Accessible Report

South Worcestershire Development Plan Review (SWDPR) and Strategic Sites Viability Assessment
Financial Viability Assessment Report

December 2024

## Quality Assurance

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# Executive Summary

ES 1 South Worcestershire is the area covered by the administrative areas of Malvern Hills District Council (MHDC), Wychavon District Council (WDC) and Worcester City Council (WCC) who are referred to throughout this document as the South Worcestershire Councils (SWC).

ES 2 AspinallVerdi has been appointed by the South Worcestershire Councils (SWC) to provide financial viability advice which will help to inform the South Worcestershire Development Plan Review (SWDPR). The study will apply to all South Worcestershire areas.

ES 3 AspinallVerdi has been working with the SWC for a number of years. This report and the other reports on strategic site and retail / commercial CIL (see below) are the cumulation of this work.

ES 4 This work is briefly set out below:

- February 2019 – Land Market Paper / Residential Market Paper
- March 2019 – Initial Viability Report
- December 2019 – Stakeholder Workshop (1)
- May 2021 - Land Market / Residential Market Update
- May 2021 – Strategic Site 1-2-1 Engagement [Proforma]
- May 2021 – Viability Report Update
- October 2021 – Strategic Site Headroom Appraisals
- February 2022 – Appraisal iteration
- April 2022 – Residential Market Update
- April 2022 – Retail / Commercial Report (for CIL)
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- June 2022 – Stakeholder Workshop
- July 2022 – Development Plan and CIL Viability Report
- July 2022 – Strategic Site Viability Report
- August 2022 – Retail and Commercial CIL Viability Report
- October 2023 – PBSA and Small Express Retail CIL Viability Addendum Report

ES 5 We have prepared a suite of two reports for ease of interpretation:

- Main South Worcestershire Development Plan and Strategic Sites Viability Assessment (this report) – this report focusses on the viability for generic residential typologies across South Worcestershire and on the four strategic sites: Mitton, Rushwick, Throckmorton and Worcestershire Parkway. The report is built on a foundation of two key documents including Development Plan and CIL Viability Report (2022) and Strategic Site Viability Assessment Report (2022).

- Residential Market Paper– this (separate) report provides a 2024 update of the background to the value assumptions made in appraising the residential development typologies set out in the main report. This paper refers back to our previous paper on Residential Market Paper (2022). This is enclosed at Appendix 3.

ES 6 The primary aim of the commission is to produce an up-to-date viability assessment, which will form a robust and sound evidence base for the Local Plan Review. The current plan (adopted 2016) covers the period 2006-2030. The new Local Plan seeks to allocate the land to meet South Worcestershire's needs up to 2041.

ES 7 The overarching objective of the study is to provide a robust evidence base upon which SWC can make informed decisions regarding their policies and site allocations. This is particularly relevant in the context of greenfield / brownfield lands across South Worcestershire area.

ES 8 This is a full viability assessment of the draft policies in the emerging South Worcestershire Development Local Plan 2016-2041.

ES 9 The key context for the Local Plan Viability Assessment is that the Plan needs to be informed by a consideration of viability. The viability assessment is not intended to be a pass/fail test for a Local Plan, especially where key national and local imperatives exist to promote regeneration of brownfield land and deliver affordable housing. The Plan must be positively prepared to contribute towards the achievement of sustainable development in a way that is aspirational but deliverable.

## Local Plan Context

ES 10 The key context for the Local Plan Viability Assessment is that the Plan needs to be informed by a consideration of viability. The PPG states that:

"The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan." (Paragraph: 002 Reference ID: 10-002-20190509)

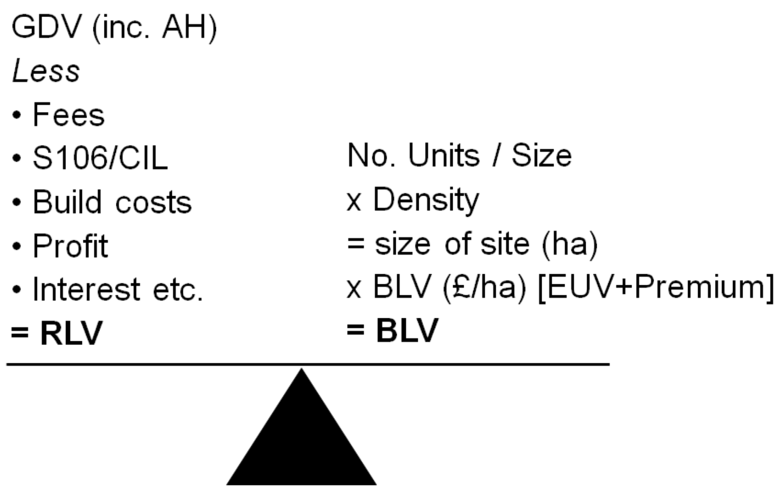
ES 11 The viability assessment is not intended to be a pass/fail test for a Local Plan, especially where key national and local imperatives exist to promote regeneration of brownfield land.

ES 12 The Plan must be positively prepared to contribute towards the achievement of sustainable development in a way that is aspirational but deliverable. According to the NPPF sites or broad locations for growth should be developable in years 6 plus of the plan period.  To be considered developable, sites should be in a suitable location for housing development with a reasonable prospect that they will be available and could be viably developed at the point envisaged (see NPPG Glossary). This is a lower test than the deliverability test for sites in years 0-5 of the plan period. The evidence does not need to provide a detailed assessment of everything and all sites – recognising that conditions will fluctuate over the course of the Plan period.

## Viability Assessment Method

ES 13 Our general approach is illustrated on the diagram below (Figure ES.1). This is explained in more detail in section 4 - Viability Assessment Method.

**Figure ES.1 - Balance between Residual Land Value and Benchmark Land Value**




Source: AspinallVerdi © Copyright

ES 14 We have carried out residual appraisals to establish the Residual Land Value (RLV). This is a traditional model having regard to: the gross development value (GDV) of the scheme; including affordable housing; and deducting all costs to arrive at the RLV. A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

ES 15 This is then compared to the Benchmark Land Value (BLV). The BLV is the price at which a landowner will be willing to sell their land for development and is derived from benchmark Existing Use Values (EUV) plus a premium (having regard to benchmark policy compliant Market Values), the size of the hypothetical scheme and the development density assumption.

ES 16 For reporting purposes, if the balance is positive, then the policy is assumed to be 'viable'. If the balance is negative, then the policy is assumed to be 'not viable' and the policy obligations / affordable housing should be reviewed. Where the RLV is positive but below the BLV we describe this as being 'marginal' in terms of viability.

ES 17 That said, it is not ‘black and white’, this is an iterative process requiring judgement and interpretation of the viability results. Land value is one of the key variables, along with profit, which determines the viability and deliverability or otherwise of a scheme.

ES 18 We have had regard to the cumulative impact of the emerging SW Local Plan policies. The impact of each of the policies, either direct or indirect, is set out on the policies matrix (Appendix 1).

ES 19 In a functioning market, all the costs of site clearance, remediation, and abnormal costs should come off the value of the land. However, this only ‘works’ where the GDV of the scheme is sufficient to absorb these costs and provide incentivisation (for both landowner and developer) for the scheme to be delivered.

ES 20 In addition to the RLV appraisals and BLV analysis, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of viability and to appreciate the sensitivity of the appraisals to key variables such as: affordable housing %; infrastructure costs; density; BLV and profit; and, to consider the impact of rising construction costs. This is to de-emphasise the BLV in each typology and help consider viability ‘in-the-round’ i.e., in the context of sales values, development costs, contingency and developer’s profit, which make up the appraisal inputs.

ES 21 We draw your attention to the various Examiner’s reports, such as those for the Mayor of London CIL (January 2012), the Greater Norwich CIL (December 2012), and the Sandwell CIL (December 2014) set out in Table 4.1 - Premium for BLV Considerations. It is evident that landowners must consider reducing their land values for schemes to be both viable and deliverable, particularly in the context of providing affordable housing. Paragraph 32 of the Mayor of London CIL Examiner’s report explicitly acknowledges that the price of development land may need to decrease, emphasising that this reduction is intrinsic to the land value capture concept. Similarly, the Greater Norwich Development Partnership’s CIL Examiner’s report underscores the necessity of establishing a threshold land value [/benchmark land value], which is derived from a reasonable reduction in benchmark values to ensure viability, a factor crucial for meeting affordable housing targets. These findings collectively emphasise the importance of land value adjustments to facilitate the realisation of development schemes, including those aimed at providing policy compliant affordable housing.

ES 22 It is important to note that the BLV’s contained herein are for ‘high-level’ plan viability purposes and the appraisals should be read in the context of the BLV sensitivity table (contained within the appraisals). It is important to emphasise that the adoption of a particular BLV £ in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications. Where sites have obvious abnormal costs (e.g., sloping topography or limited access etc.) these costs should be deducted from the value of the land. The land value for site specific viability appraisals should be thoroughly evidenced having regard to the existing use value of the site in accordance with the PPG. This report is for plan-making purposes and is ‘without prejudice’ to future site-specific planning applications.

ES 23 Our detailed assumptions and results are set out in sections 5-7 of this report together with our detailed appraisals which are appended. In summary we make the following recommendations.

## Conclusions and Recommendations

ES 24 Based on the appraisal results herein and the relatively modest adjustments to deliver viability form the sensitivity tables; we are content that the Plan is deliverable with policy SWDPR 18 affordable housing at 40% on greenfield land sites and 30% of the units to be affordable on brownfield sites.

ES 25 The table below summarises the affordable housing targets and the viability findings, derived from the viability analysis herein. These targets assume no public sector funding intervention.

**Table ES.1 - Typologies Findings Summary**

| Site Typology / Value Zone | Smaller Schemes (<100 units) | Larger Schemes (≥100 units) |
|---|---|---|
| **Greenfield Higher Value Zone – 40% AH** | They are generally marginal and require 10-15% uplift in open market sales value to become viable due to higher build costs for SME developers. | They are fundamentally viable and demonstrate greater robustness compared to smaller schemes due to economies of scale. |
| **Greenfield Lower Value Zone – 40% AH** | They are less viable compared to those in higher value Greenfields, with most typologies requiring at least a 15% increase in market values to reach planning viability over BLV. | They are generally viable; if not, they require only minor adjustments, such as a 1% reduction in the developer's profit margin or a modest 5% increase in open market sales values, to achieve viability. |
| **Brownfield Higher Value Zone – 30% AH** | They are predominantly marginal. Smaller schemes face larger deficits and require significant market value uplifts of around 20% to address the viability gap due to additional costs for smaller developers. | They are predominantly marginal; however, they demonstrate strong potential for achieving viability with minimal adjustments, such as a 1% reduction in the developer’s profit margin or a 5% increase in market values. |
| **Brownfield Lower Value Zone – 30% AH** | Among smaller schemes, viability is limited to those not required to provide affordable housing. | Larger Brownfield schemes show potential for achieving viability, requiring adjustments such as a 5% reduction in profit, a 5% uplift in market values, or a 10% reduction in build costs. |

ES 26 The table above shows smaller schemes face significant challenges in achieving viability compared to larger schemes, particularly in lower value zones and on Brownfield sites, where targeted interventions or adjustments are often necessary.

ES 27 Despite these challenges, appraisals confirm the Plan’s deliverability with 40% affordable housing on Greenfield sites and 30% on Brownfield sites. Where viability issues arise, particularly on Brownfield sites, these can be addressed through financial viability assessments and appropriate adjustments.

ES 28 Larger schemes consistently demonstrate stronger viability and should be prioritised to meet affordable housing targets efficiently. In contrast, smaller schemes, especially in lower value zones, require public sector support, such as funding or policy adjustments, to bridge viability gaps.

ES 29 On brownfield sites, where full compliance is unviable, the policy SWDPR 18 allows for the maximum achievable affordable housing without compromising viability. This must be supported by a viability assessment, which may be independently reviewed. The council's policy and guidance should clarify site due diligence, conditions for accepting viability assessments, and required information, including land value and price transparency.

ES 30 Developers can enhance the financial feasibility of schemes by integrating energy-efficient features, which command market premiums, and focusing on high-quality placemaking to create attractive, sustainable living environments that drive long-term value.

ES 31 To ensure ongoing alignment with market dynamics, it is essential to regularly update value assumptions, reflecting evolving buyer and renter preferences.

## Financial Viability Assessments

ES 32 The councils acknowledge that financial viability assessments may be required (e.g. for brownfield sites). Further details on how the policy will be applied should be set out in policy and guidance. We recommend that this policy and guidance includes detailed description of the site due diligence expected by land-buyers and the circumstances a viability assessment will be excepted. This should also set out detailed requirements of the information required to be provided as part of a developer's viability assessment. This should include land value / price transparency.

## Strategic Site Conclusions

ES 33 The viability for the strategic sites is challenging and requires further intervention.

ES 34 The results of the viability assessment for the strategic sites are summarised below.

**Table ES.2 - Strategic Sites Findings Summary**

| Strategic Site | Viability Status | Recommendations/Adjustments |
|---|---|---|
| **Rushwick** | Unviable at 40% AH with a negative RLV of -£166,000 per acre. | Reduce or delay delivery of high-cost infrastructure; or increase market values by 20%. |
| **Throckmorton** | Marginally unviable at 40% AH; including £12,000 potential public sector intervention; with BLV slightly | Identify and secure funding from relevant public sector funders to deliver necessary infrastructure, estimated at/above £18,000 per |

| | | |
|---|---|---|
| | below threshold (£424,000 per acre vs. £482,000 per acre) | unit; reduce BLV to £400,000; cut build costs by 5%; or increase market values by 5%. |
| **Worcestershire Parkway** | Viable considering potential public sector intervention of £13,400 per unit, generating RLV of £279,000 per acre (above BLV of £244,000 per acre). | Identify and secure funding from relevant public sector funders to deliver necessary infrastructure, estimated at/above £12,000 per unit and explore further eco-home / garden community premium opportunities. Public sector intervention is needed to deliver infrastructure, as no secure funding is in place. Secure relevant contributions from employment land uses. |
| **Mitton SUE** | Marginally unviable at 40% AH. | Reduce or delay delivery of high-cost infrastructure; or increase market values by 10%; or secure funding of £12,000 per unit. |

## Premium Values

ES 35 While current appraisals do not explicitly account for the premiums associated with eco-homes and placemaking, incorporating these elements into development strategies is likely to enhance viability by driving up open market sales values. In this respect it will be important to keep the viability of subsequent phases under review for clawback and overage of affordable housing where there have been concessions in earlier phases.

## Masterplans and Delivery Strategies

ES 36 The strategic site policies require the preparation of agreed comprehensive Masterplans to be prepared by the site promoters in collaboration and agreed with the Local Planning Authority in consultation with Worcestershire County Council. The number and phasing of dwellings to be permitted, and the timing of housing delivery will be linked to the planned infrastructure delivery. This will be agreed and conditioned through the planning application process. It will be important as part of this process that the site promoters explain clearly how the strategic sites will be delivered including mechanisms for joint working, coordination, land and cost equalisation. i.e. through Delivery Strategies.

## Public Sector Funding and CIL

ES 37 Public intervention is essential to address the high costs associated with site-specific S106 agreements and infrastructure requirements in strategic sites. These costs significantly impact the viability of developments, where substantial funding or policy adjustments are necessary to bridge the gap and ensure deliverability.

ES 38 It is expected that the council and the site promoters (including Homes England) will actively pursue funding and delivery mechanisms to support development viability. This includes updating the Community Infrastructure Levy (CIL) to reflect current needs and proactively bidding for public sector funding to bridge viability gaps.

## Best Practice

ES 39 It is recommended that developer contributions policy [SPD] includes a detailed description of the site due diligence expected from land buyers and clearly outlines the circumstances under which a viability assessment will be accepted by the Planning Authority. Policy and guidance should also establish comprehensive requirements for the information to be provided as part of a developer's viability assessment, including transparency on land value and site purchase price.

ES 40 We recommend that, in accordance with best practice, the plan viability is reviewed on a regular basis by South Worcestershire Councils to ensure it remains relevant as the property market cycle(s) change.

ES 41 Furthermore, to facilitate the process of review, we recommend that SWC monitor the development appraisal parameters herein, but particularly data on land values / value zones, delivery rates and grant funding within their areas.

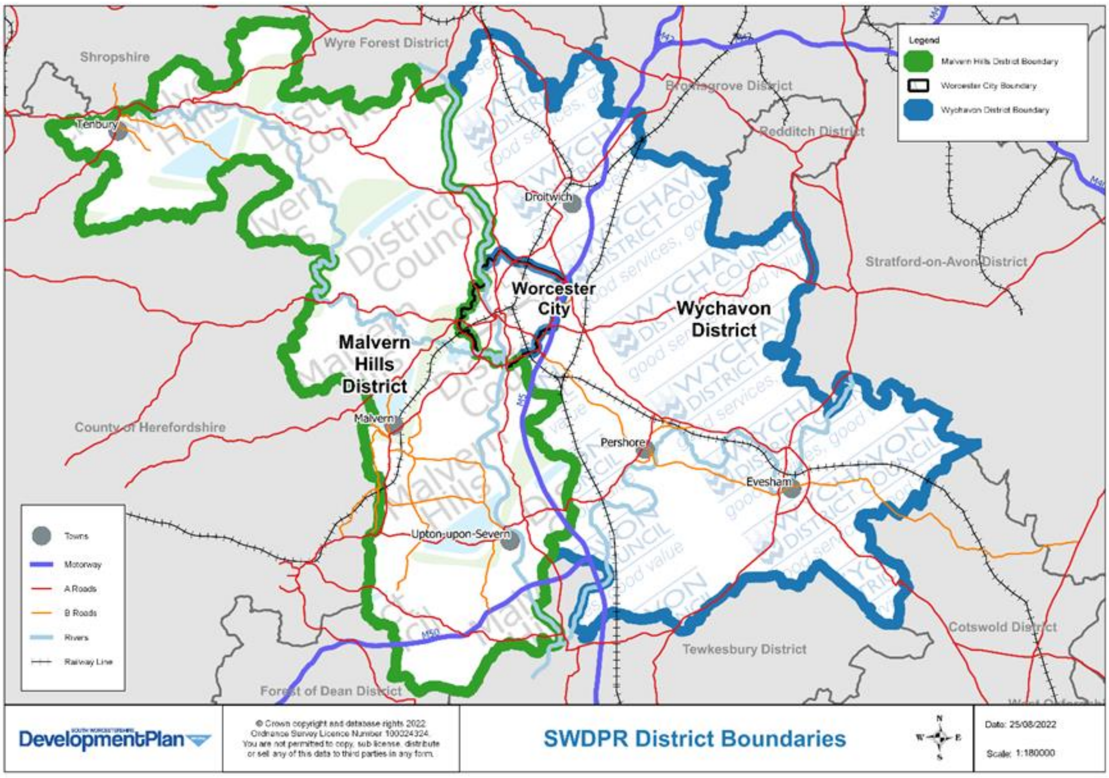
# 1 Introduction

1.1 AspinallVerdi has been appointed by the South Worcestershire Councils to provide financial viability advice which will help to inform the South Worcestershire Development Plan Review (SWDPR).

1.2 South Worcestershire is the area covered by the administrative areas of Malvern Hills District Council, Wychavon District Council and Worcester City Council who are referred to throughout this document as the South Worcestershire Councils (SWC).

1.3 The study applies to all South Worcestershire areas. This geography is illustrated on the map below.

**Figure 1.1 - South Worcestershire Councils Area Map**




Source: SWC, 2022

1.4 The current South Worcestershire Development Plan (SWDP) was adopted 25 February 2016. The South Worcestershire Councils (SWC) started a review of the SWDP in late 2017 and is currently at the Regulation 19 stage.

1.5 The SWDP review will provide an updated plan to the year 2041. The plan will update the existing SWDP and where necessary it's Vision, Objectives, Spatial Strategy and policies for the future development of the South Worcestershire area. The second part of the plan includes site allocations, policies and policy designations that will provide for the development needs of the area up to 2041.

1.6 The review of the SWDP is required to decide how to best accommodate housing and employment growth in the area. This includes the building of another 14,000 new homes to meet demand. This viability assessment enables viability to be embedded at the start of the process.

## Aim and Objective of the Study

1.7 This is a viability assessment of the draft policies in the South Worcestershire Development Plan (SWDP) Review including four strategic sites. The study is focussed on general needs housing viability and the strategic sites.

1.8 The primary aim of this commission is to deliver an up-to-date viability assessment and establish a robust evidence base to support SWC in making informed decisions on policies and site allocations for the partial review of the South Worcestershire Development Plan.

## Work to Date

1.9 AspinallVerdi has been working with the SWC for a number of years. This report and the other reports on strategic site and retail / commercial CIL (see below) are the cumulation of this work.

1.10 This work is briefly set out below:

- February 2019 – Land Market Paper / Residential Market Paper
- March 2019 – Initial Viability Report
- December 2019 – Stakeholder Workshop (1)
- May 2021 - Land Market / Residential Market Update
- May 2021 – Strategic Site 1-2-1 Engagement [Proforma]
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- July 2022 – Strategic Site Viability Report
- August 2022 – Retail and Commercial CIL Viability Report
- October 2023 – PBSA and Small Express Retail CIL Viability Addendum Report

## Local Plan Viability Context

1.11 The key context for the Local Plan Viability Assessment is that the Plan needs to be informed by a consideration of viability. The Planning Practice Guidance (PPG) states that: *'The role for viability assessment is primarily at the plan making stage. Viability* *assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.'* (Paragraph: 002 Reference ID: 10-002-20190509)

1.12 The viability assessment is not intended to be a pass/fail test for a Local Plan, especially where key national and local imperatives exist to promote regeneration of brownfield land.

1.13 The Plan must be positively prepared to contribute towards the achievement of sustainable development in a way that is aspirational but deliverable. According to the NPPF sites or broad locations for growth should be developable in years 6 plus of the plan period. To be considered developable, sites should be in a suitable location for housing development with a reasonable prospect that they will be available and could be viably developed at the point envisaged (see NPPG Glossary). This is a lower test than the deliverability test for sites in years 0-5 of the plan period. The evidence does not need to provide a detailed assessment of everything and all sites – recognising that conditions will fluctuate over the course of the Plan period.

## RICS Practice Statement

1.14 Our viability assessment has been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Financial Viability in Planning: Conduct and Reporting Professional Standard (1st Edition, May 2019).

1.15 Our viability assessment has also been carried out in accordance with the RICS Assessing Viability in Planning under the National Planning Policy Framework (NPPF) 2019 for England Professional Standard (1st edition, March 2021) having regard to the latest revisions to the National Planning Policy Framework (NPPF, last updated December 2023) and the Planning Practice Guidance (PPG).

## Objectivity, Impartiality and Reasonableness

1.16 We have carried out our review in collaboration with South Worcestershire Council's (Worcester City Council, Malvern Hills District Council and Wychavon District Council). At all times we have acted with objectivity, impartially and without interference when carrying out our viability assessment and review.

1.17 At all stages of the viability process, we have advocated reasonable, transparent and appropriate engagement between the parties.

## Conflict of Interest

1.18 We confirm that we have no conflict of interest in providing this advice and we have acted independently and impartially.

## Local Plan Reviewed

1.19 We have been provided with the emerging Development Management (DM) policies to be reviewed. These are contained within the Policies Matrix at Appendix 1.

1.20 We have also used the current CIL Charging Schedule dated September 2017 as the baseline for the CIL costs Local Plan Reviewed.

## Report(s) Structure

1.21 We have prepared a suite of two reports for ease of interpretation:

- Main South Worcestershire Development Plan and Strategic Sites Viability Assessment (this report) – this report focusses on the viability for generic residential typologies across South Worcestershire and on the four strategic sites: Mitton, Rushwick, Throckmorton and Worcestershire Parkway. The report is built on a foundation of two key documents including Development Plan and CIL Viability Report (2022) and, our Strategic Site Viability Assessment Report (2022).
- Residential Market Paper– this (separate) report provides a 2024 update of the background to the value assumptions made in appraising the residential development typologies set out in the main report. This paper refers back to our previous paper on Residential Market Paper (2022). This is enclosed at Appendix 3.

1.22 The remainder of this main report is structured as follows:

| **Section** | **Contents** |
|---|---|
| Section 2 – National Policy Context | This section sets out the statutory requirements for the Local Plan viability including the NPPF and PPG. |
| Section 3 – Local Plan Context | This section sets out the details of the existing evidence base and the Local Plan policies which will have a direct impact on viability. |
| Section 4 – Viability Assessment Method | This section describes our generic methodology for appraising the viability of development which is based on the residual approach as required by guidance and best practice. Please note the Benchmark Land Value (BLV) caveats for future site-specific appraisals. |
| Section 5 – Residential Typologies | This section summarises the residential market research underpinning our value assumptions, which have been reviewed and updated for the financial appraisals. This section summarises the existing evidence base, housing value zones, residential typologies, value and costs assumptions alongside with affordable housing transfer value and land value assumptions for the local plan. |
| Section 6 – Viability Results | This section sets out the detailed appraisal results with commentary. |
| Section 7 – Strategic Sites | In accordance with the NPPF, we have carried out more detailed appraisal and delivery analysis of the 4 strategic sites in South Worcestershire. |

| | |
|---|---|
| | This section details our assumptions for the general needs residential typologies across the 4 x strategic sites:<br>• Rushwick,<br>• Throckmorton New Settlement,<br>• Worcestershire Parkway, and<br>• Mitton SUE.<br>While we have applied the same general assumptions outlined in Section 5 to these strategic sites, we highlight the key differences (and strategic site costs) specific to each location.<br>We also include the concept of premium value, focusing on the Eco Premium and the Garden Community Premium. These concepts underscore the growing importance of energy efficiency and high-quality placemaking in the UK property market, which can significantly influence the market value of Strategic Site schemes. |
| Section 8 – Conclusions and Recommendations | Finally, we make our recommendations in respect of the Local Plan Review. This discusses the implications of this for the overall Plan viability and delivery. |

# 2 National Policy Context

2.1 Our financial viability assessment has been carried out having regard to the various statutory requirements comprising primary legislation, planning policy, statutory regulations and guidance.

