For:
Sevenoaks District Council

Local Plan and CIL Viability Study

FINAL Report (DSP v4)

November 2018

DSP18542
# Final Report (v2)

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Executive Summary

Context and assessment approach

1. The full report that follows, together with Appendices, describes the viability assessment that Sevenoaks District Council (SDC) commissioned Dixon Searle Partnership (DSP) to undertake in 2018.

2. This contributes to the Council’s overall evidence base having informed the development of policies for the Council’s new Local Plan. The new Plan reaches Pre-Submission (Regulation 19) Consultation stage at the end of 2018. Once in place, the Plan will be used to determine planning applications, and will set out the strategic land allocations which will help to meet the needs of the District over the plan period, up to 2035.

3. In accordance with the NPPF (National Planning Policy Framework) 2018, a viability assessment is undertaken with a view to ensuring that the plan ‘sets out the contributions expected from development’ on the basis that: ‘Such policies should not undermine the deliverability of the plan.’ (NPPF para. 34).

4. Along with the publication of the new NPPF, in July 2018 the national Planning Practice Guidance on Viability was also updated. The previously established principles and good practice on viability assessment are carried through this assessment. They have continued to be reflected appropriately in an approach that is also consistent with the new guidance.

5. ‘Viability’ in this context refers to the financial “health” of development. This is viewed through considering the varying strength of the relationship between development values and costs – across a range of potential scheme types (used as ‘typologies’ to inform the review of viability, overall). For this assessment, an important part of the Council’s growth strategy involved proposals to release strategic scale sites from the Green Belt (but only on a limited basis, justified by exceptional circumstances). Adding to the review of development typologies, a more specific approach has been taken to include considering the current stage viability potential of the Council’s proposed strategic release sites.

6. The testing also includes the appropriate high-level of commercial/non-residential scheme typologies, for SDC’s information on the Local Plan although sought by the
Council mainly to inform a potential review of the Council’s Community Infrastructure (CIL) Charging Schedule that was introduced in 2013. A new (updated) Charging Schedule would support the provision of infrastructure associated with the new Plan growth.

7. This is all looked at using the residual valuation approach that consistently underpins all such assessments. The estimated development costs (build costs, fees, finance, costs of sale etc.) and SDC proposed Local Plan policy costs as impact viability are considered together, to assess whether a sufficient level of land value as well as development profit can also be supported alongside those.

8. Overall, the assessment undertaken here, using representative development typologies and current stage review of the larger sites (strategic sites proposed for release from the Green Belt), finds that SDC is continuing to plan for a range of development and sites that can be expected to continue to have reasonable prospects of viability while supporting a mix of development contributions - including affordable housing (AH) and in support of infrastructure provision.

9. The work notes that, by and large, the policies, with some suggested adjustments, are capable of informing and supporting a suitable balance between the acknowledged drivers of development (commercial side - i.e. land value and profit for risk reward), development quality and the residents’ and wider community needs (both through a reviewed CIL charging schedule and continued use of s.106). In all respects the Council will need to continue to weigh-up the difficult balance between viability and the affordable housing needs, other policy drivers and the desirability of funding infrastructure.

Findings - Overview

10. Based on viability, the Local Plan policy and CIL (review) setting considerations that have been put forward for SDC’s consideration in progressing to this next stage and onwards include the following (some headlines here – the report provides further information):

**Affordable Housing (AH)**

a. An approach which seeks on-site AH on schemes providing 10+ dwellings.
b. Beneath this, there is considered to be viability potential to seek not more than a 20% AH equivalent financial contribution on sites providing 6 to 9 new dwellings.

c. A headline policy basis at 30% for development for brownfield sites (previously developed land – PDL) – at 10+ dwellings. While consideration has been given to a potential alternative at 20% AH for some sites/locations, on balance a 30% basis applied appropriately is considered likely to serve better overall.

d. A different approach – reduced proportion of AH - sought from developments on previously developed i.e. brownfield land (PDL) – at 30% AH, district wide.

e. On greenfield based developments, 40% AH (at 10+ dwellings), district-wide.

f. This greenfield approach at 40% is considered a reasonable basis and expectation that should be met and a key criterion considered as part of the (limited, exceptional circumstances only) potential release of strategic sites within the Green Belt.

g. The AH policies tested include a tenure mix containing, as an overview/target, 76% rented properties and 24% affordable homes ownership (currently assumed as shared ownership, but potentially also including other models).

h. The assessment has found that as well as securing affordable rented homes, it could be possible in some cases to provide a blend that includes at least some social rent. The Council’s approach could leave flexibility for this more affordable form of tenure.

Other Local Plan policies and costs

i. The assessment assumptions incorporate the currently estimated costs associated with a range of building design/specification matters, including relating to the proposed local adoption of enhanced standards to provide more accessible/adaptable homes, potential standards on dwelling sizes, energy and water usage efficiency and the like. The report sets out the detail,
and considers the Council’s policy proposals which are not considered be excessive or unusual in their aims, and broadly supported in viability terms.

j. We recommend that SDC continues to consider, monitor and keep under review the potential cumulative impact and rigidity of expectations related to policy costs and obligations, however, alongside the AH policies and bearing in mind the wide range of influences on viability and on the other aspects of delivery – e.g. varying market, locations, sites and schemes.

Community Infrastructure levy (CIL) – Potential review of Charging Schedule

v. Again the report provides the detail. A wide range of testing has been carried out, informed by DSP’s experience of working with SDC to set the existing charging rates (effective 2013).

vi. The testing includes the use of the current CIL charging rates, as now indexed (typically higher value residential Area A zone at approximately £158/sq. m; typically lower value Area B zones at approximately £95/sq. m; larger format retail developments (e.g. retail warehousing, foodstores) charged at the same rate as Area A residential).

vii. The assessment recommends the continued use of this charging basis (rates as indexed) from a viability viewpoint; no change. However, the report also acknowledges that the Council does not have to exactly follow the viability assessment in considering how to strike the appropriate balance locally between viability and the desirability of funding infrastructure.

11. A range of other information is provided, the above being a very brief summary only. DSP will be happy to input and advise further, should the Council wish.
1. Introduction

1.1 Background to the Viability Assessment and Local Plan Progress

1.1.1 The Council’s currently adopted Local Plan (LP) comprises a Core Strategy (2011) and an Allocations and Development Management Plan (2015); the former of which pre-dates the publication of the NPPF (March 2012). The Core Strategy requires the delivery of 3,300 homes between 2006 and 2026 at an average of 165 dwellings per year and originally derives from the South East Regional Plan as informed by the West Kent SHMA, produced in 2008.

1.1.2 The Council is currently developing a new Local Plan that will replace the Core Strategy and the Allocations and Development Management Plan (ADMP). It will be used to determine planning applications, as well as setting out the strategic land allocations which will help to meet the needs of the District over the plan period, up to 2035. The Council has undertaken two Regulation 18 Consultations: Issues and Options (summer 2017) and the Draft Local Plan Consultation (summer 2018). The Council will also be undertaking a Pre-Submission (Regulation 19) Consultation in December 2018.

1.1.3 The overall latest assessment of housing needs and other requirements can be summarised as a requirement for 13,960 housing units (plus the addition of 20% buffer in the first 5 years), 11ha employment land (7ha being for office provision) and 32,000 sq. m retail space.

1.1.4 The Council cannot accommodate all of the required growth within the District boundary or within the confines of the existing built up area. It will therefore encourage the re-use of previously developed 'brownfield' land, including land in the Green Belt, where it is situated in sustainable locations and promote sustainable patterns of development by permitting development in the Green Belt only in exceptional circumstances. The Council states that where development will result in a significant improvement in the sustainability of settlements through the provision of social and community infrastructure in areas currently lacking such facilities, they will alter Green Belt boundaries to enable sites to be removed from the Green Belt and to be allocated for development.
1.1.5 The Council also has an adopted Community Infrastructure Levy (CIL) Charging Schedule (adopted February 2014) which identifies differential rates for residential development (£125/sq. m in Area A and £75/sq. m in Area B)\(^1\) and non-residential development and now indexed in accordance with the CIL regulations.

1.1.6 It is in the interests of the Council, local communities, developers and all other stakeholders to ensure that the proposed policies, sites and the scale of development identified in the plan are deliverable as a whole - to ensure a sound Plan through the examination process. This is equally true of the level of CIL that may be required across the District.

1.1.7 The Local Plan must be prepared in accordance with the requirements set out in National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG). Viability testing is an important part of the plan-making process. The NPPF introduces a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. In addition, further guidance on this requirement is covered by the national Planning Practice Guidance and other publications.

1.1.8 In light of the above, the Council has therefore commissioned this viability assessment. This will help to assess and inform policies in the Local Plan that have cost implications, provide a viability appraisal of the sites typologies likely to come forward through the Local Plan and provide a high-level assurance that the proposed sites (including strategic sites in the Green Belt) and the scale of development identified in the plan would not be subject to such a scale of obligations (including CIL) and policy burdens that their ability to be developed viably is threatened. In summary, the objectives of this study are as follows:

- Recommendations for the headline target percentages of affordable housing that might be sought (including by area of the District and by size of development) based on the results above.

- Consideration of the strength of viability evidence for requiring affordable housing delivery on small sites.

\(^1\) Area A and B are shown within the Sevenoaks District Council Charging Schedule (2014).
• Viability recommendations for different types of commercial development in the district.

• Recommendations on appropriate rates for future CIL charging to cover both residential and commercial development, including a review of other uses, including older person’s accommodation.

• Commentary on and consideration of the whole plan viability of the emerging Local Plan.

• Advice on how the viability work for the new Local Plan and CIL Charging Schedule can be used to adequately reflect locational differences around the district as well as building in resilience to recent and anticipated market changes.

1.2 Background to the CIL

1.2.1 In February 2014 Sevenoaks District Council adopted a Community Infrastructure Levy Charging Schedule to raise funds from new development to meet strategic infrastructure needs of the area. The current Charging Schedule states the following:\n
![Figure 1: Sevenoaks DC Existing CIL Charging Schedule](https://www.sevenoaks.gov.uk/downloads/file/363/charging_schedule)

<table>
<thead>
<tr>
<th>Development Type</th>
<th>Area A</th>
<th>Area B</th>
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<tr>
<td>Residential (C3 use class)</td>
<td>£125 per m²</td>
<td>£75 per m²</td>
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<tr>
<td>Supermarkets and superstores(1) primarily selling convenience goods(2)</td>
<td>£125 per m²</td>
<td></td>
</tr>
<tr>
<td>Retail warehousing(3)</td>
<td>£125 per m²</td>
<td></td>
</tr>
<tr>
<td>Other forms of development</td>
<td>£0 per m²</td>
<td></td>
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\[2 \text{https://www.sevenoaks.gov.uk/downloads/file/363/charging_schedule}\]
1.2.2 The CIL rates above have a base date of 4th August 2014. Indexation applies to all permissions issued after 2014. At the point of carrying out this study, indexation of the adopted CIL levels has lead to the following rates (rounded figures):

Residential – Area A: £158/sq. m
Residential – Area B: £95/sq. m
Retail (types as above): £158/sq. m

1.2.3 As well as testing the viability of the Local Plan policies and strategies, the Council wishes to ascertain whether its adopted CIL Charging Schedule is at a level which ensures the viability and deliverability of development with policy burdens and other obligations which are proposed for inclusion in the Local Plan.

1.2.4 The Community Infrastructure Levy (CIL) came into force in April 2010 and has been revised on a number of occasions since. It allows local authorities in England and Wales to raise funds from developers undertaking new developments in their area. In this case, Sevenoaks District Council is the charging authority.

1.2.5 CIL takes the form of a charge that may be payable on ‘development which creates net additional floor space’\(^3\). The majority of developments providing an addition of less than 100 sq. m in gross internal floor area will not pay. For example, a small extension to a house or to a commercial / non-residential property; or a non-residential new-build of less than 100 sq. m will not be subject to the charge. Additionally, the Community Infrastructure (Amendment) Regulations 2014 allows for a mandatory exemption for residential annexes and extensions regardless of size. However, development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the new dwelling has a gross internal floor area of less than 100 sq. m.\(^4\)

1.2.6 The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority’s area.

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\(^4\) Subject to the changes introduced in The Community Infrastructure Levy (Amendment) Regulations 2014 that provide a mandatory exemption for self-build housing, including communal housing.
1.2.7 The CIL regulations require charging authorities to allocate a ‘meaningful proportion’ of the levy revenue raised in each neighbourhood back to those local areas. Where there is a neighbourhood development plan in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development that they have chosen to accept. Under the Regulations the money would be paid directly to the neighbourhood planning bodies and could be used for community projects. Planning Practice Guidance provides further information on spending of Levy receipts including distribution to local neighbourhoods\(^5\).

1.2.8 Typically, neighbourhoods without a neighbourhood development plan but where a CIL is still charged will receive a capped share of 15% of the levy revenue arising from development in their area. We understand however that Sevenoaks DC allocate 25% of the revenues to neighbourhoods, regardless of whether a Neighbourhood Plan is in place or not.

1.2.9 Under the Government’s regulations, affordable housing and development by charities will not be liable for CIL charging. This means that within mixed tenure housing schemes, it is the market dwellings only that will be liable for the payments at the rate(s) set by the charging authority.

1.2.10 The CIL Guidance contained within the PPG goes on to state that the levy rate(s) need to be set so that they do not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (Local Plan in England). ‘Charging authorities will need to draw on the infrastructure planning evidence that underpins the development strategy for their area. Charging authorities should use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across their area.’\(^6\)

1.2.11 The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated Local Plan level of growth to be accommodated across the District as a whole through the development of a draft Infrastructure Delivery Plan (IDP). This will ensure that new development is served by necessary infrastructure in


\(^6\)https://www.gov.uk/guidance/community-infra-struc-ture-levy (Paragraph: 008 Reference ID: 25-008-20140612 Revision date: 12 06 2014)
a predictable, timely and effective fashion. It sets out key infrastructure and facility requirements for new development, taking account of existing provision and cumulative impact.

1.2.12 Infrastructure is taken to mean any service or facility that supports the Sevenoaks District Council area and its population and includes (but is not limited to) facilities for transport, education, health, social infrastructure, green infrastructure, public services, utilities and flood defences. In the case of the current scope of the CIL, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements.

1.2.13 Within this study, an allowance has been made for the cost to developers of providing affordable housing and other costs of policy compliance in addition to the inclusion of both the previously recommended potential CIL charging rates (indexed) as well as sensitivity testing higher and lower potential CIL rates. In this sense, the collective planning obligations (including affordable housing, CIL and any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others. It follows that the extent to which s.106 will have an on-going role also needs to be considered in determining suitable CIL charging rates, bearing in mind that CIL is non-negotiable.

1.2.14 In most cases, where adopted, CIL replaces s.106 as the mechanism for securing developer contributions towards required infrastructure. Indeed, Government guidance on CIL states that it expects LPAs to work proactively with developers to ensure they are clear about infrastructure needs so that there is no actual or perceived “double dipping” – i.e. charging for infrastructure both through CIL and s.106. Therefore s.106 should be scaled back to those matters that are directly related to a specific site and are not set out in a Regulation 123 list (a list of infrastructure projects that the local planning authority intends to fund through the Levy). This could be a significant consideration, for example, in respect of large scale development associated with on-site provision of infrastructure, high site works costs and particularly where these characteristics may coincide with lower value areas.

1.2.15 The CIL rate or rates should be set at a level that ensures development within the authority’s area (as a whole, based on the plan provision) is not put at serious risk.
1.2.16 A key requirement of CIL and setting the charging rates is that an appropriate balance should be struck between the desirability of funding infrastructure from the levy and the potential effects that imposing the levy may have upon the economic viability of development (development viability).

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

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

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

1.2.17 Later amendments to the CIL Regulations introduced:

- new mandatory exemptions for self-build housing, and for residential annexes and extensions;

- a change to allow charging authorities to set differential rates by the size of development (i.e. floorspace, units);

- the option for charging authorities to accept payments in kind through the provision of infrastructure either on-site or off-site for the whole or part of the levy payable on a development;

- a new ‘vacancy test’ - buildings must have been in use for six continuous months out of the last three years for the levy to apply only to the net addition of

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floorspace (previously a building to be in continuous lawful use for at least six of the previous 12 months);

- a requirement on the charging authority to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy on the economic viability of development across the area. Previously a charging authority had to ‘aim to strike the appropriate balance’;

- provisions for phasing of levy payments to all types of planning permission to deal fairly with more complex developments.

1.2.18 The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion the preparation of this study meets the requirements of all appropriate Guidance. However, the Council will be aware that at the time of writing but following the production of a majority of this assessment, the Government has recently published its response to its own consultation on supporting housing through developer contributions (October 2018).

1.2.19 This provides an indication of the direction of travel in relation to CIL and other planning obligations moving forward. It suggests that the Government favours lifting the pooling restrictions on s106 in all areas but still would like to incentivise the uptake and continued use of CIL. It states that the Government will ensure measures are in place to incentivise uptake and continued use of the Levy but at this stage no measures are identified. Further consideration was also given to legislating to change CIL by allowing Local Authorities to set differential rates based on the existing use of the land. In responding to the consultation the Government has decided not to take this further due to perceived complexities in the process. It does however recognise that the existing Regulations go some way to achieving these aims through the use of differential Levy rates; something that DSP suggested in our response to the Government.

1.2.20 Other changes that the Government intends to consult on include changing the indexation method for CIL after implementation (potentially through local area based house price indices rather than the current method of linking indexation to build cost).
1.2.21 Within their response document, the Government states: ‘Legislation will be required in order to implement the changes set out in the consultation document. Therefore, the Government will be consulting on the draft regulations later this year’. At this stage we have not been able to take into account any potential changes.

