfield sites) and opening up cost assumptions. A representative from the house building industry noted that these costs were a little lower than those recommended in the Harman Report. MF explained that once all the costs are added they would be within Harman ranges.
16.	MF presented developer contribution and affordable housing assumptions (taken from the draft local plan). Transfer values were cited as being geographically variable, with Ash and Tongham having higher transfer values. *Post meeting note – we need further discussion on transfer rates for different tenures of affordable housing and whether these need to be varied for the different value areas.* Representative from the house building industry suggested that they would like to comment further on the level of development obligations once assumptions based on council information had been formulated. It was suggested that Local Authorities tended to make assumptions about obligations that were lower than the actuality on a case by case basis. MF confirmed that consultant team is working with Council on likely s106 costs based on past experience and likely breakdown for CIL. It was suggested that increasing the proportion of affordable homes would make market housing more unaffordable. GBC countered that the increase in affordable homes would not be great enough to significantly affect the market, and that a doubling of homes coming to the market in the plan period should counteract this.
	End of workshop
17.	MF thanked participants and stated that a copy of the notes and the presentation would be sent to everyone who attended to provide further opportunity to comment. MF encouraged participants to feedback comments at this stage before the assessment are undertaken so that information can be used.

Please provide comments by the 27th May.

Please send to:

mfelgate@peterbrett.com

And

tmarshall@peterbrett.com

Appendix D Glossary

Affordable Housing

Housing provided for sale, rent or shared equity at prices in perpetuity below the current market rate, which people in housing need are able to afford

Affordable Rent

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable).

Allocated

Land which has been identified for a specific use in the current Development

Brownfield Land, Brownfield Site

Land or site that has been subject to previous development

Charging Authority

The charging authority is the local planning authority, although it may distribute the received levy to other infrastructure providers such as the county council in two tier authorities

Charging Schedule

The Charging Schedule sets out the charges the Charging Authority proposes to adopt for new development

Code for Sustainable Homes

The Code for Sustainable Homes is an environmental assessment method for rating and certifying the performance of new homes. It is a national standard for use in the design and construction of new homes with a view to encouraging continuous improvement in sustainable home building

Convenience Goods

Widely distributed and relatively inexpensive goods which are purchased frequently and with minimum of effort, such as newspapers and food.

Comparison Goods

Household or personal items which are more expensive and are usually purchased after comparing alternative models/types/styles and price of the item (e.g. clothes, furniture, electrical appliances). Such goods generally are used for some time

Development

Defined in planning law as 'the carrying out of building, engineering, mining or other operations in, on, over, or under land, or the making of a material change of use of any building or land'

Infrastructure

The network of services to which it is usual for most buildings or activities to be connected. It includes physical services serving the particular development (e.g. gas, electricity and water supply; telephones, sewerage) and also includes networks of roads, public transport routes, footpaths etc. as well as community facilities and green infrastructure

Intermediate Housing

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing. Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

Low Carbon

To minimise carbon dioxide emissions from a human activity

New Homes Bonus

The New Homes Bonus is a government funding scheme to ensure that the economic benefits of growth are returned to the local area. It commenced in April 2011, and will match fund the additional council tax raised for new homes and properties brought back into use, with an additional amount for affordable homes, for the following six years

Planning Obligations

Legal agreements between a planning authority and a developer, or undertakings offered unilaterally by a developer to ensure that specific works are carried out, payments made or other actions undertaken which would otherwise be outside the scope of the planning permission. Often called Section 106 (S106) obligations or contributions. The term legal agreements may embrace S106.

Renewable Energy

Energy generated from sources which are non-finite or can be replenished. Includes solar power, wind energy, power generated from waste, biomass etc.

Residual Land Value

The amount remaining once the gross development cost of a scheme is deducted from its gross development value and an appropriate return has been deducted

Rural exception sites

Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable units without grant funding.

Section 106 (S106) Contributions

See Planning Obligations

Social Rent

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Threshold land value

Landowners have an important role in deciding whether a project goes ahead on the basis of return from the value of their land. The threshold land value, or the benchmark land value, refers to the minimum value of the land that is likely to trigger the land owner to sell the land.

Use Classes and 'Use'

The Town and Country Planning (Use Classes) Order, 1987, a statutory order made under planning legislation, which groups land uses into different categories (called use classes). Change of within a use class and some changes between classes do not require planning permission. Please note that the definition of 'use' within the CIL regulations is meant in its wider sense and not in terms of the use classes e.g. whilst a supermarket and a shop selling clothes are the same use in terms of the use class system i.e. A1 – they are clearly a different use in terms of the CIL regulations as a store selling only clothes is different from a store selling predominantly food.

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