2.2 We identify below the key cross-references in the NPPF and PPG and our comments in respect of viability and deliverability. This is not meant to be exhaustive and reference should be directly made to the relevant sections of the NPPF and PPG.

## National Planning Policy Framework

2.3 The NPPF confirms the Government's planning policies for England and how these should be applied and provides a framework within which locally-prepared plans for housing and other development can be produced[1].

2.4 It confirms the primacy of the development plan in determining planning applications. It confirms that the NPPF must be taken into account in preparing the development plan, and is a material consideration in planning decisions[2].

2.5 The new NPPF refers increasingly to deliverability as well as viability.

2.6 We draw your attention to the following key paragraphs (Table 2.1).

**Table 2.1 - NPPF Key Cross-References**

| Paragraph Number - Item | Quote / Comments |
|---|---|
| Para 34 - Development contributions | Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan. |
| Para 57 – Planning obligations [tests] | Planning obligations must only be sought where they meet all of the following tests[3]:<br>a) necessary to make the development acceptable in planning terms;<br>b) directly related to the development; and<br>c) fairly and reasonably related in scale and kind to the development.<br>Notwithstanding the latest changes to the CIL Regulations (2015) which do away with the requirements |

[1] National Planning Policy Framework, December 2023, Para 1
[2] National Planning Policy Framework, December 2023, Para 2
[3] Set out in Regulation 122(2) of the Community Infrastructure Levy Regulations 2010.

| | |
|---|---|
| | for a Regulation 123 list of infrastructure, these tests ensure that Local Authorities cannot charge S106 or CIL twice for the same infrastructure (as this would not be fair and reasonable). |
| Para 58 – Presumption of viability | Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The *weight to be given to a viability assessment is a matter for the decision maker*, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available. (Our emphasis)<br><br>We understand that the Government's objective is to reduce the delays to delivery of new housing due to the site-specific viability process that was created as a result of the previous paragraph 173. Once a new Local Plan is adopted no site-specific viability assessment should be required (except in exceptional circumstances e.g. detailed strategic site infrastructure delivery) and developers should factor into their land buying decisions the cost of planning obligations (including affordable housing). |
| Para 64 – 10 Unit Threshold | Provision of affordable housing should not be sought for residential developments that are not major[4] developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). |
| Para 64 – Vacant Building Credit (VBC) | To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount. The VBC provides another layer of contingency on brownfield site typologies. |

[4] Major development: For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m2 or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.

| | |
|---|---|
| Para 65 – 10% affordable home ownership | Where major development involving the provision of housing is proposed, planning policies … should expect at least 10% of the total number of homes to be available for affordable home ownership unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.<br><br>Exemptions to this 10% requirement should also be made where the site or proposed development:<br><br>a) provides solely for Build to Rent homes;<br><br>b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);<br><br>c) is proposed to be developed by people who wish to build or commission their own homes; or<br><br>d) is exclusively for affordable housing, an entry-level exception site or a rural exception site. |

Source: NPPF, 2023 and AspinallVerdi

2.7 We understand that the viability assessment is not intended to be a pass/fail test for a Local Plan, especially where key national and local imperatives exist to promote regeneration of brownfield land. The Plan must be positively prepared to contribute towards the achievement of sustainable development in a way that is aspirational but deliverable.

## Planning Practice Guidance for Viability

2.8 The Planning Practice Guidance for Viability was first published in March 2014 and substantially updated in line with the NPPF. This has subsequently been updated on numerous[5] occasions and latterly 14 February 2024.

2.9 Below we summarise some key aspects of the PPG for this study (Table 2.2).

**Table 2.2 - PPG Viability Key Cross-References**

| **Paragraph Number - Item** | **Quote / Comments** |
|---|---|
| Para 001 – Setting Policy requirements | Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).<br><br>These policy requirements should be informed by evidence of infrastructure and affordable housing need, |

[5] PPG Viability has been updated in July 2018, February 2019, May 2019 and September 2019

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| | and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types or location of site or types of development.<br><br>This confirms that Local Authorities can set different levels of CIL and/or affordable housing by greenfield or brownfield typologies (see below also). |
| Para 002 - Deliverability | It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.<br><br>And, policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision-making stage.<br><br>Also, it is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant.<br><br>In this respect we have previously carried out a stakeholder workshop to consult with industry (Registered Providers, developers and landowners) in respect of the cost, value and BLV assumptions of the site allocations (4th December 2019 and 24 June 2022). We have also consulted privately on a one-to-one basis with land owners and site promotors of Key Large / Strategic Sites (throughout 2020-23). |
| Para 003/4 - Typologies | Plan makers can use site typologies to determine viability at the plan making stage.<br><br>A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.<br><br>Plan makers can group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of |

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| | development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan. |
| Para 005 – Strategic Sites testing | Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas.<br><br>In this respect we have specifically tested the following strategic sites:<br>• Rushwick – 1,000 units<br>• Throckmorton New Settlement – 5,000 units<br>• Worcestershire Parkway Garden Community – 10,000 units<br>• Mitton SUE – 1,000 units. |
| Para 006 – Engaging Strategic site promotors | Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.<br><br>It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant…<br><br>Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.<br><br>In this respect we have previously carried out detailed consultation and engagement on a one-to-one basis with landowners, site promotors and developers of potential Strategic Site allocations. This is to establish, not only their viability, but also their deliverability in terms of development over the new Local Plan period. The Councils continue to hold regular developer forum meetings. |
| Para 010 - Principles for carrying out a viability assessment (strike a balance) | Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements |

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| | of gross development value, costs, land value, landowner premium, and developer return – i.e., a residual land value approach.<br>In plan making and decision-making viability helps to *strike a balance* between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission. (Our emphasis) |
| Para 011 – Gross Development Value | For residential development, this may be total sales and/or capitalised net rental income from developments. *Grant and other external sources of funding should be considered.*<br>For commercial development a broad assessment of value in line with industry practice may be necessary.<br>For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. (Our emphasis) |
| Para 012 – Development costs | Assessment of costs should be based on evidence which is reflective of local market conditions. Costs include:<br>• build costs - e.g., Building Cost Information Service (BCIS)<br>• abnormal costs*<br>• site-specific infrastructure costs*<br>• the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, biodiversity net gain etc*<br>• general finance<br>• professional*, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site<br>• project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return<br>*PPG suggests that these costs should be taken into account when defining benchmark land value. |

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| Para 013 – Benchmark Land Value (BLV) | A benchmark land value should be established on the basis of the *existing use value (EUV)* of the land, plus a *premium* for the landowner. (Our emphasis) |
| Para 014 - What factors should be considered to establish BLV? | Benchmark land value should:<br>• be based upon existing use value (EUV)<br>• allow for a premium to landowners<br>• reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees. |
| Para 014 – Market evidence in BLV | Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a *divergence between benchmark land values and market evidence*; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners. (Our emphasis) |
| Para 014 – Circularity of land values | [Market] evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that *historic benchmark land values of non-policy compliant developments are not used to inflate values over time*. (Our emphasis) |
| Para 015 – Existing Use Value (EUV) | EUV is the value of the land in its existing use.<br>Existing use value is not the price paid and should disregard *hope value.*<br>Existing use values will vary depending on the type of site and development types.<br>EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development). |
| Para 016 – Premium | [The premium] is the amount above existing use value (EUV) that goes to the landowner. |

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| | The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a *sufficient contribution to fully comply with policy requirements*.<br><br>Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by *professional judgement* and must be based upon the best available evidence informed by cross sector collaboration.<br><br>Market evidence can include benchmark land values from other viability assessments.<br><br>Land transactions can be used but only as a cross check to the other evidence.<br><br>Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.<br><br>Policy compliance means that the development complies fully with up-to-date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. |
| Para 016 – Price paid evidence | Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).<br><br>The PPG emphasises throughout (para 2, 3, 6, 11, 14, 18) that the price paid for land is not a relevant justification for failing to accord with relevant policies in the plan.<br><br>However, data on actual price paid (or the price expected to be paid through an option or promotion agreement) is particularly relevant for strategic sites to ensure that they are deliverable over-time. |
| Para 017 – Alternative Use Value (AUV) | This is more at the decision-making stage as our site typologies herein are all for broadly defined uses. |
| Para 018 – Profit (return to developers) | For the purpose of plan making an assumption of *15-20% of gross development value (GDV)* may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A *lower figure may* |

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| | *be more appropriate in consideration of delivery of affordable housing* in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types. (Our emphasis)<br>In this respect we have provided sensitivities on the profit margin. |
| Para 019 – Build to rent (BTR) | The *economics of build to rent schemes differ* from build for sale as they depend on a long-term income stream. For build to rent, it is expected that the normal form of affordable housing provision will be *affordable private rent.* Where plan makers wish to set affordable private rent proportions or discount levels at a level differing from national planning policy and guidance, this can be justified through a viability assessment at the plan making stage. (Our emphasis) |

Source: PPG Viability (last updated 14 February 2024) and AspinallVerdi

## Written Ministerial Statement – Local Energy Efficiency Standards

2.10 On 13 December 2023 the Minister of State for Housing gave a written ministerial statement (WMS) to parliament in order to clarify the priorities between building standards and particularly the net zero goal [, viability] and housing delivery.  This is required due to the changing national policies including Code for Sustainable Homes and the 2021 Part L Building Regulations.

2.11 The WMS states:

*2.12 there is a legitimate consideration for the Government to want to strike the best balance between making progress on improving the efficiency and performance of homes whilst still wanting to ensure housing is built in sufficient numbers to support those who wish to own or rent their own home.*

2.13 The WMS goes on:

*2.14 the Government does not expect plan-makers to set local energy efficiency standards for buildings that go beyond current or planned buildings regulations. The proliferation of multiple, local standards by local authority area can add further costs to building new homes by adding complexity and undermining economies of scale.*

2.15 The exception to this statement is where local policies have:

*a well-reasoned and robustly costed rationale that ensures:*

- *That development remains viable, and the impact on housing supply and affordability is considered in accordance with the National Planning Policy Framework.*
- *The additional requirement is expressed as a percentage uplift of a dwelling's Target Emissions Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP).*

2.16 In this respect SWC is defaulting to building regulations for the purposes of this report and accompanying assessments (see section 3 and 5 below for details of policies and costs).

# 3 Local Policy Context

3.1 South Worcestershire is the area covered by the administrative areas of Malvern Hills District Council, Wychavon District Council and Worcester City Council who are referred to throughout this document as the South Worcestershire Councils (SWC).

3.2 The current South Worcestershire Development Plan (SWDP) was adopted 25 February 2016. The plan covers the vision of the area for the period 2006 to 2030.

3.3 The Council's started a review of the SWDP in late 2017. The review will provide an updated plan period to the year 2041. The plan will update the existing SWDP and where necessary it's Vision, Objectives, Spatial Strategy and policies for the future development of the South Worcestershire area. The second part of the plan includes site allocations, policies and policy designations that will provide for the development needs of the area up to 2041. Public consultation on the issues and options took place in November 2018. The SWDP Review Publication Consultation (Regulation 19) concluded in December 2022.

3.4 Following the Regulation 19 consultation, the South Worcestershire Councils (SWC) submitted the South Worcestershire Development Plan Review (SWDPR) and its supporting evidence base to the Secretary of State for independent examination in September 2023. Due to the time elapsed between the preparation of the original report and its submission, we were commissioned to update the report to incorporate the latest available data, ensuring it remains robust and fit for purpose during the examination process.

3.5 In order to appraise the local plan viability, we have analysed each of the existing and new policies in order to determine which policies have a direct or indirect impact on development viability. Those policies with a direct impact on viability have been factored into our economic assessment. Those policies with an indirect impact have been incorporated into the viability study indirectly through the property market cost and value assumptions adopted.

3.6 It is important to note that all the policies have an indirect impact on viability. The Local Plan will set the 'framework' for the property market to operate within. All the policies have an indirect impact on viability through the operation of the property market and via site allocations which shape supply over time (the price mechanism).

3.7 This is an updated review of policies, incorporating the latest information provided by SWC. While there have been some minor amendments to the policies since our 2022 analysis, we confirm that these changes do not materially impact the viability assessment. The assumptions and methodologies established in the previous analysis remain robust and relevant for this updated review.

3.8 The policies considered to have a direct influence on viability are set out on Table 3.1 below.

**Table 3.1 - SWDP Review Policies with a Direct Impact on Viability**

| Policy Ref | Policy |
|---|---|
| SWDPR 1: | Climate Change mitigation and adaption |
| SWDPR 5: | Design and Sustainable Construction |
| SWDPR 6: | Transport |
| SWDPR 7: | Green Infrastructure |
| SWDPR 9: | Infrastructure |
| SWDPR 10: | Health and Wellbeing |
| SWDPR 15: | Effective Use of Land |
| SWDPR 16: | Housing Mix and Standards |
| SWDPR 18: | Meeting Affordable Housing Needs |
| SWDPR 23: | Class C2 Housing for People with Special Housing Needs |
| SWDPR 27: | Biodiversity and Geodiversity |
| SWDPR 29: | Management of the Historic Environment |
| SWDPR 31 | Amenity |
| SWDPR 32: | Telecommunication and Broadband |
| SWDPR 34: | Water Resources, Efficiency and Treatment |
| SWDPR 35: | Sustainable Drainage Systems |
| SWDPR 37: | Air Quality |
| SWDPR 43: | Built Community Facilities |
| SWDPR 45: | Provision of Green Space and Outdoor Community Uses in New Development |
| SWDPR 46: | Playing Fields |
| | (Strategic site policies are considered separately through the Strategic Site Infrastructure and S106 Cost Assumptions spreadsheets for each of the strategic sites). |

Source: SWC (– Development Plan Viability Policy Review)

3.9 A detailed updated analysis of these and all the policies, together with our response in terms of this economic assessment, is set out in the policies matrix appended (see Appendix 1 – Policies Matrix).

## Affordable Housing Policy

3.10 The affordable housing policy (SWDPR 18: Meeting Affordable Housing Needs) states that:

B. The… number of affordable dwellings to be provided on sites is as follows:

i) Within the Designated Rural Areas,

- On greenfield sites of between 5 and 9 dwellings, **40% of units** should be affordable and provided on site; and
- On brownfield land sites of between 5 and 9 dwellings, **30% of units** should be affordable and provided on site
- On sites of less than 5 dwellings, a financial contribution towards local affordable housing provision should be made, based on the cost of providing the equivalent in value to **20% of the units** as affordable housing on site.

ii.) On greenfield land sites of either 10 or more dwellings or 0.5 ha or more, **40% of the units** should be affordable and provided on site.

iii.) On brownfield land sites of either 10 or more dwellings or 0.5 ha or more, **30% of the units** should be affordable and provided on site.

## Existing CIL Charging Schedule

3.11 The South Worcestershire Councils (SWC) have drafted a joint development plan, the South Worcestershire Development Plan (SWDP), and viability and infrastructure evidence underpinning the SWDP, which have also been produced on a joint basis. Notwithstanding this, each of the SWC are charging authorities in their own right and so are required to prepare separate charging schedules for the Community Infrastructure Levy.

3.12 The adopted CIL charging schedules for Malvern Hills District Council and Wychavon District Council came into effect on 5$^{th}$ June 2017 followed by Worcester City Council on 4$^{th}$ September 2017.

3.13 Below outlines the levy rate at which development will be liable for CIL across the three local authority areas.

**Table 3.2 - Adopted CIL Charging Schedule**

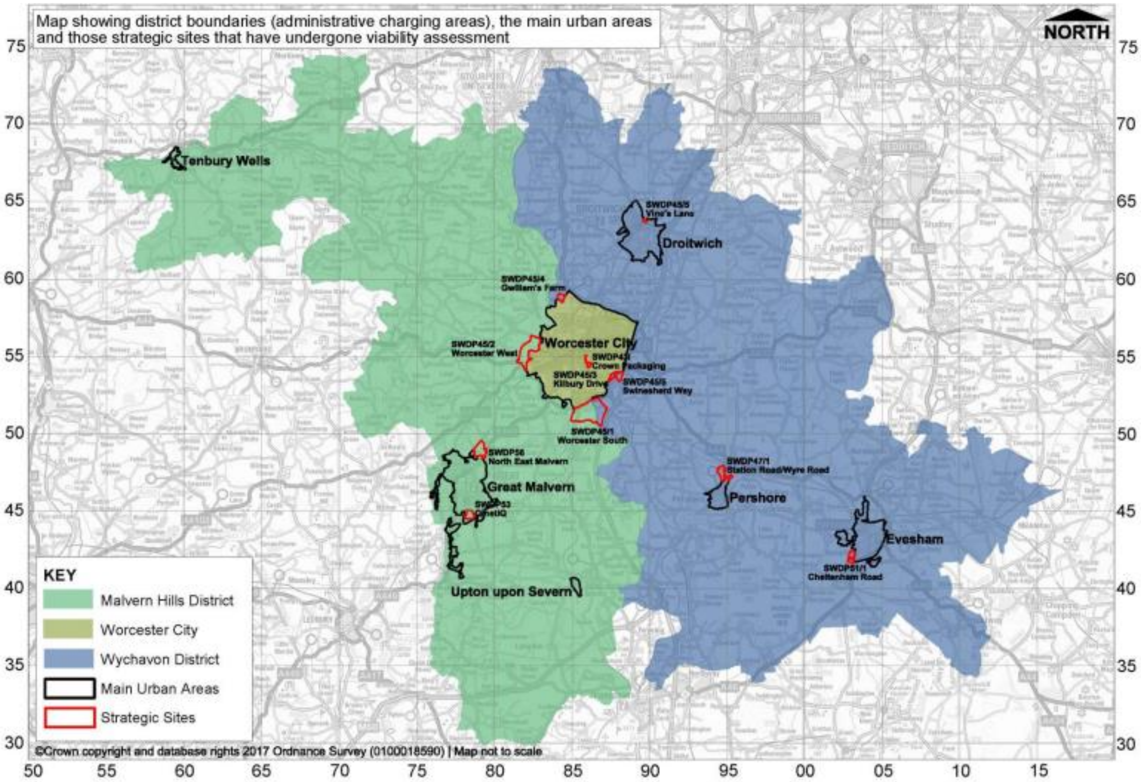
| Table 1 – CIL Rates (£/m²) for each Charging Authority | | | |
|---|---|---|---|
| Use Type | Malvern Hills | Worcester City | Wychavon |
| Residential – Main Urban Areas | £0 (Malvern, Upton upon Severn and Tenbury Wells) | £0 | £0 (Droitwich, Evesham and Pershore) |
| Residential – All other Areas except for the Strategic Sites listed in Table 2 | £40 | £0 | £40 |
| Student Accommodation | £100 | £100 | £100 |
| Food Retail (Supermarkets) | £60 | £60 | £60 |
| Retail Warehouses | £60 | £60 | £60 |
| Shops | £0 | £0 | £0 |
| Hotels | £0 | £0 | £0 |
| Industrial and Office | £0 | £0 | £0 |
| All Other Uses (including Education, Health and Community uses) | £0 | £0 | £0 |

| Table 2 – Residential CIL Rates (£/m²) for Strategic Sites | | |
|---|---|---|
| Site | CIL Rate (£/m²) | Charging Authority |
| SWDP 45/1 Worcester South Urban Extension | £0 | Malvern Hills/ Wychavon/ Worcester City |
| SWDP 45/2 Worcester West Urban Extension | £0 | Malvern Hills |
| SWDP 45/4 Gwillam's Farm | £0 | Wychavon |
| WO135 & WO136 Crown Packaging, Worcester | £0 | Worcester City |
| SWDP 45/3 Kilbury Drive, Worcester | £0 | Wychavon |
| SWDP 45/5 Swinesherd Way | £0 | Wychavon |
| SWDP 48/1 Vines Lane, Droitwich | £0 | Wychavon |
| SWDP 51/1 Cheltenham Road, Evesham | £0 | Wychavon |
| SWDP 47/1 Pershore Urban Extension | £0 | Wychavon |
| SWDP 53 QinetiQ, Malvern | £0 | Malvern Hills |
| SWDP 56 North East Malvern Urban Extension | £0 | Malvern Hills |

Source: SWC CIL Charging Schedule, 2017

3.14 The aforementioned zones are illustrated on the following map (Figure 3.1).

**Figure 3.1 - CIL Charging Zones Map**




Source: SWC CIL Charging Schedule 2017

3.15 Also, Worcester City does not have a CIL rate for residential. We understand that this is due to the tight urban / brownfield nature of the Authority's boundary.

3.16 We have used the CIL rate of **£43.27 psm for Residential Use** as the baseline for our viability assessments.

3.17 It is important to note that this CIL rate was indexed in 2022 to account for changes since 2017. However, for this assessment, we are using the same indexed rate from 2022, as no further updates have been made.

## Proposed CIL Charging Schedule

3.18 Due to the outdated nature of 2017 CIL charging schedule, the four strategic sites of Rushwick, Throckmorton, Worcestershire Parkway and Mitton were not included at the time of its adoption. The South Worcestershire Councils' draft updated CIL charging schedule, which proposed a CIL exemption for the new strategic sites, is currently on hold pending updates to the Infrastructure Delivery Plan (IDP). Until the schedule is revisited after the SWDPR hearings, strategic sites remain subject to CIL by default. However, based on the previous approach where strategic sites were assumed to be exempt, and supported by the draft new schedule proposing a zero CIL rate for these sites, we have maintained the assumption of a zero CIL rate for the current viability assessment.

3.19 Except for the adjustments, all other CIL assumptions are based on the 2017 Worcester City Council, Malvern Hills District Council, and Wychavon District Council CIL Charging Schedule.

3.20 Residential CIL rates for strategic sites in the South Worcestershire area are therefore set at £0.

# 4 Viability Assessment Method

4.1 In this section of the report, we set out our methodology to establish the viability of the various land uses and development typologies described in the following sections.

4.2 Cross-reference should be made back to the Viability PPG guidance in section 2 and specifically the guidance in respect of EUV, premium and profit.

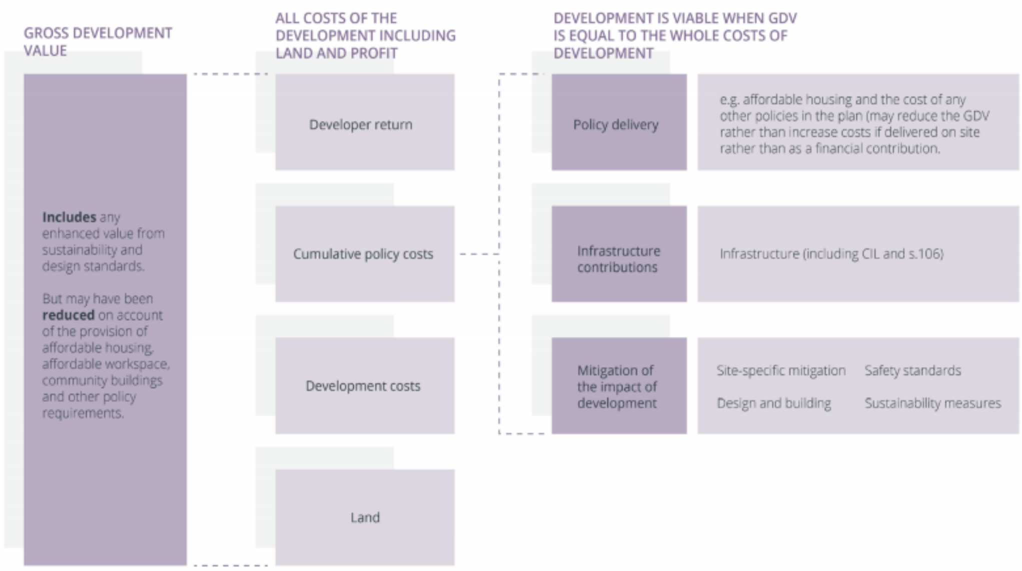
4.3 We also set out the professional guidance that we have had regard to in undertaking the financial viability appraisals and some important principles of land economics.

## Viability Modelling Best Practice

4.4 The general principle is that CIL/planning obligations including affordable housing (etc.) will be levied on the increase in land value resulting from the grant of planning permission. However, there are fundamental differences between the land economics and every development scheme is different. Therefore, in order to derive the potential CIL/planning obligations and understand the 'appropriate balance' it is important to understand the micro-economic principles which underpin the viability analysis.

4.5 The uplift in value is calculated using a residual land value (RLV) appraisal. Figure 4.1 below, illustrates the principles of a RLV appraisal.

**Figure 4.1 - The Residual Land Valuation Framework**

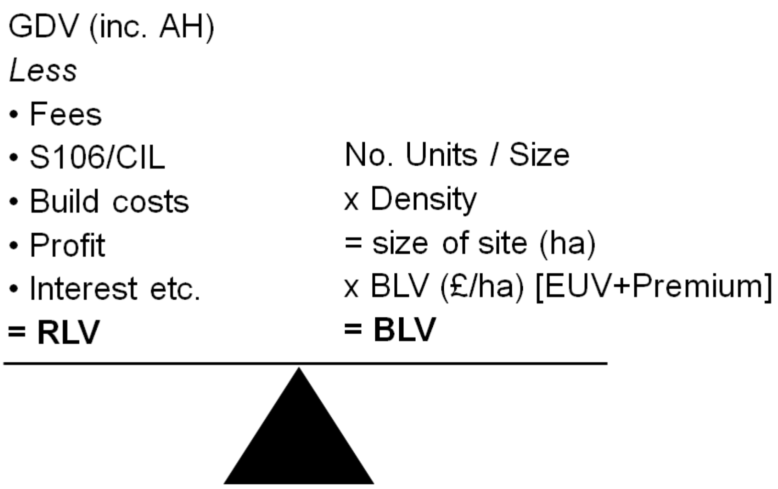



Source: RICS, 2021

4.6 In the above diagram, a scheme is viable if the Gross Development Value (GDV) of the scheme is greater than the total of all the costs of development including land, development costs, cumulative policy costs and profit (developers return). Conversely, if the GDV is less than the total costs of development, the scheme will be unviable.