1.3 Sevenoaks District Profile

1.3.1. Whilst only half an hour from central London, Sevenoaks District is a highly constrained area, which makes meeting assessed development needs very challenging. The district is about 93% Green Belt and 60% AONB with swathes of land covered by ancient woodland and areas at risk of flooding. This combination of factors means that residential land values are generally high around the district.

1.3.2. Sevenoaks District is located in West Kent, with the edge of Greater London to the north-west, Surrey to the west and East Sussex to the south. The District covers almost 143 square miles and 93% is designated Green Belt. The towns are Sevenoaks, Swanley, Edenbridge and Westerham, where about half of the 118,409 residents (2015 mid-year population estimates, ONS) in the District live. There are over 30 villages and smaller settlements of which the largest is New Ash Green.

1.3.3. The settlements of Swanley and nearby Hextable located in the north-west corner of Sevenoaks District have identified regeneration needs. Swanley Town Centre and New Ash Green centre are already areas identified for regeneration. The Council is also looking at opportunities to promote the redevelopment of this area through mixed use schemes and an Area Action Plan or Masterplan for Swanley and Hextable has been identified in the work plan for the new Local Plan.
Figure 2: Sevenoaks District in Context

Sevenoaks District’s Position within the Metropolitan Green Belt
1.4.1 The District has generally high house prices. The average house prices in the District are around £175,000 higher than in Kent making it very difficult for first time buyers and young families to remain in the District. There is a central government requirement for 13,960 new homes over the plan period to meet the needs of the growing population. This includes a high proportion of affordable homes and specialist accommodation for older people.

1.4.2 The key themes outlined within the Council’s emerging Local Plan are as follows:

‘Development will be focused within the boundaries of existing settlements, including building at higher density on non-Green Belt land. The four towns within the District – Sevenoaks, Swanley, Edenbridge and Westerham, will be the initial focus for development, with more moderate development within the settlements further down the Settlement Hierarchy.

We will encourage the re-use of previously developed ‘brownfield’ land, including land in the Green Belt, where it is situated in sustainable locations. However, the supply of ‘brownfield’ land is limited and therefore this is not a solution in itself.

We will promote sustainable patterns of development by permitting development in the Green Belt only in ‘exceptional circumstances’, in the most sustainable locations where employment, key services and facilities and a range of transport options are or will be available. Sites will need to provide social and community infrastructure in addition to housing, to help address evidenced infrastructure needs in the area…

The headline needs for this District are: 13,960 homes (a figure provided by central government), 11.6ha of employment land and 32,000m2 of retail floorspace.’s.

1.5 Policy & Guidance

1.5.1 During the course of preparing this assessment a revised NPPF (July 2018) was published alongside updated Planning Practice Guidance (in particular in relation to Viability both at plan making and decision taking stage of the planning process).
1.5.2 Previously the NPPF (2012) set out the overall approach to the preparation of Development Plans. It provided specific guidance on ensuring viability and deliverability. In particular, paragraphs 173-174 stated:

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

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for Affordable Housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle’.

1.5.3 The requirement to consider viability now stems from the National Planning Policy Framework (NPPF) 2018 which says on ‘Preparing and reviewing plans’ at para 31: ‘The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.’

1.5.4 NPPF para 34 on ‘Development contributions’ states: ‘Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.’
1.5.5 The updated national Planning Practice Guidance (PPG) also published in July 2018 on ‘Viability’ provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The new Planning Practice Guidance on Viability states:

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

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

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

1.5.7 This viability assessment has therefore been produced in the context of and with regard to the NPPF, CIL Regulations, CIL Guidance and other Guidance applicable to studies of this nature. This study has also had regard to the national Planning Practice Guidance.
1.6 Purpose of this Report

1.6.1 Viability testing is an important part of the plan-making process. In order to meet the requirements of the NPPF, SDC commissioned Dixon Searle Partnership (DSP) to carry out a Viability Assessment with an objective to determine the impact on development viability of including the various relevant policy requirements of the emerging Local Plan including recommendations on affordable housing targets and potential options for the revision of the Community Infrastructure Levy.

1.6.2 The assessment involves the review of the financial viability of site typologies (representing a range of typical site types likely to come forward across the Plan) and specific sites where those are important in delivering the aims and objectives of the Plan. The assessment will provide the evidence base for the viability of the Local Plan policies, informing and supporting the deliverability of the plan overall.

1.6.3 This approach does not require a detailed viability appraisal of every site anticipated to come forward over the plan period but rather the testing of a range of appropriate site typologies reflecting the potential mix of sites likely to come forward. Neither does it require an appraisal of every likely policy but rather potential policies that are likely to have a close bearing on development costs. In our experience this means a focus on the viability prospects and potential policies associated with housing development, because the scope of this or other Councils’ influence – i.e. through local policy positions - over the viability of other forms of development (non-residential/employment/commercial) is much more limited.

1.6.4 To this end, the study requires the policies and proposals in the Local Plan to be brought together to consider their cumulative impact on development viability including the potential review of the CIL locally.

1.6.5 The assessment approach applies sensitivity testing to policy costs including a range of affordable housing proportions, tested at different thresholds and combined with allowances for meeting the requirements for other optional housing standards - including relating to the access to and use of buildings, water efficiency and space standards.

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

1.6.7 The approach used to inform the study applies the well-recognised methodology of residual land valuation. ‘Viability’ in the sense of this assessment means the financial health of development, so that the assessment centres around the strength of the relationship that is available between the completed development (sale) value and the development costs; and how the strength of this relationship varies across a range of development types, host site types and locations – all bearing in mind the types of sites and schemes expected to come forward here to support the emerging Local Plan overall, and the local characteristics.

1.6.8 The residual valuation technique has been used to run appraisals on sample scheme typologies representing development scenarios that are likely to come forward across the District under the emerging development strategy. The Council also asked DSP to carry out specific high-level appraisals of strategic sites in the Green Belt promoted through the Plan.

1.6.9 The study process produces a large range of results relating to the exploration of a range of potential affordable housing percentage targets as well as other variables. As with all such studies using these principles, an overview of the results and the trends seen across them is required - so that judgments can be made to inform the policy setting process.

1.6.10 A key element of the viability overview process is the comparison of the RLV results generated by the development appraisals and the potential level of land value that may need to be reached to ensure that development sites continue to come forward - so that development across the area is not put at risk owing to unrealistic policy burdens in combination with other development cost factors. These comparisons are necessarily indicative but are usually linked to an appropriate site value or benchmark. The results sets have been tabulated in summary form and those are included in Appendix IIa (residential general typologies), Appendix IIb (appraisal of proposed strategic release sites within the Green Belt) and IIc (non-residential scenario tests).

1.6.11 In considering the relationship between the RLV created by a scenario and some comparative level that might need to be reached, we have to acknowledge that in
practice this is a dynamic one – land value levels and comparisons will be highly variable in practice. It is acknowledged in a range of similar studies, technical papers and guidance notes on the topic of considering and assessing development viability that this is not an exact science. Therefore, to inform our judgments in making this overview, our practice is to look at a range of potential land value levels that might need to be reached allied to the various scenarios tested.

1.6.12 This report then sets out findings and recommendations on the viability of the Plan as a whole whilst also confirming the previously reviewing the approach to and charging rates parameters for the potential local implementation of a CIL.
2 Methodology

2.1 Residual valuation principles

2.1.1 This assessment has been carried out in the context of the new NPPF (July 2018) as well as the updated PPG viability guidance. The NPPF as now updated remains very high level in regard to viability directly, but retains the well-established principle on ‘development contributions’ that: ‘Such policies should not undermine the deliverability of the plan.’ The PPG provides useful guidance on plan preparation in regard to viability and contributions. Although this guidance is new, DSP considers that its approach to and experience of LP and other strategic viability assessments remains appropriate – this project has been approached consistently with this new guidance, aided by checking and continually considering the detail and news developments / any other guidance or emerging decisions etc. as work has progressed.

2.1.2 Collectively this study investigates the potential viability and, therefore, deliverability of the Draft Local Plan and its policies - including a review of both CIL and various potential affordable housing options (target percentages - %s) and the thresholds above which affordable housing may be sought.

2.1.3 There will be a number of policies that may have an impact on the viability of development. In running this study, we have had regard to typical policy costs based on discussions with Council officers. This study considers how the cost of these potential obligations interact and therefore estimate the collective impact on viability of a range of policy options. In this context, a development generally provides a fixed amount of value (the gross development value – GDV) from which to meet all necessary costs and obligations.

2.1.4 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we undertake an extensive information review, property market research and a development industry stakeholders’ survey. As a part of this, a review of the potential policy proposals enables us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above typical costs (for example utilising the costs information from established sources such as the Building Cost Information Service of the RICS (BCIS)). Appendix I to this document also provides a quick reference guide to the
assumptions used and includes a policy review schedule indicating the view taken with respect to the potential policies so far as those are known at the time of this assessment.

2.1.5 The most established and accepted route for studying development viability at a strategic level, including for whole plan viability, affordable housing viability, CIL and site-specific viability assessments is Residual Valuation. This is as also recommended by the “Harman Report” on viability testing local plans; further guidance that we have also taken account of in the last few years of conducting these assessments. Figure 3 (following page) sets out the residual valuation principles in simplified form.

Figure 3: Simplified Residual Land Valuation Principles

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

2.1.7 In order to guide on a range of likely viability outcomes the assessment process also requires a benchmark against which to compare the resulting residual value. The
RICS\textsuperscript{9} and Harman\textsuperscript{10} report differ on the approach to a Benchmark Land Value. Our latest work (both on strategic projects and DM stage viability) has for some time reflected the move towards a clearer “EUV plus” based approach to the all-important consideration of land values – for the assessment ‘benchmark land values’.

2.1.8 Undertaken as it has been, this assessment now responds to not only the former NPPF and need to consider viability but is also consistent with the new NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a willing land owner and willing developer. The emphasis has moved away from a market value approach that may have been used in the past. The latest Planning Practice Guidance on Viability makes it clear this benchmark land value (BLV) should be based on Existing Use Value and states:

‘A benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called ‘existing use value plus (EUV+)’.

2.1.9 The new NPPF and associated PPG on Viability indicate that a balance will be required between the role of strategic level viability work such as this assessment and the application decision making stage (development management). The national requirements appear to be moving more towards a greater level of detail in strategic (LP) assessments, leaving less to be explored / debated at DM stage. However it appears that there is still a significant recognition that planning application stage / site-specific viability reviews will unavoidably or at least realistically still play a key role.

2.1.10 The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I and III. They reflect the local markets through research on local values, costs and types of provision, etc. At various project stages we consulted with the Council’s officers and sought soundings as far as were available from a range of local development industry

\textsuperscript{9}RICS: Financial Viability in Planning (2012)
\textsuperscript{10}Local Housing Delivery Group – “Viability Testing Local Plans” (June 2012)
stakeholders as we considered our assumptions. This included issuing a questionnaire / pro-forma to key stakeholders (developers, house builders, landowners, agents, Registered Providers etc.) alongside e-mail exchanges and telephone discussions through which DSP sought to get feedback on study assumptions and to provide the opportunity for engagement and for provision of information to help inform the assessment. On the whole, the process is informed as far as practically possible by the review of available information and making an overview from that. This approach reflects the expectations of the guidance.

2.2 Scheme Development Scenarios

2.2.1 Appraisals using the principles outlined above have been carried out to review the viability of different types of development, whilst including testing and sensitivity testing on the policies considered to have an impact on development viability. The scenarios were settled and discussed with the Council following a review of the information it provided. Information included adopted Core Strategy and Allocations documents, previous viability work undertaken in relation to CIL, the adopted CIL charging schedule, Strategic Housing Land Availability Assessment (SHLAA), SHMA and other information.

Residential Development Scenarios

2.2.2 The site typologies modelled as part of this assessment reflect a range of different types of development that are thought likely to be brought forward through the planning process across the District. This enables viability to be tested with reference to the potential housing supply characteristics based on experience of development to date.

2.2.3 Each of the development typologies was also tested over a range of value levels (VLS) representing varying residential values as seen currently across District by scheme location / type. This approach also allows us to consider the impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) and by scale of development.

2.2.4 The scheme mixes are by their nature hypothetical – many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, local markets and requirements etc.
2.2.5 The assumed dwelling mixes are based on the range of information reviewed, including taking into account the recommendations contained within the Council’s Strategic Housing Market Assessment (SHMA)\textsuperscript{11}.

2.2.6 The scheme mixes are not exhaustive – many other types and variations may be seen, including larger or smaller dwelling types in different combinations according to particular site characteristics.

2.2.7 In all cases it should be noted that a “best fit” of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility within small scheme numbers particularly. The affordable housing numbers (content) assumed within each scheme scenario can be seen at Appendix I – Assumptions overview spreadsheet.

2.2.8 A summary of the scheme typologies is shown below and the Affordable Housing numbers (content), dwelling mixes and further details assumed within each scheme scenario can be seen at Appendix I.

Figure 4: Site typologies summary

<table>
<thead>
<tr>
<th>Scheme Size Appraised</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>House</td>
</tr>
<tr>
<td>5</td>
<td>Houses</td>
</tr>
<tr>
<td>6</td>
<td>Houses</td>
</tr>
<tr>
<td>8</td>
<td>Flats</td>
</tr>
<tr>
<td>10</td>
<td>Houses</td>
</tr>
<tr>
<td>11</td>
<td>Houses</td>
</tr>
<tr>
<td>15</td>
<td>Flats</td>
</tr>
<tr>
<td>15</td>
<td>Houses</td>
</tr>
<tr>
<td>25</td>
<td>Mixed</td>
</tr>
<tr>
<td>30</td>
<td>Flats (Sheltered)</td>
</tr>
<tr>
<td>50</td>
<td>Mixed</td>
</tr>
<tr>
<td>80</td>
<td>Flats</td>
</tr>
<tr>
<td>100</td>
<td>Mixed</td>
</tr>
</tbody>
</table>

2.2.9 In addition to the site typologies, specific viability testing was requested by SDC to be undertaken on the strategic sites in the Green Belt – i.e. sites that could potentially demonstrate that exceptional circumstances exist to allow for their removal from the

\textsuperscript{11} GL Hearn – Sevenoaks & Tunbridge Wells Strategic Housing Market Assessment (September 2015)
greenbelt. At this stage of testing we have reviewed, at a high-level and based on available information at this stage, the following sites:

Figure 5: Strategic sites in the Green Belt Taken Forward in the Local Plan

<table>
<thead>
<tr>
<th>Site ref</th>
<th>Capacity</th>
<th>Existing Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>MX43</td>
<td>600</td>
<td>Quarry</td>
</tr>
<tr>
<td>HO189 &amp; HO190, MX25 &amp; MX26, HO223</td>
<td>340</td>
<td>Countryside</td>
</tr>
<tr>
<td>MX48</td>
<td>c.2,500</td>
<td>Golf course and commercial units and Fort Farningham, a Scheduled Monument.</td>
</tr>
</tbody>
</table>

2.2.10 The dwelling sizes assumed for the purposes of this study are as follows (see figure 6 below):

Figure 6: Residential Unit Sizes

<table>
<thead>
<tr>
<th>Dwelling type</th>
<th>Dwelling size assumption (sq. m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Affordable</td>
</tr>
<tr>
<td>1-bed flat</td>
<td>50</td>
</tr>
<tr>
<td>2-bed flat</td>
<td>70</td>
</tr>
<tr>
<td>2-bed house</td>
<td>79</td>
</tr>
<tr>
<td>3-bed house</td>
<td>93</td>
</tr>
<tr>
<td>4-bed house</td>
<td>112</td>
</tr>
</tbody>
</table>

2.2.11 As with many other assumptions there will be a variety of dwelling sizes coming forward in practice, varying by scheme and location.

2.2.12 Since there is a relationship between dwelling size, value and build costs, it is the levels of those that are most important for the purposes of this study (i.e. expressed in £ sq. m terms); rather than the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative ‘Values Levels’ (‘VL’s) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. The approach to focus on values and costs per sq. m also fits with the way developers tend to assess, compare and price schemes. It provides a more relevant context for considering the potential viability scope.
2.2.13 The dwelling sizes indicated are expressed in terms of gross internal floor areas (GIAs) for houses; net internal areas for flats (for the latter we have assumed an 85% net:gross ratio except sheltered housing where a lower ratio is assumed). They are reasonably representative of the type of units coming forward within the scheme types likely to be seen most frequently providing on-site integrated affordable housing. All will vary, and from scheme to scheme. However, our research suggests that the values (£ sales values) applicable to larger house types would generally exceed those produced by our dwelling size assumptions but usually would be similarly priced in terms of the relevant analysis – i.e. looking at the range of £ per sq. m ‘Value levels’ basis. In summary on this point, it is always necessary to consider the size of new build accommodation in looking at its price; rather than its price alone. We do not differentiate between the value per sq. m for flats and houses although in reality there tends to be an inverse relationship between the size of the property and its value when expressed in terms of a rate per unit area. The range of prices expressed in £s per square metre (£/sq. m or £/m²) therefore the key measure used in considering the research, working up the range of value levels for testing, and in reviewing the results.

2.3 Commercial / Non-Residential Development Scenarios

2.3.1 In the same way, the commercial scheme scenarios reviewed were developed through the review of information supplied by, and through consultation with, the Council. This was supplemented with and checked against wider information including the local commercial market offer – existing development and any new schemes / proposals. Figure 5 below sets out the various scheme types modelled for this study, covering a range of uses in order to test the impact on viability of requiring CIL contributions from different types of commercial development considered potentially relevant in the District.

2.3.2 In essence, the commercial / non-residential aspects of this study consider the relationship between values and costs associated with different scheme types. Figure 7 below summarises the scenarios appraised through a full residual land value approach; again, Appendix I provides more information.

Figure 7: Commercial / Non-residential Development Types Reviewed – Overview
### Development Type | Example Scheme Type(s) and potential occurrence | GIA (m²) | Site Coverage | Site Size (Ha) |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Retail</td>
<td>Large Supermarket - out of town</td>
<td>2500</td>
<td>35%</td>
<td>0.71</td>
</tr>
<tr>
<td>Large Retail</td>
<td>Retail warehouse</td>
<td>1000</td>
<td>40%</td>
<td>0.25</td>
</tr>
<tr>
<td>Town Centre Retail</td>
<td>Comparison shops (general/non shopping centre)</td>
<td>300</td>
<td>75%</td>
<td>0.04</td>
</tr>
<tr>
<td>Small Retail</td>
<td>Convenience Store - various locations</td>
<td>300</td>
<td>60%</td>
<td>0.05</td>
</tr>
<tr>
<td>Business - Offices - Town Centre</td>
<td>Office Building</td>
<td>500</td>
<td>60%</td>
<td>0.08</td>
</tr>
<tr>
<td>Business - Offices - Out of town centre /Business Park</td>
<td>Office Building</td>
<td>1000</td>
<td>40%</td>
<td>0.25</td>
</tr>
<tr>
<td>Business - Industrial / Warehousing</td>
<td>Smaller / Move-on type industrial unit including offices - industrial estate</td>
<td>500</td>
<td>40%</td>
<td>0.13</td>
</tr>
<tr>
<td>Business - Industrial / Warehousing</td>
<td>Larger industrial / warehousing unit including offices - industrial estate</td>
<td>2000</td>
<td>40%</td>
<td>0.50</td>
</tr>
<tr>
<td>Hotel (budget)***</td>
<td>Hotel - edge of town centre / edge of town</td>
<td>2100</td>
<td>50%</td>
<td>0.42</td>
</tr>
<tr>
<td>C2 - Residential Institution</td>
<td>Care Home</td>
<td>1230</td>
<td>60%</td>
<td>0.21</td>
</tr>
</tbody>
</table>

Note: 300 sq. m retail (‘small retail’) scenarios representative of smaller shop types also permitting Sunday Trading Act related trading hours (see also subsequent information in this report).

#### 2.3.3
Although highly variable in practice, these types and sizes of schemes are thought to be reasonably representative of a range of commercial or non-residential scheme scenarios that could potentially come forward in the District and are as subsequently agreed with the Council. As in respect of the assumptions for the residential scenarios, a variety of sources were researched and considered for guides or examples in support of our assumptions making process; including on values, land values and other development appraisal assumptions. DSP used information sourced from CoStar Commercial Real Estate Intelligence, the VOA Rating List and other web-based review as well as feedback from consultation. Additional information included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details. Collectively, our research enabled us to apply a level of “sense check” to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. Further information is provided within Appendix III to this report.

#### 2.3.4
In addition to testing the commercial uses of key relevance above, further consideration was given to other development forms that may potentially come forward locally. These include for example non-commercially driven facilities (community halls, medical facilities, schools, etc.) and other commercial uses such as
motor sales / garages, depots, workshops, surgeries / similar, health / fitness, leisure uses (e.g. cinemas / bowling) and day nurseries.

2.3.5 Clearly there is potentially a very wide range of such schemes that could be developed over the life of a CIL charging schedule. Alongside their viability, it is also relevant for the Council to consider the likely frequency and distribution of these; and their role in the delivery of the development plan overall. For these scheme types, as a first step it was possible to review (in basic terms) the key relationship between their completed value per square metre and the cost of building. We say more about this in Chapter 3.

2.3.6 Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale, etc. are allowed for) outweighs or is close to the completed value, it becomes clear that a scenario is not financially viable in the usual development sense being reviewed here and related to any CIL contributions scope. We are also able to consider these value / cost relationships alongside the range of main appraisal assumptions and the results that those provide (e.g. related to business development). This is an iterative process in addition to the main appraisals, whereby a further deteriorating relationship between values and costs provides a clear picture of further reducing prospects of viable schemes. This starts to indicate schemes that require other support rather than being able to produce a surplus capable of some level of contribution to CIL.

2.3.7 Through this process we were able to determine whether there were any further scenarios that warranted additional viability appraisals. Having explored the viability trends produced by examination of the cost/value relationships we found that in many other cases, completed scheme values were at levels insufficient to cover development costs and thus unlikely to support any level of CIL.

2.4 Gross Development Value (Scheme Value)

Market housing (sale) values

2.4.1 In order to determine likely values for development across the District, a range of information sources has been considered. As well as reviewing the Council’s existing evidence base we also carried out a range of our own research on residential values across the Council’s area (see Appendix III). It is always preferable to consider information from a range of sources to inform the assumptions setting and review of
results stages. Therefore, we considered existing information contained within previous research documents including previous viability studies; from sources such as the Land Registry, Valuation Office Agency (VOA) and a range of property websites. Our practice is to consider all available sources to inform our up to date independent overview, not just historic data or particular scheme comparables.

2.4.2 A framework needs to be established for gathering and reviewing property values data. The residential market review has been based on a mixture of approaches to attempt to properly reflect the variation in residential property values occurring across the District. This included reviewing average values across settlement areas, further reviewing data across ward areas in Sevenoaks town and then aggregating data into the Council’s ‘Placemaker’ (or ‘Place Making’) areas. Appendix III provides a more detailed explanation of the approach.

2.4.3 This provides comprehensive research and analysis of both new build sold data, currently available new build property across the District, together with Zoopla current area statistics. This data has been gathered for an overview of the value patterns seen across the District in order to inform assumption setting prior to the appraisal modelling phase. It was particularly important to collect the residential values data by settlement areas as the strength of values varies by location across the District. It is clear, for example that values for new build properties of the type assumed for this study are lower in areas such as Edenbridge to the south of the District compared to parts of Sevenoaks.

2.4.4 For the residential scheme types modelled in this study, and based on the research undertaken, a range of (sales) value levels (VLs) have been applied to each development scenario. This is in order to test the sensitivity of scheme viability to geographical values variations and / or with changing values as may be seen with further market variations. In the case of Sevenoaks District, the VLs covered typical residential market values (average prices across a scheme) over the range £3,500/m² to £7,000/m² as shown in Figure 8. Figure 8 also sets out a summary of the range of values typically encountered by Ward area. Again, Appendix III provides a more detailed analysis of the values patterns seen across the District.
## Figure 8: Sales Values Assumptions Summary

<table>
<thead>
<tr>
<th>Market Value (MV) - Private units</th>
<th>VL1</th>
<th>VL2</th>
<th>VL3</th>
<th>VL4</th>
<th>VL5</th>
<th>VL6</th>
<th>VL7</th>
<th>VL8</th>
<th>VL9</th>
<th>VL10</th>
<th>VL11+</th>
</tr>
</thead>
<tbody>
<tr>
<td>MV (£ / m²)</td>
<td>£3,500</td>
<td>£4,000</td>
<td>£4,250</td>
<td>£4,500</td>
<td>£4,750</td>
<td>£5,000</td>
<td>£5,250</td>
<td>£5,500</td>
<td>£6,000</td>
<td>£6,500</td>
<td>£7,000</td>
</tr>
<tr>
<td>1-bed flat</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Ash &amp; New Ash Green / Edenbridge N&amp;E</td>
<td>£175,000</td>
<td>£200,000</td>
<td>£212,500</td>
<td>£225,000</td>
<td>£237,500</td>
<td>£250,000</td>
<td>£262,500</td>
<td>£275,000</td>
<td>£300,000</td>
<td>£325,000</td>
<td>£350,000</td>
</tr>
<tr>
<td>Sevenoaks Kippington</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2-bed flat</td>
<td></td>
<td></td>
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<td>Sevenoaks Kippington</td>
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<tr>
<td>2-bed flat</td>
<td>£245,000</td>
<td>£280,000</td>
<td>£297,500</td>
<td>£315,000</td>
<td>£332,500</td>
<td>£350,000</td>
<td>£367,500</td>
<td>£385,000</td>
<td>£420,000</td>
<td>£455,000</td>
<td>£490,000</td>
</tr>
<tr>
<td>3-bed house</td>
<td></td>
<td></td>
<td></td>
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<td>Sevenoaks Kippington</td>
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<td></td>
</tr>
<tr>
<td>3-bed house</td>
<td>£276,500</td>
<td>£316,000</td>
<td>£335,750</td>
<td>£355,500</td>
<td>£375,250</td>
<td>£395,000</td>
<td>£414,750</td>
<td>£434,500</td>
<td>£474,000</td>
<td>£513,500</td>
<td>£553,000</td>
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<tr>
<td>4-bed house</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sevenoaks Kippington</td>
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<td></td>
</tr>
<tr>
<td>4-bed house</td>
<td>£350,000</td>
<td>£400,000</td>
<td>£425,000</td>
<td>£450,000</td>
<td>£475,000</td>
<td>£500,000</td>
<td>£525,000</td>
<td>£550,000</td>
<td>£600,000</td>
<td>£650,000</td>
<td>£700,000</td>
</tr>
<tr>
<td>MV (£ / m²)</td>
<td>£3,500</td>
<td>£4,000</td>
<td>£4,250</td>
<td>£4,500</td>
<td>£4,750</td>
<td>£5,000</td>
<td>£5,250</td>
<td>£5,500</td>
<td>£6,000</td>
<td>£6,500</td>
<td>£7,000</td>
</tr>
</tbody>
</table>

**Indicative relevance of VLs range to SDC Ward Areas**

- **Swanley White Oak / Crockenhill & well Hill / Hextable**
- **Dunton Green & Riverhead / Kemsing / Halstead, Knockholt & Badgers Mount / Seal & Weald**
- **Swanley St Mary’s / Farningham, Horton Kirby & South Darenth / Edenbridge S&W / Swanley Christchurch & Swanley Village / Fawkham & West Kingsdown**
- **Hartley & Hodsol St**
- **Brasted, Chevening and Sundridge / Westerham, & Crockham Hill / Sevenoaks Town & St John’s / Sevenoaks Eastern / Otford & Shoreham**

Values typically above those regularly seen for new build locally.
2.4.5 Values patterns can often be indistinct and especially at a very local level. However, in this study context we need to consider whether there are any clear variations between settlements or other areas where significant development may be occurring in the context of the future District development strategy and any potential revision to the CIL. In setting the Council’s current (adopted, charged) CIL it was considered necessary to differentiate between Edenbridge wards to the south west of the District and wards to the north (Zone B) and the rest of the District (Zone A). Through this assessment we look again at this as part of re-exploring the CIL viability scope. We also consider the additional viability pressures likely to be associated with town centre development; and whether consideration should be given by the Council to any other form of differentiation – including within the overall affordable housing policy approach.

2.4.6 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the data-set for a given location at the point of gathering the information. In some cases, small numbers of properties in particular data samples (limited house price information) produce inconsistent results. This is not specific to Sevenoaks District. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between the settlements and localities, given the varying characteristics of the District; as set out in these sections and as is suitable for the consideration of Local Plan viability and deliverability.

Affordable housing
2.4.7 Importantly, in addition to the market housing, the development appraisals also assume a requirement for affordable housing. As this study seeks to test the viability of potential Local Plan policies holistically, we have tested and reviewed a range of potential affordable housing policy targets from 10% to 40% depending on site size.

2.4.8 The Council’s adopted Core Strategy sets out the following affordable housing policies (policy SP3: Provision of Affordable Housing):

‘In order to meet the needs of people who are not able to compete in the general housing market, the Council will expect the provision of affordable housing in all types of residential development including specialised housing. The location, layout and design of the affordable housing within the scheme should create an inclusive development.’
The level and type of affordable housing required in any residential development will be assessed against the following criteria:

1. In residential developments of 15 dwellings or more gross 40% of the total number of units should be affordable.
2. In residential developments of 10-14 dwellings gross 30% of the total number of units should be affordable.
3. In residential developments of 5-9 units gross 20% of the total number of units should be affordable.
4. In residential developments of less than 5 units that involve a net gain in the number of units a financial contribution based on the equivalent of 10% affordable housing will be required towards improving affordable housing provision off-site.

2.4.9 The new NPPF at para. 63 states:

‘Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). 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’

2.4.10 In carrying out this viability assessment, as requested by SDC, we have undertaken a review of affordable housing policy across a range of thresholds in order to inform the Council’s decision-making process from a viability perspective only. The Council would need to consider the evidence required in order to include a sub-10 unit affordable housing threshold, subject to viability constraints both generally and in relation to any designated ‘rural’ areas. More detail on the affordable housing assumptions is provided below and at Appendix I.

2.4.11 For the affordable housing, we have assumed that approximately 76% is affordable rented tenure and 24% is ‘intermediate’ in the form of shared ownership (although again it should be noted that this tenure mix was accommodated as far as best fits the overall scheme mixes and affordable housing proportion in each scenario). Sensitivity testing has also been undertaken to review the impact of social rent tenure in addition to affordable rent. This is discussed later in the report. Further testing may be required or helpful in the future if the Council determines through
additional evidence that a requirement for a different mix of affordable home ownership is required through a need’s assessment.

2.4.12 In reality tenure will normally be decided based on an up to date Strategic Housing Market Assessment (SHMA) ensuring that properties meet local needs at the time of the application. In practice many tenure mix variations could be possible; as well as many differing rent levels derived from the affordable / social rented tenure approach - as affected by local markets and by affordability. The same applies to the intermediate (currently assumed as shared ownership) affordable housing element in that the setting of the initial purchase share percentage, the rental level charged on the Registered Provider’s (RP’s - i.e. Housing Association or similar) or other affordable housing provider’s retained equity, and the interaction of these two would usually be scheme specific considerations. Shared ownership (SO) is sometimes referred to as a form of ‘low cost home ownership’ (LCHO) and can form part of the Government’s ‘affordable home ownership’ tenure. Assumptions need to be made for the study purpose.

2.4.13 For the on-site affordable housing, the revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (affordable rent) or capitalised net rental stream and capital value of retained equity (in the case of shared ownership tenure). Currently Homes England (HE) expects affordable housing of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. At the very least this should be the starting assumption pending any review of viability and later funding support for specific scenarios / programmes. We have therefore made no allowance for grant or other public subsidy / equivalent.

2.4.14 The value of the affordable housing (level of revenue received for it by the developer) is variable by its very nature. This may be described as the ‘payment to developer’, ‘RP payment price’, ‘transfer payment’ or similar. These revenue assumptions were reviewed based on our extensive experience in dealing with affordable housing policy development and site-specific viability issues (including specific work on SPDs, affordable rents, financial contributions and other aspects for other authorities). The affordable housing revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of rental income after deduction for management and maintenance costs, voids allowances and the like). We considered the affordable
rented revenue levels associated with potential variations in the proportion (%) of market rent (MR); up to the maximum allowed by the Government of 80% MR including service charge.

2.4.15 In broad terms, the transfer price assumed in this study varies between approximately 30% and 65% of market value (MV) dependent on tenure, unit type and value level. For affordable rented properties we introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) levels will act as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the Local Housing Allowance (LHA) rate. The LHA rate for the High Weald Rental Market Area (BRMA) that covers the Sevenoaks District Council area for the varying unit types was used as our cap for the affordable rental level assumptions.

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

2.5 Gross Development Value – Commercial / Non-residential

2.5.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. In order to consider the viability of various commercial development types, a range of assumptions are needed. Typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisal. The strength of the relationship between the GDV and the development costs was then considered. This was either through residual valuation techniques very similar to those used in the residential appraisals (in the case of the main development types to be considered) or; a simpler value vs. cost comparison (where it became clear that a poor relationship between the two existed so that clear viability would not be shown - making full appraisals unnecessary for a wider range of trial scenarios).
2.5.2 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was collated from a range of sources including the CoStar property intelligence database, Valuation Office Agency (VOA) and a range of development industry publications, features and web-sites. As with the residential information, Appendix III sets out more detail on the assumptions background for the commercial schemes.

2.5.3 Figure 9 below shows the range of annual rental values assumed for each scheme type. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme dependent on the combination of yield and rental values applied.

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

2.5.5 The amount and depth of available information varies considerably by development type. Once again, this is not a Sevenoaks District only factor and it does not detract from the necessary viability overview process that is appropriate for this type of study.

2.5.6 These varying rental levels were capitalised by applying yields of between 5.0% and 7.5% (varying dependent on scheme type). As with rents, varying the yields enabled us to explore the sensitivity of the results given that in practice a wide variety of rental and yields could be seen. Taking this approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could deteriorate whilst still supporting the collective costs, including CIL.
2.5.7 It is important to note here that small variations can have a significant impact on the GDV that is available to support the development costs (and thus the viability of a scheme) together with any potential CIL funding scope. We consider this very important bearing in mind the balance that must be found between infrastructure funding needs and viability. Overly optimistic assumptions in the local context (but envisaging new development and appropriate lease covenants etc. rather than older stock), could well act against finding that balance.

2.5.8 This approach enabled us to consider the sensitivity of the results to changes in the capital value of schemes and allowed us then to consider the most relevant results in determining the parameters for setting non-residential CIL rates across the District. As with other study elements, particular assumptions used will not necessarily match scheme specifics and therefore we need to look instead at whether / how frequently local scenarios are likely to fall within the potentially viable areas of the results (including as values vary). This is explained further in Chapter 3.