4.7 In accordance with the PPG, to advise on the ability of the proposed uses/scheme to support affordable housing and CIL/planning obligations we have benchmarked the residual land values (RLV) from the viability analysis against existing or alternative land use relevant to the particular typology – the Benchmark Land Value (BLV). This is illustrated in Figure 4.2 below.

**Figure 4.2 - Balance between RLV and BLV**




Source: AspinallVerdi © Copyright

4.8 If the balance is positive, then the policy is viable. If the balance is negative, then the policy is not viable and the CIL and/or affordable housing rates should be reviewed.

4.9 Our specific appraisals for each for the land uses and typologies are set out in the relevant section below.

## Benchmark Land Value (BLV) Approach

4.10 Benchmark land value has been subject to much debate in recent years due to trying to establish the most appropriate method to determine it for planning purposes. The two most common approaches have been Existing Use plus and Market Value adjusted for policy. The latter, although a more market facing approach, has faced criticism because practitioners have not necessarily been adjusting land values fully for policy. The PPG now provides a clear single method (Existing Use plus Premium) in determining land value.

4.11 Paragraph: 013 Reference ID: 10-013-20190509 of the Viability PPG states that,

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

4.12 See Table 2.2 - PPG Viability Key Cross-References above for the relevant references to the PPG for the definition of EUV and the premium.

4.13 The RICS also supports the EUV plus method when determining land value for planning purposes. The RICS Assessing Viability in Planning under the National Planning Policy Framework, Professional Statement, March 2021 states that 'the PPG is unambiguous that EUV+ is the primary approach.'[6] Land transaction evidence should only be used as a cross-check to the EUV plus premium. The RICS guidance emphasises the PPG paragraph 016 which states that 'any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.'[7]

4.14 The RICS defines 'EUV for the purposes of FVAs as the value in the existing use, ignoring any prospect of future change to that use. This may however include permitted development or change of use within the same planning use class, but only where this does not necessitate any refurbishment or redevelopment works to the existing buildings or site works.'[8]

4.15 The RICS International Valuation Standards, November 2019, defines EUV as:

*'Current use/existing use is the current way an asset, liability, or group of assets and/or liabilities is used. The current use may be, but is not necessarily, also the highest and best use.'*[9]

## Guidance on Premiums/Land Value Adjustments

4.16 The PPG requires the existing use value plus premium approach to land value. However, there is no specific guidance on the premium. One therefore one has to 'triangulate' the BLV based on evidence.

4.17 A number of reports have commented upon the critical issue of land value, as set out below. These inform the relationship between the 'premium' and 'hope value' (see below) in the context of market value. The PPG is explicit that hope value should be disregarded for the purposes or arriving at the EUV[10]. However, hope value is a fundamental part of the market mechanism and therefore is relevant in the context of the premium.

4.18 We set out on the following table our consideration of suitable premiums to apply.

[6] RICS, March 2021 (effective from 01 July 2021), Assessing viability in planning under the National Planning Policy Framework 2019 for England, Para 5.7.7
[7] Ibid, Para 5.7.6
[8] Ibid, Para B.1.2
[9] RICS Valuation – Global Standards Incorporating the IVSC International Valuation Standards Issued November 2019, effective from 31 January 2020, Para 150.1
[10] Para 015 Reference ID: 10-015-20190509, Revision date: 09 05 2019

**Table 4.1 - Premium for BLV Considerations**

| **Evidence / Source** | **Quote / Comments** |
|---|---|
| RICS, Assessing Viability in Planning under the National Planning Policy Framework 2019 for England, March 2021 (effective from 01 July 2021) | The RICS acknowledge that *'there is no standard amount for the premium and the setting of realistic policy requirements that satisfy the reasonable incentive test behind the setting of the premium is a very difficult judgement'*.[11]<br><br>The RICS guidance further explains that '*for a plan-making FVA, the EUV and the premium is likely to be the same for the same development typology, but it would be expected that a site that required higher costs to enable development would achieve a lower residual value. This should be taken account of in different site typologies at the plan-making stage*.'[12] |
| Local Housing Delivery Group Chaired by Sir John Harman, 20 June 2012, Viability Testing Local Plans, Advice for planning practitioners (The Harman Report) | The Harman Report was published in response to the introduction of viability becoming more prominent in the planning system post the introduction of the NPPF.<br><br>The Harman report refers to the concept of 'Threshold Land Value' (TLV). Harman states that the '*Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development.*'[13] While this is an accurate description of the important value concept, we adopt the Benchmark Land Value (BLV) terminology throughout this report in-line with the terminology in the PPG.<br><br>Although the Harman Report pre-dates the current iteration of the PPG on viability it does recommend the EUV plus approach to determine land value for planning purposes.<br><br>The Harman report also advocates that when assessing an appropriate Benchmark Land Value, consideration should be given to '*the fact that future plan policy requirements will have an impact on land values and owners' expectations*.'[14]<br><br>Harman, does acknowledge that reference to market values will provide a useful 'sense check' on the Benchmark Land Values that are being used in the |

[11] RICS, March 2021 (effective from 01 July 2021), Assessing viability in planning under the National Planning Policy Framework 2019 for England, Para 5.3.3
[12] Ibid, Para 5.3.7
[13] Local Housing Delivery Group Chaired by Sir John Harman, 20 June 2012, Viability Testing Local Plans, Advice for planning practitioners, Page 28
[14] Ibid, Page 29

| | |
|---|---|
| | appraisal model; however, '*it is not recommended that these are used as the basis for input into a model*.'[15]<br><br>It also acknowledges that for large greenfield sites, '*land owners are rarely forced or distressed sellers, and generally take a much longer term view over the merits or otherwise of disposing of their asset*.'[16] It refers to these 'prospective sellers' as '*potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations*.'[17] In these circumstances, Harman states that for these greenfield sites that, '*the uplift to current use value sought by the landowner will invariably be significantly higher than in an urban context and requires very careful consideration.*'[18] |
| HCA Transparent Viability Assumptions (August 2010) | In terms of the EUV + premium approach, the Homes and Communities Agency (now Homes England) published a consultation paper on transparent assumptions for Area Wide Viability Modelling.<br><br>This notes that, 'typically, this gap or premium will be expressed as a percentage over EUV for previously developed land and as a multiple of agricultural value for greenfield land'.<br><br>It also notes that benchmarks and evidence from planning appeals tend to be in a range of '***10% to 30% above EUV*** *in urban areas. For greenfield land, benchmarks tend to be in a range of* ***10 to 20 times*** *agricultural value*'.[19] (Our emphasis) |
| Inspector's Post-Hearing Letter to North Essex Authorities | The Inspector's letter is in relation to, amongst other things, the viability evidence of three proposed garden communities in North Essex. The three Garden Communities would provide up to 43,000 dwellings in total. The majority of land for the Garden Communities is in agricultural use, and the Inspector recognised that the EUV for this use would be around £10,000 per gross acre. In this case, the Inspector was of the opinion that around a **x10 multiple** (£100,000 per gross acre) would provide sufficient incentive for a landowner to sell. But given '*the necessarily substantial requirements of the* |

[15] Ibid
[16] Ibid, Page 30
[17] Ibid
[18] Ibid
[19] HCA, August 2010, Area Wide Viability Model (Annex 1 Transparent Viability Assumptions)

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| | *Plan's policies' a price 'below £100,000/acre could be capable of providing a competitive return to a willing landowner'*.[20] The Inspector, however, judged that '*it is extremely doubtful that, for the proposed GCs, a land price below £50,000/acre – half the figure that appears likely to reflect current market expectations – would provide a sufficient incentive to a landowner. The margin of viability is therefore likely to lie somewhere between a price of £50,000 and £100,000 per acre*.'[21] |
| Parkhurst Road v SSCLG & LBI (2018)[22] | The High Court case between Parkhurst Road Limited (Claimant) and Secretary of State for Communities and Local Government and The Council of the London Borough of Islington (Defendant(s)) addresses the issue of land valuation and the circularity of land values which are not appraised on a policy compliant basis.<br><br>In this case it was common ground that the existing use was redundant and so the existing use value ("EUV") was "negligible". There was no alternative form of development which could generate a higher value for an alternative use ("AUV") than the development proposed by Parkhurst. The site did not suffer from abnormal constraints or costs. LBI contended that there was considerable "headroom" in the valuation of such a site enabling it to provide a substantial amount of affordable housing in accordance with policy requirements. Furthermore, that the achievement of that objective was being frustrated by Parkhurt's use of a 'greatly inflated' BLV for the site which failed properly to reflect those requirements. Mr Justice Holgate dismissed the challenge and agreed with LBI that what is to be regarded as comparable market evidence, or a "market norm", should "reflect policy requirements" in order to avoid the "circularity" problem[23]. |
| Land Value Capture report (Sept 2018)[24] | The House of Commons - Housing, Communities and Local Government Committee has published a |

[20] Planning Inspectorate,15 May 2020, Examination of the Shared Strategic Section 1 Plan - North Essex Authorities, Para 204
[21] Ibid, Para 205
[22] Parkhurst Road v SSCLG & LBI, Before MR JUSTICE HOLGATE Between: Parkhurst Road Limited Claimant - and - Secretary of State for Communities and Local Government and The Council of the London Borough of Islington Defendant/s, Case No: CO/3528/2017
[23] Ibid, Para 39
[24] House of Commons Housing, Communities and Local Government Committee Land Value Capture Tenth Report of Session 2017–19 HC 766 Published on 13 September 2018 by authority of the House of Commons

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| | report into the principles of land value capture. This defines land value capture, the scope for capturing additional land value and the lessons learned from past attempts to capture uplifts in land value. It reviews improving existing mechanisms, potential legislative reforms and alternative approaches to land value capture. Paragraph 109 of the report states, *'[…] the extent to which the 'no-scheme' principle would reduce value "very much depends on the circumstances". For land in the middle of the countryside, which would not otherwise receive planning permission for housing, the entire development value could be attributed to the scheme. However, […] most work was undertaken within constrained urban areas—such as town extensions and redevelopments—where the hope value was much higher'*.<br><br>Hence it is important to consider the policy context for infrastructure and investment when considering land values. For example, where existing agricultural land in the green belt is being considered for housing allocations, the entire uplift in value is attributable to the policy decision (without which there can be no development). |
| Land at Warburton Lane, Trafford (Appeal Ref: APP/Q4245/W/19/3243720)[25] | Planning appeal for up to 400 dwellings, appeal dismissed. The Inspector preferred the Council's approach to land value. The Council used agricultural land value of £8,000 per acre. They applied a x10 premium to the net developable area of 33.75 acres and £8,000 per acre to the remainder of the site. The total benchmark land value of £2,900,000. The total site area was 62 acres (25 hectares). The benchmark land value equated to £116,000 per gross hectare (£46,945 per gross acre) / 5.87 multiplier on the agricultural land value of £8,000 per acre. In considering the premium the Inspector noted that, '*there is no evidence that I have seen that says the premium should be any particular value. The important point is that it should be sufficient to incentivise the landowner to sell the land and should also be the minimum incentive for such a sale to take place'*.[26] It was relevant to note that, '*in this case one of the two landowners had* |

[25] Appeal Decision, Appeal Ref: APP/Q4245/W/19/3243720, Land at Warburton Lane, Trafford by Christina Downes BSc DipTP MRTPI an Inspector appointed by the Secretary of State for Communities and Local Government Decision date: 25th January 2021

[26] Appeal Decision, Appeal Ref: APP/Q4245/W/19/3243720, Land at Warburton Lane, Trafford by Christina Downes BSc DipTP MRTPI an Inspector appointed by the Secretary of State for Communities and Local Government Decision date: 25th January 2021, Para 118

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| | *agreed in the option agreement to sell the land for whatever is left after a standard residual assessment'*[27] and therefore had accepted lower minimum / BLV requirements. |
| Mayor of London CIL (Jan 2012) | The impact on land value of future planning policy requirements e.g. CIL [or revised Affordable Housing targets] was contemplated in the Examiner's report to the Mayor of London CIL (January 2012).[28]<br><br>Paragraph 32 of the Examiner's report states:<br><br>*the price paid for development land may be reduced. As with profit levels there may be cries that this is unrealistic, but a **reduction in development land value is an inherent part of the CIL concept**. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future… (our emphasis).*<br><br>It was recognised in 2012 (which was at a time of similarly challenging economic circumstances post credit-crunch as it is currently) that land values would have to soften in order to allow the necessary infrastructure to be delivered in accordance with public policy. |
| Greater Norwich CIL (Dec 2012) | The Greater Norwich Development Partnership's CIL Examiner's report adds to this -<br><br>*Bearing in mind that the cost of **CIL needs to largely come out of the land value,** it is necessary to establish a threshold land value i.e. the value at which a typical willing landowner is likely to release land for development. Based on market experience in the Norwich area the Councils' viability work assumed that **a landowner would expect to receive at least 75% of the benchmark value.**[29]. (our emphasis)* |
| Sandwell CIL (Dec 2014) | Furthermore, the Examiner's report for the Sandwell CIL states - |

[27] Ibid, Para 119
[28] Holland, K (27 January 2012) Report on the Examination of the Draft Mayoral Community Infrastructure Levy Charging Schedule, The Planning Inspectorate, PINS/K5030/429/3
[29] Report to the Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council, by Keith Holland BA (Hons) Dip TP, MRTPI ARICS, 4 December 2012, File Ref: PINS/G2625/429/6 – Para 9

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| | *The TLV is calculated in the VAs [Viability Assessments] as being* ***75% of market land values*** *for each typology. According to the CA, this way of calculating TLVs is based on the conclusions of Examiners in the Mayor of London CIL Report January 2012 and the Greater Norwich Development Partnership CIL Report December 2012.* ***This methodology was uncontested[30].*** <br><br> This VA was prepared by AspinallVerdi for Sandwell MBC which was predicated on a reduction in land values to accommodate the CIL [policy costs]. |

Source: AspinallVerdi, 2024

4.19 In light of various Examiner's reports, such as those for the Mayor of London CIL (January 2012), the Greater Norwich CIL (December 2012), and the Sandwell CIL (December 2014), it becomes evident that landowners must consider reducing their land values for schemes to be both viable and deliverable, particularly in the context of providing affordable housing. Paragraph 32 of the Mayor of London CIL Examiner's report explicitly acknowledges that the price of development land may need to decrease, emphasising that this reduction is intrinsic to the land value capture concept. Similarly, the Greater Norwich Development Partnership's CIL Examiner's report underscores the necessity of establishing a threshold land value [/benchmark land value], which is derived from a reasonable reduction in benchmark values to ensure viability, a factor crucial for meeting affordable housing targets. These findings collectively emphasise the importance of land value adjustments to facilitate the realisation of development schemes, including those aimed at providing policy compliant affordable housing.

## Land Market for Development in Practice

4.20 A very important aspect when considering area-wide viability is an appreciation of how the property market for development land works in practice.

4.21 Developers have to secure sites and premises in a competitive environment and therefore have to equal or exceed the landowners' aspirations as to value for the landowner to sell. From the developers' perspective, this price has to be agreed often many years before commencement of the development. The developer has to subsume all the risk of: acquiring the site, ground conditions; obtaining planning permission; funding the development; finding a purchaser/tenant-occupier; increases in constructions costs; and changes to the economy and market demand etc. This is a significant amount of work for the developer to manage; but this is the role of the developer and to do so the developer is entitled to a normal developer's profit.

4.22 The developer will appraise all of the above costs and risks to arrive at their view of the residual site value of a particular site.

4.23 To mitigate some of these risks developers and landowners often agree to share some of these risks by entering into arrangements such as: Market Value options based on a planning outcome; 'subject to planning' land purchases; promotion agreements; and /

[30] Report to Sandwell Metropolitan Borough Council by Diana Fitzsimons MA MSc FRICS MRTPI an Examiner appointed by the Council, 16 December 2014, File Ref: PINS/G4620/429/9 - Para 16

or overage agreements whereby the developer shares any 'super-profit' over the normal benchmark.

4.24 From the landowners' perspective, they will have a preconceived concept of the value or worth of their site. This could be fairly straight-forward to value, for example, in the case of greenfield agricultural land which is subject to per hectare benchmarks. However, in the case of brownfield sites, the existing use value could be a lot more subjective depending upon: the previous use of the property; the condition of the premises; contamination; and/or any income from temporary lets, car parking and advertising hoardings etc. Also, whilst (say) a former manufacturing building could have been state-of-the-art when it was first purchased by the landowner, in a redevelopment context it might now be the subject of depreciation and obsolescence which the landowner finds difficult to reconcile. Accordingly, the existing use value is much more subjective in a brownfield context.

## Brownfield / Greenfield Land Economics

4.25 CIL has its roots in the perceived windfall profit arising from the release of greenfield land by the planning system to accommodate new residential sites and urban extensions[31]. However, lessons from previous attempts to tax betterment[32] show that this is particularly difficult to achieve effectively without stymieing development. It is even harder to apply the concept to brownfield redevelopment schemes with all attendant costs and risks. The difference between greenfield and brownfield scheme economics is usually important to understand for affordable housing targets; plan viability and CIL rate setting.

4.26 The timing of redevelopment and regeneration of brownfield land particularly is determined by the relationship between the value of the site in its current [low value] use ("Existing Use Value") and the value of the site in its redeveloped [higher value] use – less the costs of redevelopment. Any planning gain which impacts on these costs will have an effect on the timing of redevelopment. This is relevant to consider when setting the 'appropriate balance'.

4.27 Fundamentally, CIL (and together with S106 etc.) is a form of 'tax' on development as a contribution to infrastructure. By definition, any differential rate of CIL/S106 will have a distorting effect on the pattern of land uses. The question as to how this will distort the market will depend upon how the CIL (and/or S106) is applied.

4.28 Also, consideration must be given to the 'incidence' of the tax i.e. who ultimately is responsible for paying it i.e. the developer out of profit, or the landowner out of price (or a bit from each).

4.29 This is particularly relevant in the context of brownfield sites in the town centres and built-up areas. Any CIL on brownfield redevelopment sites will impact on the timing and rate of redevelopment. This will have a direct effect on economic development, jobs and growth.

4.30 In the brownfield context redevelopment takes place at a point in time when buildings are economically obsolete (as opposed to physically obsolete). Over time the existing use value of buildings falls as the operating costs increase, depreciation kicks in and

[31] See Barker Review (2004) and Housing Green Paper (2007)
[32] the 2007 Planning Gain Supplement, 1947 'Development Charge', 1967 'Betterment Levy' and the 1973 'Development Gains Tax' have all ended in repeal

the rent falls by comparison with modern equivalent buildings. In contrast the value of the next best alternative use of the site increases over time due to development pressure in the urban context (assuming there is general economic growth in the economy). Physical obsolescence occurs when the decreasing existing use value crosses the rising alternative use value.

4.31 However, this is not the trigger for redevelopment. Redevelopment requires costs to be incurred on site demolition, clearance, remediation, and new build construction costs. These costs have to be deducted from the alternative use value 'curve'. The effect is to extend the time period to achieve the point where redevelopment is viable.

4.32 This is absolutely fundamental for the viability and redevelopment of brownfield sites. Any tariff, tax or obligation which increases the costs of redevelopment will depress the net alternative use value and simply extend the timescale to when the alternative use value exceeds the existing use value to precipitate redevelopment.

4.33 Contrast this with the situation for development on greenfield land. Greenfield sites are constrained by the planning designation. Once a site is 'released' for development there is significant step-up in development value – which makes the development economics much more accommodating than brownfield redevelopment. There is much more scope to capture development gain, without postponing the timing of development.

4.34 That said, there are some other important considerations to take into account when assessing the viability of greenfield sites. This is discussed in the Harman Report[33].

4.35 The existing use value may be only very modest for agricultural use and on the face of it the landowner stands to make a substantial windfall to residential land values. However, there will be a lower benchmark (Benchmark Land Value) where the land owner will simply not sell. This is particularly the case where a landowner *'is potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations.'*[34] Accordingly, the 'windfall' over the existing use value will have to be a sufficient incentive to release the land and forgo the future investment returns.

4.36 Another very important consideration is the promotional cost of strategic greenfield sites. For example, in larger scale urban extension sites and garden communities such as the Strategic Sites (e.g. Mitton SUE and Worcestershire Parkway Garden Community etc) identified as emerging site allocations, there will be significant investment in time and resources required to promote these sites through the development plan process. The benchmark land value therefore needs to take into account of the often-substantial planning promotion costs, option fees etc. and the return required by the promoters of such sites. *'This should be borne in mind when considering the [benchmark] land value adopted for large sites and, in turn, the risks to*

[33] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) pp 29-31
[34] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) Page 30

*delivery of adopting too low a [benchmark] that does not adequately and reasonably reflect the economics of site promotion…'* [35]

4.37 This difference between the development 'gain' in the context of a greenfield windfall site and the slow-burn redevelopment of brownfield sites is absolutely fundamental to the success of any regime to capture development gain such as S106 or CIL. It is also key to the 'incidence' of the tax i.e. whether the developer or the land owner carries the burden of the tax.

4.38 In the case of South Worcestershire there are a number of housing sites coming forward which are both greenfield and brownfield sites and therefore we have appraised both greenfield and brownfield scheme typologies.

## Hope Value

4.39 Where there is a possibility of development the landowner will often have regard to 'hope value'. Hope value is the *element of* market value of a property in excess of the existing use value, reflecting the prospect of some more valuable future use or development. It takes account of the uncertain nature or extent of such prospects, including the time which would elapse before one could expect planning permission to be obtained or any relevant constraints overcome, so as to enable the more valuable use to be implemented. Therefore, in a rising market, landowners may often have high aspirations of value beyond that which the developer can justify in terms of risk and in a falling market the land owner may simply 'do nothing' and not sell in the prospect of a better market returning in the future. The actual amount paid in any particular transaction is the purchase price and this crystallises the value for the landowner.

4.40 Note that hope value is represented in the EUV premium and can never be in excess of policy compliant market value (RLV), given RICS guidance on the valuation of development sites (see Figure 4.1 - The Residual Land Valuation Framework above).

4.41 Hence land 'value' and 'price' are two very different concepts which need to be understood fully when formulating planning policy and CIL. The incidence of any S106 tariff or CIL to a certain extent depends on this relationship and the individual circumstances. For example, a farmer with a long-term greenfield site might have limited 'value' aspirations for agricultural land – but huge 'price' aspirations for residential development. Whereas an existing factory owner has a much higher value in terms of sunk costs and investment into the existing use and the tipping point between this and redevelopment is much more marginal.

## Vacant Building Credit (VBC)

4.42 The VBC policy is intended to incentivise brownfield development, including the reuse or redevelopment of empty and redundant buildings. The incentive is applied where a vacant building is brought back into any lawful use, or is demolished to be replaced by a new building and where the building has not been abandoned. In deciding whether a use has been abandoned, account should be taken of all relevant circumstances, such as:

- the condition of the property

[35] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) Page 31

- the period of non-use
- whether there is an intervening use; and
- any evidence regarding the owner's intention.

4.43 For this viability assessment, we have not tested brownfield typologies which benefit from Vacant Building Credit as this is site-specific. The inclusion of VBC will however reduce affordable housing requirements on some brownfield sites, consequently improving the viability of these sites. This is therefore an additional level of contingency for brownfield typologies.

## Conclusions on BLV

4.44 Current guidance is clear that the land value assessment needs to be based on Existing Use plus premium and not a Market Value approach. Although the assessment of the Existing Use can be informed by comparable evidence the uncertainty lies in how the premium is calculated. Whatever is the resulting land value (i.e. Existing Use plus Premium) the PPG is clear that this must reflect the cost of complying with policies: '*the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value.*'[36]

4.45 Detailed research and analysis in respect of land values (Benchmark Land Values) are set out within the Land Market paper (2021) (see Appendix 4 – Land Market Review).

## BLV Caveats for Decision-Making

4.46 It is important to note that the BLV's contained herein are for 'high-level' plan/CIL viability purposes and the appraisals should be read in the context of the BLV sensitivity table (contained within the appraisals). The BLV's included herein are generic and include healthy premiums to provide a viability buffer for plan making purposes.

4.47 In the majority of circumstances, we would expect the RLV of a scheme on a policy compliant basis to be greater than the EUV (and also the BLV including premium) herein and therefore viable.

4.48 However, there may be site specific circumstances (e.g., brownfield sites or sites with particularly challenging demolition, contamination or other constraints) which result in a RLV which is less than the BLV herein. It is important to emphasise that the adoption of a particular BLV £ in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications where these constraints exist. In these circumstances, the site-specific BLV should be thoroughly evidenced having regard to the EUV of the site in accordance with the PPG. This report is for plan-making purposes and is without prejudice to future site-specific planning applications.

[36] MHCLG, 24 July 2018, PPG, Paragraph: 012 Reference ID: 10-012-20180724

## How to Interpret the Viability Appraisals

4.49 In development terms, the price of a site is determined by assessment of the residual land value (RLV). This is the gross development of the site (GDV) less ALL costs including planning policy requirements and developers' profit. If the RLV is positive the scheme is viable. If the RLV is negative the scheme is not viable.

4.50 Part of the skill of a developer is to identify sites that are in a lower value economic uses and purchase / option these sites to (re)develop them into a higher value uses. The landowner has a choice - to sell the site or not to sell their site, depending on their individual circumstances.