Figure 9: Assumed rental value for commercial schemes

<table>
<thead>
<tr>
<th>Development Type</th>
<th>Value Level (Annual Rental Indication £/sq. m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Large Retail</td>
<td>£250</td>
</tr>
<tr>
<td>Large Retail</td>
<td>£225</td>
</tr>
<tr>
<td>Town Centre Retail</td>
<td>£150</td>
</tr>
<tr>
<td>Small Retail</td>
<td>£150</td>
</tr>
<tr>
<td>Business - Offices - Town Centre</td>
<td>£175</td>
</tr>
<tr>
<td>Business - Offices - Out of town centre / Business Park</td>
<td>£175</td>
</tr>
<tr>
<td>Business - Industrial / Warehousing</td>
<td>£90</td>
</tr>
<tr>
<td>Business - Industrial / Warehousing</td>
<td>£70</td>
</tr>
<tr>
<td>Hotel (budget)*</td>
<td>£160</td>
</tr>
<tr>
<td>C2 - Residential Institution</td>
<td>£180</td>
</tr>
</tbody>
</table>

* equivalent to £4,000 - £6,000 per room per annum

2.5.9 As with residential development, consideration was given as to whether there should be any varying approach to CIL charging levels for commercial and other developments locally. On review, it was considered that variations in values and viability outcomes would be more likely to be the result of detailed site and scheme...
specific characteristics, and not necessarily driven by distinctions between general location (area) within the District so far as the likely location of such development is concerned. This was borne out on review of the commercial values data and results.

2.5.10 Overall, we found that in the event of identifying scope to charge a CIL on commercial or non-residential development in viability terms, there is no clearly justifiable or readily definable approach to varying that through viability findings based on location / geography. Whilst certain specific scheme types could create more value in one location compared with another in the District, typically there was felt to be no clear or useful pattern which might be described for that. It must be accepted that there will always be variations and imperfections in any level of overview approach; with or without area based differentiation.

2.6 Development Costs – General

2.6.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, assumptions have to be fixed to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. As with the scheme scenario building, an overview of the various available data sources is required.

2.6.2 Each area of the development cost assumptions is informed by data - from sources such as the RICS Building Cost Information Service (BCIS), any locally available soundings and scheme examples, professional experience and other research.

2.6.3 For this overview, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review. Contingency allowances have however been made for all appraisals. This is another factor that should be kept in mind in setting policy and CIL charging rates and ensuring those are not set to the ‘limits’ of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.
2.7 Development Costs – Build Costs

2.7.1 The base build cost levels shown below are taken from the BCIS. In each case the figure has been rebased using the Sevenoaks District location factor (an adjustment of the base figure indexed for Sevenoaks District). Costs assumed for each development type are provided in Appendix I. For the purposes of this exercise we have added an allowance for housing schemes of 10 units or less and made a deduction for flatted schemes of 10 units or less based on advice provided by the RICS BCIS within a report commissioned by the Federation of Small Businesses (FSB)\(^{12}\). Figure 10 below summarises these:

Figure 10: Build Cost Data (BCIS Median, Sevenoaks District location factor relevant at time of research)

<table>
<thead>
<tr>
<th>Development Type</th>
<th>BCIS Build Cost (£/sq. m)*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential C3</strong></td>
<td></td>
</tr>
<tr>
<td>Build Costs Mixed Developments - generally</td>
<td>£1,469</td>
</tr>
<tr>
<td>Build Costs Estate Housing - generally</td>
<td>£1,441</td>
</tr>
<tr>
<td>Build Costs Flats – generally</td>
<td>£1,673</td>
</tr>
<tr>
<td>Build Costs Flats - 3-5 storey</td>
<td>£1,658</td>
</tr>
<tr>
<td>Build Costs (Sheltered Housing - Generally)</td>
<td>£1,765</td>
</tr>
<tr>
<td><strong>Large Retail</strong></td>
<td></td>
</tr>
<tr>
<td>Large Supermarket - out of town</td>
<td>£1,692</td>
</tr>
<tr>
<td><strong>Large Retail</strong></td>
<td></td>
</tr>
<tr>
<td>Retail warehouse</td>
<td>£988</td>
</tr>
<tr>
<td><strong>Town Centre Retail</strong></td>
<td></td>
</tr>
<tr>
<td>Comparison shops (general/non shopping centre)</td>
<td>£1,263</td>
</tr>
<tr>
<td><strong>Small Retail</strong></td>
<td></td>
</tr>
<tr>
<td>Convenience Store - various locations</td>
<td>£1,263</td>
</tr>
<tr>
<td><strong>Business - Offices - Town Centre</strong></td>
<td></td>
</tr>
<tr>
<td>Office Building</td>
<td>£2,117</td>
</tr>
<tr>
<td><strong>Business - Offices - Out of town centre /Business Park</strong></td>
<td></td>
</tr>
<tr>
<td>Office Building</td>
<td>£2,026</td>
</tr>
<tr>
<td><strong>Business - Industrial / Warehousing</strong></td>
<td></td>
</tr>
<tr>
<td>Smaller / Move-on type industrial unit including offices - industrial estate</td>
<td>£1,659</td>
</tr>
<tr>
<td><strong>Business - Industrial / Warehousing</strong></td>
<td></td>
</tr>
<tr>
<td>Larger industrial / warehousing unit including offices - industrial estate</td>
<td>£1,173</td>
</tr>
<tr>
<td><strong>Hotel (budget)</strong>*</td>
<td></td>
</tr>
<tr>
<td>Hotel - edge of town centre / edge of town</td>
<td>£2,332</td>
</tr>
<tr>
<td><strong>C2 - Residential Institution</strong></td>
<td></td>
</tr>
<tr>
<td>Care Home</td>
<td>£1,934</td>
</tr>
</tbody>
</table>

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

\(^{12}\) RICS BCIS Report for The Federation of Small Businesses – Housing development: the economies of small sites - the effect of project size on the cost of housing construction (August 2015)
2.7.2 Unless stated, the above build cost levels do not include for external works / site costs, contingencies or professional fees (added separately). An allowance for plot and site works has been allowed for on a variable basis within the appraisal depending on the scheme type (typically between 5% and 20% of base build cost). These are based on a range of information sources and cost models and generally pitched at a level above standard levels in order to ensure sufficient allowance for the potentially variable nature of site works.

2.7.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always be a range of data and opinions on, and methods of describing, build costs. In our view, we have made reasonable assumptions which lie within the range of figures we generally see for typical new build schemes (rather than high specification or particularly complex schemes which might require particular construction techniques or materials). As with many aspects there is no single appropriate figure in reality, so judgments on these assumptions (as with others) are necessary. As with any appraisal input of course, in practice this will be highly site specific. In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.7.4 In all cases further allowances have been added to the total build cost in respect of meeting optional technical housing standards as discussed later in this chapter.

2.7.5 An allowance of 5% of build cost has also been added in all cases, to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard assumption in our recent experience. We have seen variations, again, either side of this level in practice.

2.7.6 The interaction of costs and values levels will need to be considered again at future reviews of CIL and the Local Plan. In this context it is important to bear in mind that the base build cost levels may vary over time.

2.7.7 At the time of reporting the latest available BCIS briefing (September 2018) stated on build cost trends:
Over the next five years (to 2Q 2023) tender prices are expected to rise 22%. They are forecast to rise just under 2% in the first year and between 4% and 5% in the next two years, before rising to around 6% in the last two years.

Building costs are forecast to rise by 20% over the forecast period, by 4% over the first year of the forecast period, by 3% over the following year, then rising by 4% in the year to 2nd quarter 2021, 5% in the year to 2nd quarter 2022, and 4% in the final year of the forecast period.

Over the forecast period, construction materials prices are expected to rise by between 3% and 4% per annum.

Average wage awards are expected to be agreed at around 3% over the first two years, and then 5% per annum over the final three years of the forecast period.

The lack of clarity over the Brexit negotiations continues to cause great uncertainty in both the construction industry and the wider economy. This uncertainty is expected to affect the private commercial sector in particular, as has been seen in the retail sub-sector by several high street names either reducing their portfolio significantly or disappearing completely. New office construction is also expected to suffer from the uncertainty.

Output in the private commercial sector is already falling, and is expected to continue to fall over the next two years. However, increases in other sectors mean that total new work output will fall by just 1% in 2018. Over the following year, new work output is expected to recover modestly, with stronger growth in 2020. New work output is forecast to grow more sharply in 2021 and 2022. Over the five years 2018 to 2022, new work output is expected to rise nearly 12%

Scenarios

There is still a great deal of uncertainty over the terms that will be agreed when the UK leaves the European Union.

While almost any outcome is still possible, we will continue to produce forecasts based on three scenarios; these reflect the different outcomes from the exit negotiations from the EU and are equally likely. The uncertainty of the results of
the Brexit negotiations will undoubtedly lead to BCIS revising its assumptions again as more is known.

- In all scenarios, it is assumed that there will be no change of UK government over the forecast period, and that there is political stability in the rest of the world. A gradual rise in interest rates puts pressure on consumer spending. The scenarios are outlined in Appendix A.

- Although a 'no deal' is currently being discussed as an option, this may encompass a raft of specific deals and has therefore increased the range of possible outcomes. A specific forecast for this option has not been carried out. However, the likelihood is that a 'no deal' would tend towards our Downside scenario\textsuperscript{13}.

### BCIS All-in TPI – Annual Percentage Change

<table>
<thead>
<tr>
<th>Summary of scenarios</th>
<th>2Q18 to 2Q19</th>
<th>2Q19 to 2Q20</th>
<th>2Q20 to 2Q21</th>
<th>2Q21 to 2Q22</th>
<th>2Q22 to 2Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Central&quot; scenario</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TPI</td>
<td>+1.9</td>
<td>+4.4</td>
<td>+4.5</td>
<td>+6.0</td>
<td>+5.7</td>
</tr>
<tr>
<td>GBCI</td>
<td>+3.5</td>
<td>-3.3</td>
<td>+3.5</td>
<td>+4.7</td>
<td>+4.2</td>
</tr>
<tr>
<td>New work output*</td>
<td>-0.5</td>
<td>+0.8</td>
<td>+2.1</td>
<td>+4.4</td>
<td>+4.5</td>
</tr>
<tr>
<td>&quot;Upside&quot; scenario</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TPI</td>
<td>+4.2</td>
<td>+5.5</td>
<td>+6.0</td>
<td>+5.7</td>
<td>+5.1</td>
</tr>
<tr>
<td>GBCI</td>
<td>+3.4</td>
<td>+3.1</td>
<td>+3.2</td>
<td>+3.7</td>
<td>+3.3</td>
</tr>
<tr>
<td>New work output*</td>
<td>+1.4</td>
<td>+6.7</td>
<td>+6.5</td>
<td>+5.5</td>
<td>+5.3</td>
</tr>
<tr>
<td>&quot;Downside&quot; scenario</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TPI</td>
<td>-2.6</td>
<td>-4.9</td>
<td>-3.4</td>
<td>+6.7</td>
<td>+6.6</td>
</tr>
<tr>
<td>GBCI</td>
<td>+3.8</td>
<td>+4.7</td>
<td>+5.1</td>
<td>+5.1</td>
<td>+5.1</td>
</tr>
<tr>
<td>New work output*</td>
<td>-2.8</td>
<td>-0.9</td>
<td>-4.0</td>
<td>+8.3</td>
<td>+8.5</td>
</tr>
</tbody>
</table>

*Year on year (2Q18 to 2Q19 = 2017 to 2018), constant prices 2016
2.7.8 Therefore, at the point of reporting we cannot be sure how the European scenario or other external influences will play out either short or longer term on the economics potentially affecting development viability. It is still too early to tell. The influences on the property market from a values and rates of sales, point of view seems likely to be at least as great as that on construction and build costs. At the current time, in general, the overall reasonably positive housing market conditions were seen to continue through into the early part of 2018 albeit seemingly now, based on very latest indications, with flattening prices or reduced growth; and in some instances, with lower prices meaning a relatively neutral picture on house price movement at present.

2.8 Key Policy Areas for Testing - Summary

Nationally Described Space Standard

2.8.1 The Government’s Technical Housing Standards have introduced national space standards for housing which can be used in a Local Plan policy if there is sufficient evidence of need and viability.

2.8.2 The national space standards have been included in the modelling for this viability assessment as a standard assumption. See Appendix I for detail.
Access to and use of Buildings

2.8.3 The Government’s Housing Standards Review has also resulted in changes being made with reference to Lifetime Homes and the Wheelchair Housing Design Standard. Accessibility is now incorporated into Part M of Building Regulations, applied by Local Planning Authorities as conditions and checked for implementation through the Building Control process.

2.8.4 The 2015 edition of Approved Document M – Access to and use of buildings: Volume 1 – Dwellings introduces three categories of dwellings (details tabled below)

<table>
<thead>
<tr>
<th>Category</th>
<th>Type of Dwelling</th>
<th>Standard</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>Visitable dwellings</td>
<td>M4(1)</td>
<td>This is mandatory for all new dwellings and is not optional. This means that reasonable provision should be made for people to gain access to and use the dwelling and its facilities. This should include most people, including wheelchair users.</td>
</tr>
<tr>
<td>Category 2</td>
<td>Accessible and adaptable dwellings</td>
<td>M4(2)</td>
<td>This optional standard is broadly equivalent to Lifetime Homes standards. This requires that provision is made within new dwellings to meet the needs of occupants with differing needs including some older and disabled people and allow for the adaptation of the dwelling to meet changing needs of occupants over time. This means that features are provided to enable common adaptations to be carried out in the future to increase the accessibility and functionality of the building.</td>
</tr>
<tr>
<td>Category 3</td>
<td>Wheelchair user dwellings</td>
<td>M4(3)</td>
<td>An optional standard with two sub-categories: M4(3)(2)(a): wheelchair adaptable: a dwelling constructed with the potential to be adapted for occupation by a wheelchair user e.g. providing space for the future installation of a lift; or M4(3)(2)(b): wheelchair accessible: a dwelling constructed to be suitable for immediate occupation by a wheelchair user e.g. by installing a lift.</td>
</tr>
</tbody>
</table>

2.8.5 Again, as with residential space standards, there needs to be evidence for both need and viability. According to the Council’s draft Local Plan, ‘There is strong local evidence in the SHMA and the LHNS to suggest that all new homes should be constructed to M4(2) standard and the LHNS recommends that 5% of new homes should be built to support people with physical disabilities and therefore constructed to M4(3) standard’.
2.8.6 As part of the viability testing process, the Council has therefore requested that testing be carried out to look at the likely viability impact of including policies on the access to and use of buildings, as set out above. We set out below the likely additional costs for including policies that meet the optional Category 2 and/or 3 requirements of Part M4 of the Building Regulations and those have been used in our sensitivity testing. It should be noted that enhanced requirements (where implemented) are independent of each other so that a dwelling may be provided to meet either standard.

2.8.7 As part of the Government’s Housing Standards Review consultation, cost analysis was produced by EC Harris (and subsequently updated) relating to areas that included Access. Within the 2014 update to that review document, approximate costs of complying with the optional Category 2 requirements of Part M4 were included. This indicates various costs for different types of dwelling and on different forms of development. For the purposes of this report, the average extra over access cost per dwelling is approximately total of £2,447 for houses and £1,646 for flats for meeting Part M4 (2) standards. This is based on an average extra over access cost per dwelling (£682/dwelling) alongside the average access related space cost per dwelling but without allowing for cost recovery (£1,444/dwelling).

2.8.8 For Part M4 (3) the same report indicates average extra over (E/O) costs to be £15,691 for flats and £26,816 for houses.

2.8.9 Within this viability assessment, the base assumption is that all dwellings will comply with Part M4(2) and that 5% of dwellings on sites of 20 or more units will comply with Part M4(3). It should be noted however that Part M4(2) and Part M4(3) would not be required on the same individual unit; in respect of individual dwellings the standards are on an “either or” basis.

Energy & Water

2.8.10 As a result of the Housing Standards Review, local authorities will need to ensure that any specific policy in regard of water consumption is set at no more than 110 litres/person/day. As far as we are aware there is no specific requirement within the Council’s emerging Local Plan to introduce minimum standards for water consumption.
2.8.11 This study also assumes that the Sustainable Design / Construction Standards are based on meeting the requirements of the building regulations in terms of energy use due to the Government’s withdrawal of the Code for Sustainable Homes. There has been a significant amount of confusion created by the WMS, the Deregulation Act 2015 and the potential changes to the Planning and Energy Act 2008.

2.8.12 Our understanding has been that until the adoption of the new NPPF, although local planning authorities could set energy efficiency targets that were higher than the building regulations current at the time, those could not exceed the equivalent of Code Level 4 of the previous Code for Sustainable Homes standards. As noted by others\(^\text{14}\): ‘The Secretary of State can amend section 1 of the 2008 Act by bringing into force the provisions in the Deregulation Act 2015. These would remove the right for local authorities to add energy efficiency policies to their local plans which exceed the requirements of Building Regulations in relation to dwellings...It is noticeable that over the course of the last three years no government has brought into force the amendments to the 2008 Act which would have stopped local authorities from adopting energy efficiency standards above the requirements of Building Regulations’.

2.8.13 Accompanying the publication of the new NPPF 2018, was the Government’s response to the NPPF consultation exercise. In response to concerns from local planning authorities, the Government stated: ‘To clarify, the Framework does not prevent local authorities from using their existing powers under the Planning and Energy Act 2008 or other legislation where applicable to set higher ambition. In particular, local authorities are not restricted in their ability to require energy efficiency standards above Building Regulations. The Government remains committed to delivering the clean growth mission to halve the energy usage of new buildings by 2030’.

2.8.14 This in itself does not contradict the general view above that LPAs have the ability to set higher targets than Building Regulations but equally also does not state that LPAs can go beyond the equivalent of the former CfSH Level standards.