4.51 A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

4.52 However, since the credit crunch and the 2012 NPPF planning policy has sought to intervene in the land market by requiring that at [an often 'arbitrary'] 'threshold' or 'benchmark' land value (BLV) is achieved as a 'return to the landowner'. This left Local Authorities 'open' to negotiations to reduce affordable housing and other contributions on viability grounds which sets up a powerful force of escalating land values (which is prejudicial to delivery in the long term). The latest iterations of the NPPF and PPG since 2019 are seeking to redress this.

4.53 In planning viability terms, for a scheme to come forward for development the RLV for a particular scheme has to exceed the landowner's BLV.

4.54 In Development Management terms every scheme will be different (RLV) and every landowner's motivation will be different (BLV).

4.55 For Plan Making purposes it is important to benchmark the RLV's from the viability analysis against existing or alternative land use relevant to the particular typology – the Benchmark Land Value – see Figure 4.2 - Balance between RLV and BLV above.

4.56 The results of the appraisals should therefore be interpreted as follows:

- If the 'balance' is positive (RLV > BLV), then the policy is viable. We describe this as being 'viable for plan making purposes herein'.
- If the 'balance' is negative (RLV < BLV), then the policy is 'not viable for plan making purposes and the S106 planning obligations and/or affordable housing targets should be reviewed.
- Thirdly, if the RLV is positive, but the appraisal is not viable due to the BLV assumed – we refer to this as being 'marginal'. In this case more scrutiny may be required of the BLV and the sensitivity analysis.

4.57 This is illustrated in the following boxes of our appraisals (appended) – see below. In this case the RLV is calculated as £2,794,196 or £395,778 per acre net (highlighted in blue). This is based upon the residual land value approach. The assumed BLV is £250,000 per acre (highlighted in green) which equals £1,765,000 overall. This is based upon the evidence in our Land Market Paper appended. The difference between the RLV and BLV is the surplus or deficit which in this example is £1,029,196 (£145,778 per acre) (highlighted orange). The RLV has to be greater than the BLV to be viable.

### Figure 4.3 - Example Hypothetical Appraisal Results

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **RESIDUAL LAND VALUE (RLV)** | | | | | | | | |
| Residual Land Value (gross) | | | | | | | | 3,236,856 |
| SDLT | | | 3,236,856 | @ | HMRC formula | | | (151,343) |
| Acquisition Agent fees | | | 3,236,856 | @ | 1.0% | | | (32,369) |
| Acquisition Legal fees | | | 3,236,856 | @ | 0.5% | | | (16,184) |
| Interest on Land | | | 3,236,856 | @ | 7.50% | | | (242,764) |
| Residual Land Value | | | | | | | | **2,794,196** |
| RLV analysis: | 27,942 | £ per plot | 977,969 | £ per ha (net) | 395,778 | £ per acre (net) | | |
| | | | 733,476 | £ per ha (gross) | 296,834 | £ per acre (gross) | | |
| | | | | | 11.20% | % RLV / GDV | | |
| **BENCHMARK LAND VALUE (BLV)** | | | | | | | | |
| Residential Density | | | 35.0 | dph (net) | | | | |
| Site Area (net) | | | 2.86 | ha (net) | 7.06 | acres (net) | | |
| Net to Gross ratio | | | 75% | | | | | |
| Site Area (gross) | | | 3.81 | ha (gross) | 9.41 | acres (gross) | | |
| Density analysis: | | | 2,916 | sqm/ha (net) | 12,701 | sqft/ac (net) | | |
| | | | 26 | dph (gross) | | | | |
| Benchmark Land Value (net) | 17,650 | £ per plot | 617,750 | £ per ha (net) | 250,000 | £ per acre (net) | | **1,765,000** |
| BLV analysis: | | | 463,313 | £ per ha (gross) | 187,500 | £ per acre (gross) | | |
| **BALANCE** | | | | | | | | |
| Surplus/(Deficit) | | | **360,219** | £ per ha (net) | **145,778** | £ per acre (net) | | **1,029,196** |

Source: AspinallVerdi BETA model

## Sensitivity Analysis

4.58 In addition to the above, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of the viability (and particularly the viability buffer); the sensitivity of the appraisals to key variables such as planning obligations, affordable housing, BLV and profit; and to consider the impact of rising construction costs. An example of a sensitivity appraisal and how they are interpreted is shown below. Similar sensitivity tables are attached to each of our hypothetical appraisals (appended).

### Figure 4.4 - Example Affordable Housing v BLV Sensitivity Analysis

| **TABLE 4** | | Affordable Housing - % on site 30% | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance (RLV - BLV £ per acre (n)) | 145,778 | 10% | 15% | 20% | 25% | 30% | 35% | 40% |
| | 100,000 | 464,959 | 422,671 | 380,384 | 338,096 | 295,778 | 253,447 | 211,115 |
| | 150,000 | 414,959 | 372,671 | 330,384 | 288,096 | 245,778 | 203,447 | 161,115 |
| BLV (£ per acre) | 200,000 | 364,959 | 322,671 | 280,384 | 238,096 | 195,778 | 153,447 | 111,115 |
| 250,000 | 250,000 | 314,959 | 272,671 | 230,384 | 188,096 | 145,778 | 103,447 | 61,115 |
| | 300,000 | 264,959 | 222,671 | 180,384 | 138,096 | 95,778 | 53,447 | 11,115 |
| | 350,000 | 214,959 | 172,671 | 130,384 | 88,096 | 45,778 | 3,447 | (38,885) |
| | 400,000 | 164,959 | 122,671 | 80,384 | 38,096 | (4,222) | (46,553) | (88,885) |
| | 450,000 | 114,959 | 72,671 | 30,384 | (11,904) | (54,222) | (96,553) | (138,885) |
| | 500,000 | 64,959 | 22,671 | (19,616) | (61,904) | (104,222) | (146,553) | (188,885) |
| | 550,000 | 14,959 | (27,329) | (69,616) | (111,904) | (154,222) | (196,553) | (238,885) |
| | 600,000 | (35,041) | (77,329) | (119,616) | (161,904) | (204,222) | (246,553) | (288,885) |
| | 650,000 | (85,041) | (127,329) | (169,616) | (211,904) | (254,222) | (296,553) | (338,885) |
| | 700,000 | (135,041) | (177,329) | (219,616) | (261,904) | (304,222) | (346,553) | (388,885) |
| | 750,000 | (185,041) | (227,329) | (269,616) | (311,904) | (354,222) | (396,553) | (438,885) |
| | 800,000 | (235,041) | (277,329) | (319,616) | (361,904) | (404,222) | (446,553) | (488,885) |
| | 850,000 | (285,041) | (327,329) | (369,616) | (411,904) | (454,222) | (496,553) | (538,885) |

Source: AspinallVerdi

4.59 This sensitivity table shows the balance (RLV – BLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of CIL (£ psm) down the rows. Thus:

- You should be able to find the appraisal balance by looking up the base case AH% (e.g., 30%) and the BLV (£250,000 per acre)
- Higher BLV's will reduce the 'balance' and if the balance is negative the scheme is 'not viable' for Plan Making purposes (note that it may still be viable in absolute RLV terms and viable in Plan Making terms depending on other sensitivities (e.g. BLV, Profit (see below)).
- Lower BLV's will increase the 'balance' and if the balance is positive then the scheme is viable in Plan Making terms.
- Similarly, higher levels of AH (%) will reduce the 'balance'.
- And, lower levels of AH (%) will increase the 'balance'.
- So, for example, one can read-across the BLV (e.g., £250,000 per acre) to the relevant affordable housing column (30%), and still find that the scheme is viable.

4.60 Please note that this example appraisal is purely hypothetical for illustrative purposes.

4.61 We have carried out the following sensitivity analysis for the generic site typologies herein (see appraisals):

- Table 1 – CIL v Affordable Housing %
- Table 2 – Site Specific S106 % v Affordable Housing %
- Table 3 – CIL v Profit
- Table 4 – CIL v BLV
- Table 5 – CIL v Density
- Table 6 – CIL v Build Cost
- Table 7 – CIL v Market Values

4.62 For the Strategic Sites, we have carried out the following sensitivity analysis (see appraisals):

- Table 1 – CIL v Affordable Housing %
- Table 2 – Site Specific S106 % v Affordable Housing %
- Table 3 – Affordable Housing % v Profit
- Table 4 – Affordable Housing % v BLV
- Table 5 – Affordable Housing % v Density
- Table 6 – Affordable Housing % v Build Cost
- Table 7 – Affordable Housing % v Market Values
- Table 8 – Public Sector Intervention funding v Affordable Housing %

# 5 Residential Typologies

5.1 This section of the report sets out our assumptions in respect of the general needs residential typologies (see Appendix 2 for our Typologies Matrix). The appraisal results are in section 6 below.

5.2 In terms of values, we have included our 2024 Residential Market Paper which reviews the existing evidence base and provides a detailed market analysis setting out how we have arrived at our assumptions (Appendix 3).

5.3 We provide a summary of the findings of this research paper herein.

5.4 We also refer to our Land Market Paper (May 2021) accompanied with the Strategic Site Viability Report (July 2022) which reviews the evidence base and assumptions in respect of Benchmark Land Values (BLV).

5.5 We provide a summary of the assumptions below.

## Existing Evidence Base

5.6 We have undertaken a review of the existing evidence to identify value zone, mix and density assumptions used.

5.7 We have reviewed the following studies:

- SWC Local Development Plan, Adopted February 2016
- CIL Charging Schedule, May 2017
- SWC Local Plan Viability Update, September 2014
- Draft SHMA, February 2019 – this has now been superseded by the Malvern Hills, Worcester City and Wychavon Strategic Housing Market Assessment 2021 Update, Final Report, November 2021.

## Housing Value Zones

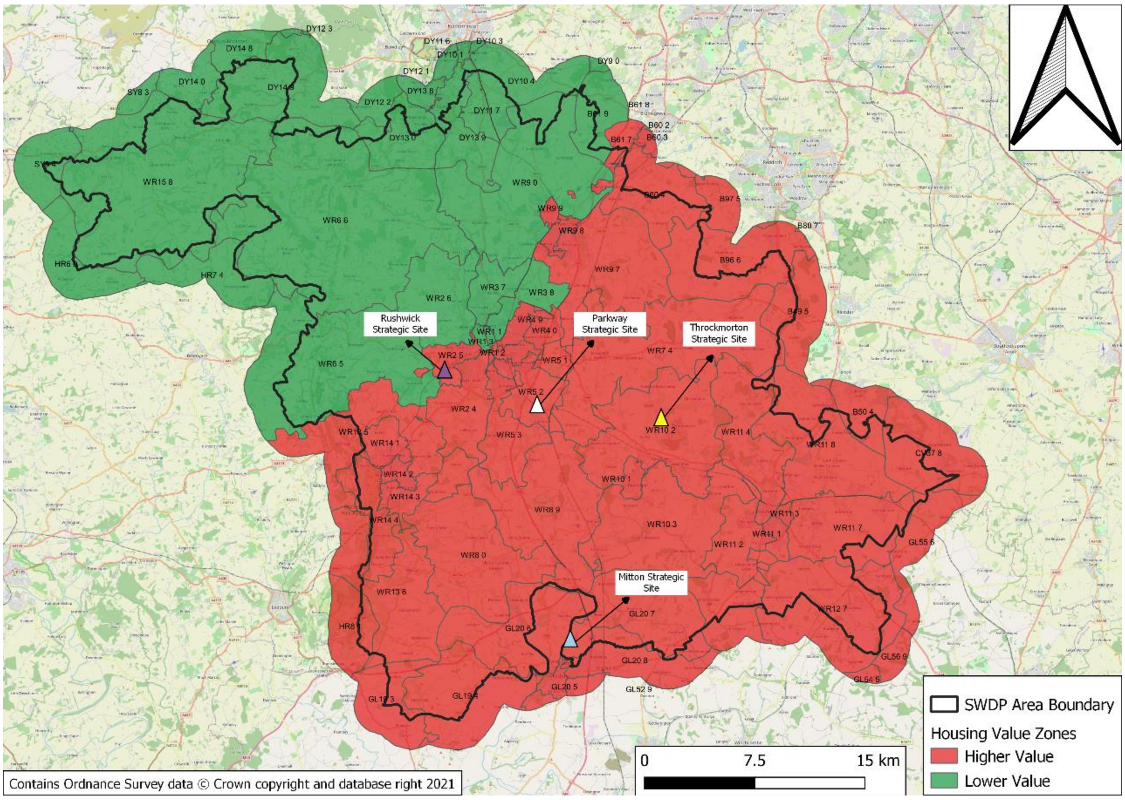
5.8 Policy SWDPR 2 of the Local Plan (adopted February 2016) provides context of the settlement hierarchy in the South Worcestershire area.

- Worcester is the _administrative centre_ and provides the greatest range of services. The city is a sub-regional focus for strategic employment, housing and retail development.
- Second in the hierarchy are the _main towns_ which include Droitwich Spa, Evesham and Malvern.
- The _other town centres_ are Pershore, Tenbury Wells and Upton-upon Severn are less than third of the size of the main towns with fewer high-level services. They are grouped in the third position in the local hierarchy, functioning as local service centres.
- _Category 1, 2 and 3 villages_ are categorised as rural areas and are fourth in the local hierarchy. Their role is predominately aimed at meeting locally identified housing and employment needs.

- Fifth in the hierarchy are the rural areas *lower category villages*. These villages offer one or two local services.

5.9 Based upon our previous analysis on residential market over time we recommend the following South & South East and North West market zones in Figure 5.1. Worcester City and the main towns are all in the main South & South East Zone (which has slightly higher values); the North West is mainly rural with the exception of Tenbury Wells.

**Figure 5.1 - Housing Market Areas Map**




Source: AspinallVerdi, October 2024

5.10 This was also consulted upon at the stakeholder workshop in June 2022, and has been applied in July 2022 South Worcestershire Development Plan (SWDP) and CIL Viability Assessment report.

5.11 Based on our recent market paper this map remains unchanged.

## Residential Typologies Assumptions

5.12 We have developed a comprehensive set of Typologies to appraise. These comprise specific Site (e.g., greenfield / brownfield) and Scheme typologies (e.g., number of units, estate housing, flats etc.)

5.13 The detailed Typologies Matrix is contained in Appendix 2.

5.14 The Typologies Matrix has been developed to provide a representative sample of sites and schemes that are likely to come forward in South Worcestershire area over the Plan period. The Typologies Matrix is derived from:

- Database of the Council's preferred site allocations;
- Analysis of the typical size and capacity;
- Assessment of those sites which are greenfield and brownfield;
- We have allowed for typologies in the higher/ lower value zones as identifies in our housing market research.
- Market and affordable Housing Mixes derived from the latest SHMA.

5.15 There are a number of assumptions within the Typologies Matrix which are evidenced below.

## Number of Units

5.16 We have analysed the site allocations (in the SWDPR) to formulate our typologies by size, greenfield / brownfield and location, taking into consideration the housing market areas set out above and within our residential market research paper. These have been agreed with officers at SWC.

## Mix

5.17 The following housing mix has been adopted, based on the Council's draft South Worcestershire Strategic Housing Market Assessment (SHMA)[37].

**Table 5.1 - Housing Mix Assumptions**

| | 1B H | 2B H | 3B H | 4B H | 5B H | 1B F | 2B F | Total |
|---|---|---|---|---|---|---|---|---|
| Open Market Housing Mix | 5.0% | 20.0% | 40.0% | 20.0% | 5.0% | 4.0% | 6.0% | 100% |
| Affordable Housing Mix | 10.0% | 22.0% | 30.0% | 10.0% | - | 13.0% | 15.0% | 100% |

Source: SHMA, 2021

5.18 Please see the Typologies Matrix for the specific mix assumed for each typology (Appendix 2). Note that this has been moderated for certain typologies e.g. small schemes which would not include flats.

## Unit Size Assumptions

5.19 For the purposes of our appraisals, we have ensured that our assumptions meet or exceed the nationally described housing standards by Department for Levelling Up, Housing and Communities, DLUHC (now Ministry of Housing, Communities and Local Government, MHCLG) as required by local policy (see Table 5.2).

37 Malvern Hills, Worcester City and Wychavon Strategic Housing Market Assessment 2021 Update, Final Report, November 2021

**Table 5.2 - Nationally Described Space Standards**

| Number of bedrooms(b) | Number of bed spaces (persons) | 1 storey dwellings | 2 storey dwellings | 3 storey dwellings | Built-in storage |
|---|---|---|---|---|---|
| 1b | 1p | 39 (37)[2] | | | 1.0 |
| | 2p | 50 | 58 | | 1.5 |
| 2b | 3p | 61 | 70 | | 2.0 |
| | 4p | 70 | 79 | | |
| 3b | 4p | 74 | 84 | 90 | 2.5 |
| | 5p | 86 | 93 | 99 | |
| | 6p | 95 | 102 | 108 | |
| 4b | 5p | 90 | 97 | 103 | 3.0 |
| | 6p | 99 | 106 | 112 | |
| | 7p | 108 | 115 | 121 | |
| | 8p | 117 | 124 | 130 | |
| 5b | 6p | 103 | 110 | 116 | 3.5 |
| | 7p | 112 | 119 | 125 | |
| | 8p | 121 | 128 | 134 | |
| 6b | 7p | 116 | 123 | 129 | 4.0 |
| | 8p | 125 | 132 | 138 | |

Source: Technical housing standards – Nationally Described Space Standard, 2015

5.20 The DLUHC standards are a matrix and therefore we have had to make assumptions from this, and these are summarised in the table below. This has been established by cross-referencing the DLUHC standards with our sales values evidence for new-builds. There is some ambiguity with this due to the fact that the Land Registry does not specify the number of beds in a property. Below provides a summary of our assumptions:

**Table 5.3 - 2024 Floorspace Assumptions**

| Property Type | Floor Area (Sqm) |
|---|---:|
| 1 Bed House | 69 |
| 2 Bed House | 75 |
| 3 Bed House | 95 |
| 4 Bed House | 120 |
| 5 Bed House | 135 |
| 1 Bed Flat | 50 |
| 2 Bed Flat | 65 |

Source: AspinallVerdi, 2024

## Density

5.21 The Typologies Matrix (see Appendix 2) sets out our density assumptions specific to each typology. These are based on the SWDPR policies requirements.

5.22 We have generally applied the following:

- Sites with fewer than 100 dwellings – 30 dph
- Sites with more than 100 dwellings – 40 dph

## Residential Value Assumptions

5.23 The residential market paper (see Appendix 3) provides the background to the market housing value assumptions shown in the table below.

5.24 Our value assumptions have had regard to both new-build achieved values and asking prices. The achieved values provide a benchmark for the assumptions whilst the asking prices allow us to 'sense check' our assumptions. We are mindful that they are often aspirational and therefore the asking prices aren't always achieved.

5.25 For the purposes of our area wide viability assessment, we have applied the following values and floor areas within our financial appraisals.

5.26 The below table summarises our assumptions for Open Market Values within the 2 defined value zones.

**Table 5.4 - AspinallVerdi 2024 Open Market Value Assumptions**

| Dwelling Type | North West Value (£) | £ / sqm | South & South East Value (£) | £ / sqm |
|---|---|---|---|---|
| 1 bed Flat | £176,500 | £3,530 | £200,000 | £4,000 |
| 2 bed Flat | £235,300 | £3,620 | £253,000 | £3,892 |
| 1 bed House | £256,400 | £3,716 | £268,550 | £3,892 |
| 2 bed House | £290,000 | £3,867 | £312,000 | £4,160 |
| 3 bed House | £380,000 | £4,000 | £400,000 | £4,211 |
| 4 bed House | £485,000 | £4,042 | £520,000 | £4,333 |
| 5 bed House | £560,000 | £4,148 | £590,000 | £4,370 |

Source: AspinallVerdi '241028 Resi Market Research_v0.6'

5.27 It is important to note that these values do not reflect any premium for place-making in respect of the garden communities, eco-homes, strategic sites, etc.

## Garage Assumptions

5.28 We have assumed that garages are provided with certain house types as follows:

- 3 bed houses - assumed 50% have garages;
- 4 bed houses - 100% have garages;
- 5 bed houses - 100% have garages.

5.29 In reality, some 5- bed units may have double garages, but similarly will be worth more. Also, some 3- bed units may only have a parking space(s). We are content with the above assumptions based upon our residential market research (see Appendix 4).

## Affordable Housing Transfer Values

5.30 We have updated the affordable housing tenure mix and corresponding transfer values having regard to the latest SHMA (Nov 2021) and the introduction of First Homes.

5.31 The Council's preferred tenure for the affordable housing units would be:

- Social Rent over Affordable Rent, and
- Intermediate - Shared Ownership over Fixed Equity (discounted sale).

5.32 The Council preferred tenure split for affordable housing is 69% Social rent and 6% Intermediate (Affordable Home Ownership). We have also included 25% of the overall affordable housing percentage as First Homes in line with government guidance.

5.33 We have contacted all Registered Providers across South Worcestershire for information on transfer values for the affordable units. We have applied the following transfer values as set out in Table 5.5 below.

5.34 We have applied the same rates in our viability assessment, consistent with those provided by our previously contacted Registered Providers across South Worcestershire in our 2022 report.

**Table 5.5 - Affordable Housing Transfer Values**

| Tenure | Affordable Housing Split | Transfer Value (% of MV) |
|---|---:|---:|
| First Homes | 25% | 70% (capped at £250,000 per unit) |
| Social Rent | 69% | 35-40% (37.5% for our appraisals) |
| Intermediate | 6% | 65-75% (70% for our appraisals) |
| | 100% | |

Source: AspinallVerdi Report, May 2022

## Residential Cost Assumptions

5.35 The development costs adopted within our appraisals are evidenced (where necessary) and set out below.

### Initial Payments

5.36 The table below sets out our initial development cost assumptions. These are generally payments in respect of site feasibility and planning prior to start-on-site.

**Table 5.6 - Initial Payments Cost Assumptions**

| Item | Baseline Assumption |
|---|---|
| Statutory Planning Fees | Based on national formula. |

| | |
|---|---|
| Planning Application Professional Fees and Reports | Allowance for typology, generally 3 times statutory planning fees. |

## S106 / CIL Cost Assumptions

5.37 The table below sets out our cost assumptions in respect of S106 and CIL. These are also set out explicitly for each Typology on the Typologies Matrix (Appendix 2).

**Table 5.7 - CIL/S106 Cost Assumptions**

| Item | Baseline Assumption |
|---|---|
| CIL | This is the residential CIL rate (£ psm).<br>For the purposes of the appraisals herein we have adopted a residential CIL rate of £43.27 psm for all greenfield sites.<br>We have not applied a CIL rate to the brownfield typologies (for simplicity).<br>We have assumed that the Strategic Sites mitigate their own impacts (as set out in the detailed S106 and Infrastructure pro-forma spreadsheets) and therefore we have assumed £0 psm CIL in the baseline assumption. This is not to prejudice any future implementation of CIL. |
| Site-Specific S106/S278 | Site Specific Allowance for typology – note that this is in addition to external works costs (see below). The appraisals include an allowance of between £7,936 and £36,349 per dwelling depending on size and type of development. This is based on S106 monitoring data and anticipated policy costs updated and provided by the Councils. |

## Construction Costs

5.38 The table below summarises our build cost assumptions.

**Table 5.8 - Build Cost Assumptions**

| Item | Baseline Assumption | Comments |
|---|---|---|
| Site Clearance, Demolition & Remediation | £123,550 per ha (£50,000 per acre) | For brownfield typologies we have made an allowance for site clearance / demolition. |

| | | |
|---|---|---|
| Estate Housing | £1,377 – 1,607 psm | Lower Quartiles – Median BCIS, Worcestershire (volume housebuilder – SME builder).<br><br>We have used median BCIS cost in our baseline assumptions for developments under 100 units. For larger sites of over 100 units, we have adopted the lower quartile. |
| Flats | £1,530 – 1,760 psm | Same as above. |
| External Works | 15% | The Harman report states, '[external works] are likely to vary significantly from site to site. The planning authority should include appropriate average levels for each type of site unless more specific information is available. Local developers should provide information to assist in this area where they can, taking into account commercial sensitivity.'<br><br>For the purposes of our appraisal, we have used 15% for external works. Externals will include, inter alia: plot infrastructure, driveways, gardens, boundary walls/fences, service connections and phase infrastructure, estate roads, lighting, street furniture, signage, utilities, drainage, landscaping, SUDs, amenity space etc. |
| Garages | £8,500 per garage | This cost is based on the stakeholder feedback we received earlier, and it remains unchanged. |

## Design Requirement Cost Assumptions

5.39 Table 5.9 below summarises the additional cost assumptions which we have built into the model as a consequence of Local Plan policy requirements in respect of design standards, energy efficiency etc.

**Table 5.9 - Design Requirements Cost Assumptions**

| Item | Baseline Assumption | Comments |
|---|---|---|
| Net Biodiversity Costs (BNG) | £268 per unit – brownfield<br>£1,003 per unit - greenfield | Reflects policy EN3b - cost taken from DEFRA Biodiversity Net Gain and Local Nature Recovery Strategies, Impact Assessment (IA), Date: 15/10/2019 |
| Category M4(2) (Mkt. Housing) | £625 per unit | M4(2) Category 2 – Accessible and Adaptable housing<br>Based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157.<br>This applies to all units – Market and Affordable.<br>This cost has been updated. |
| Category M4(3)(a) (Mkt. Housing) | £12,133 per unit | M4(3) Category 3 - Wheelchair Adaptable dwellings<br>Based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157.<br>This applies to 5% of all units – Market and Affordable on sites of 20 dwellings or more [with a corresponding 5% decrease in Part M4(2) units]<br>This cost has been updated. |
| Part L/ Future Homes Standard | £5,816 per units for houses and £2,712 for Flats. | This cost is to cover the new Building Regulations which come into effect in 2025.<br>This is based upon MHCLG, The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Impact Assessment, Date: 1/10/2019 - Option 2 - 'Fabric plus technology'. This would be a 31% reduction in $CO_2$ from new dwellings, compared to the current standards. |

| | | |
|---|---|---|
| | | and<br><br>Currie and Brown/AECOM, A report for the Committee on Climate Change The costs and benefits of tighter standards for new buildings, Final report, 2019<br><br>This also reflects stakeholder feedback received from strategic site promotors. |
| Renewable Energy | - | Previously, we included an additional allowance of £2,000 per unit for houses and £1,000 per units for flats based on the Council's evidence base report Support Low Carbon Housing & Mixed-use Developments in Wychavon District Council New Settlement Areas (May 2021). However, following the Ministerial Statement (WMS) (see section 2 above) prioritising alignment with national building regulations over additional local standards, this allowance has been removed. |
| Electric Vehicle (EV) Charging Points | - | EV charging costs previously calculated separately are now included in BCIS to reflect the June 2022 regulatory requirements. |
| Water efficiency Greywater and efficiency | £2,683 per house<br><br>£909 per flat | We have included an allowance for this water efficiency standard within our appraisals. This is £2,683 per house and £909 per unit for a flat; based on the Department for Communities and Local Government Housing Standards Review Cost Impacts (EC Harris September 2014) and the independent review of the costs and benefits of rainwater harvesting and grey water recycling options in the UK, Final Report for Waterwise, WEStrategy002, Energy & Environment, a trading name of Ricardo-AEA Ltd, Issue number 1, Date 04 September 2020. |
| Broadband Infrastructure | £747 per unit | This is a development cost that is only applicable to schemes of 20 units or less as it will be covered by Openreach on larger schemes. Cost is £747 on small sites of 20 or less. |

## Other Cost Assumptions

5.40 The table below sets out the remaining fees and marketing cost assumptions for general residential typologies.

**Table 5.10 - Other Cost Assumptions**

| Item | Baseline Assumption | Comments |
|---|---|---|
| Contingency | 3% - greenfield typologies<br>5% - brownfield typologies | We have applied 3% contingency to all the build and infrastructure costs for greenfield sites and 5% for brownfield sites. We have increased the contingency to reflect the additional risks of brownfield development sites. These are industry standard allowances. More site due diligence should take place for brownfield sites and abnormal costs deducted from the land value. |
| Professional Fees | 6.5% | These are construction related professional fees as opposed to the 'Planning Application Professional Fees and Reports' professional fees included above at the feasibility stage. |
| OMS Marketing and Promotion | 3% (Marketing & Disposal) | % of Open Market Sale GDV.<br>Note that the marketing and promotion costs have to be considered 'in-the-round' with the sales values and gross profit (where developers have internal sales functions). |
| Sales Agent | 1% | % of OMS GDV |
| Sales Legal - OMS | 0.5% | % of OMS GDV |
| Affordable Housing Sale Legal | 0.25% | % of affordable housing GDV.<br>We have amended this to be based on a ratio which reflects the size of the scheme. This % is based on stakeholder feedback.<br>In reality we would anticipate the affordable units would be sold |

| | | |
|---|---|---|
| | | 'en-block' which would reduce/fix the fees. |
| Land Acquisition Costs | 1.0% Acquisition Agent<br>0.5% Acquisition Legal<br>7.00% Interest on Land | Interest on land allows for land drawdown 1 year prior to start on site. |

## Profit Assumptions

5.41 below sets out the overhead and profit assumptions for the residential appraisals.

**Table 5.11 - Profit Assumptions**

| **Item** | **Baseline Assumption** | **Comments** |
|---|---|---|
| Profit on OMS | 20% | with a sensitivity analysis between 15-20% |
| Profit on AH | 6% | |

5.42 For the purposes of this viability appraisal, we have assumed a baseline profit of 20% to the private housing (open market sales (OMS) values) - with a sensitivity analysis which shows the impact of profit between 15-20%. This is consistent with the PPG which refers to profit of 15-20%[38] being 'considered a suitable return to developers in order to establish the viability of plan policies.'

5.43 Our baseline assumption of 20% profit is at mid-range and we have included sensitivities down to 15% profit within the appraisals. However, we consider this to be a fair margin and allows for 'buffer' in addition to the contingency allowance.

5.44 For the affordable tenure types, we have used 6% profit on value (where applicable). This is considered to be an industry accepted standard and the PPG states a lower percentage than 15-20% is more appropriate for affordable housing as it carries less risk when there is a guaranteed, known end value.[39]

5.45 It is important to note that it is good practice for policy obligations not to be set right up to the margins of viability. However, in certain circumstances developers will agree lower profit margins in order to secure planning permission and generate turnover. The sensitivity analyses within the appendices show the 'balance' (i.e. RLV – TLV) for developer's profit from 15% on private housing to 20%. This clearly shows the significant impact of profit on viability (especially for larger schemes).

5.46 Note that on volume house-builder schemes the professional fees, construction and sales functions are largely 'in-house' which means that these costs are internalised and transferred to gross profit.

[38] Paragraph: 018 Reference ID: 10-018-201 90509, Revision date: 09 05 2019
[39] Paragraph: 018 Reference ID: 10-018-20190509, Revision date: 09 05 2019

## Interest and Timing Assumptions

5.47 Table 5.12 below sets out the interest and timing assumptions for the residential appraisals.

**Table 5.12 - Interest and Timing Assumptions**

| Item | Baseline Assumption | Comments |
|---|---|---|
| Debit Interest | 7% | Applies to 100% of cashflow to include Finance Fees etc. |
| Site acquisition | day-one | In reality for larger sites the land will be drawn-down in phases/tranches. Therefore, interest is only calculated on land for 1 year. |
| Initial payments | c 6 months | For 6 months after site acquisition to start on site depending on the size of the typology. |
| Construction | 4 per month | Assumed build out rate – per outlet. |
| Sales rates | 4 per month | Lagging construction by 3 months for OMS and 1 month for affordable housing.<br>For the strategic sites we have used the Councils' trajectory. |

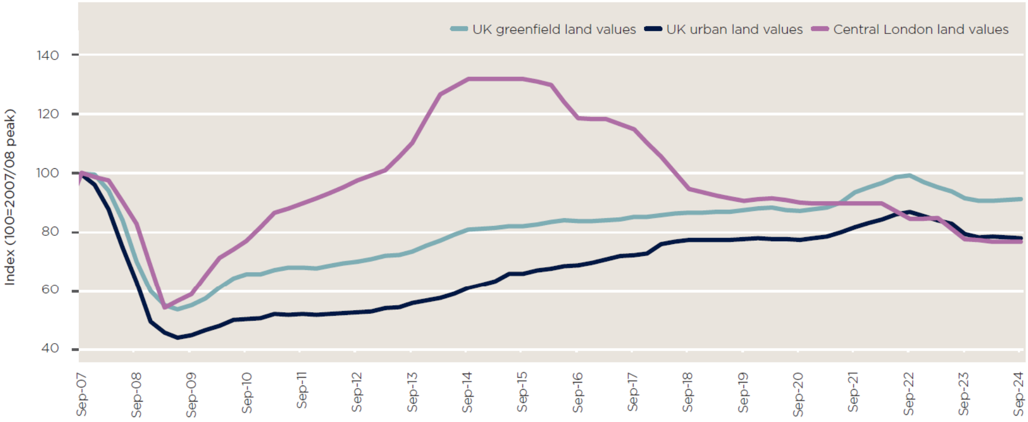
## Residential Land Value Assumptions

5.48 Establishing the benchmark land value (BLV) requires an analysis of the land market. We have not revisited the Land Value Paper for this work, and we are relying on the assumptions established earlier in 2021 report, as outlined in Table 5.13.

5.49 It is important to note that according to Savills' latest study[40] on Residential Development Land – Q3 2024, UK greenfield land values have remained relatively stable, with only minor changes since 2021, showing a -0.1% annual change as of September 2024 and a quarterly growth of 0.4% in Q3 2024. Urban land values, on the other hand, have seen a more significant decline, with a -1.7% annual change over the same period, reflecting a downward trend since 2021 (Figure 5.2).

**Figure 5.2 - Consecutive Quarterly Growth for UK Development Land Value**

[40] https://www.savills.co.uk/research_articles/229130/368473-0




Source: Savills, 2024

5.50 Therefore, we consider our 2021 land value assumptions to remain a reasonable and robust foundation for the updated 2024 viability assessment.

5.51 For ease of reference, the 2021 Land Value Paper is appended to this report (see Appendix 4).

**Table 5.13 - Benchmark Land Value Assumptions**

| Typology | Location | Existing Use | EUV - | | | | | Uplift Multiplier | BLV - | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | (per acre) (gross) | (per ha) (gross) | Net: Gross (%) | (per acre) (net) | (per ha) (net) | x [X] x [Y]% | (per acre) (net developable) (rounded) | (per ha) (net developable) (rounded) |
| Residential Strategic Sites | High Value Areas | Greenfield | £9,500 | £23,475 | 50% | £19,000 | £46,949 | 13.5 | £275,000 | £679,525 |
| Residential >/1h | Low Value Area | Greenfield | £8,500 | £21,004 | 60% | £14,167 | £35,006 | 14.9 | £225,000 | £555,975 |
| Residential >1/h | High Value Area | Greenfield | £9,500 | £23,475 | 60% | £15,833 | £39,124 | 16.4 | £275,000 | £679,525 |
| Residential </1h | Low Value Area | Greenfield | £8,500 | £21,004 | 80% | £10,625 | £26,254 | 20.2 | £225,000 | £555,975 |
| Residential </1h | High Value Area | Greenfield | £9,500 | £23,475 | 80% | £11,875 | £29,343 | 22.2 | £275,000 | £679,525 |
| Residential | Low Value Area | Brownfield | £300,000 | £741,300 | 90% | £333,333 | £823,667 | 20.0% | £400,000 | £988,400 |
| Residential | High Value Area | Brownfield | £350,000 | £864,850 | 90% | £388,889 | £960,944 | 28.6% | £500,000 | £1,235,500 |

Source: AspinallVerdi ‘210713 SWC Benchmark Land Value Research_v16’

# 6 Appraisal Results

6.1 In this section we draw together the results from the viability modelling.

## Residential Appraisals

6.2 This section sets out the viability results of our financial appraisals for the residential typologies.

6.3 Our viability assessments, have been through an iterative process with SWC, to inform our recommendations about the scope to align the affordable housing in the context of the emerging SWC Local Plan policies and infrastructure requirements across the area.

6.4 We have appraised the typologies based upon the baseline assumptions described in section 5 and included extensive sensitivity testing for each appraisal.

6.5 The appraisals are fully policy compliant where all the policy costs are 'layered-on'. They also include generous allowances for land value and profit. In this respect they could be considered to be *'worst-case scenarios'.*

6.6 We set out the results in the order of the Typologies Matrix. The residential appraisals are appended in full at Appendix 6. These include a summary table at the end of each batch of appraisals.

6.7 Particular attention should be paid to the sensitivity tables across all typologies. These are shown at the bottom of each appraisal.

6.8 We set out below the results of viability appraisals. These are appraised in batches. The full appraisals are provided in Appendix 6. The results tables should be read in conjunction with the Typologies Matrix (Appendix 2). It is important to note that the sensitivity tables are 2-way sensitivities based on various parameters and affordable housing.

6.9 The following tables summarise the viability results of the A to AF typologies in South Worcestershire (Typologies appraisals 1- 6). The tables indicate viability using a RAG rating system as indicated below.

**Table 6.1 - Viability RAG rating**

| | |
|---|---|
| Viable | if RLV > BLV |
| Marginal | if RLV < BLV, but RLV is positive |
| Not Viable | if RLV < BLV, and RLV is negative |

Source: AspinallVerdi, 2024

6.10 We have conducted viability testing across two value zones and two land typologies. The appraisals cover schemes of the following types and scales:

- Higher Value Greenfield with smaller schemes (<100 units)
- Higher Value Greenfield with larger schemes (≥100 units)
- Lower Value Greenfield with smaller schemes (<100 units)

- Lower Value Greenfield with larger schemes (≥100 units)
- Higher Value Brownfield (including both small and large schemes)
- Lower Value Brownfield (including both small and large schemes)

### Table 6.2 - Higher Value Greenfield (Smaller Schemes) Appraisal Results

| **Appraisal Ref:** | **A** | **B** | **C** | **D** | **E** |
|---|---|---|---|---|---|
| Scheme Typology: | Houses | Houses | Houses | Houses | Houses & Flats |
| No Units: | 7 | 10 | 30 | 50 | 80 |
| Location / Value Zone: | Higher | Higher | Higher | Higher | Higher |
| Greenfield/Brownfield: | Greenfield | Greenfield | Greenfield | Greenfield | Greenfield |
| Notes: | No Affordable Housing | Median BCIS, Viable with 25% AH | Median BCIS, Viable with 30% AH | Median BCIS, Viable with 25% AH | Flat included, Median BCIS, Viable with 15% AH |
| Total GDV (£) | 2,794,400 | 3,057,668 | 9,163,656 | 15,246,690 | 23,723,079 |
| **Policy Assumptions** | - | - | - | - | - |
| AH Target % (& mix): | 0% | 40% | 40% | 40% | 40% |
| Affordable Rent: | 0% | 0% | 0% | 0% | 0% |
| Social Rent: | 69% | 69% | 69% | 69% | 69% |
| First Homes: | 25% | 25% | 25% | 25% | 25% |
| Intermediate (Affordable Home Ownership): | 6% | 6% | 6% | 6% | 6% |
| CIL (£ psm) | 43.27 | 43.27 | 43.27 | 43.27 | 43.27 |
| CIL (£ per unit) | 4,078 | 2,447 | 2,466 | 2,463 | 2,444 |
| Site Specific S106 (£ per unit) | 7,936 | 27,660 | 25,500 | 27,354 | 28,804 |
| Sub-total CIL+S106 (£ per unit) | 12,014 | 30,107 | 27,966 | 29,817 | 31,248 |
| Site Infrastructure (£ per unit) | - | - | - | - | - |
| Sub-total CIL+S106+Infrastructure (£ per unit) | 12,014 | 30,107 | 27,966 | 29,817 | 31,248 |
| **Profit KPI's** | - | - | - | - | - |
| Developers Profit (% on OMS) | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| Developers Profit (% on AH) | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Developers Profit (% blended) | 20.00% | 16.97% | 17.07% | 17.07% | 17.12% |
| Developers Profit (% on costs) | 33.20% | 21.42% | 21.74% | 21.51% | 20.50% |
| Developers Profit Total (£) | 558,880 | 518,788 | 1,564,623 | 2,602,492 | 4,061,035 |
| **Land Value KPI's** | - | - | - | - | - |
| RLV (£/acre (net)) | 846,377 | 129,918 | 144,855 | 117,196 | (22,342) |
| RLV (£/ha (net)) | 2,091,399 | 321,028 | 357,936 | 289,592 | (55,208) |
| RLV (% of GDV) | 17.46% | 3.50% | 3.91% | 3.17% | -0.62% |
| RLV Total (£) | 487,993 | 107,009 | 357,936 | 482,653 | (147,222) |
| BLV (£/acre (net)) | 275,000 | 275,000 | 275,000 | 275,000 | 275,000 |
| BLV (£/ha (net)) | 679,525 | 679,525 | 679,525 | 679,525 | 679,525 |
| BLV Total (£) | 158,556 | 226,508 | 679,525 | 1,132,542 | 1,812,067 |
| Surplus/Deficit (£/acre) [RLV-BLV] | 571,377 | (145,082) | (130,145) | (157,804) | (297,342) |
| Surplus/Deficit (£/ha) | 1,411,874 | (358,497) | (321,589) | (389,933) | (734,733) |
| Surplus/Deficit Total (£) | 329,437 | (119,499) | (321,589) | (649,889) | (1,959,289) |
| **Plan Viability comments** | Viable | Marginal | Marginal | Marginal | Not Viable |

Source: AspinallVerdi '241125 1 SWC_Whole Plan Viability Appraisals_v10a_A_E'

### Table 6.3 - Higher Value Greenfield (Larger Schemes) Appraisal Results

| **Appraisal Ref:** | F | G | H | I | J | K |
|---|---|---|---|---|---|---|
| Scheme Typology: | Houses & Flats | Houses & Flats | Houses & Flats | Houses & Flats | Houses & Flats | Houses & Flats |
| No Units: | 100 | 200 | 300 | 400 | 500 | 700 |
| Location / Value Zone: | Higher | Higher | Higher | Higher | Higher | Higher |
| Greenfield/Brownfield: | Greenfield | Greenfield | Greenfield | Greenfield | Greenfield | Greenfield |
| Notes: | Lower quartiles BCIS | Lower quartiles BCIS | Lower quartiles BCIS | Lower quartiles BCIS | Lower quartiles BCIS | Lower quartiles BCIS |
| Total GDV (£) | 29,653,848 | 59,307,697 | 88,961,545 | 118,615,393 | 148,269,242 | 207,576,938 |
| **Policy Assumptions** | - | - | - | - | - | - |
| AH Target % (& mix): | 40% | 40% | 40% | 40% | 40% | 40% |
| Affordable Rent: | 0% | 0% | 0% | 0% | 0% | 0% |
| Social Rent: | 69% | 69% | 69% | 69% | 69% | 69% |
| First Homes: | 25% | 25% | 25% | 25% | 25% | 25% |
| Intermediate (Affordable Home Ownership): | 6% | 6% | 6% | 6% | 6% | 6% |
| CIL (£ psm) | 43.27 | 43.27 | 43.27 | 43.27 | 43.27 | 43.27 |
| CIL (£ per unit) | 2,444 | 2,444 | 2,444 | 2,444 | 2,444 | 2,444 |
| Site Specific S106 (£ per unit) | 30,843 | 25,524 | 27,194 | 27,194 | 27,194 | 30,633 |
| Sub-total CIL+S106 (£ per unit) | 33,287 | 27,968 | 29,638 | 29,638 | 29,638 | 33,077 |
| Site Infrastructure (£ per unit) | - | - | - | - | - | - |
| Sub-total CIL+S106+Infrastructure (£ per unit) | 33,287 | 27,968 | 29,638 | 29,638 | 29,638 | 33,077 |
| **Profit KPI's** | - | - | - | - | - | - |
| Developers Profit (% on OMS) | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| Developers Profit (% on AH) | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Developers Profit (% blended) | 17.12% | 17.12% | 17.12% | 17.12% | 17.12% | 17.12% |
| Developers Profit (% on costs) | 23.37% | 24.06% | 23.89% | 23.90% | 23.91% | 23.53% |
| Developers Profit Total (£) | 5,076,294 | 10,152,588 | 15,228,882 | 20,305,176 | 25,381,470 | 35,534,057 |
| **Land Value KPI's** | - | - | - | - | - | - |
| RLV (£/acre (net)) | 401,380 | 487,466 | 466,748 | 467,853 | 468,728 | 421,114 |
| RLV (£/ha (net)) | 991,811 | 1,204,527 | 1,153,335 | 1,156,064 | 1,158,226 | 1,040,573 |
| RLV (% of GDV) | 8.36% | 10.15% | 9.72% | 9.75% | 9.76% | 8.77% |
| RLV Total (£) | 2,479,528 | 6,022,637 | 8,650,016 | 11,560,642 | 14,477,830 | 18,210,023 |
| BLV (£/acre (net)) | 275,000 | 275,000 | 275,000 | 275,000 | 275,000 | 275,000 |
| BLV (£/ha (net)) | 679,525 | 679,525 | 679,525 | 679,525 | 679,525 | 679,525 |
| BLV Total (£) | 1,698,813 | 3,397,625 | 5,096,438 | 6,795,250 | 8,494,063 | 11,891,688 |
| Surplus/Deficit (£/acre) [RLV-BLV] | 126,380 | 212,466 | 191,748 | 192,853 | 193,728 | 146,114 |
| Surplus/Deficit (£/ha) | 312,286 | 525,002 | 473,810 | 476,539 | 478,701 | 361,048 |
| Surplus/Deficit Total (£) | 780,715 | 2,625,012 | 3,553,578 | 4,765,392 | 5,983,768 | 6,318,336 |
| **Plan Viability comments** | Viable | Viable | Viable | Viable | Viable | Viable |

Source: AspinallVerdi '241125 2 SWC_Whole Plan Viability Appraisals_v10a_F_K'

### Table 6.4 - Lower Value Greenfield (Smaller Schemes) Appraisal Results

| **Appraisal Ref:** | **L** | **M** | **N** | **O** | **P** |
|---|---|---|---|---|---|
| Scheme Typology: | Houses | Houses | Houses | Houses | Houses & Flats |
| No Units: | 7 | 10 | 30 | 50 | 80 |
| Location / Value Zone: | Lower | Lower | Lower | Lower | Lower |
| Greenfield/Brownfield: | Greenfield | Greenfield | Greenfield | Greenfield | Greenfield |
| Notes: | No Affordable Housing | Median BCIS, Viable with 15% AH | Median BCIS, Viable with 20% AH | Median BCIS, Viable with 15% AH | Flat included, Median BCIS |
| Total GDV (£) | 2,623,250 | 2,878,005 | 8,635,282 | 14,371,976 | 22,324,084 |
| **Policy Assumptions** | | | | | |
| AH Target % (& mix): | 0% | 40% | 40% | 40% | 40% |
| Affordable Rent: | 0% | 0% | 0% | 0% | 0% |
| Social Rent: | 69% | 69% | 69% | 69% | 69% |
| First Homes: | 25% | 25% | 25% | 25% | 25% |
| Intermediate (Affordable Home Ownership): | 6% | 6% | 6% | 6% | 6% |
| CIL (£ psm) | 43.27 | 43.27 | 43.27 | 43.27 | 43.27 |
| CIL (£ per unit) | 4,078 | 2,447 | 2,466 | 2,463 | 2,444 |
| Site Specific S106 (£ per unit) | 7,936 | 27,642 | 25,482 | 27,336 | 28,786 |
| Sub-total CIL+S106 (£ per unit) | 12,014 | 30,089 | 27,948 | 29,799 | 31,230 |
| Site Infrastructure (£ per unit) | - | - | - | - | - |
| Sub-total CIL+S106+Infrastructure (£ per unit) | 12,014 | 30,089 | 27,948 | 29,799 | 31,230 |
| **Profit KPI's** | - | - | - | - | - |
| Developers Profit (% on OMS) | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| Developers Profit (% on AH) | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Developers Profit (% blended) | 20.00% | 16.94% | 17.05% | 17.04% | 17.11% |
| Developers Profit (% on costs) | 31.29% | 20.15% | 20.46% | 20.24% | 19.22% |
| Developers Profit Total (£) | 524,650 | 487,470 | 1,471,937 | 2,449,196 | 3,819,112 |
| **Land Value KPI's** | - | - | - | - | - |
| RLV (£/acre (net)) | 651,342 | (34,651) | (12,117) | (43,339) | (206,831) |
| RLV (£/ha (net)) | 1,609,465 | (85,622) | (29,941) | (107,092) | (511,079) |
| RLV (% of GDV) | 14.32% | -0.99% | -0.35% | -1.24% | -6.10% |
| RLV Total (£) | 375,542 | (28,541) | (29,941) | (178,486) | (1,362,877) |
| BLV (£/acre (net)) | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 |
| BLV (£/ha (net)) | 555,975 | 555,975 | 555,975 | 555,975 | 555,975 |
| BLV Total (£) | 129,728 | 185,325 | 555,975 | 926,625 | 1,482,600 |
| Surplus/Deficit (£/acre) [RLV-BLV] | 426,342 | (259,651) | (237,117) | (268,339) | (431,831) |
| Surplus/Deficit (£/ha) | 1,053,490 | (641,597) | (585,916) | (663,067) | (1,067,054) |
| Surplus/Deficit Total (£) | 245,814 | (213,866) | (585,916) | (1,105,111) | (2,845,477) |
| **Plan Viability comments** | Viable | Not Viable | Not Viable | Not Viable | Not Viable |

Source: AspinallVerdi '241125 3 SWC_Whole Plan Viability Appraisals_v10a_L_P'

**Table 6.5 - Lower Value Greenfield (Larger Schemes) Appraisal Results**

| **Appraisal Ref:** | **Q** | **R** | **S** | **T** |
|---|---|---|---|---|
| Scheme Typology: | Houses & Flats | Houses & Flats | Houses & Flats | Houses & Flats |
| No Units: | 100 | 200 | 400 | 650 |
| Location / Value Zone: | Lower | Lower | Lower | Lower |
| Greenfield/Brownfield: | Greenfield | Greenfield | Greenfield | Greenfield |
| Notes: | Viable with 35% AH | | | |
| Total GDV (£) | 27,902,668 | 55,805,337 | 111,610,674 | 181,367,345 |
| **Policy Assumptions** | - | - | - | - |
| AH Target % (& mix): | 40% | 40% | 40% | 40% |
| Affordable Rent: | 0% | 0% | 0% | 0% |
| Social Rent: | 69% | 69% | 69% | 69% |
| First Homes: | 25% | 25% | 25% | 25% |
| Intermediate (Affordable Home Ownership): | 6% | 6% | 6% | 6% |
| CIL (£ psm) | 43.27 | 43.27 | 43.27 | 43.27 |
| CIL (£ per unit) | 2,444 | 2,444 | 2,444 | 2,444 |
| Site Specific S106 (£ per unit) | 30,825 | 26,925 | 27,176 | 30,615 |
| Sub-total CIL+S106 (£ per unit) | 33,269 | 29,369 | 29,620 | 33,059 |
| Site Infrastructure (£ per unit) | - | - | - | - |
| Sub-total CIL+S106+Infrastructure (£ per unit) | 33,269 | 29,369 | 29,620 | 33,059 |
| **Profit KPI's** | - | - | - | - |
| Developers Profit (% on OMS) | 20.0% | 20.0% | 20.0% | 20.0% |
| Developers Profit (% on AH) | 6.0% | 6.0% | 6.0% | 6.0% |
| Developers Profit (% blended) | 17.11% | 17.11% | 17.11% | 17.11% |
| Developers Profit (% on costs) | 22.00% | 22.53% | 22.54% | 22.19% |
| Developers Profit Total (£) | 4,773,575 | 9,547,151 | 19,094,301 | 31,028,239 |
| **Land Value KPI's** | - | - | - | - |
| RLV (£/acre (net)) | 201,799 | 272,770 | 273,636 | 226,967 |
| RLV (£/ha (net)) | 498,644 | 674,016 | 676,154 | 560,835 |
| RLV (% of GDV) | 4.47% | 6.04% | 6.06% | 5.02% |
| RLV Total (£) | 1,246,611 | 3,370,078 | 6,761,535 | 9,113,571 |
| BLV (£/acre (net)) | 225,000 | 225,000 | 225,000 | 225,000 |
| BLV (£/ha (net)) | 555,975 | 555,975 | 555,975 | 555,975 |
| BLV Total (£) | 1,389,938 | 2,779,875 | 5,559,750 | 9,034,594 |
| Surplus/Deficit (£/acre) [RLV-BLV] | (23,201) | 47,770 | 48,636 | 1,967 |
| Surplus/Deficit (£/ha) | (57,331) | 118,041 | 120,179 | 4,860 |
| Surplus/Deficit Total (£) | (143,327) | 590,203 | 1,201,785 | 78,977 |
| **Plan Viability comments** | Marginal | Viable | Viable | Viable |