2.8.15 For the purposes of this study and in line with the approach adopted by SDC we have based all modelling on a baseline that assumes increased energy efficient over Building Regulations up to an equivalent of former CfSH Level 4. Appendix I provides

the detail but data taken from the DCLG Housing Standards Review Impact Assessment (average £ per unit extra-over (E/O) cost) for meeting the energy requirements for former CfSH Level 4 equivalent has been used as a proxy (assumption at 1.5% over base build costs).

2.8.16 No other sensitivity testing has been carried out in relation to more stringent approaches to carbon reduction through the Plan.

**Affordable Home Ownership, Custom & Self-Build**

2.8.17 The Housing and Planning Act 2016 introduced a requirement for Local Planning Authorities in England to promote the supply of Starter Homes. The exact proportion is not set out in the Act, but previous consultation suggested that it would be in the region of 20% of new homes on all new developments (with certain exceptions). The publication of the NPPF indicates a change of position leading to a requirement for 10% of new homes to be provided as ‘affordable home ownership’ products. It states:

‘Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership [as part of the overall affordable housing contribution from the site], 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’

2.8.18 At this stage the SDC is of the opinion that the affordable housing target should be based on a Strategic Housing Market Assessment or other relevant/updated needs based assessment that provides suitable local evidence informing AH tenure priorities and requirements. This is on the basis that a starting point of delivering 10% of schemes for affordable home ownership in accordance with the latest high-level national position (NPPF 2018 para 64) could well significantly prejudice the Council’s ability to respond to meeting identified local needs as a priority. Our understanding at this early stage of its introduction is that NPPF para 64 also acknowledges the scope to consider specific local needs. Again of course, as with other aspects of potentially variable detail, this may need to be reviewed through the individual UAs’ Local Plan processes and any associated viability work.
2.8.19 From DSP’s experience of considering custom / self-build to date (albeit limited to early stages exploratory work on viability) we consider that the provision of plots (serviced and ready for development) for custom-build has the potential to be a sufficiently profitable activity so as not to prove a significant drag on overall site viability. Broadly, from review work undertaken so far, we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process.

Electric Vehicle Charging Infrastructure

2.8.20 The Council’s emerging policy requires that electrical vehicle charging infrastructure is provided for all new residential development. For the purposes of this study an allowance of £500 per unit has been made for all dwellings.

2.9 Development Costs – Fees, Finance & Profit

2.9.1 The following costs have been assumed for the purposes of this study alongside those noted within section above and vary slightly depending on the scale and type of development. Other key development cost allowances for residential scenarios are as follows - for the purposes of this assessment only (Note: Appendix I also provides a summary):

- **Professional fees**: Total of 10% of build cost
- **Site Acquisition Fees**: 1.5% agent’s fees
  0.75% legal fees
  Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT).
- **Finance**: 6.5% p.a. interest rate (assumes scheme is debt funded)
  Arrangement fee variable – basis 1-2% of loan
- **Marketing costs**: 1.5% - 6.0% sales agent & marketing fees
  £750 per unit legal fees
- **Developer Profit**: Open Market Housing – 15% - 20% GDV
  Affordable Housing – 6% of GDV (affordable housing revenue).
2.10 Development Costs – Fees, Finance & Profit (Commercial)

2.10.1 Other development cost allowances for the commercial development scenarios are as follows:

**BREEAM:** 5% of build cost

**Professional and other fees:** 10% of build cost

**Site Acquisition Fees:**
- 1.5% agent’s fees
- 0.75% legal fees
- Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)

**Finance:**
- 6.5% p.a. interest rate (assumes scheme is debt funded)
- Arrangement fee variable – 1-2% loan cost

**Marketing / other costs:** (Cost allowances – scheme circumstances will vary)
- 1% promotion / other costs (% of annual income)
- 10% letting / management / other fees (% of assumed annual rental income)
- 5.75% purchasers’ costs – where applicable

**Developer Profit:** 20% of GDV

2.11 Build Period

2.11.1 The build period assumed for each development scenario has been based on BCIS data (using its Construction Duration calculator - by entering the specific scheme types modelled in this study) alongside professional experience and informed by examples where available. The build periods are for the build only; lead-in and extended sales periods have also been allowed-for on a variable basis according to scheme type and size, having the effect of increasing the periods over which finance costs are applied. Appendix I provides the detail.
2.12 Community Infrastructure Levy (CIL) & Other Planning Obligations

2.12.1 Current guidance states the following with regard to CIL: ‘At examination, the charging authority should set out a draft list of the projects or types of infrastructure that are to be funded in whole or in part by the levy (see Regulation 123). The charging authority should also set out any known site-specific matters for which section 106 contributions may continue to be sought. This is to provide transparency about what the charging authority intends to fund through the levy and where it may continue to seek section 106 contributions’.\(^{15}\) The purpose of the list is to ensure that local authorities cannot seek contributions for infrastructure through planning obligations when the levy is expected to fund that same infrastructure. The Guidance\(^ {13}\) states that where a change to the Regulation 123 list would have a significant impact on the viability evidence that supported examination of the charging schedule, this should only be made as part of a review of that charging schedule. It is therefore important that the level of planning obligations assumed in this study reflects the likely items to be funded through this route.

2.12.2 The Council already operates a CIL and a great majority of existing Planning Obligation requirements are taken up within the CIL charging scope, but nevertheless sites are still required to contribute to site-specific mitigation measures (for example relating to open space / highways / transport and similar requirements). The appraisals therefore include a notional sum of £3,000 per dwelling (for all dwellings – including affordable - and all schemes) on this aspect purely for the purposes of this study and in the context of seeking to allow for a range of potential scenarios and requirements – effectively as an additional contingency in respect of any residual s.106 requirements, acting alongside the CIL payments in terms of the collective development costs to be considered.

2.12.3 The additional strategic sites in the Green Belt site appraisals review provides results derived from our appraisals run with an estimate of costs of know s106 requirements specific to that site with the outcome in each case shown as a resultant surplus / deficit. Those therefore provide a current stage indication of the sums potentially available to support any further additional infrastructure (e.g. through s.106 obligations) and/or other currently unidentified costs after other usual development costs are allowed for.

\(^{15}\) DCLG – Community Infrastructure Levy Guidance (February 2014)
2.13 Strategic Sites in the Greenbelt

2.13.1 As part of building their evidence base, the Council also asked DSP to consider the potential viability, at a high level at this stage, of potential strategic sites that could be brought forward through the plan that would require exceptional circumstances to allow their removal from the Green Belt.

2.13.2 A number of sites were promoted through the Local Plan process with three sites potentially being included within the Plan moving forward. Two sites are site allocations to be removed from the Green Belt and one site (Pedham Place) is identified as a broad location for growth and is not removed from the Green Belt at this time. These are set out at Figure 5 above but are repeated here again for ease of reference:

Figure 5 (repeated):

<table>
<thead>
<tr>
<th>Site ref</th>
<th>Capacity</th>
<th>Existing Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEVENOAKS URBAN AREA SITE ALLOCATION: Sevenoaks Quarry</td>
<td>MX43</td>
<td>600</td>
</tr>
<tr>
<td>EDENBRIDGE SITE ALLOCATION: Land South and East of Four Elms Road Edenbridge</td>
<td>HO189 &amp; HO190 HO223</td>
<td>340</td>
</tr>
<tr>
<td>SWANLEY – BROAD LOCATION FOR GROWTH: Pedham Place, Swanley /Farningham/Eynsford</td>
<td>MX48</td>
<td>c.2,500</td>
</tr>
</tbody>
</table>

2.13.3 Specific assumptions were made relating to each site on areas such as average value levels and site specific mitigation through s106; based on information available at the time of carrying out the assessment.

2.13.4 It needs to be made clear that although specific appraisals have been carried out for these sites, in reality the length of time over which the development is planned (over the life of the Local Plan) means that the results can only provide a high level assessment of the potential viability of the sites. The information set out in Appendix I provides a summary of our assumptions for each site based on a mixture of reviewing site promotion documents, consultation responses and our own experience. None of the schemes have been costed and therefore all costs are purely estimates at this very early stage.
2.13.5 The results of the appraisals are shown in Appendix IIb alongside summaries of the development appraisals. These show the potential residual surplus (or deficit) after allowing for typical build costs, external and site works, fees, finance, development profit, costs of sale and land purchase.

2.13.6 As a starting point, the land purchase cost included has been assumed at between £100,000 - £250,000/Ha applied to the gross (total) assumed site area. As in other cases, the land value assumption here does not indicate or guide on a price to be paid or accepted; it is simply used to begin further exploring the viability parameters. Indeed, in the case of “bulk” purchase of agricultural land, as will be the case across some of the sites, lower land values on the EUV+ basis could well be a valid consideration, and would have the effect of increasing the outcomes (indicative surpluses) compared with those at £250,000/Ha for example.

2.13.7 Appendix I and the Argus Developer appraisal summary prints included in Appendix IIb provide further information.

2.14 Indicative land value comparisons and related discussion

2.14.1 Land value in any given situation should reflect the specifics on existing use, planning potential and status / risk, development potential (usually subject to planning) and constraints, site conditions and necessary works, costs and obligations. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value, as has been recognised by Local Plan and CIL Examiners as well as Planning Inspectors.

2.14.2 As discussed previously, in order to consider the likely viability of any development scheme relevant to the emerging Local Plan and its policies, the outturn results of the development appraisals (the RLVs viewed in £/ha terms) need to be somehow measured against a comparative level of land value. This is a key part of the context for reviewing the strength of the results as those change across the range of assumptions on sales values (GDVs) and crucially including the effect of affordable housing policy targets (%)s.

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

2.14.4 The levels of land values selected for this comparison context are often known as ‘benchmark’ land values (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results to enable the review of those. They help to highlight the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change, with the key relevant assumptions (variables) in this case being the GDV level (value level – VL) and affordable housing proportion (%).

2.14.5 Our practice is to compare the wide scope of appraisal residual land value results with a range of potential benchmark land values based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide range of potential scenarios and outcomes, and the viability trends across those. The coloured shading within the Appendix II results tables is a graded effect intended only to show the general transition of results through the range clearly viable (most positive – green coloured) to likely non-viable (least positive, RLVs showing a deficit against the BLVs – red coloured). For each set of results a surplus s/ deficit has also been calculated; set against the range of benchmark land values assessed with a similar graded colour scale employed purely to illustrate the relative strength of results.

2.14.6 Viewing the scale of the difference between the RLV and EUV (i.e. surplus after all costs (including policy costs), profit and likely land value expectations have been met) in any particular example, and as that changes between scenarios, allows us to judge the potential scope across the various development circumstances to meet other policy costs / requirements. It follows that, in the event of little or no surplus or a negative outcome (deficit), we can see a poor viability relationship, and vice versa.

2.14.7 The land value comparison levels are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. In our experience, sites will obviously come forward based on very site-specific circumstances, including in some cases beneath the levels assumed for this purpose.

2.14.8 As discussed above, the recently updated PPG on Viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of a site for development (EUV+).
2.14.9 The PPG states the following:

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

Benchmark land value should:

- be based upon existing use value
- allow for a premium to landowners (including equity resulting from those building their own homes)
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and
- be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

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

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing use value is not the price paid and should disregard hope value. Existing use values
will vary depending on the type of site and development types. 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. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams’ locally held evidence...

The premium (or the ‘plus’ in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

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. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments. 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. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).’

2.14.10 In order to inform the BLVs for use here, we have reviewed existing evidence, previous viability studies, site-specific viability assessments and in particular have had regard to published Government sources on land values for policy application16.

2.14.11 The Government data provides industrial, office, residential and agricultural land value estimates for the local sub-region including Sevenoaks; but not all areas are covered. Where there are no direct land value indications, we have made use of our

16 MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue)
own experience in order to inform a ‘best fit’ EUV from the available data. This data is shown in Appendix III and in the footnotes to the results tables. The residential land value estimates in particular require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used for the residential land value estimate. This (and other) viability assessments, assume all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher, “serviced” i.e. “ready to develop” level of land value.

2.14.12 The MHCLG truncated valuation model provides a much higher level of land value as it assumes all land and planning related costs are discharged, assumes that there is a nil affordable housing requirement (whereas in practice the Affordable Housing requirement can impact land value by around 50% on a 0.5 ha site with 35% AH) with no CIL or other planning obligations allowance. That level of land value would also assume that full planning consent is in place, whereas the risk associated with obtaining planning consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point. Lower quartile build costs and a 17% developer’s profit (compared to the assumed median build costs and 20% developer’s profit used in this study) are additional assumptions that lead to a view of land value well above that used for comparison (benchmark purposes) in viability assessments such as this. So, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of those factors.

2.14.13 The figure that we consider representing the minimum land value likely to incentivise release for development under any circumstances in the Sevenoaks context is around £100,000/ha, based on gross site area. In our experience of dealing with site specific viability, prior to the new guidance on viability in the PPG, greenfield land values have tended to be expected or assumed at indicative minimum option to purchase price agreement levels, or similar. These have been typically quoted at around £100,000 and not exceeding £150,000 per gross acre (i.e. approx. £250,000 to maximum £370,000 per gross hectare). Depending on scale and circumstances, land values at up to those levels could be relevant to development on greenfield land (such as agricultural land or in cases of enhancement to amenity land value). We
have “filtered” our results against greenfield based BLVs at £100,000 and £250,000 per gross hectare (£/ha) for the Council’s information.

2.14.14 These represent enhancement (sale incentive uplift) to greenfield land values (with agricultural land reported by the VOA and a range of other sources to be valued at circa £20,000 - £25,000/ha in existing use). The former HCA (which became Homes England) issued a transparent assumptions document which referred to guide parameters of an uplift of 10 to 20 times agricultural land value. This sort of level of land value could also be relevant to a range of less attractive locations or land for improvement. This is not to say that land value expectations in such scenarios would not go beyond these levels either – they could well do in a range of circumstances.

2.14.15 The EUV+ BLVs used within the study therefore range overall between £100,000/ha (for bulk greenfield land including a significant uplift from existing agricultural values, as above) to approximately £2.25m/ha for commercial land. A further filter has been included to cover land in existing residential use up to £4.5m/ha. The appendices to this report set out the specific BLVs used in considering the strength of the RLV £/Ha results for each test scenario.

2.14.16 Once again, it is important to note that all RLV results indicate the receipts available to landowners after allowing, within the appraisals, for all development costs. This is to ensure no potential overlapping / double counting of development costs that might flow from assuming land values at levels associated with serviced / ready for development land with planning permission, etc. The RLVs and the indicative comparison levels (BLVs or ‘viability tests’) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.14.17 Matters such as realistic site selection for the particular proposals, allied to realistic land owner expectations on site value, will continue to be vitally important. Even moving away from a ‘market value’ led approach, site value needs to be proportionate to realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

3 Findings and Recommendations
3.1 General context for results review

3.1.1 The findings considered here relate to the information provided in the Appendices as follows:

- **Appendix IIa** (Tables 1a(i) to 1m(ii)) - appraisal RLV results and surplus analysis tables at in respect of the general residential test typologies (as per Figure 4 above). For each typology the first table (i) shows the RLVs (£s) and then the RLVs (£/Ha) overlaid with colour shading linked to the BLVs. For further illustration purposes the second table (ii) shows for the VL 4 to 6 results the RLV surplus (or in some cases deficit) positions in £/Ha compared with the range of BLV levels. At 50 dwellings (results with tables marked 1k) there are social rent sensitivity tests (see below). So in that case, Table 1k(i) shows both the base (76% affordable rent) results and the social rent tests (i.e. with half the affordable rent assumed as social rent instead) and tables 1k(ii) and 1k(iii) show the corresponding surplus/deficit positions (additional information in respect of the results from the scenario testing at 6+ dwellings).

- **Appendix IIb** (Tables 2a to 2f) - potential maximum residual (£) surplus outcomes also expressed in £/dwelling terms produced by the current stage appraisals representing the strategic sites in the Green Belt – each tested without and with CIL included and at potential land values (BLVs) at £100,000 and £250,000/Ha.

- **Appendix IIc** (Tables 3a to 3e) for the equivalent commercial development tests. The RLV £/Ha results generated are again shown filtered against the range of BLVs (results display approach as per Appendix IIa).

3.1.2 A further guide to the content of these tables will be provided below.

3.1.3 As noted above, throughout the course of this assessment work SDC has been considering the development and honing of policies in the Draft Local Plan. In support of that, the Council is also considering whether there is scope to or a need to review its adopted CIL charging rates.
3.1.4 With both of these influences on viability under review and considered as variables within our appraisals, there is the potential for the overview to become quite circular or complex.

3.1.5 Given a combination of potential policy and CIL cost influences on viability, and the range of levels at which these could come together, for reporting purposes in the following sections we have decided first and foremost to consider the results that are based on CIL charging rate tests that most closely represent the currently charged (indexed) CIL rates. In the Tables denoted (i) within Appendix IIa, these currently charged rates (approximately/rounded) at £95 and £158/sq. m have been tested amongst the wider range of trial CIL rates, and the corresponding RLV results are those shown within the red box outlined columns.

3.1.6 From that base position, which indicates how viability looks with the adopted CIL tested against varying affordable housing (AH) levels and as the sales value level (VL) varies, we can consider whether in our view there is scope to support a continuation of the adopted approach. The approach also enables the viewing of any upward review potential for the CIL charging rate(s); or indeed any pointers to a need to perhaps consider adjusting downwards the CIL and / or AH policy headlines in certain circumstances.