Source: AspinallVerdi '241125 4 SWC_Whole Plan Viability Appraisals_v10a_Q_T'

## Table 6.6 - Higher Value Brownfield Appraisal Results

| **Appraisal Ref:** | **U** | **V** | **W** | **X** | **Y** | **Z** | **AA** |
|---|---|---|---|---|---|---|---|
| Scheme Typology: | Houses | Houses | Houses | Houses | Houses & Flats | Houses & Flats | Houses & Flats |
| No Units: | 8 | 10 | 30 | 50 | 100 | 300 | 500 |
| Location / Value Zone: | Higher | Higher | Higher | Higher | Higher | Higher | Higher |
| Greenfield/Brownfield: | Brownfield | Brownfield | Brownfield | Brownfield | Brownfield | Brownfield | Brownfield |
| Notes: | No Affordable Housing | Median BCIS | Median BCIS | Median BCIS | Lower quartiles BCIS, Viable with 25% AH | Lower quartiles BCIS, Viable with 25% AH | Lower quartiles BCIS, Viable with 25% AH |
| Total GDV (£) | 3,193,600 | 3,291,251 | 9,892,992 | 16,457,905 | 32,053,074 | 96,159,221 | 160,265,369 |
| **Policy Assumptions** | - | - | - | - | - | - | - |
| AH Target % (& mix): | 0% | 30% | 30% | 30% | 30% | 30% | 30% |
| Affordable Rent: | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Social Rent: | 69% | 69% | 69% | 69% | 69% | 69% | 69% |
| First Homes: | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| Intermediate (Affordable Home Ownership): | 6% | 6% | 6% | 6% | 6% | 6% | 6% |
| CIL (£ psm) | - | - | - | - | - | - | - |
| CIL (£ per unit) | - | - | - | - | - | - | - |
| Site Specific S106 (£ per unit) | 15,297 | 36,367 | 36,367 | 36,135 | 36,135 | 36,135 | 36,135 |
| Sub-total CIL+S106 (£ per unit) | 15,297 | 36,367 | 36,367 | 36,135 | 36,135 | 36,135 | 36,135 |
| Site Infrastructure (£ per unit) | - | - | - | - | - | - | - |
| Sub-total CIL+S106+Infrastructure (£ per unit) | 15,297 | 36,367 | 36,367 | 36,135 | 36,135 | 36,135 | 36,135 |
| **Profit KPI's** | - | - | - | - | - | - | - |
| Developers Profit (% on OMS) | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| Developers Profit (% on AH) | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Developers Profit (% blended) | 20.00% | 17.89% | 17.97% | 17.96% | 18.00% | 18.00% | 18.00% |
| Developers Profit (% on costs) | 31.70% | 22.53% | 22.60% | 22.69% | 25.09% | 25.20% | 25.23% |
| Developers Profit Total (£) | 638,720 | 588,691 | 1,777,518 | 2,956,446 | 5,769,758 | 17,309,274 | 28,848,790 |
| **Land Value KPI's** | - | - | - | - | - | - | - |
| RLV (£/acre (net)) | 724,748 | 100,188 | 92,055 | 101,120 | 462,433 | 475,349 | 478,715 |
| RLV (£/ha (net)) | 1,790,852 | 247,564 | 227,469 | 249,867 | 1,142,672 | 1,174,587 | 1,182,904 |
| RLV (% of GDV) | 14.95% | 2.51% | 2.30% | 2.53% | 8.91% | 9.16% | 9.23% |
| RLV Total (£) | 477,561 | 82,521 | 227,469 | 416,445 | 2,856,680 | 8,809,400 | 14,786,305 |
| BLV (£/acre (net)) | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| BLV (£/ha (net)) | 1,235,500 | 1,235,500 | 1,235,500 | 1,235,500 | 1,235,500 | 1,235,500 | 1,235,500 |
| BLV Total (£) | 329,467 | 411,833 | 1,235,500 | 2,059,167 | 3,088,750 | 9,266,250 | 15,443,750 |
| Surplus/Deficit (£/acre) [RLV-BLV] | 224,748 | (399,812) | (407,945) | (398,880) | (37,567) | (24,651) | (21,285) |
| Surplus/Deficit (£/ha) | 555,352 | (987,936) | (1,008,031) | (985,633) | (92,828) | (60,913) | (52,596) |
| Surplus/Deficit Total (£) | 148,094 | (329,312) | (1,008,031) | (1,642,721) | (232,070) | (456,850) | (657,445) |
| **Plan Viability comments** | Viable | Marginal | Marginal | Marginal | Marginal | Marginal | Marginal |

Source: AspinallVerdi '241125 5 SWC_Whole Plan Viability Appraisals_v10a_U_AA'

**Table 6.7 - Lower Value Brownfield Appraisal Results**

| **Appraisal Ref:** | **AB** | **AC** | **AD** | **AE** | **AF** |
|---|---|---|---|---|---|
| Scheme Typology: | Houses | Houses | Houses | Houses & Flats | Houses & Flats |
| No Units: | 7 | 25 | 40 | 75 | 300 |
| Location / Value Zone: | Lower | Lower | Lower | Lower | Lower |
| Greenfield/Brownfield: | Brownfield | Brownfield | Brownfield | Brownfield | Brownfield |
| Notes: | No Affordable housing, Lower S106 | Median BCIS, Higher S106 | Median BCIS, Higher S106 | Flat included, Median BCIS, Higher S106 | Lower quartiles BCIS, Viable with 20% AH |
| Total GDV (£) | 2,623,250 | 7,762,676 | 12,420,282 | 22,615,334 | 90,461,337 |
| **Policy Assumptions** | - | - | - | - | - |
| AH Target % (& mix): | 0% | 30% | 30% | 30% | 30% |
| Affordable Rent: | 0% | 0% | 0% | 0% | 0% |
| Social Rent: | 69% | 69% | 69% | 69% | 69% |
| First Homes: | 25% | 25% | 25% | 25% | 25% |
| Intermediate (Affordable Home Ownership): | 6% | 6% | 6% | 6% | 6% |
| CIL (£ psm) | - | - | - | - | - |
| CIL (£ per unit) | - | - | - | - | - |
| Site Specific S106 (£ per unit) | 15,297 | 36,349 | 36,349 | 36,117 | 36,117 |
| Sub-total CIL+S106 (£ per unit) | 15,297 | 36,349 | 36,349 | 36,117 | 36,117 |
| Site Infrastructure (£ per unit) | - | - | - | - | - |
| Sub-total CIL+S106+Infrastructure (£ per unit) | 15,297 | 36,349 | 36,349 | 36,117 | 36,117 |
| **Profit KPI's** | - | - | - | - | - |
| Developers Profit (% on OMS) | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| Developers Profit (% on AH) | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Developers Profit (% blended) | 20.00% | 17.95% | 17.95% | 17.99% | 17.99% |
| Developers Profit (% on costs) | 29.82% | 21.42% | 21.46% | 21.05% | 23.76% |
| Developers Profit Total (£) | 524,650 | 1,393,086 | 2,228,937 | 4,069,055 | 16,276,221 |
| **Land Value KPI's** | - | - | - | - | - |
| RLV (£/acre (net)) | 527,496 | (65,401) | (58,806) | (127,143) | 266,282 |
| RLV (£/ha (net)) | 1,303,442 | (161,606) | (145,310) | (314,171) | 657,982 |
| RLV (% of GDV) | 11.59% | -1.73% | -1.56% | -3.47% | 5.46% |
| RLV Total (£) | 304,137 | (134,671) | (193,746) | (785,426) | 4,934,863 |
| BLV (£/acre (net)) | 400,000 | 400,000 | 400,000 | 400,000 | 400,000 |
| BLV (£/ha (net)) | 988,400 | 988,400 | 988,400 | 988,400 | 988,400 |
| BLV Total (£) | 230,627 | 823,667 | 1,317,867 | 2,471,000 | 7,413,000 |
| Surplus/Deficit (£/acre) [RLV-BLV] | 127,496 | (465,401) | (458,806) | (527,143) | (133,718) |
| Surplus/Deficit (£/ha) | 315,042 | (1,150,006) | (1,133,710) | (1,302,571) | (330,418) |
| Surplus/Deficit Total (£) | 73,510 | (958,338) | (1,511,613) | (3,256,426) | (2,478,137) |
| **Plan Viability comments** | Viable | Not Viable | Not Viable | Not Viable | Marginal |

Source: AspinallVerdi '241125 6 SWC_Whole Plan Viability Appraisals_v10a_AB_AF'

## Higher Value Greenfield

6.11 Table 6.2 and Table 6.3 above summarise the appraisal results for Greenfield typologies, including those within the South & South East higher value zone. The typologies are grouped as follows:

- **Typologies A – E**: Smaller schemes with fewer than 100 units.
- **Typologies F – K**: Larger schemes with 100 or more units.

6.12 Typology A is the only smaller scheme identified as viable, primarily due to the absence of affordable housing requirements.

6.13 Typologies B, C, and D are assessed as marginally unviable. While they achieve positive RLVs, these fall short of BLVs. This unviability arises from the use of Median BCIS Build Costs, which are applied to reflect the higher per unit construction costs typical of smaller schemes. Unlike larger developments, smaller schemes lack economies of scale, making them less competitive and reducing overall viability. The RLV achieved in these appraisals ranges between £117,000 - £144,000 per acre net which is not unrealistic depending on the net-to-gross ratio of specific sites.

6.14 Typology E is not viable due to the inclusion of flats. Flats typically have higher construction costs per square metre than houses, driven by requirements such as additional communal areas, lifts, stairwells, etc. Coupled with the application of median BCIS build costs, these factors render the scheme unviable (at negative £22,000 per acre).

6.15 When applying a CIL rate of £43.27 per square metre, smaller schemes show varied viability outcomes against the BLV of £275,000 per acre. Typologies B and D generate a positive surplus (RLV - BLV) with 25% affordable housing, while Typology C achieves viability at a higher 30% affordable housing level. Typology E, on the other hand, requires a reduced provision of 15% affordable housing to become viable, highlighting its greater sensitivity to affordability requirements.

6.16 The sensitivity analysis shows that achieving viability at 40% affordable housing requires a 50% reduction in site-specific S106 costs for schemes B and C, 55% for scheme D, and 90% for scheme E. However, a 90% reduction for scheme E is unlikely to be feasible.

6.17 Alternatively, a 10% reduction in build costs makes Typology B viable, generating a positive surplus at the £43.27 CIL rate with 40% affordable housing (see Table 6 for Typology B). Similarly, a 10% uplift in market sale values achieves the same outcome. Typologies C and D also become viable under these conditions. However, Typology E remains unviable unless market values increase by at least 15%, assuming no changes to the current CIL rate.

6.18 All larger schemes of F to K (≥100 units) are viable due to economies of scale, which reduce average build costs per unit. Using lower quartile BCIS costs, reflecting efficiencies in volume housebuilding, results in higher RLVs that exceed BLVs. Typologies F to K all have RLV greater than £400,000 per acre.

## Lower Value Greenfield

6.19 Table 6.4 and Table 6.5 above summarise the appraisal results for Greenfield typologies, including those within the North West lower value zone. The typologies are grouped as follows:

- **Typologies L – P**: Smaller schemes with fewer than 100 units.
- **Typologies Q – T**: Larger schemes with 100 or more units.

6.20 Typology L is the only smaller scheme identified as viable, again, due to the absence of affordable housing requirements.

6.21 Typologies M, N, and O are unviable in lower value zones, due to the combination of lower sales values and median BCIS build costs, which result in negative RLVs. Typology P demonstrates even greater unviability, with an RLV of -£206,831, compared to -£43,339 for Typology O, for example. This disparity is largely attributable to the inclusion of flats in Typology P, as their higher construction costs significantly increase overall expenses and further exacerbate the unviability.

6.22 Typology M achieves viability with 15% affordable housing, generating a positive surplus. Likewise, Typology O is viable with 15% affordable housing, whereas Typology N requires 20% affordable housing to achieve viability. However, Typology P remains unviable at any affordable housing percentage under the current CIL rate.

6.23 A reduction in site-specific S106 costs to a feasible percentage, or even a reduction in build costs, fails to improve the viability of these typologies at 40% affordable housing. This underscores that even significant cost-saving measures are insufficient to achieve viability under the current affordable housing requirements. However, a 15% increase in market values renders Typologies M, N, and O viable at the assumed CIL rate and proposed affordable housing levels, each generating a positive surplus. By contrast, Typology P can only accommodate up to 30% affordable housing, even with a complete (100%) reduction in S106 costs.

6.24 Among the larger schemes (Typologies Q to T), Typology Q, with 100 units, is marginally unviable as it generates a positive RLV that falls below the BLV of £225,000. On the other hand, the larger schemes with 200, 400, and 650 units (Typologies R, S, and T) are all viable, benefiting from economies of scale, which reduce average build costs per unit and result in RLVs that exceed BLVs.

6.25 Typology Q achieves a positive surplus of £64,189 at a CIL rate of £43.27 with 35% affordable housing. Additionally, reducing the profit margin on open market sales from 20% to 19% enables viability with a 40% affordable housing provision (see Table 3 for Typology Q). A 5% reduction in build costs or a 5% increase in market values would have a similar effect, creating a positive surplus and rendering the scheme viable for this typology.

## Higher Value Brownfield

6.26 Table 6.6 summarise appraisal results for brownfield typologies for those in the higher value zone. This includes Typologies U to AA, with U, V, W, and X representing smaller schemes, and Y, Z, and AA encompassing larger schemes within these higher value brownfield areas.

6.27 Except for Typology U, which is viable without the requirement to provide affordable housing, all other scheme typologies are marginally unviable. While they generate a positive RLV, the surplus remains negative at the BLV of £500,000. Larger schemes, such as Y, Z, and AA, which deliver 100 or more units, are closer to achieving a positive surplus, with RLVs exceeding £462,000, indicating they are only slightly below the assumed BLV. In contrast, smaller schemes face a larger negative surplus, reflecting a greater challenge in achieving viability, primarily due to the application of median BCIS costs.

6.28 At a CIL rate of £0, applied to brownfield sites, Typologies Y, Z, and AA achieve a positive surplus with 25% affordable housing for each scheme. However, smaller schemes (Typologies V to X) remain unviable at any affordable housing percentage (see Table 1 for details). Sensitivity analysis in Table 3 demonstrates that reducing the profit margin on open market sales by just 1% makes Typologies Y, Z, and AA viable at 30% affordable housing. This adjustment, however, does not improve viability for smaller schemes.

6.29 For smaller schemes, a 20% increase in market value is required to achieve viability, whereas larger schemes (Typologies Y, Z, and AA) become viable with just a 5% increase in market value or a 5% reduction in build costs. In contrast, even a 10% reduction in build costs does not make smaller schemes viable (see Table 6 and Table 7 of Sensitivity Analysis for these typologies).

## Lower Value Brownfield

6.30 Table 6.7 summarise appraisal results for brownfield typologies for those in the lower value zone. This includes Typologies AB to AF, with AB, AC, AD, and AE representing smaller schemes, and AF encompassing larger scheme within these lower value brownfield areas.

6.31 Among these typologies, the only viable scheme with a positive surplus is Typology AB. This is primarily due to the absence of affordable housing requirements and significantly lower S106/S278 costs (£15,297 per unit compared to over £36,000 for other typologies in this category).

6.32 Typologies AC, AD, and AE are unviable due to negative RLVs. AC and AD are impacted by the application of median BCIS costs combined with higher S106/S278 contributions. Typology AE is further constrained by the inclusion of flats, which increases overall construction costs.

6.33 Typology AF is marginally unviable, producing a positive RLV of £266,282 which remains below the assumed BLV of £400,000 for lower value brownfield sites, preventing is being viable for plan-making purposes.

6.34 Typology AF can become viable by either providing 20% affordable housing or maintaining 30% affordable housing while reducing the developer’s profit on open market sales to 15%. Alternatively, a 10% reduction in build costs or a 5% increase in market sales values can also result in viability at 30% affordable housing, generating a positive surplus.

6.35 It can be seen that all of the appraisals are particularly sensitive to developers’ profit.

6.36 The table below summarises the appraisal results.

**Table 6.8 - Summary of Typology Appraisal Results**

<table>
<tr><th>Site Typology</th><th>Value Zone</th><th>Scheme Size</th><th>Typology</th><th>Appraisal Result</th><th>Adjustments for planning viability at the proposed AH%</th></tr>
<tr><td rowspan="20">Greenfield</td><td rowspan="11">Higher</td><td rowspan="5">Small</td><td>A</td><td>Viable</td><td>-</td></tr>
<tr><td>B</td><td>Marginal</td><td>10% build costs reduction or,<br>10% market value uplift or,<br>50% site-specific S106 costs reduction</td></tr>
<tr><td>C</td><td>Marginal</td><td>Same as above.</td></tr>
<tr><td>D</td><td>Marginal</td><td>10% build costs reduction or,<br>10% market value uplift or,<br>55% site-specific S106 costs reduction</td></tr>
<tr><td>E</td><td>Not Viable</td><td>15% market value uplift</td></tr>
<tr><td rowspan="6">Large</td><td>F</td><td>Viable</td><td>-</td></tr>
<tr><td>G</td><td>Viable</td><td>-</td></tr>
<tr><td>H</td><td>Viable</td><td>-</td></tr>
<tr><td>I</td><td>Viable</td><td>-</td></tr>
<tr><td>J</td><td>Viable</td><td>-</td></tr>
<tr><td>K</td><td>Viable</td><td>-</td></tr>
<tr><td rowspan="9">Lower</td><td rowspan="5">Small</td><td>L</td><td>Viable</td><td>-</td></tr>
<tr><td>M</td><td>Not Viable</td><td>15% market value uplift</td></tr>
<tr><td>N</td><td>Not Viable</td><td>15% market value uplift</td></tr>
<tr><td>O</td><td>Not Viable</td><td>15% market value uplift</td></tr>
<tr><td>P</td><td>Not Viable</td><td>remains unviable under any scenario</td></tr>
<tr><td rowspan="4">Large</td><td>Q</td><td>Marginal</td><td>1% profit reduction or,<br>5% market value uplift or,<br>5% build cost reduction</td></tr>
<tr><td>R</td><td>Viable</td><td>-</td></tr>
<tr><td>S</td><td>Viable</td><td>-</td></tr>
<tr><td>T</td><td>Viable</td><td>-</td></tr>
<tr><td rowspan="5">Brownfield</td><td rowspan="5">Higher</td><td rowspan="4">Small</td><td>U</td><td>Viable</td><td>-</td></tr>
<tr><td>V</td><td>Marginal</td><td>20% market value uplift or,<br>10% build cost reduction</td></tr>
<tr><td>W</td><td>Marginal</td><td>Same as above</td></tr>
<tr><td>X</td><td>Marginal</td><td>Same as above</td></tr>
<tr><td>Large</td><td>Y</td><td>Marginal</td><td>1% profit reduction or,</td></tr>
</table>

| Site Typology | Value Zone | Scheme Size | Typology | Appraisal Result | Adjustments for planning viability at the proposed AH% |
|---|---|---|---|---|---|
| | | | | | 5% market value uplift or,<br>5% build cost reduction |
| | | | Z | Marginal | Same as above |
| | | | AA | Marginal | Same as above |
| | Lower | Small | AB | Viable | - |
| | | | AC | Not Viable | remains unviable under any scenario |
| | | | AD | Not Viable | remains unviable under any scenario |
| | | | AE | Not Viable | remains unviable under any scenario |
| | | Large | AF | Marginal | 5% profit reduction or,<br>5% market value uplift or,<br>10% build cost reduction |

# 7 Strategic Sites Viability Assessment

7.1 This section sets out the viability and delivery assessment that we have undertaken in respect of the emerging strategic sites.

7.2 Given the Government's requirement that Local Plans should set out the contributions expected from development, and that policies should not undermine the deliverability of the Local Plan (NPPF Paras 57 and 34) it is important that the Council can demonstrate that the Local Plan as a whole will be deliverable. This requires the Council to have an understanding of specific strategic site viabilities.

7.3 The strategic site appraisals are attached in full at Appendix 7. These include the summary table at the end of the appraisals.

7.4 We set out below a summary of assumptions we have ascertained in regards to the strategic site.

## Strategic Sites

7.5 This section outlines our assumptions for general needs residential typologies across the 4 x strategic sites allocations, namely:

**Table 7.1 - SWC Strategic Sites**

| Site Name | Number of Units | Typology Matrix Reference |
|---|---:|---:|
| Rushwick Urban Extension | 1,000 | AAC |
| Throckmorton New Settlement | 5,000 | AAD |
| Worcestershire Parkway | 10,000 | AAE |
| Mitton SUE | 1,000 | AAF |

7.6 The location of these sites is illustrated on Housing Market Zones map in section 5 (Figure 5.1).

7.7 While we have applied consistent general assumptions to all strategic sites, the key differences are detailed below.

## Existing Evidence Base

7.8 There is a significant amount of existing available evidence from previous viability studies and work AspinallVerdi has undertaken in respect of the SWC Local Plan Viability.

## Mix and Density Assumptions

7.9 The detailed scheme mix and density assumptions are outlined in the Typology Matrix provided in Appendix 2.

7.10 The specific mix for each strategic site typology is aligned with the Council's draft South Worcestershire Strategic Housing Market Assessment (SHMA), as discussed in section 5.

7.11 The unit size assumptions for strategic site typologies are consistent with those detailed in section 5.

7.12 The following density assumptions have been applied for strategic sites:

- Rushwick Urban Extension – 35 dph
- Throckmorton New Settlement – 40 dph
- Worcestershire Parkway – 34 dph - based on the latest concept plan and land budgets (increasing the density and further detailed development of the unit mix it expected to add value)
- Mitton SUE – 40 dph

## Residential Value Assumptions

7.13 Following our Value Assumptions discussed in section 5, we have applied the South & South East values to our strategic sites (see Appendix 3 – Residential Market Paper for more details). These are the higher values found across South Worcestershire and reflect the fact that these strategic sites will make their own market.

## Affordable Housing Transfer Values

7.14 Following our Affordable Housing Transfer Values outlined in section 5, we have applied the same transfer values rate to these strategic sites.

## Residential Cost Assumptions

7.15 We have sought to obtain site-specific costs for S106 and infrastructure (and the timing thereof) in more detail for the strategic sites. In this case, the SWC strategic sites are all (with the exception of Mitton) complex in terms of multiple landowners and site promotors acting. This has made it more complicated to determine and consolidate these costs.

7.16 Consequently, SWC has taken the lead on completing the Excel proformas for each site (in conjunction with Worcestershire County Council). These proforma have been consulted upon between the SWC and the site promotors / landowners through the various working-group arrangements and latterly at our viability consultation in June 2022 and got updated by SWC again in 2024 (Appendix 5).

7.17 The development costs adopted within our 2024 appraisals are set out below (see Appendix 2 – Typologies Matrix and Appendix 5 – Strategic Sites S106 and Infrastructure Cost Proformas).

### Initial Payments

7.18 Table 7.2 below shows the updated strategic site specific S106 costs included in the assessment.

**Table 7.2 - Residential Appraisals Initial Cost Assumptions**

| Item | Baseline Assumption | Comment |
|---|---|---|
| Strategic / Broad Locations S106/S278 | Rushwick – £49,275 per unit<br>Throckmorton – £43,659 per unit<br>Worcestershire Parkway GC – £37,732 per unit<br>Mitton SUE – £23,984 per unit. | We have included the following S106/S278 costs in respect of the strategic sites. These figures are broken down on the individual strategic site S106 and infrastructure spreadsheet (Appendix 5 – Strategic Sites S106 and Infrastructure Cost Proformas). |

## Construction Costs

7.19 Table 7.3 below summarises the 2024 strategic site-specific infrastructure costs included in the assessment.

**Table 7.3 - Build Cost Assumptions**

| Item | Baseline Assumption | Comments |
|---|---|---|
| Site Infrastructure Costs – Strategic Sites | Rushwick – £18,890 per unit<br>Throckmorton – £14,492 per unit<br>Worcestershire Parkway GC – £18,295 per unit<br>Mitton SUE – £25,911 per unit. | We have included the following strategic infrastructure costs in respect of the strategic sites. These figures are broken down on the individual strategic site S106 and infrastructure spreadsheet (Appendix 5 – Strategic Sites S106 and Infrastructure Cost Proformas). |
| External Works | 15% | We initially increased the external works costs to 20% for strategic sites, but this has been reduced back to 15% given the detailed analysis that has taken place in respect of the strategic site S106 and infrastructure costs (see above).<br>We have also received representations from a strategic site promotor which states that 10-15% would be appropriate. |

## Design Requirement Cost Assumptions

7.20 This are the same as for our generic typologies (see section 5).

## Other Cost Assumptions

7.21 Below summarises the strategic site-specific other cost assumptions.

**Table 7.4 - Other Cost Assumptions**

| Item | Baseline Assumption | Comments |
|---|---|---|
| Contingency | 7.5% - strategic sites | We have applied 3% contingency to all the build and infrastructure costs for greenfield sites and 5% for brownfield sites.<br><br>We have increased this again (to 7.5%) for strategic sites. This reflects the level of risk on the strategic infrastructure costs and is aligned to stakeholder feedback received from Homes England. Again, site specific abnormal costs should be deducted into the land price. |

## Profit Assumptions

7.22 below sets out the overhead and profit assumptions for the appraisals.

**Table 7.5 - Profit and Finance Assumptions**

| Item | Baseline Assumption | Comments |
|---|---|---|
| Profit on OMS | 17.33% | Profit level reflects the fact that housebuilders will be acquiring de-risked, serviced plots. |
| Profit on AH | 6% | |

7.23 For the purposes of the strategic sites' viability appraisal, we have assumed a baseline profit of 17.33% to the private housing (open market sales (OMS) values) and 6% profit to the on-site affordable housing (where applicable). This results in a blended profit margin of 15% for developers.

7.24 As noted earlier (section 5), these align with PPG recommendations of a 15-20% profit margin for plan viability. The PPG also allows for alternative figures where evidence supports variations based on development type, scale, and risk profile.

7.25 In this respect, our strategic sites appraisals are intended to show the viability of a parcel of land to a volume house-builder which is 'clean' and serviced and in the 'sweet-spot' in terms of scale and therefore we have adopted a profit of 17.33% on the market housing. Including 6% on the affordable housing this results in a blended profit margin of 15% which is still within the PPG range of 15-20%.

7.26 Note also that on volume house-builder schemes the professional fees, construction and sales functions are largely 'in-house' which means that these costs are internalised and transferred to gross profit.

## Interest and Timing Assumptions

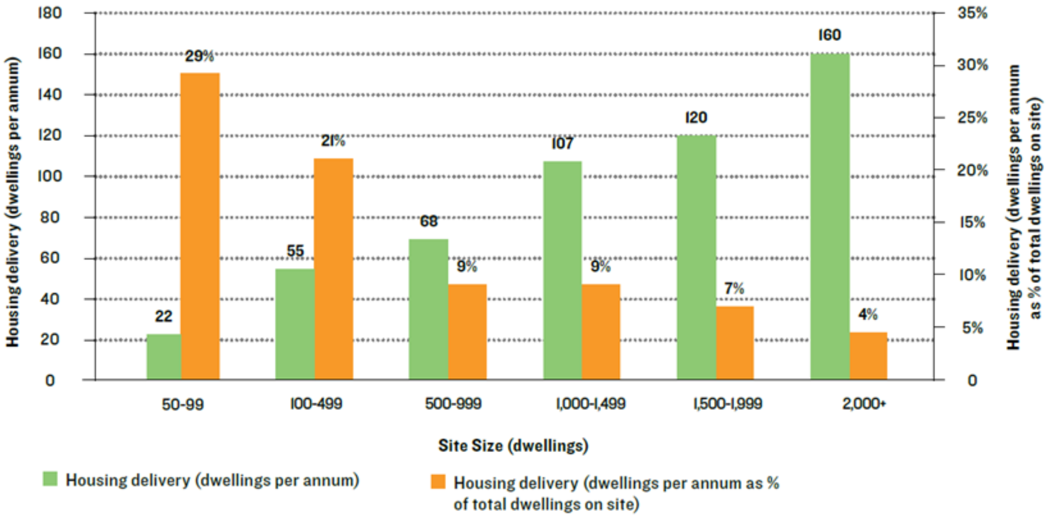
7.27 There have been various research publications in recent years to test the likely deliverability and build out of strategic sites. These include research by: Lichfields, February 2020, 'Start to Finish: What factors affect the build-out rates of large-scale housing sites?'; the Independent Review of Build Out (October 2018) by Rt Hon Sir Oliver Letwin MP – the Letwin Review; Barratt Research: Places for All Ages Delivering the Future Garden Village in October 2015; and The Role of Land Pipelines in The UK Housebuilding Process (September 2017).

7.28 It is important to note that we do not distinguish herein between delivery rates, build-out rates and take-up/absorption rate. This is because traditionally house-builders do not build ahead of demand.

7.29 There are a number of factors which impact delivery rates. These include the size of the development (bigger sites tend to achieve higher delivery rates); the ability to diversify the type, size and tenure of the dwellings provided; number of outlets/developers; the physical characteristics of the site; and the strength of the local housing market and wider economic cycles.

7.30 Figure 7.1 from the Lichfields research shows the average build-out rate by size of site (dpa).

**Figure 7.1 - Average Build-out Rates**




Source: Lichfields, 2020

7.31 However, Lichfields acknowledge that care in interpreting the findings of the research is needed as again there is significant variance[41]. The research acknowledges, for example, that for the largest sites the average build-out rate is 160 dpa and the median 137 dpa, but the highest site average was 286 dpa and the lowest site average was 50 dpa (for sites of 2,000+ dwellings). There may well be specific factors that mean a specific site will build faster or slower than the average. This can also vary year-on-year. The research states that no sites have been able to consistently deliver 300 dpa. This therefore should be considered the maximum[42]. However, we are aware that evidence presented in South Worcestershire's Five-Year Housing Land Supply Report 2022 demonstrates that locally delivery rates can surpass the levels achieved above.

7.32 One of the key findings of the Letwin Review was that the homogeneity of the types and tenures of the homes on offer on large sites, and the limits on the rate at which the market will absorb such homogenous products, are the fundamental drivers of a slow rate of build out[43].

7.33 Letwin acknowledges that:[44]

…'if either the major house builders themselves, or others, were to offer much more housing of varying types, designs and tenures including a high proportion of affordable housing, and if more distinctive settings, landscapes and streetscapes were provided on the large sites, and if the resulting variety matched appropriately the differing desires and financial capacities of the people wanting to live in each particular area of high housing demand, then the overall absorption rates – and hence the overall build out rates – could be substantially accelerated'.

7.34 The fundamental driver of *build-out rates* once detailed planning permission is granted for large sites is the market 'absorption rate' – the rate at which newly constructed homes can be sold into (or are believed by the house builder to be able to be sold successfully into) the local market without materially disturbing the market price.

7.35 There are a number of factors which impact the absorption rate. These include:

- number of outlets/developers i.e. size of the site;
- the ability to diversify the type, size and tenure of the dwellings provided;
- the physical characteristics of the site; and
- the strength of the local housing market and wider economic cycles.

7.36 The ability to differentiate and / or diversify the development increases with the size of the development (bigger sites tend to achieve higher delivery rates). For large sites (> 500 units) with a single outlet we would assume a delivery rate of 100 dpa. On larger sites where there may be 2 or more outlets, we would assume typically 200 dpa. In the case of Worcestershire Parkway (10,000 units), SWCs have assumed multiple outlets and an average delivery rate of 333 dpa.

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[41] Lichfields Start to Finish: What factors affect the build-out rates of large scale housing sites? SECOND EDITION, February 2020, page 11
[42] Lichfields Start to Finish: What factors affect the build-out rates of large scale housing sites? SECOND EDITION, February 2020, page 13
[43] Build out rates in the Garden Communities, North Essex Authorities (EB/082) July 2019, paragraph 5.9
[44] Build out rates in the Garden Communities, North Essex Authorities (EB/082) July 2019, paragraph 5.11

7.37 We set out below the timing and phasing for each of the strategic sites.

**Table 7.6 - Strategic Sites Timing Assumptions**

| **Item** | **Rushwick (1,000 units)** | **Throckmorton (5,000 units)** | **Worcestershire Parkway (10,000 units)** | **Mitton SUE (1,000 units)** |
|---|---|---|---|---|
| Initial Payments – planning | 18 months | 24 months | 36 months | 18 months |
| Site Specific S106 contributions - start | Start in year 3 for Rushwick and Mitton, year 4 for Worcestershire Parkway, and year 5 for Throckmorton, following the initial land drawdown and continuing in consecutive years as set out in the S106 and Infrastructure Cost proforma. | | | |
| Site Specific S106 contributions - end | The S106 contributions are cashflowed annually, with different timelines for each site. For Rushwick, the contributions span years 2-21, while for Mitton, they cover years 2-14. For Throckmorton and Worcestershire Parkway, the timelines extend beyond the considered period, with contributions continuing past year 21 for Throckmorton and Year 18 for Worcestershire Parkway. In our cashflow model, we have assumed these contributions will conclude at years 27 and 29, respectively. Contributions after these years are flat-lined to the end of the construction period. | | | |
| Site Specific Infrastructure costs - start | Start in year 4 for Rushwick and Worcestershire Parkway, year 3 for Throckmorton and Mitton, following the initial land drawdown and continuing in consecutive years as set out in the S106 and Infrastructure Cost proforma. | | | |
| Site Specific Infrastructure costs - end | The infrastructure costs are cashflowed-out on an annual basis, with different timelines for each site. For Rushwick, the contributions span years 3-20, while for Mitton, they cover years 2-14. For Throckmorton and Worcestershire Parkway, the timelines extend beyond the considered period, with contributions continuing past year 21 for Throckmorton and Year 18 for Worcestershire Parkway. In our cashflow model, we have assumed these contributions will conclude at years 22 and 29, respectively. Contributions after these years are flat-lined to the end of the construction period. | | | |
| Assumed number of outlets | 2 (no changes) | 4 (no changes) | 6-7 (no changes) | 2 (no changes) |
| Average sales per annum per outlet | 50 units | 50 units | 50 units | 50 units |

| Item | Rushwick (1,000 units) | Throckmorton (5,000 units) | Worcestershire Parkway (10,000 units) | Mitton SUE (1,000 units) |
|---|---|---|---|---|
| Total sales per annum | 100 dpa | 200 dpa, peaking at 250 in years 15 and 16 | 400 dpa, peaking at 450 in years 16 and 17 | 100 dpa |
| Build out – months[45] | 132 months | 240 months | 300 months | 132 months |
| Sales period | 138 months (lagged 6 months) | 246 months (lagged 6 months) | 306 months (lagged 6 months) | 138 months (lagged 6 months) |
| Cashflow positive | 112 months | 95 months (including grant) | 90 months (including grant) | 73 months |
| Interest on development costs £ | (3,485,683) | (7,494,666) | (11,233,271) | (2,427,082) |
| Land payment | RLV calculated at day 1, but in reality, the land will be drawn-down in parcels as each phase secured detailed planning consent. | | | |
| Interest on land | Proxy calculation based on carrying the land for 1 year prior to development of each phase. | | | |
| Interest on land £ | N/A as negative land value | (10,621,615) | (16,613,134) | (463,401) |

7.38 The above cashflow and interest calculations are high level based upon the best estimate of the timing and phasing of the S106 and infrastructure costs which are the critical ‘up-front’ and significant sums. In reality the financing of each strategic site will involve complex arrangements which have an interrelationship between land value and drawdown, profit and corporate finance measures and public sector and private sector funding.

## Strategic Sites BLV Moderation

7.39 As set out in Table 5.13, the baseline BLV assumption for greenfield sites in the high value zone was £275,000 per acre net. This assumption was updated in 2022 for 4 x strategic sites, and refined further for South Worcestershire Parkway.

[45] This does not take into consideration other tenure types and diversification as recommended by Letwin

7.40 To achieve this, we engaged with strategic site promoters and landowners to validate the assumption, as detailed in our July 2022 Report. This engagement was revisited in 2023 for the Worcestershire Parkway Strategic Site.

7.41 For ease of reference, the details are outlined below for each site.

7.42 Revisiting the Land Value Paper was beyond the scope of this work. However, the stability of greenfield land values since 2021, as confirmed by Savills' study, justifies retaining these assumptions in our 2024 report.

## Rushwick

7.43 Rushwick is made up of nine separate land parcels / landowners, with all but three in the control of a single site promotor.

7.44 Of these parties 4 have confirmed their land value expectations in terms of Existing Use Value (EUV). This ranges as follows:

- Circa £8,000 - £10,000 per acre agricultural land
- £12,500 per acre gross
- £10-12,000 per acre for agricultural land
- Agricultural use value – currently estimated to be approximately £10-£15,000 per acre.

7.45 In terms of the Premium / Minimum Land Value, we have received the following value comments:

- £12,500 x 25 = £312,500 gross
- In our experience land values of £300k/ developable acre (£741,333/ha) are required.
- Benchmark Land Value (BLV) of £100,000 - £150,000 per gross acre would be considered appropriate for an assessment of scheme viability. The BLV allowance is loosely based on the Existing Use Value for agricultural land subject to a 10-20 multiplier
- The adopted EUV + Premium (£100k - £150k per gross acre) would be considered appropriate for the purposes of any assessment of viability.

7.46 Some of the above feedback is more considered than others and we have received additional comments about confidentiality and the incorporation of deductions in agreements for abnormal costs etc.

7.47 For the purposes of our viability assessment, we have included a **BLV of £300,000 per acre net** which equates to £102,000 per acre gross. This reflects the above engagement and ensures deliverability.

## Throckmorton New Settlement

7.48 Throckmorton New Settlement similarly made up of some 10 separate land parcels / landowners. It is more complex by the fact that it is part greenfield and part brownfield.

7.49 Information that has been gleaned in respect of Existing Use Value (EUV) at the site comprise:

- 54 acres of open storage @ £125,000 per acre
- 10 acres of warehousing/industrial plots @ £500,000 per acre
- 130 acres of greenfield space used for various research uses (refer to planning permission) @ £40,000 per acre
- 45 acres of greenfield land @ £20,000 per acre
- EUV Land at Manor Farm 50 acres of agricultural land @ £10,000 per acre
- Circa £8,000-£10,000 per acre [ for agriculture]
- Circa £9,000 per acre, but site remediation is required to remove material related to unauthorised waste processing on site.

7.50 None of the site promotors have provided information in respect of the Premium / Minimum Land Value, with the exception of one who has confirmed that there is no minimum land value in the agreement.

7.51 Working with the SWC we have complied a breakdown by area of the various existing uses and applied the above values to the same. We have included a 10 x premium on the agricultural land and a premium of 5-20% on the commercial land depending on the use. This calculation results in a minimum land value (BLV) of £148,862,059. This equates to circa **£482,000 per acre net** and £84,000 per acre gross. This is consistent with the BLVs used for the generic brownfield typologies.

## Worcestershire Parkway

7.52 Referring back to our initial early engagement, none of the Consortium engaged in the process of disclosing Existing Use Value (EUV) assessments for the site, other than to confirm it is majority agricultural land use.

7.53 During the course of 2021/22, we did receive the following comments in respect of the Premium / Minimum Land Value:

- Stated £120,000 per acre gross residual land value
- 10% - 20% as per national guidance 14%-15% as per AV 2020 viability study
- Minimum land values set out are as follows on a net developable acreage (net) basis: residential £275k per acre net, subject to RPI capped at £325k; and Commercial - £150k per acre net subject RPI capped at £175k.
- 'Minimum price per net developable acre in Promotion Agreement has not been confirmed, but "this will remain confidential. We do not believe that the minimum price will represent a barrier to viability/deliverability on the site at this point."'

7.54 As well as the scale of Worcestershire Parkway in terms of hectares and the number of landowners, part of the challenge is the particularly low gross-to-net site ratio.

7.55 We have therefore sought to engage with the Consortium in respect of the actual agreements on-the-ground in order to assess the actual deliverability (not just the hypothetical BLV).

7.56 The PPG Viability states throughout that the price paid for land cannot be used as justification for failing to accord with relevant policies in the plan (paragraphs 002, 006, 011, 014). However, the price paid (or purported to be paid) is entirely relevant where this could be less than the BLV stated by the site promotors. The PPG states that, 'Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement)' (paragraphs 014 and 016). This is part of the Councils' due diligence for site allocations and we have requested details of land prices, option and promotion agreements from the site promoters. This is not to say that these are the values that the landowners expect to achieve in the future (where policy compliant residual land values could be higher than current expectations due to growth).

7.57 As stated above, most of the site promoters have not been transparent in their responses to date. Only Summix have provided data on minimum prices relating to their land interests. This information has been provided under a Non-Disclosure Agreement. Although we will not disclose the information shared, because no other landowners have been forthcoming, we must assume that their land can be secured for similar prices. We have used the data shared for comparison with the assumptions made.

7.58 The Council have also carried out Land Registry searches to assess the publicly available land transaction history at the site. Their research is summarised in the following table, having regard to the Land Ownership Plan - on behalf of Summix.

**Table 7.7 - Land Transactions History**

| No. | Date of Transaction | Land Area | | LR Record | Analysis | | Comments |
|---|---|---|---|---|---|---|---|
| | | Acres | Hectares | £ | £ per acre | £ per hectare | |
| 1 | 19-Oct-18 | 393.57 | 159.276 | £13,000,000 | £33,031 | £81,619 | Large parcel of land in southern section of Parkway. Price paid by site promotor clearly reflects hope value. |
| 2 | 31-Aug-11 | 95.80 | 38.77 | £4,000,000 | £41,752 | £103,172 | |
| 3a | 08-Jan-21 | 54.86 | 22.201 | £4,871,727 | £88,808 | £219,437 | This is Homes England. Price Paid clearly reflects hope value |
| 4 | 18-Sep-09 | 116.74 | 47.245 | £417,550 | £3,577 | £8,838 | Strong EUV evidence (if a bit dated) |
| 6 | 31-Mar-06 | 12.98 | 5.254 | £425,000 | £32,735 | £80,891 | Paddock land evidence - small plot. Includes barn/stable building (from Google maps) |
| 8 | 01-Sep-20 | 2.42 | 0.98 | £100,000 | £41,355 | £102,190 | Owned by family trust. Price is a stated value at September 2020 and not a price paid. |
| 13 | 19-Dec-04 | 4.12 | 1.67 | £375,000 | £91,036 | £224,955 | Owned by MARTIN RALPH ROWLEY and GILLIAN FRANCES ROWLEY. A restriction on disposition included in 2021 with Berkeley Estates. |
| 15 | 13-May-16 | 7.07 | 2.86 | £525,000 | £74,222 | £183,405 | Price paid clearly reflects hope value |
| 16a | 15-Mar-18 | 1.50 | 0.61 | £50,000 | £33,333 | £82,368 | Price paid clearly reflects hope value |
| 16b | 17-Jul-18 | 1.35 | 0.55 | £50,000 | £37,037 | £91,520 | Price paid clearly reflects hope value |
| 21 | 19-Jan-19 | 8.17 | 3.31 | £100,000 | £12,242 | £30,251 | Strong EUV evidence. |
| 22 | 01-Feb-19 | 22.87 | 9.254 | £1,860,000 | £81,347 | £200,994 | Price paid clearly reflects hope value |
| 23 | 04-Aug-20 | 70.03 | 28.342 | £525,000 | £7,496 | £18,524 | This is a large are on the west of the railway line near the District Centre. |

Source: SWCs / Land Registry

7.59 As you can see from the above, there is a wide range of values (£ per acre) depending upon the size of land parcel and buyers' assumptions.

7.60 Plots 3a and 22 are close to the District Centre/Parkway Station and we assume that the price reflects the hope value of development being deliverable around the station i.e. subject to planning i.e. Net Development Value.

7.61 Plot 4 provides good evidence of agricultural values – Existing Use Values – if a little dated now. Plots 21 and 23 provide more up-to-date EUV evidence.

7.62 In terms of the land assembly, land ownership details provided by Summix show that c 56% of the area is controlled (either owned, option agreement of promotion agreement – solicitors instructed). 37% of the land is 'in negotiation'. 7% of the land owners have not yet been approached, or have not responded. [this may have progressed further in the last 12 months].

7.63 We have also considered the following evidence and factors in determining the BLV at Worcestershire Parkway (and the other greenfield strategic sites).

**Table 7.8 - Premium for Worcestershire Parkway BLV Considerations**

| **Evidence / Source** | **Quote / Comments** |
|---|---|
| Salt Cross Garden Village<br>(Inspector’s Report - March 2023) | BLV was based on a multiplier of 10 times the existing agricultural use value (£10,000/acre) due to extensive infrastructure and low net-to-gross development ratios.<br>Inspector’s report supported the pragmatic approach to BLV, deeming the appraisal reasonable. |
| Land at Warburton Lane<br>(Appeal Ref: APP/Q4245/W/19/3243720)<br>(January 2021) | The Council used a multiplier of 10 on agricultural land value (£8,000/acre) for the net developable area.<br>The Inspector emphasised that the premium should be sufficient to incentivise landowners to sell and agreed with the Council's methodology. |
| North Essex Garden Communities<br>Inspector's Post-Hearing Letter to North Essex Authorities<br>(May 2020) | The Inspector suggested a BLV range of 5–10 times agricultural land value (£50,000–£100,000/acre) based on policy requirements and landowner incentives. |
| Homes and Communities Agency Viability Guidance<br>(August 2010) | It Highlights that greenfield land premiums typically range between 10 - 20 times agricultural value. |

Source: AspinallVerdi

7.64 Having regard to the above we calculate the following BLV, set out in Table 7.9.

**Table 7.9 - Worcestershire Parkway BLV Analysis**

| | | | |
|---|---|---|---|
| **Benchmark Land Value** | **£176,074,146** | | |
| | Ha | Acres | Ratio % |
| **Total Gross site area to be acquired** | 987.5 | 2,440.21 | 100.00% |
| | £178,296 | £72,155 | |
| **Total Net Developable Area** | 310.4 | 766.97 | 31.43% |
| | £567,267 | £229,570 | |
| **Net Residential Land** | 245.6 | 606.98 | |
| | £602,807 | £243,943 | |
| **Net Commercial Land** | 64.8 | 160.00 | |
| | £432,443 | £175,000 | |

Source: 230706 WP Master Appraisal Assumptions sheet_v0.8

7.65 Based on the 2023 analysis, the BLV is calculated at £72,155 per gross acre and £229,570 per net acre. On a net residential basis, this equates to £243,943 per net acre, while on a net commercial basis, the BLV represents £175,000 per net acre.

7.66 Consequently, we have maintained an assumed **BLV of £244,000 per net acre net** for the purposes of this viability assessment, consistent with the methodology outlined above.

7.67 Furthermore, we have considered updated information from the Worcestershire Parkway Functional Site Boundary study undertaken by David Lock Associates (DLA) in October 2024. The study indicates that the total developable area has been revised to 452 hectares, with the net residential land area now adjusted to 297 hectares and employment land of 50 hectares. This gives a density of 33.7 dph net.

## Mitton SUE

7.68 Mitton SUE is the most straightforward of the strategic sites. It is understood to be in single landownership (additional allocation) under the control of Barratts David Wilson Homes through an option agreement.

7.69 Barratts have not confirmed the EUV or the premium. However, they have confirmed verbally in the 1-2-1 meeting (June 2021) that the minimum land value in option agreement is £250,000 per acre net developable.

7.70 We have therefore used **£250,000 per acre net as the BLV**.

## Strategic Sites Appraisals

7.71 This section sets out our appraisal modelling results.

7.72 We set out the results in the order of the Typologies Matrix. The Strategic Sites appraisals are appended in full at Appendix 7. These include a summary table at the end of each batch of appraisals.