3.1.7 First, we consider residential development, which is the main assessment focus. This is because, firstly, the policy positions selected by a local planning authority (SDC in this case) create a considerable influence on the viability of development (most significantly in relation to affordable housing), especially alongside a fixed (non-negotiable) level of CIL charging. The same cannot be said of a Council’s sphere of influence over the viability of commercial / non-residential development; that is much more limited.

3.1.8 Secondly, invariably the scale of residential development (quantum of new accommodation to come forward) is such that the source of CIL income is largely weighted towards residential.

3.1.9 Nevertheless, after considering the residential findings and potential implications / recommendations, we will go on to consider the likely variable viability of commercial development in Sevenoaks District – more on that follows (primarily in respect of our review of the potential CIL charging scope, based on viability).
3.1.10 Affordable housing, being a key factor influencing development viability over which the Council has a significant level of direct control, is therefore the main focus for the reporting in this section. How the Council progresses, selects and ultimately operates its affordable housing policies will be a major factor in ensuring sufficient viability to deliver a wide range of developments to underpin the Draft Local Plan.

3.1.11 For these reasons the assessment will need to suggest any adjustments and policy positions that the Council should consider in our view, related to viability. However, this may be about considering options – potential alternatives – which will be noted where applicable. Furthermore, the Council need not follow these report findings exactly. Overall, this is about considering the evidence collectively and setting out policies that will respond to an appropriate balance between the needs (e.g. for affordable housing and the desirability of funding infrastructure) and viability.

3.1.12 The results presented each have an appraisal behind them, based on the assumptions approach and assumptions set out above and in Appendix I. This means that the SDC proposed policy positions on matters that add development cost, such as enhanced accessibility (M4(2) and (3) standards) and other matters, together with the stated affordable housing (AH) levels are reflected within the full range of outcomes.

3.1.13 The testing of the viability scope available to support AH requirements is a key element of such an assessment. This is because the inclusion of AH has the largest single cost impact – far greater than that from other policies, because the affordable homes cost approximately the same to build as the market sale ones but support a much lower level of revenue, as noted. These requirements always have a significant impact the on development finances; a consistent finding from our work across a large number of studies. The findings are therefore discussed with a view to any policy adjustments being made where necessary, in comparison with the existing and / or any previously or currently proposed positions. Run and used in this way, the assessment informs the next stage Local Plan policy development.

3.1.14 Therefore the testing has included, as a key element, the exploration of the likely impact of seeking affordable housing (AH) across the range covering positions as have been under consideration at 0%, 20%, 30% and 40%. This envisages a potential planning–led AH role for scenarios of 6 or more dwellings, with the local site supply including a significant element of small sites and the Council needing to secure
contributions towards meeting affordable housing needs from the widest possible range of scenarios. The testing extends beneath that level so as to also inform the Council’s review of its CIL. Under the current CIL regulations it could be possible to differentiate for such smaller schemes not carrying AH requirement, and we consider this below.

3.1.15 In each case, the affordable housing included is assumed on the basis of the current understanding of its tenure and mix – i.e. affordable rented (at 76% of the re-tested AH content in all cases) and intermediate affordable housing; the latter assumed in the form of shared ownership (making up 24% of the appraisal AH content).

3.1.16 Using the 50 dwellings typology (Tables 1k base), additional results at Tables 1k(i) and (iii) show the outcomes of further sensitivity testing that reflects the SDC instruction to consider an element of social rented AH (i.e. an AH tenure mix of 38% each of Affordable rent (AR) and social rent (SR), with 24% shared ownership (SO) /affordable home ownership (AHO), compared with the base 76% AR/24% SO. The additional tests including SR may be compared with the base (AR/SO) results.

3.1.17 Earlier tests were also conducted on a single site typology based on adding-in policy related costs individually and then in combination. However, with the Council having recently settled its preferred positions on accessibility and so on, with the full range of results now reflecting the appropriate costs cumulatively, those earlier results are considered less informative at this further developed review stage. However, additional information can be provided for SDC on this if required.

3.1.18 In the case of all potential policy variables, clearly there are great number of potential combinations and outcomes. At this policy development stage, the aim is that this reporting helps further inform and also now support the Council’s emerging positions, which may then be further considered and/or tested if necessary once the final emerging policy set is settled.

3.1.19 In considering all additional policies, and indeed the impact of the existing or potentially adjusted CIL charging rate(s) it will be vital to view the varying outcomes allied to, and not independent from, the AH %s. The adding of too great a development costs burden alongside the Council’s priority of securing affordable housing will inevitably increase the pressure on and ability to secure the intended AH delivery. The CIL takes a fixed, non-negotiable top-slice from the development
revenue. If other policy related costs are applied too extensively and too rigidly, those will tend to have the same effect.

3.1.20 The NPPF 2018 introduces the prospect of a minimum 10% ‘affordable home ownership’ content within developments that provide AH, in place of the previously considered 20% ‘starter homes’ element, but the details around this remain largely unspecified at the time of assessment. This may need to be considered more as the Council moves forward with its further development of policies and housing enabling activities. For the purposes of this study, we have assumed that shared ownership is a form of affordable home ownership. If, however, the inclusion of another form of affordable homes ownership were involved or a greater overall proportion of shared ownership or similar than currently envisaged were sought / accepted, than we consider it reasonable to assume that in switching from affordable (or social) rented, an improvement in overall scheme viability would be seen (or, viewed alternatively, an enhanced overall level of AH might be provided compared with that viable based on the 76/24 (AR/SO) base mix.

3.1.21 In all cases, for the CIL review context a wider range of CIL “trial” rates has been applied across all tests – indicating the impact of CIL across a test range either side of the currently charged (indexed) rates – tested at £0/sq. m to £200/sq. m at £25/sq. m intervals, combined with the other variables under review.

3.2 A guide to using the Appendix IIa Results Tables – General residential typologies review

3.2.1 The tables of RLVs 1a(i) to 1m (ii) overall at Appendix IIa set out the appraisal results by increasing development size (number of dwellings within each assumed scenario) – as per 2.2.8 (Figure 4) above and Appendix I. For each scenario, the results relate to the tests carried out with 0%, 20%, 30% and 40% affordable housing depending on relevance – shown moving down each table set from top to bottom. In each case the 0% AH tests that were provided a base scenario for comparison only (results not included as not relevant to ongoing establishment of policy), except at 1 and 5 dwellings where SDC proposes no AH requirement (0% AH results also included). In general this enables the effect of introducing and then increasing the AH content to be seen clearly, and particularly of relevance to schemes of 6+ dwellings, as above (10+ in the case of on-site AH).
3.2.2 Each table cell of the Appendix IIa tables denoted (i) contains in the white (un-coloured/non-shaded) left-side or upper sections a RLV result (in £s). In the corresponding right-side or lower table areas (including the green and graduated coloured table cells) the same RLV is then expressed in £/Ha terms and (in the (ii) tables at 6+ dwellings) as a surplus or deficit £/Ha level above/beneath the range of BLVs – for additional information. These are calculated based on the indicative density and approximate land-take assumptions used.

3.2.3 The results are displayed by assumed value level (VL) which rises from 1 (lowest) to 11 (highest) overall, moving top to bottom in the (i) tables - as used in each test shown. In the (ii) surplus/deficit tables a reduced selection of mid-range VL results is shown for illustration. The impact of the varying strength of values available to support viability is clear to see at the range of AH %s tested – increasing VL supporting a higher £ RLV and £ RLV/ha as represented by the increasing boldness of the green shading (i) tables and green/orange tones compared with red ((ii) tables).

3.2.4 Whereas the £RLV and RLV/Ha results (i) are shown for the whole range of CIL trial rates tests, for the surplus/deficit analysis tables (ii) the results shown for illustration are those using the adopted CIL rates indexed to present – £95 and £158/sq. m.

3.2.5 Again, simply to highlight the results trends, an increasing AH% test is shown to have the opposite effect in all cases – with reducing boldness of green colouring showing the declining levels of the RLVs as the appraised AH content increases in all cases.

3.2.6 As per 3.1.21 above, the range of applied trial CIL charging rates (tests) are shown increasing from right to left in each Appendix IIa Table (ii) section. Following across each set relating to a single VL and AH% test, the RLVs can be seen to reduce with an increasing CIL rate applied, as expected, although this is clearly seen to be a more gradual effect than caused by changed AH% or VL. The interaction of this effect with other matters needs to be considered, especially given the fixed (non-negotiable) nature of CIL charging once in place, as it is already in Sevenoaks District. The red bordered table (ii) areas represent the level of influence of the existing SDC CIL (compared with alternatives moving either side of those).

3.2.7 We reiterate that, on looking at potential CIL impacts, in order to provide more targeted findings as a basis for informing SDC’s consideration of any scope or need to review its CIL rates based on latest available information, we will look first at the results most closely representing the adopted charging rates (as indexed). We
assume that further consideration of the CIL will need to be also informed by the Council’s latest available information on infrastructure needs associated with the emerging Local Plan, and the direction firming up on the Plan policies together with the site supply picture.

3.2.8 We noted in Chapter 2 the values picture seen – see section 2.4 above (Figure 8) and Appendix I for an overview; Appendix III for further detail. To recap, in general summary, from within the broader overall range found here, the data indicates a relatively narrow range of values seen within the areas that are proposed to support a majority of new housing development. However, as we observed in assessing viability to inform the Council’s existing CIL Charging Schedule (see Figure 1, section 1.2 above) there remains a significant differential in the generally achievable sales values between the typically higher and lower sales value areas. On review, this has been found to be still well-represented by the existing 2 CIL charging zones.

3.2.9 In considering both the AH policies and CIL, a key factor for the Council will be the role that the various areas are expected to play in accommodating development. Consistent with supporting the growth associated with an up to date Local Plan, and not related to any other existing deficits in infrastructure provision, an updated CIL will again be a high-level District-wide response and contributor. It is not possible for CIL to reflect and respond to all levels of local variation in values in other matters. How it overlays with the planned site supply is most important, even if that means some level of misfit in areas not supplying a significant level of development in the overall planned terms. The CIL principles are such that the charging schedule should ideally continue to be as simple as possible, accepting that usually values and other characteristics do not actually respect any particular boundaries, in more than a general way. All sites are different, and varying values will even be seen within sites.

3.2.10 The residual land values (RLVs) produced by the current stage appraisals are “filtered” against a series of ‘viability tests’ shown in the Appendix IIa table footnotes i.e. benchmark land values (BLVs) and used also to calculate the RLV £/Ha surpluses or deficits shown in the second results table (Table (ii)) for each typology (at 6+ dwellings). So, the bolder the green colour, the stronger the indicative outcome, as it reaches or exceeds the level of the higher viability tests and shows a strong surplus after allowing for the development and policy costs as tested. These indicate a scenario likely to be workable with increased frequency or greater confidence – i.e. across a wider range of site types and circumstances.
3.2.11 In reviewing the outcomes, we keep an eye also on the £sum RLVs and not just the RLVs expressed in £/Ha terms. This can be especially relevant to smaller PDL and town centre / higher density sites, where meeting the same or similar £/Ha rates might not provide a realistic picture and, for example, the prospect of being able to buy the site of an existing or former commercial use, or perhaps existing residential property, needs to also be kept in mind.

3.2.12 At this stage this is considered a reasonable and appropriate approach, again consistent with DSP’s established and supported way of researching and preparing strategic level viability assessments. However, as applies to the assessment more generally, it may be kept under review and considered further as SDC progresses any other work required on this.

3.2.13 Although we now have the Government’s October 2018 response to its Developer Contributions consultation exercise and this confirms an ongoing role for CIL, as with other national policy areas, confirmation of the final positions and details is awaited. Although it looks as though there may be more flexibility around the continued use of s.106 in combination with a CIL, SDC will need to continue to operate its overall approach to parallel obligations (s.106 and other policy requirements) in an adaptable way; reacting to and discussing particular site circumstances as needed (and supported by shared viability information for review where collective policy aims are under-pressure owing to abnormal costs or similar). CIL will be fixed, but will need to be viewed as part of a wider package of costs and obligations that will need to be balanced and workable across a range of circumstances.

3.2.14 Also included below is a table (see Figure 11) showing indicatively how the potential residential CIL trial charging rates in Sevenoaks District (both existing as indexed and wider range of tests) appear when expressed as percentages (%)s of the range of sales values assumptions – the VLs now in use – i.e. CIL trial rates as % GDV. DSP has used this sort of guide as background information for clients it advises on CIL viability.

3.2.15 This additional information does not represent additional viability testing, but in our view may be useful in purely a general health-check type way to help make sure that CIL charging rates are not set too high. DSP’s view over several years of CIL viability and rates setting experience has been that, as a guide, realistic CIL charging rates should not exceed a range approximately 3% GDV to 5% GDV (maximum). GDV equivalent. Figure 11 indicates how the SDC rates as now indexed and the wider trial
rates tested now look as %s GDV. The indexed SDC charging rates can be seen to fall within or well within appropriate areas of this guide – they are not excessive by this measure, albeit not a part of the viability testing and a secondary guide only.

3.2.16 The grid below may assist for context and simple checking / gauging of the proposed charging rates selections by this additional indicator. For example, looking at a VL6 scheme, i.e. within the typical range for the higher (most areas) of the district, a CIL at 5% GDV would be £250/sq. m. Therefore the indexed £158/sq. m is at around 63% of that (or represents around a 37% reduction from the £250/sq. m level). On the same indicative basis, using say VL2 as a lower-end new build values indication, the 5% maximum guide would place CIL at £200/sq. m. The £95/sq. m indexed rate represents a reduction of approximately 52% from that indicative / suggested maximum level. As will be seen on results review, however, there remains a clear case for maintaining a significant CIL differentiation, following the existing (adopted) zones.

### Figure 11 – Residential CIL (trial and indexed charging rates) as %GDV

<table>
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<tr>
<th>CIL Rate £/sq. m</th>
<th>VL1</th>
<th>VL2</th>
<th>VL3</th>
<th>VL4</th>
<th>VL5</th>
<th>VL6</th>
<th>VL7</th>
<th>VL8</th>
<th>VL9</th>
<th>VL10</th>
<th>VL11</th>
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<td>£4,500</td>
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DSP 2018

**KEY:**
- **SDC originally adopted rates (non-indexed)**
- **SDC Indexed CIL Rates**

3.3 **A guide to using the Appendix IIb Results Tables – Strategic Sites in the Green Belt**
3.3.1 For each of the SDC selected 3 no. strategic sites in the Green Belt, Appendix IIb includes 2 table sets. These are numbered 2a to 2f overall.

3.3.2 The first of these (Tables a, c and e) show the current stage potential maximum surplus in £s total. The second (Tables b, d and f) converts those outcomes into £/dwelling indicative maximum levels.

3.3.3 In both cases BLVs of £100,000 and not exceeding £250,000/Ha are assumed (deducted from the RLVs), on a greenfield uplift (EUV+) basis.

3.3.4 On these strategic sites in the Green Belt, Tables 2a and 2b show the proposed Sevenoaks Quarry results. Tables 2c and 2d provide the results for the proposed Edenbridge site (land south and east of Four Elms Road). Tables 2e and 2f relate to the land at Pedham place, Swanley (broad location for growth).

3.3.5 These are tested only at 40% AH at this stage, consistent with SDC’s expectation of the development ingredients, including infrastructure, that will need to be provided in order to justify the release (on an exceptional basis) of these sites within the greenbelt for significant development. Each scenario is also considered first with no CIL and then with CIL, again based on the adopted SDC rates according to location (differential charging zone – current CIL Charging Schedule, with rates as indexed).

3.3.6 Each sub-table shows in the central green shaded cell the base RLV result using the reported base VL (assumed sales value level) and build cost level (i.e. 0% adjustment to either of those. The other results are generated within Argus Developer as sensitivity tests to indicate how the reported surplus varies as the sales value (‘rate’) varies across the table rows left to right (horizontally), both beneath and above the assumed base level; and likewise with sensitivity to construction costs varying (increasing and decreasing) showing vertically – in the table columns. The black type results are positive i.e. show surpluses above the respective BLVs. The red type outcomes are negative i.e. deficit positions based on the assumptions combinations used. The trends of negative viability influence from increasing land value, lower sales values, including CIL and / or increased build costs can be seen clearly; all current stage indicative information. The potential effect of these influences can be considered individually or in combination.
3.4 **Commercial / non-residential development – review context, and a guide to the Appendix IIC tables**

3.4.1 Primarily for informing SDC’s potential review of its CIL, as set out above (and see the Appendix I Commercial Assumptions Overview Sheet), appraisals of a typical range of commercial / non-residential scenarios for such an assessment have also been carried out and reviewed at this stage. The approach to this aspect is consistent with the typical scope required in our experience, and with assumptions informed by our research and experience, so as to be representative of local circumstances – again, based on a high-level overview approach rather than site-specific level detail.

3.4.2 For such schemes, this amounts to an equivalent approach to the review of residential development viability for the CIL setting purposes. As will be seen, using assumptions appropriate for the assessment purpose and ensuring no reliance on pushing to the margins of viability in order to support CIL charging, this proportional approach requires only a much smaller number of appraisals. These were developed as sets to the point where in each case viability was eroded such that clear scope for CIL charging, based on viability, is not evident. Once a very low, nil or negative outcome is reached it is not necessary to explore further. A view may be taken, therefore, on the extent to which the appraisal input assumptions would need to improve to support viability clearly enough to provide ongoing CIL charging scope; and how realistic that extent of movement in assumptions would be.

3.4.3 Unlike in the case of residential development (and in particular the role in setting policy as affects affordable housing impacts), there is little scope for a Council (whether SDC or another authority) to influence the viability of commercial and non-residential development provided it does not add, through unnecessary policy, to the development costs usually associated with such development.

3.4.4 DSP also has considerable wider experience of commercial and non-residential development viability for CIL setting and Local Plan policy purposes. From this, together with review of the market and updated information gathering (information as at Appendix III and subject to further consideration of any readily available new data or pointers as the assessment concludes), we are of the view that at this point we would not expect to see materially expanded viability scope to support additional policy related costs compared with that seen at the point of introducing CIL here. We would expect this to be the case particularly in respect of the typical key CIL...
assessment finding that a £0/sq. m charge (nil-rating) is very often appropriate for employment (B Use) development in our experience. However, this and other matters will be considered below

3.4.5 As with residential, the strength of the market and therefore of the strength of relationship between development values and costs is key; the most significant factor. However, there are considered to be no significant instances of SDC local policy influence that will have a direct development cost and therefore a clear negative viability impact compared with a typical approach that we see.

3.4.6 Although key information will be contained within other assessments and data also contributing to the evidence base, we have some general points to offer as the Council considers the employment and other commercial/non-residential development aspects of its Plan-making process. These will be picked up briefly in later sections below.

3.4.7 Appendix IIb Tables 3a to 3e display the commercial scenarios test results – again as both RLVs in £ (absolute) terms (white / non-coloured results table sections) and expressed in £/Ha terms.

3.4.8 The format of the results reporting overview uses the same principles and approach as for the Appendix IIa residential scenarios.

3.4.9 This time each sheet (page) within the Appendix (IIc) shows the range of scenario tests top to bottom - by development use type. Each one of those has been tested at 3 trial value i.e. rent levels (L- low, M- mid/medium and H - high) simply to explore the sensitivity of the RLV outcomes to that assumption varying in combination with a yield % test going initially from most positive (at 5% - Table 3a) to least positive for the study purposes (at 7% - Table 3e RLV indications). It can be seen that the viable scenarios range reduces very significantly by the time we use a 7% test yield to inform the capitalisation of the assumed rental values – across L, M and H levels as above.

3.4.10 Clearly seen are both the deterioration in results with increasing yield % (less positive for the capitalisation of the rental assumptions, indicating a less secure, higher risk income stream assumed for the commercial property investor).

3.4.11 From this part of the exercise, using this review process we can gain a feel for:
• Those scenarios likely to be consistently viable on a sufficient basis to support CIL charging (in this case continued CIL charging i.e. for larger format retail developments, or any other types now considered viable with CIL), and;

• The extent to which more positive assumptions are required and may or may not be realistic in the short term (next few years, as applicable to a reviewed CIL charging schedule) for those potential development uses that currently appear unable to support CIL charging.

3.4.12 In the case of the Appendix IIc tables, the impact of our tested “trial” CIL charging rates in combination with the other variables considered here, can be seen increasing from left to right as we add CIL cost at intervals of £25/sq. m – consistent with the Appendix I reported residential tests. In this case, we did not test beyond £200/sq. m. having formed the view that such a level of CIL would most likely be unrealistic for such developments in Sevenoaks District. Again on an equivalent basis to the residential results review within Appendix IIa, the existing (as indexed from the adopted £125/sq. m) CIL charging rate results are shown in the red edged table column (CIL tested at £158/sq. m). A charging rate within (not exceeding these parameters) may be supportable for the most viable development types, should those come forward. In those cases, obviously a rate set at a lower level (effectively reset or reduced in some way from the current rates as indexed), would be seen to improve viability to some extent.

3.4.13 We have taken the view that overall the same range of comparison/benchmark land values (‘our Viability Tests’ 1 to 6 again as listed in the Appendix Tables footnotes) are applicable. In most cases, broadly it is considered that meeting or exceeding the £1.5 – 1.8m/Ha BLV tests would prove sufficient. However, in the case of larger format retail and town centre development it is anticipated that higher land values up to or potentially exceeding the higher commercial land BLV at £2.25m/Ha equivalent could sometimes be justified and need to be met.

3.4.14 As in the cases of all results (appraisal RLV indications) and the reporting around them, many of the results for the relevant more valuable development types do indicate that higher land values could be or could need to be supported.
3.4.15 Our findings review for the Commercial / non-residential scenarios is found from section 3.8 below, following the more detailed residential findings commentary that we set out next.

3.5 FINDINGS REVIEW – Residential scenarios (Appendix Ila)

3.5.1 Viewed overall, the results are seen to be mixed, with sensitivity to the assumed value level (VL - aligned to potential site location see Figure 5 and Appendix I) an important factor throughout. The interaction of the VL and AH% - i.e. the VL needed to support affordable housing within various scenario types is also key, as is the viability test used to filter / view the strength of the RLV result in each case (BLV view). The latter depends on the likely host site type – varying from greenfield to PDL.

3.5.2 Across the range of results, for both residential and commercial, although seen more frequently in the latter (Appendix IIC) it can be seen that some scenarios and assumptions combinations return a financial deficit as appraised. Rather than list the largely meaningless negative individual residuals, indicative of non-viable scenarios for the assessment purpose, those results areas are simply shown as ‘Negative RLV’, often covering multiple assumptions combinations – e.g. low values (residential VLs / commercial rents and yields tests) and/or AH test % too high. A CIL trial rate too high for the circumstances is also seen to have the same effect in some cases, although increasing CIL rate is seen to have a much more subtle and gradual effect of reducing the results. The approach taken to displaying the results in this way is for ease of quickly seeing the tests that do not support the collective costs assumed in those cases.

3.5.3 In reviewing the results to inform the new Charging Schedule, whilst prudent assumptions have been used throughout as part of ensuring that viability is not taken to the margins when CIL charging and policy costs are being considered, we also give consideration to “buffering”, following on from the principles noted above. This means stepping back from the CIL charging rates indicated to be possible in theory from each assumptions combination as per the tabled results; those show the maximum CIL charging rates that can be supported by that particular assumptions set on the basis of meeting or beating a particular land value comparison – the results “filtering” (Viability Tests).
3.5.4 Any ‘buffer’ factor essentially arbitrary, and intended only as a guide aimed at keeping well within the margins of viability – it need not be adhered to strictly as it is still quite hypothetical and the viability work does not have to be followed precisely in any event. Instead, as with other Local Plan and CIL evidence, the Council should be able to show how the assessment has informed its overall approach. Nevertheless, this might help to bring some further focus to SDC’s review of the results and what it takes from this necessarily and appropriately wide set of information provided at the point where policy positions and other matters are in early consideration stages, we understand.

3.5.5 Again, the same principles and approach is used from and in response to the commercial results set – Appendix IIc. See more on that in dedicated sections below.

3.5.6 On all aspects, on reviewing and considering the results and findings, we suggest that SDC will usefully do this alongside a “reality check” – i.e. consider in the context of its local delivery and CIL collection experience, bearing in mind that the Council was a relatively early adopter of CIL and has been collecting payments alongside applying its policies on affordable housing and other requirements for a few years now.

**Affordable Housing Threshold(s) and smallest scenarios (<10 dwellings)**

3.5.7 Subject to having in place suitable local evidence of affordable housing needs combined with an ongoing housing supply significantly reliant on the smallest sites (i.e. of 9 or fewer dwellings), subject also to viability, SDC could promote a policy seeking affordable housing or affordable housing contributions to spread the burden (of seeking to contribute towards meeting AH needs) across most or all sites.

3.5.8 Some of the single unit developments are likely to be self-builds.

3.5.9 Typically, we find there is a range of practical challenges involved in securing on-site provision of affordable homes within the smallest schemes unless the local development market and affordable housing providers become adjusted to this owing to the nature of site supply. There can be issues with design integration, management and affordability.

3.5.10 From experience there is no general evidence, however, to suggest that viability is necessarily worse on smaller compared with larger schemes.
1 and 5 dwellings (Tables 1a(i) and 1b(i))

3.5.11 Looking at the potential collective costs of development, we can compare the results from 0% AH with those at 10% and 20% AH to see the deterioration in viability and likely impact on the CIL charging scope in SDC’s case.

3.5.12 Discussion on the detail of these results sets as informs affordable housing policy development is not included to this stage of the assessment work. This is because SDC is pursuing policy that proposes to introduce AH requirements at 6+ dwellings (based on the use of financial contributions across the schemes in the bracket 6 to 9 dwellings) and not that will impact the very smallest developments i.e. of 5 dwellings or fewer.

6 (houses) and 8 (flats) dwellings typologies (Tables 1c and 1d)

3.5.13 These scheme typologies have been tested on the basis of an assumed financial contribution equivalent to 10% and 20% AH.

3.5.14 Although the VL1 results are negative for both AH tests, and VL2 may produce some viability on lower value greenfield land only, the 6 houses results are mixed and suggest reasonable prospects of viability with not more than 20% AH equivalent at VLs 5-6 and higher; potentially on various site types. Generally, it is considered that allied to this element of proposed policy, mid to higher values may well be seen - on a range of smaller, more individual developments.

3.5.15 The small scheme of 8 no. flats appears potentially more viable, owing to this scale of scheme typology using lower build cost rates than for larger flatted schemes (source BCIS FSB Report). It may be considered that the policy scenarios potentially viable for the housing schemes should also be viable for the smaller flatted ones based on the assessment.

3.5.16 Overall, given the national policy thrust allied to the more mixed nature of site supply and the viability scope supported by typical SDC values combined with the higher build costs assumptions used for smaller schemes of houses for the assessment purpose, we consider the findings point towards continued CIL charging at similar to existing levels, but not to either a more onerous AH% equivalent or the reduction of AH thresholds beneath this level at this stage.
3.5.17 So this suggests little meaningful scope to differentiate upwards with a reviewed CIL charge covering these smaller residential developments. The build cost rates assumed for smaller developments of houses are relevant in this.

3.5.18 We consider that these findings support a continuation of the likely SDC emerging policy approach as discussed with DSP.

**Likely on-site AH threshold (policy trigger point) - 10 dwellings** (Tables 1e)

3.5.19 The appraisals of the 10 houses scenarios are representative of the point at which an on-site AH requirement is proposed by SDC draft policy.

3.5.20 In order to reach or exceed £1.5m/Ha, we can see that VL5 values support a maximum of approximately £100-125/sq. m CIL with 30% AH.

3.5.21 VL6 values support that level of land value with 30% AH and a maximum CIL level set well beyond the highest level of £200/sq. m tested; or broadly meets the next BLV at approximately £1.8m/ha with a CIL charging rate at approximately the current (higher i.e. Area A zone rate).

3.5.22 So on many developments on previously developed land (PDL i.e. brownfield), a combination of 30% AH and a similar cost similar to existing should be supportable.

3.5.23 The results also show the viability improvement related to a 20% AH context compared with 30%. At VL4 the results potentially support either the higher existing CIL rate with 20% AH, viewed as around the maximum CIL, or the lower (Area B) rate allowing significant buffering (approximately a 35% reduction from the maximum apparent rates on PDL). These results suggest that an option for the Council to consider could be the lowering of AH requirements for some PDL scenarios / locations, although an adaptable policy approach could also continue to deal which such scenarios too. Clearly, as in all scenarios, this picture varies with the specific assumptions combination – by VL and according to the BLV as well as the AH % and CIL level.

3.5.24 Looking at viability in relation to greenfield land values (EUV plus basis) then certainly there appears a reasonable prospect of providing 40% AH with CIL at existing levels, without taking CIL close to the margins of viability. This is the case across the range of potential levels of (greenfield) land value, depending on the circumstances.
3.5.25 At this point we see the effect of the lower (headline BCIS rather than BCIS FSB Report related) build costs assumptions supporting an improvement in viability across the board (build costs assumption levels as are then applied to typologies from this point; i.e. as will be relevant to a great majority of schemes needing to provide on-site affordable housing.

3.5.26 With 30% AH, at VL4 the viability exceeds £1.8m/ha with CIL at a higher level than tested (beyond £200/sq. m) and so again indicating significant buffering scope without relying on the higher VLs. The VL3 results indicate scope to support £1.5m/ha land value again without talking CIL to maximum levels. At the £95/sq. m CIL test, the results also show some scope to support that and reach potentially suitable levels for some PDL sites as the values fall away a little towards VL2.

3.5.27 As above, however, some results show that up to 30% AH could be challenging on a range of PDL sites and particularly when supported by the lower to mid-range values.

3.5.28 Once again, with the base build costs assumed, the outcomes viewed in the context of any smaller scale greenfield development show the much greater viability prospects associated with 40% AH as well as with a lower AH content. The indications are that 40% AH would be a reasonable approach to set out in respect of any greenfield hosted developments.

3.5.29 We very often observe reduced viability associated with flatted schemes, unless relatively high sales values (VLS) are available to support the higher development costs. This is seen here.

3.5.30 Whilst 30% affordable housing appears potentially readily supported by values at VL7+, the sensitivity of these results to lower values in particular is such that in practice it seems likely that the Council may need to consider a range of AH outcomes that could often be beneath a 30% headline policy level. This affect seems likely to be compounded by schemes of this type largely being PDL based.
3.5.31 Again based on CIL at around the existing, suggested not increased, levels, as an alternative / option there will likely need to be either an adaptable approach or a policy differential. Either way, it will be necessary to recognise the potential variety and likely compounded effect of viability difficulties with PDL sites and flatted development costs, particularly where the lower to mid-range rather than mid to higher VLs area available.

3.5.32 In favour of the continued simple policy approach, in our view it is likely that even a differential policy would not fit and facilitate all scenarios (or even a great majority) to be clearly viable. For example, the results suggest for example that an AH policy with a layer lowered to 20% might still not “work” in all cases with reduced viability and yet could also mean under-delivering on AH in some scenarios.

**15 houses** (Tables 1h)

3.5.33 The results vary also with assumed dwelling mix, again as will reflect the variable reality across a wide range of developments. This is to be kept in mind across this overview.

3.5.34 However, this results set essentially reflects the same nature of outcomes as those seen from the 11 dwellings tests. Accordingly, these will not be discussed further here.

**25 mixed dwellings (houses and flats)** (Tables 1i)

3.5.35 As may be expected, the mix of houses and flats indicates viability at lower levels than appears to be seen with developments of houses alone, generally, owing to the use of higher build costs assumptions. There is some off-setting of this effect though from the higher development density that could reasonably be expected from this form.

3.5.36 With values lower than VL4 (down to VL2), a combination of 30% and the existing or a similar CIL looks very likely to be workable on greenfield sites but probably not regularly on PDL, the same theme as above is identified.

3.5.37 Again, a need for either a flexible approach (where the case for that is robustly justified) or potential policy response is seen in respect of PDL development.
However, the findings also support the potential for greenfield development to carry in excess of 30% AH and again point to 40% AH being a reasonable and appropriate policy position on those.

**30 Flats – Retirement/Sheltered (Tables 1j)**

3.5.38 Although wider experience shows that these schemes often come forward on relatively high value sites, we see a range of strong looking outcomes that should support this possibility. There is scope for the sales values to be beneath the levels assumed and for scheme viability to be maintained.

3.5.39 The premium values usually achieved for such schemes as new-builds, together with the densities and typically reduced scope of external works, are in our experience positive viability influences in balance with the higher build costs associated with the construction of enlarged communal (non-saleable) areas in comparison with general market apartments development.

3.5.40 Overall in respect of this form of development (assuming within the C3 planning use class and therefore part of the very wide spectrum of market housing development), we consider there to be no reason for differentiating for it in affordable housing policy target terms.

3.5.41 The findings are consistent with our wide experience of site-specific viability assessments across a variety of local authority areas. Schemes of this type are regularly supporting CIL payments alongside making some level of contribution towards meeting local affordable housing needs, although with viability regularly discussed and a variety of PDL scenarios the norm. Our experience and general wider practice has been that financial contributions are typically the mode of provision from such schemes, although this need not affect the policy starting point or mean that the policy scope should be restricted to this, particularly as different forms of development and tenure formats could become a part of the overall picture in the coming period, with a greater national level emphasis on and need for housing for the elderly.

3.5.42 Affordable housing at up to 40% (suggested lower at say 30% on PDL sites for consistency) together with the prevailing residential CIL charging rates are the supportable positions again in our view.
50 mixed dwellings and further sensitivity testing - social rented AH (Tables 1k)

3.5.43 These results are very similar to those from the 25 mixed dwellings (houses and flats) tests as discussed above – a very similar range of findings to those observed from table 1i.

3.5.44 With no variant or additional base findings to report, the Council may wish to consider the additional information (additional set of sensitivity testing) to the right-hand side of Table 1k(i). This shows how the results change from the base (left-side set) as we switch half of the assumed affordable rented tenure AH (i.e. approximately 38% of the total AH content) to assumed social rent (adjusted trial tenure mix 38% social rent; 38% affordable rent; 24% affordable home ownership (shared ownership).

3.5.45 Depending on the exact scenario, so as the AH % in combination with its tenure mix and the assumed dwelling “allocations” from the overall mix assumptions varies to some extent, the 50/50 social/affordable rent scenarios appear to produce RLVs at up to approximately £200,000/ha lower than the all affordable rent (76% AR/24% SO) base assumptions.

3.5.46 This level of land value adjustment could of course be critical when even a greenfield scenario gets marginal for example with low sales values or high additional / abnormal development costs. So, for example, based on 40% AH (greenfield) the additional sensitivity outcomes could become too marginal with values beneath VL3 in combination with CIL at or around the existing charging rates.

3.5.47 However, with sales values at VL4+, the achievability of at least an element of social rented AH should not be ruled out and especially on greenfield land (AH at 40% total); potentially also on PDL sites with 30% AH total.

3.5.48 The securing of an element of social rent is likely to be a site-specific level consideration, but from these findings can be kept open as an objective and a part of the Council’s enabling strategy as further refreshes that detail.