7.73 Particular attention should be paid to the sensitivity tables across all typologies. These are shown at the bottom of each appraisal. We have carried out the following sensitivity analysis herein (see appraisals):

- Table 1 – CIL v Affordable Housing %
- Table 2 – Site Specific S106 % v Affordable Housing %
- Table 3 – Affordable Housing % v Profit %
- Table 4 – Affordable Housing % v BLV
- Table 5 – Affordable Housing % v Density
- Table 6 – Affordable Housing % v Build Costs %
- Table 7 – Grant v Affordable Housing %

7.74 We set out below the results of viability appraisals. The full appraisals are provided in Appendix 7

**Table 7.10 - Strategic Sites Appraisal Results**

| **Appraisal Ref:** | **AAC** | **AAD** | **AAE** | **AAF** |
|---|---|---|---|---|
| Scheme Typology: | Houses & Flats | Houses & Flats | Houses & Flats | Houses & Flats |
| No Units: | 1000 | 5000 | 10000 | 1000 |
| Location / Value Zone: | Higher | Higher | Higher | Higher |
| Greenfield/Brownfield: | Greenfield | Greenfield / Brownfield | Greenfield | Greenfield |
| Notes: | Rushwick Strategic Site | Throckmorton New Settlement | Worcestershire Parkway Garden Village | Mitton SUE |
| Total GDV (£) | 296,538,484 | 1,641,878,358 | 3,173,514,835 | 296,538,484 |
| **Policy Assumptions** | | | | |
| AH Target % (& mix): | 40% | 40% | 40% | 40% |
| Affordable Rent: | 0% | 0% | 0% | 0% |
| Social Rent: | 69% | 69% | 69% | 69% |
| First Homes: | 25% | 25% | 25% | 25% |
| Intermediate (Affordable Home Ownership): | 6% | 6% | 6% | 6% |
| CIL (£ psm) | - | - | - | - |
| CIL (£ per unit) | - | - | - | - |
| Site Specific S106 (£ per unit) | 49,275 | 43,659 | 37,732 | 23,984 |
| Sub-total CIL+S106 (£ per unit) | 49,275 | 43,659 | 37,732 | 23,984 |
| Site Infrastructure (£ per unit) | 18,890 | 14,492 | 18,295 | 25,911 |
| Sub-total CIL+S106+Infrastructure (£ per unit) | 68,165 | 58,151 | 56,027 | 49,896 |
| **Profit KPI's** | - | - | - | - |
| Developers Profit (% on OMS) | 17.3% | 17.3% | 17.3% | 17.3% |
| Developers Profit (% on AH) | 6.0% | 6.0% | 6.0% | 6.0% |
| Developers Profit (% blended) | 15.00% | 15.00% | 15.00% | 15.00% |
| Developers Profit (% on costs) | 16.86% | 17.54% | 17.85% | 18.12% |
| Developers Profit Total (£) | 44,480,773 | 222,403,863 | 444,749,689 | 44,480,773 |
| **Land Value KPI's** | - | - | - | - |
| RLV (£/acre (net)) | (166,078) | 424,972 | 279,745 | 92,866 |
| RLV (£/ha (net)) | (410,378) | 1,050,106 | 691,250 | 229,472 |
| RLV (% of GDV) | -3.95% | 8.85% | 6.92% | 1.93% |
| RLV Total (£) | (11,725,094) | 131,263,312 | 205,301,375 | 5,736,808 |
| BLV (£/acre (net)) | 300,000 | 481,949 | 244,000 | 250,000 |
| BLV (£/ha (net)) | 741,300 | 1,190,896 | 602,924 | 617,750 |
| BLV Total (£) | 21,180,000 | 148,862,059 | 179,068,429 | 15,443,750 |
| Surplus/Deficit (£/acre) [RLV-BLV] | (466,078) | (56,977) | 35,745 | (157,134) |
| Surplus/Deficit (£/ha) | (1,151,678) | (140,790) | 88,326 | (388,278) |
| Surplus/Deficit Total (£) | (32,905,094) | (17,598,747) | 26,232,946 | (9,706,942) |
| **Plan Viability comments** | Not Viable (exc. Grant) | Maringally unviable - inc.Grant (£60m) | Viable - inc.Grant (£134m) | Marginal (Excl. Grant) |

Source: AspinallVerdi '241219 SWC_Whole Plan Viability Appraisals_v20_Strat Sites

## Rushwick

7.75 The Rushwick strategic site(s) is unviable at 40% affordable housing due to a negative RLV of -£166,078.

7.76 The scheme involves 1,000 units with combined S106 and infrastructure costs of £68,165 per unit, which is significantly higher than comparable schemes. For instance, the Mitton scheme, with the same number of units, incurs costs of £49,896 per unit. Similarly, the Parkway scheme, which is 10 times larger (10,000 units), has lower combined S106 and infrastructure costs of £56,027 per unit, further highlighting the disproportionately high costs associated with the Rushwick site.

7.77 Sensitivity analysis indicates that the Rushwick scheme can achieve viability by reducing affordable housing provision to 10%. However, even with public sector intervention of £30,000 per unit, the scheme can only achieve 35% affordable housing provision, falling short of the 40% target.

7.78 Alternatively, viability can be achieved with 40% affordable housing if market values increase by 20%.

## Throckmorton New Settlement

7.79 The Throckmorton New Settlement scheme is marginally unviable, even with the inclusion of potential public sector intervention of £12,000 per unit (a total of £60,000,000). While the scheme generates a positive residual land value (£424,972 per acre), it remains slightly below the assumed BLV of £482,000 per acre.

7.80 Several adjustments could positively impact the scheme's viability at 40% affordable housing. These include lowering the developer's profit on open market sales to 15% (2.33% less than the assumed 17.33%), setting the BLV at £400,000, reducing build costs by 5%, or increasing market sale values by 5%.

7.81 These adjustments, while modest and realistic, suggest that the scheme is so close to being viable at 40% affordable housing.

7.82 Additionally, securing and increasing the funding from £12,000 to £18,000 per unit would make this scheme viable.

## Worcestershire Parkway

7.83 Worcestershire Parkway is viable with the inclusion of potential public sector intervention of £13,400 per unit (a total of £134,000,000). The scheme generates a positive residual land value (£279,745 per acre), which is above the assumed BLV of £244,000 per acre.

7.84 It is important to note that this status depends on securing funding of at least £12,000 per unit.

7.85 In addition, the 50 hectares of employment land at Worcestershire Parkway could potentially generate income for the Local Authority through contributions to the Community Infrastructure Levy (CIL) and could help fund essential infrastructure needs to some extent.

7.86 It is also worth exploring the possibility of increasing residential density and refining the unit mix, as this could enhance the financial viability of the development and better utilise the land to meet housing demand, further contributing to the overall value of the project.

## Mitton SUE

7.87 Mitton SUE is also marginally unviable at 40% affordable housing.

7.88 The scheme becomes viable with 30% affordable housing, generating a positive surplus of £45,058.

7.89 Alternatively, viability can also be achieved through a 10% increase in market sale values or by securing a funding of £12,000 per unit (for example through the Affordable Housing Programme).

## Premium Values, Funding and Delivery

7.90 There is increasing evidence that new energy efficient homes on garden communities and strategic sites can attract premium values. SWCs have also applied for public sector funding to accelerate the delivery of the 2 largest strategic sites: Worcestershire Parkway and Throckmorton.

7.91 The concepts of the 'Eco Premium' and the 'Garden Community Premium' reflect the increasing value placed on energy efficiency and high-quality placemaking in the UK property market. Studies and reports from Halifax, Legal & General, Savills, RICS, and the London School of Economics (LSE) collectively highlight that these attributes not only enhance property desirability but also contribute to significant long-term value growth.

### Eco-Homes Premium

7.92 In South Worcestershire, the integration of eco-friendly homes can significantly enhance property values and improve the viability of real estate schemes. For instance, homes with higher Energy Performance Certificate (EPC) ratings can fetch up to £40,000 more than those with lower ratings, as highlighted by Halifax[46] (2021). Furthermore, upgrading a home's EPC rating can result in substantial increases in property value, which directly benefits developers and homeowners.

7.93 The rising demand for energy-efficient homes also creates an opportunity for developers in South Worcestershire to tap into this growing market. Legal & General's[47] research (2022) indicates that there has been a 34% increase in searches for eco-friendly homes, with buyers, particularly younger demographics like Gen Z, willing to pay substantial premiums for low-carbon properties. This willingness to pay more extends to renters as well, who are prepared to pay an average of 13% more for eco-friendly homes.

7.94 Moreover, the analysis by Savills[48] (2023) underscores the financial implications of building eco-homes, noting that while construction costs for these homes are higher due to the need for advanced energy-efficient features, larger eco-homes can achieve a premium of up to 12% over standard new builds. This suggests that developers in South Worcestershire who focus on building larger, energy-efficient homes may achieve better returns on their investments. However, they must also consider the added costs and adjust land prices accordingly to maintain viability.

### Placemaking Premium

7.95 Beyond individual energy-efficient homes, placemaking also plays a critical role in driving property value. Garden Communities, which integrate sustainable living with thoughtfully designed spaces, aspire to create environments akin to conservation areas. These areas, protected for their architectural or historic significance, have been shown to attract an average premium of 9% on house prices, according to LSE's

[46] https://www.lloydsbankinggroup.com/assets/pdfs/media/press-releases/2021-press-releases/halifax/halifax-green-homes-premium-press-release.pdf
[47] https://group.legalandgeneral.com/media/vm0g2fvp/low-carbon-homes-release-final.pdf
[48] https://www.savills.co.uk/research_articles/229130/348619-0

study[49] (2012). This analysis of over 1 million property transactions and resident surveys highlights how the placemaking qualities of conservation areas contribute to long-term value growth.

7.96 Similarly, studies by Savills[50] and RICS[51] in 2016 illustrate the financial impact of investment in placemaking. Savills' land value model demonstrated that a 50% increase in placemaking expenditure can boost land value by 25%, with sales values increasing by up to 30% in well-designed schemes like Poundbury. RICS further observed that placemaking efforts in low-value areas can yield premiums of up to 20%, with the highest value growth associated with early delivery of community infrastructure such as schools, parks, and public spaces.

7.97 The premium associated with Garden Communities, however, often takes time to materialise. It requires the build-out of critical infrastructure, landscaping, and a sense of community before buyers fully appreciate the quality of the development. Unlike the immediate value uplift seen with eco-homes, the Garden Community Premium grows as the development matures, fostering long-term value appreciation.

7.98 It is important to note that although our value assumptions have not explicitly factored in uplifts for eco-homes or garden community as outlined here, embracing both approaches in South Worcestershire is likely to positively impact viability.

## Funding and Economic Development

7.99 In addition to the above potential premiums, the Councils have been working closely with government agencies to secure funding and support for the delivery of strategic infrastructure and housing at Worcestershire Parkway and Throckmorton.

7.100 Overall, the SWDPR makes provision for 26,360 homes, including strategically significant sites for new settlements at these two sites. Delivering these homes will support the new government in its ambition to deliver 1.5 million homes by 2029 as well as accord with the primary objective of the New Towns Taskforce to create new and expanded places and thereby boost economic growth and the supply of new homes.

7.101 Both the Worcestershire Parkway and Throckmorton new settlements have the potential to be successful new communities that drive economic growth, reduce inequality, and meet the government's aspirations around sustainability and affordability. They not only help to meet immediate housing need but will also meet need beyond the plan period.

7.102 Given the scale and the ambition of the proposed strategic allocations the South Worcestershire Councils have collaborated with Homes England over a number of years to progress both the proposals and the supporting evidence base. At Worcestershire Parkway this has included direct action by Homes England in acquiring land to advance the Town Centre proposal at the heart of the allocation. Additionally, Homes England have provided funding for technical work to support the evidence base for the Parkway allocation.

[49] https://www.lse.ac.uk/geography-and-environment/research/lse-london/documents/Reports/An-assessment-of-the-effects-of-conservation-areas-on-value.pdf
[50] https://pdf.euro.savills.co.uk/uk/residential---other/spotlight-the-value-of-placemaking-2016.pdf
[51] https://www.rics.org/content/dam/ricsglobal/documents/standards/placemaking_and_value_1st_edition.pdf

7.103 Worcestershire Parkway has also been at the forefront of the government's proposals to unlock housing growth nationally. In her first speech as Chancellor on the 8th July 2024, Rachel Reeves MP laid out plans to rebuild Britain and make every part of the country better off. This included putting growth at the centre of the planning system and restoring mandatory housing targets as well as creating a new taskforce to accelerate housing sites across the country:

*"…beginning with Liverpool Central Docks, Worcester Parkway, Northstowe and Langley Sutton Coldfield, representing more than 14,000 homes".*

7.104 Both Parkway and Throckmorton have been raised by the Councils with the New Towns Taskforce, the Chair of which, Sir Michael Lyons, replied on the 10th December that:

*"I am very keen to work in partnership with local leaders and communities, harnessing your knowledge and expertise to help shape our thinking as we develop our report. To facilitate this, on the 4th November we launched a call for evidence, with an aim to expand our evidence base, and gain an understanding of opportunities for large development that we aren't already aware of."*

7.105 Sir Michael subsequently confirmed that Parkway is already known to the Taskforce and the MHCLG "*so there is no need for you to put forward a submission*". With regard to Throckmorton the size of the proposal at 5000 homes is under the threshold for the New Towns Programme but Sir Michael added that this does not mean that the site is not of interest to the Department to whom he has passed it on.

7.106 The Councils have also raised the two sites through the government's New Homes Accelerator Programme Call for Sites. This included 'bids' for funding support for the early delivery of infrastructure at both Worcestershire Parkway and Throckmorton (£134m and £60m respectively).

7.107 Given the focus on increased housing delivery overall and the Parkway site in particular the Councils are optimistic regarding the prospect of funding support either through a repayable grant, a loan or some other form of funding support that may require future repayment, or for particular elements of infrastructure and / or affordable housing.

7.108 It is also important to approach viability as a multi-layered process, allowing for multiple adjustments to achieve a sustainable and deliverable outcome. For example, instead of reducing the percentage of affordable housing, a small adjustment in Benchmark Land Value (BLV) or developer profit margins could help maintain viability, particularly on strategic sites where substantial profit margins often remain. Similarly, if funding is not provided in full, the shortfall could be mitigated by combining partial grant support with increased sales value.

7.109 The councils also should actively pursue different funding mechanisms and financial contributions through its own initiatives to support development viability. This includes regularly reviewing and updating the Community Infrastructure Levy (CIL) charging schedule to reflect current market conditions and infrastructure needs, ensuring it remains fair and deliverable. Additionally, the council should take a proactive approach in bidding for public funding and unlocking grants to bridge viability gaps, demonstrating its commitment to delivering critical infrastructure. By taking these steps, the council can show its dedication to fostering a strong local economy, creating a supportive environment that encourages site promoters and developers to come forward with confidence, ultimately facilitating the timely and sustainable delivery of strategic developments.

7.110 Furthermore, Wychavon District Council is also prepared to consider forward funding key infrastructure items subject to the cost being repaid at a later date through future S106 payments at the Parkway site. In this regard the Councils are seeking legal advice on an overall delivery mechanism to both ensure that the infrastructure required by the Worcestershire Parkway development is delivered and that all landowners and developers bringing forward development at the site contribute towards it on an equitable, proportionate and consistent basis.

7.111 Going forward the Councils will therefore continue their productive working relationship with government and its agencies, particularly Homes England, to bring forward much needed housing.

## Delivery Strategy

7.112 The strategic site policies SWPR51 to SWPR54 require the preparation of agreed comprehensive Masterplans to be prepared by the site promoters in collaboration and agreed with the Local Planning Authority in consultation with Worcestershire County Council. The number and phasing of dwellings to be permitted, and the timing of housing delivery will be linked to the planned infrastructure delivery. This will be agreed and conditioned through the planning application process.

7.113 It will be important as part of this process that the site promoters explain clearly how the strategic sites will be delivered including mechanisms for joint working, coordination, land and cost equalisation i.e. comprehensive Delivery Strategies.

7.114 Delivery Strategies should have regard to:

- Demand and need – for particular house types, sizes and tenures and particular sectors including older persons housing, build to rent, single family housing etc.
- Sustainable design – in terms of garden community principles and placemaking; and unit design (low energy homes).
- Community and stakeholder engagement – to ensure the local community benefits from the strategic sites in terms of infrastructure provision and services etc; and that Members and Politicians are aligned in terms of delivery.
- Land assembly – including by both private treaty and (potentially) compulsory purchase to ensure land is brought forward in a timely manner including appropriate oversight of option and promotion agreements (in accordance with PPG Paragraphs 014 Reference ID: 10-014-20190509 and Paragraph: 016 Reference ID: 10-016-20190509) and cashflow and timing of land draw-down etc.
- Planning consents – to be coordinated against the overall masterplan ensuring the timely delivery of affordable housing and infrastructure. It may relevant to develop Supplementary Planning Documents (SPDs) to implement the delivery of the strategic sites.
- Financial viability and funding – the business case for the strategic sites and phases thereof to be kept under review in terms of costs and values, landowners return and developer profit. This is vis-à-vis S106 contributions, affordable

housing and infrastructure; and the timing and phasing of infrastructure; and the availability of public sector funding to unlock the cashflows.

- Delivery mechanism – the site promoters, land owners and developers need to work with the councils ensure that the cost of land and infrastructure is equalised and a fair and transparent manner amongst the parties.

7.115 For the strategic sites to be successfully delivered, all the key aspects above must be considered in parallel.

7.116 We emphasise the importance of land assembly and delivery mechanisms, alongside financial viability and funding, to ensure coordinated and sustainable delivery.

7.117 These priorities align with policies, which highlight the need for a comprehensive Masterplan to guide the successful implementation of strategic sites.

7.118 We, hence, recommend Delivery Strategies for the strategic sites be developed including a phased approach to housing and infrastructure delivery, alongside mechanisms to ensure the timely provision of critical infrastructure that supports development. The delivery strategies will need to maintain flexibility to address viability challenges and adapt to evolving site requirements.

7.119 Delivery Strategies offer an opportunity to provide a clear delivery mechanism considering collaboration between the Local Planning Authority and site promoters / landowners, and other stakeholders.

7.120 The successful delivery of the strategic site allocations relies on aligning the positions, interests, and needs of all parties involved. Where landowners support the development and a clear route to land acquisition is established, councils and landowners must work together to achieve shared objectives and deliver sustainable outcomes.

7.121 At face value land owners want to maximise value for private gain and the council wants to maximise the public benefit in terms of affordable housing, schools, green and blue infrastructure etc. These 'positions' might seem diametrically opposed. However, not all landowners and developers live up to these stereotypes and many want to live a legacy of 'good' development (recognising that 'good' often adds commercial value too). At a base level, it is recognised that house-builders cannot develop houses without infrastructure; and without the housing the infrastructure cannot be funded. There is therefore a lot of common-ground between the council and landowners/developers to deliver the scheme.

7.122 Considering this dynamic, robust Delivery Strategies can establish clear parameters for collaboration, aligning interests while fostering accountability, trust, and flexibility. Introducing transparency on land values and clearly defining the circumstances under which both parties operate can enhance mutual trust and ensure accountability. By setting realistic and adaptable expectations, the Delivery Strategies can provide a framework that balances public benefit with commercial deliverability.

# 8 Conclusions and Recommendations

8.1 In this section we set out our conclusions for the Local Plan policies, including strategic sites, and our recommendations for further work.

## Residential Typologies

8.2 Smaller Greenfield schemes in higher value areas are generally marginal and require 10 - 15% uplift in open market sales value to become viable. This is due to the higher build costs for SME developers.

8.3 Large Greenfield schemes in higher value area are fundamentally viable and demonstrate greater robustness compared to smaller schemes due to economies of scale.

8.4 Smaller Greenfield schemes in lower value areas are less viable compare to those one in higher value Greenfields, with most typologies requiring at least a 15% increase in market values to reach planning viability over BLV.

8.5 Large Greenfield schemes in lower value zones are generally viable. The only marginal typology, Typology Q, require only minimal adjustments, such as a 1% reduction in the developer’s profit margin or a 5% open market sales value uplift, to become viable for plan-making purposes.

8.6 Overall, larger Greenfield schemes, whether in higher or lower value zones, consistently demonstrate viability.

8.7 In higher value areas, Brownfield sites, both smaller and larger schemes are predominantly marginal. Larger schemes require minimal adjustments, such as a 1% reduction in the developer’s profit margin or a 5% increase in market values, and demonstrate strong potential for achieving viability. Smaller schemes, on the other hand, face larger deficits and require significant market value uplifts of around 20% to address the viability gap. This is due to the additional costs for smaller developers.

8.8 In lower value areas, only larger Brownfield schemes show potential for achieving viability. Among smaller schemes, viability is limited to those that are not required to provide affordable housing.

8.9 Overall, larger schemes in both higher and lower value brownfield areas demonstrate stronger viability potential. Smaller schemes, however, face significant challenges, with viability heavily dependent on the absence of affordable housing requirements or substantial market value uplifts. This underscores the importance of targeted interventions to address the specific constraints faced by smaller schemes in these areas.

8.10 The table below provides a summary of our findings, highlighting the viability outcomes based on the proposed % of Affordable housing and necessary adjustments for both smaller and larger schemes across greenfield and brownfield areas in higher and lower value zones.

**Table 8.1 - Typologies Findings Summary**

| Site Typology / Value Zone | Smaller Schemes (<100 units) | Larger Schemes (≥100 units) |
|---|---|---|
| **Greenfield Higher Value Zone – 40% AH** | They are generally marginal and require 10-15% uplift in open market sales value to become viable due to higher build costs for SME developers. | They are fundamentally viable and demonstrate greater robustness compared to smaller schemes due to economies of scale. |
| **Greenfield Lower Value Zone – 40% AH** | They are less viable compared to those in higher value Greenfields, with most typologies requiring at least a 15% increase in market values to reach planning viability over BLV. | They are generally viable; if not, they require only minor adjustments, such as a 1% reduction in the developer's profit margin or a modest 5% increase in open market sales values, to achieve viability. |
| **Brownfield Higher Value Zone – 30% AH** | They are predominantly marginal. Smaller schemes face larger deficits and require significant market value uplifts of around 20% to address the viability gap due to additional costs for smaller developers. | They are predominantly marginal; however, they demonstrate strong potential for achieving viability with minimal adjustments, such as a 1% reduction in the developer's profit margin or a 5% increase in market values. |
| **Brownfield Lower Value Zone – 30% AH** | Among smaller schemes, viability is limited to those not required to provide affordable housing. | Larger Brownfield schemes show potential for achieving viability, requiring adjustments such as a 5% reduction in profit, a 5% uplift in market values, or a 10% reduction in build costs. |

8.11 Based on the above appraisal results and the relatively modest adjustments to deliver viability form the sensitivity tables; we are content that the Plan is deliverable with policy SWDPR 18 affordable housing at 40% on greenfield land sites and 30% of the units to be affordable on brownfield sites.

8.12 The policy enables that exceptionally, and *usually only brownfield sites*, where it has been demonstrated that the proportion of affordable housing sought by SWDPR 18 would not be viable, the maximum proportion of affordable housing will be sought that does not undermine the development's viability.

8.13 Larger schemes in both greenfield and brownfield areas consistently show stronger viability potential, requiring minimal adjustments to achieve positive outcomes. Encouraging the development of such schemes will maximise the likelihood of meeting affordable housing targets.

8.14 Smaller schemes, especially in lower value zones, face considerable viability challenges due to higher per unit costs. Public sector interventions, such as reduced S106/S278 contributions or infrastructure funding, could help bridge these gaps.

## Financial Viability Assessments

8.15 Financial viability assessments conforming to an agreed methodology will be required and, where necessary, the LPA will arrange for them to be independently appraised at the expense of the applicant. Further details on how the policy will be applied should be set out in policy and guidance (e.g. in an Affordable Housing Supplementary Planning Document (SPD)).

8.16 We recommend that this policy and guidance includes detailed description of the site due diligence expected by land-buyers and the circumstances a viability assessment will be excepted. This should also set out detailed requirements of the information required to be provided as part of a developer's viability assessment. This should include land value / price transparency.

## Strategic Sites

8.17 The viability for the strategic sites is challenging and requires further intervention.

8.18 The results of viability assessment for strategic sites are summarised below.

**Table 8.2 - Strategic Sites Findings Summary**

| Strategic Site | Viability Status | Recommendations/Adjustments |
|---|---|---|
| **Rushwick** | Unviable at 40% AH with a negative RLV of -£166,000 per acre. | Reduce or delay delivery of high-cost infrastructure; or increase market values by 20%. |
| **Throckmorton** | Marginally unviable at 40% AH; including £12,000 potential public sector intervention; with BLV slightly below threshold (£424,000 per acre vs. £482,000 per acre) | Identify and secure funding from relevant public sector funders to deliver necessary infrastructure, estimated at/above £18,000 per unit; reduce BLV to £400,000; cut build costs by 5%; or increase market values by 5%. |
| **Worcestershire Parkway** | Viable considering potential public sector intervention of £13,400 per unit, generating RLV of £279,000 per acre (above BLV of £244,000 per acre). | Identify and secure funding from relevant public sector funders to deliver necessary infrastructure, estimated at/above £12,000 per unit and explore further eco-home / garden community premium opportunities. Public sector intervention is needed to deliver infrastructure, as no secure funding is in place. *Secure relevant contributions from employment land uses.* |
| **Mitton SUE** | Marginally unviable at 40% AH. | Reduce or delay delivery of high-cost infrastructure; or increase market values by 10%; or secure funding of £12,000 per unit. |

## Premium Values

8.19 Developers should capitalise on the growing demand for energy-efficient homes, which command significant premiums in the market. Integrating these features into new builds not only meets buyer expectations but also enhances financial returns. Larger eco-homes, offering up to a 12% premium over standard builds, represent a gainful opportunity for developers in South Worcestershire and should be a focus for strategic planning.

8.20 High-quality placemaking, as seen in Garden Communities, drives long term value appreciation by creating attractive and sustainable living environments. Early investment in public spaces, community infrastructure, and landscaping can boost land values and sales prices.

8.21 Developers and policymakers should remain responsive to changing buyer and renter preferences by regularly updating value assumptions to align with evolving market conditions.

## Masterplans and Delivery Strategies

8.22 The strategic site policies require the preparation of agreed comprehensive Masterplans to be prepared by the site promoters in collaboration and agreed with the Local Planning Authority in consultation with Worcestershire County Council. The number and phasing of dwellings to be permitted, and the timing of housing delivery will be linked to the planned infrastructure delivery. This will be agreed and conditioned through the planning application process.

8.23 Delivery Strategies are also recommended to be developed for the strategic sites as part of the master-planning process for the site promoters and councils to explain clearly how the strategic sites will be delivered including mechanisms for joint working, coordination, land and cost equalisation.

8.24 Policy and guidance should set out the detailed description of the site due diligence expected from land buyers and clearly outlines the circumstances under which a viability assessment will be accepted. It should also establish comprehensive requirements for the information to be provided as part of a developer's viability assessment, including transparency on land value and purchase price.

## Public Sector Funding and CIL

8.25 It is also expected that the councils will actively pursue public sector funding mechanisms to support development viability. This includes updating the Community Infrastructure Levy (CIL) to reflect current needs and proactively bidding for public sector funding to bridge viability gaps.

## Best Practice

8.26 It is recommended that developer contributions policy [SPD] includes a detailed description of the site due diligence expected from land buyers and clearly outlines the circumstances under which a viability assessment will be accepted by the Planning Authority. Policy and guidance should also establish comprehensive requirements for the information to be provided as part of a developer's viability assessment, including transparency on land value and site purchase price.

8.27 We recommend that, in accordance with best practice, the plan viability is reviewed on a regular basis by South Worcestershire Councils to ensure it remains relevant as the property market cycle(s) change.

8.28 Furthermore, to facilitate the process of review, we recommend that SWC monitor the development appraisal parameters herein, but particularly data on land values / value zones, delivery rates and grant funding within their areas.

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