3.5.49 On balance, whilst it does not appear appropriate in planning policy to make this an absolutely fixed requirement in any event (in all areas this will vary with a changing economy and markets, affordability, needs, government policy and funding
availability generally etc.) this shows that a mix of rented AH could be achieved in some cases. It also suggests that a relatively small amount of additional funding or cross-subsidy could in some cases be used to “convert” some of the AH tenure from affordable to social rented tenure.

80 flats (Table 1l)

3.5.50 Similar to the flatted typology indications considered above, the clearest finding again here is that the mid to higher-range sales values (VLs) are needed to support viability; meaning a base level of viability before AH context is likely to be considered supportable at a meaningful level.

3.5.51 With 40% AH, the RLVs turn positive (from negative) at VL5, and begin to look potentially workable at VL6; more clearly so with VL7 and then with CIL too.

3.5.52 Then, stepping down to the AH% tests at 30% brings into potential viability schemes reliant on values 1 VL lower. So at 30% the RLVs turn positive at VL4, begin to appear potentially workable in some cases at VL5; more clearly workable at VL6.

3.5.53 Continuing this trend, with 20% the RLVs turn positive at 20% AH, indicate potential viability at VL4 and likely viability at VL5.

3.5.54 This reinforces the above discussion. So, again, either a differential or an adaptable approach to operating a clear 30% baseline expectation will be need to be considered by SDC. By differential policy again we mean for example at 20% AH for some PDL sites (compared with a 30% headline), and especially in relevant town centre areas, but then also accepting that consistent delivery to that level could not be assured by any means.

100 mixed dwellings (Table 1k)

3.5.55 Overall these tests support a very similar range of findings to those from the smaller mixed dwellings (houses and flats) typologies.

3.5.56 As above, all results may be considered against the range of BLVs representing both greenfield land (and at various levels from £100,000 to £250,000/ha, potentially
higher in some circumstances—to say £500,000/ha maximum). If on a greenfield site then again the signs are that 40% AH is a realistic and appropriate policy level; 30% more likely to be so on PDL (and, again, then operated flexibly where needed as lower VL sales come together with higher EUV sites and / or increased development costs.

**Appraisal summaries**

3.5.57 Following the above noted results tables, Appendix IIa also contains some example appraisal summaries, enabling the viewing of the calculation structure – samples only for information, owing to the very large volume of information that would be involved in displaying a wide range of these.

### 3.6 Other policy potentials / initiatives

3.6.1 **Access to and use of buildings – enhanced accessibility.** All scenarios tested reflect the SDC proposed approach to seeking all dwellings to enhanced optional standard M4(2), except where (at 20+ dwellings) 5% (i.e. 1 dwelling in 20) are expected to be provided to support M4(3) standards.

3.6.2 Included in this way, these are considered likely to be viable requirements provided that, as with other policy measures, they continue to be viewed as contributing to the cumulative costs of development and are not pursued (without considering adjustment) alongside higher levels of other policy costs, such as affordable housing, or significantly higher CIL levels than are considered and suggested here.

3.6.3 The same principles apply to the application of the **Nationally Described Space Standard** (assumed throughout all testing) and **Water usage efficiency** (assumed not to exceed 110 l/person/day), although the costs associated with those are less significant.

3.6.4 With all such requirements (going beyond current Building Regulations), there are the needs and practicalities aspects also to consider. We have considered financial viability only. In our view, generally Council’s should not too rigidly approach the setting of such policy objectives, because aside from or in addition to viability some sites and schemes may present practical implementation issues for some aspects of the optional enhanced standards.
3.6.5 **Electric car charging.** Assuming planned development and known requirements, the inclusion of the additional cost assumption representing the provision of charging points for new dwellings (on major developments i.e. of 10+ dwellings in the case of SDC’s proposed approach) makes only a marginal difference to development viability overall, based on the currently available information.

3.6.6 An aspiration to seek the provision of these on new developments therefore appears realistic from a viability viewpoint providing that those are considered as included base costs in looking at cumulative viability impacts and, we suggest, that the aspirations on other more costly requirements (e.g. affordable housing, CIL and accessibility (see below) are not set too high.

3.6.7 **Self/custom-build.** We consider that it should be possible to viably accommodate an element of serviced, ready to develop, self-build plots as part of larger scale development – subject to monitoring of demand which we understand can be highly variable from area to another. From initial consideration of such potential policies, it appears likely to remain a profitable aspect of the overall development activity and have a broadly neutral effect on viability provided there are not too many restrictions on its workings. Specific thresholds or cut-offs are difficult to identify, however.

3.6.8 We are of the view that capacity and viability are more likely to vary in relation to particular allocations or larger sites, rather than follow general trends.

3.7 **FINDINGS REVIEW - Larger / Strategic scale development**

- **Proposed Strategic Sites in the Green Belt** (Appendix IIb)

3.7.1 Appendix IIb sets out an overview of the results of our viability testing related to those sites proposed to be included within the emerging Local Plan as strategic sites in the Green Belt (i.e. sites for which exceptional circumstances can be demonstrated to exist in order to allow for their proposed removal from the greenbelt).

3.7.2 These are all large sites in comparison to those tested as part of the general typologies for this study and therefore warrant more bespoke assessment. As a reminder, SDC has informed DSP that the 3 sites currently scheduled to be included within the Local Plan are:

- Sevenoaks Quarry (MX43);
- Land South and East of Four Elms Road Edenbridge (HO189 & HO190 MX25 & MX26 HO223) and;
- Pedham Place (MX48) as a broad location for growth.

3.7.3 The results of these appraisals are shown in the Appendix IIb Tables 2a to 2f (showing overall £ surpluses (or deficits) (Tables 2a, 2c and 2e) and the equivalent outcomes then expressed in indicative £ per dwelling terms (Tables 2b, 2d and 2f). So the first sheet for each site shows the results expressed in absolute terms (surplus shown in £); the second sheet in each case shows the same data but expressed as a £ per unit rate.

3.7.4 Following the results tables, summaries of the appraisals (Argus Developer generated summary reports) are included. Each of those show the main appraisal inputs and the RLV outcome (which is referred to in the printout as the ‘residualised price’ under ‘acquisition costs’ grouping).

3.7.5 As noted above, for each site, analysis has been carried out on the basis of varying the assumed benchmark land value (BLV) – between £100,000 per gross ha and £250,000 per gross ha and again both with and without CIL (applied at the existing indexed rate) and these are shown as a series of sub-tables associated with each site sheet.

3.7.6 Each set of sub-tables comprises the result of the base appraisal (highlighted bold text and green shading) within a sensitivity grid that shows the impact of increased / decreased costs and values (result shown as either a surplus / deficit).

3.7.7 In each case the same basic assumptions have been applied as for the general site typologies (e.g. base housebuilding costs, fees etc.) and it is assumed that 40% AH is provided on a 76% affordable rent / 24% shared ownership basis. This is the assessment base assumption and is consistent with the criteria for their potential progression. Not less than 40% AH is a key ingredient sought as part of the justification for the “release” of the sites as strategic sites within the Green Belt, under the exceptional circumstances principles as outlined above.

3.7.8 With, not unusually, a range of unknowns at this stage it is not possible to say exactly what level and detailed make up of planning requirements and obligations packages will ultimately be supported at these locations. We have however entered estimated
costs, where possible, for items listed within source documentation as potentially being delivered on each site. It is not known at this stage how (procurement route) or when (timing) a majority of the items of community and social benefit and other planning obligations will be delivered. Again assumptions have been made based on general experience. A similar approach has been taken to general site wide infrastructure costs with those based on typical levels rather than levels specific to any one site.

3.7.9 We consider at this stage a 40% AH headline to be appropriate in order to bring forward the community benefit proposed for each site. In our view it is likely to be appropriate to maintain this, with the results showing scope to support strong levels of uplift to the likely appropriate EUVs.

3.7.10 Overall, there appears to be reasonable prospects of viability and the potential for a balance to be found between the acknowledged commercial drivers (land owner and developer returns) and the community/infrastructure side of the development economics. A reasonable prospect of a suitable land value (EUV) uplift appears achievable, looking at the wide range of outcomes.

3.7.11 The Council will be able to review the varying indicative surplus levels reported at this stage and compare those with emerging information from its infrastructure planning work and being developed through ongoing liaison with the site promoters.

3.7.12 Aside from any continued general market movement in sales values, we could also reasonably expect a “place making” type impact with high quality attractive development and new amenities supporting stronger values than may now be apparent from looking at nearby resale property. However, only through time (and likely varying economic backdrop and market circumstances etc.) will it be seen how this plays out. The outcomes could vary considerably with timing, scheme details, further national policy developments and so on.

3.7.13 Looking over the likely development timescale of the proposals and the Local Plan, so over varying market cycles and as other viability influences vary, in our view we can see good prospects for the viability of these sites, however. In our view, they have the potential to support the minimum policy requirements and provide a substantial range of measures and infrastructure provision including affordable housing.
3.7.14 In our experience of both strategic level viability assessments and viability reviews related to planning application stage submissions on large sites such as this, by the time the very extensive site enabling / opening-up works and site-specific mitigation and infrastructure works costs are allowed for, this type of situation most frequently warrants bespoke treatment for CIL. This generally means a zoned approach including a specific nil-rate differential approach for such proposals. On this basis, s.106 becomes the route through which the obligations necessary to permit the scheme are secured and can be negotiated with the benefit of flexibility, ability to consider relative priorities and then the scope to more closely control the delivery of the specifically needed infrastructure.

3.8 FINDINGS REVIEW – Commercial / non-residential scenarios (Appendix IIc)

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

3.8.2 As is generally the case (i.e. is not Sevenoaks District specific) the scope of policies relating to residential development are the key areas where an individual planning authority can have a significant influence over matters effecting viability – directly through policy selection.

3.8.3 The same does not apply to a significant extent in respect of all other forms of development, including for employment and commercial use.

3.8.4 In respect of other development, it appears more to be case of working with the market, being open, incentivising and engaging with development interests as far and productively as possible – aiming to review and promote or protect / select the most appropriately and accessible sites for relevant uses, seek necessary development that also meets other strategies and policies, and so on.

3.8.5 Unfortunately, it is necessary to acknowledge that, particularly when viewed in terms and using assumptions appropriate to strategic level local authority viability work, viability for many such forms of development looks likely to remain challenging.

3.8.6 However, this does not necessarily mean that suitable schemes will not come forward. Generally, it suggests though that the Council should look to proceed in a way that presents to the market and requires the least controlling policy intervention.
and additional development cost measures over and above usual planning and design
criteria, including national base standards.

3.8.7 Unless there are particular additional review requirements relevant to the overall Plan delivery and viability picture that emerge in due course as firmed-up draft policy positions and proposals become available for review, the best indications as to the viability of commercial and non-residential development in the District (as may also be relevant to overall Plan delivery) will be gained from reconsidering the viability scope for such developments to support the CIL.

3.8.8 Since the Council’s CIL charging schedule was adopted in February 2013 and informed by information pre-dating that, we have prepared up to date assumptions (as noted in Chapter 2 above and at Appendix I); and run new appraisals. These used scenarios and assumptions discussed with SDC as potentially relevant locally and also representing broadly the same development use types as reviewed for the adopted charging schedule. Again, Appendix III together with the associated Co-Star database extracts to the rear of that outlines the information reviewed on values, using an equivalent approach and principles to that for the residential assessment work. This allowed us to reflect how the development values and costs relevant to any key development forms such as employment (B uses) and retail (A uses) have changed over the intervening period.

3.8.9 In the meantime, there may be some aspects of strategy that SDC can usefully consider in looking further at the local plan content and strategy as far as employment/commercial and non-residential development is concerned.

3.8.10 At the national level, prior to the Brexit decision the commercial sector remained generally positive but since the lead up to that there has been uncertainty in the market. This remains, and looks likely to continue to be a dominant feature for some time to come. The future direction of the commercial market following the decision to leave the EU, and indeed subsequent / ongoing discussions, remains uncertain.

3.8.11 Similar uncertainties were noted earlier in the report in respect of the varied potential outcomes for build cost trends.

3.8.12 As above, in looking at commercial property development at present, in many instances we must acknowledge the probable short-term challenge around delivery of significant new development, and particularly on a speculative basis.
3.8.13 We expect that the Council’s policy set will continue to develop themes of promoting and encouraging development focused on improvements to the offer presented by existing town centres as well as other district and local centres that serve a more localised catchment through neighbourhood and village shopping etc.

3.8.14 In our wide experience of CIL viability, generally poor viability or at best mixed results tend to be seen from most test scenarios other than those representing certain forms of retail development.

3.8.15 Usually we find that this is especially the case for most of the B (business/employment) use class types. As noted, such outcomes do not necessarily mean that development will not be delivered through flexibility in development appraisal inputs and negotiations – factors that we cannot assume in prudently assessing viability for informing Local Plan development and CIL setting purposes.

3.8.16 Provisionally, therefore we were of the opinion that the previous themes identified through the Council’s available evidence for its adopted CIL were likely to remain largely valid. To test and fully inform SDC’s positions moving ahead, however, the following commentary runs through our 2018 appraisal results – considered here by development use type.

3.8.17 With a CIL in place, as it is now, this does not necessarily mean any particular influence on viability. Similarly, the outcomes based on the type of assumptions appropriate to considering viability for a CIL do not mean that certain types of schemes will or will not come forward. With a charging schedule in place, the consequence is that the CIL will be chargeable at the stated rate(s) on any relevant developments that the market deems viable enough to bring forward while the schedule is in operation. If a development is considered sufficiently viable to proceed, the likelihood is that an appropriately set CIL will not unduly impact that viability.

3.8.18 As noted, the Council (charging authority) needs to strike an appropriate balance between viability and the desirability of funding infrastructure; and does not have to precisely follow the viability evidence in doing so.

3.8.19 A useful starting point for SDC on reviewing its existing CIL in support of the emerging Local Plan will probably be a review of how well the adopted schedule has worked in
practice. Although this report sets out full viability information, the Government’s recent response to its consultation on developer contributions suggests that a lighter-touch process could be appropriate to the review of compared with the inception of a CIL.

3.8.20 In considering the below, and this topic area more widely, it is worth noting that it is necessary only to describe clearly the form(s) of development that the charging levels(s) are to apply to. This needs, and any differentiation, need not be by reference to Planning Use Class. Reference to that may be of assistance with some descriptions though – assisting the clarity of how a charging schedule is intended to apply.

**Large format retail – District-wide**

3.8.21 Following both SDC’s existing CIL formulation approach and DSP’s wider established, tested route to considering the viability for CIL of various forms of retail development, these units are typically for retail warehousing or foodstores and are readily definable as such. They also clearly exceed the Sunday Trading related sales floor area threshold (at 3,000 sq. ft. / approx. 280sq. m), which represents a clear differential point for CIL charging, as a secondary measure / form of clarification alongside the large format retail use type.

3.8.22 These large retail units, and particularly for retail warehousing remain amongst the most clearly viable forms of development “on paper” as per this exercise, particularly in retail warehouse form, and should be able to continue to support the CIL charging (as existing) if they continue to come forward. These developments could expect to be underpinned by rental and yield combinations towards or at the more positive end of our assumptions (lower end yield within our range tested; if not lower).

3.8.23 Should any further development of these types occur, our strong viability findings suggest that they could comfortably absorb a CIL charging rate set to match or broadly match the residential rates range (as now indexed) of about £100 - £150/sq. m.).

3.8.24 Continued at a similar level (either reset or as now indexed), but suggested not higher, the charging rate would be well within the maximum potential levels, which appear to exceed the highest (£200/sq. m) trial.
3.8.25 Whilst the investment yield could be as low as our most positive 5%, or in some cases lower still, a charging rate at this level does not look excessive if we also allow for a less positive (higher) yield %.

3.8.26 This could, however, be a rather theoretical element of the charging schedule that may be unlikely to yield any significant CIL income in the coming years.

3.8.27 On this basis, we suggest that a straight-forward approach could be taken by SDC. This could be to continue with broadly the adopted approach and charging level (unless this has revealed any negative unintended consequences for the Council’s striking of its appropriate balance), and continue differentiate only for retail in respect of its type in this way. This links also to our findings and recommendations in respect of other forms of retail – more on this follows.

**Small retail units – District-wide**

3.8.28 The town centre retail test outcomes appear strong or very strong using the more positive values assumptions combinations – particularly e.g. ‘H’ rent tests with 5% to 6% yield assumption. However, such assumptions may be quite positive and these scenarios are seen to be highly sensitive to less positive values assumptions, which indicates additionally that they are probably also likely to be highly sensitive to any increased development costs.

3.8.29 Having taken a relatively positive approach to the town centre retail assumptions to test the points at which viable looking scenarios may be created, our overview is that a lower or nil CIL charging rate would be appropriate for any developments within the town centre boundaries – i.e. continuing the adopted charging schedule approach.

3.8.30 On balance, we suggest consideration of a nil-rate (£0/sq. m) for all such developments, as it appears highly possible that CIL charging could have a potentially detrimental effect on the viability of any new local shops provision; contrary to the Council’s continued approach to supporting the vitality of the various levels of centres in the District.

**Further background – Retail**
3.8.31 In the event that the Council decides, on balance, to continue with a differential approach to setting CIL charging rates for retail development (e.g. as above), there are particular considerations to be aware of once again – largely as were considered with the existing CIL set up. This is primarily because it is necessary to set out clearly how the differentiation is set up and described. A differential approach needs to be based on viability evidence, as included within this report and appendices. It follows that reduced evidence ought to be needed to support an approach involving no or limited differentiation, moving back towards the intended nature of a CIL originally perhaps (before the scope were introduced to differentiate by scale of development, and the exceptions/reliefs were fewer, for example)

3.8.32 DSP has experience of both single and differential CIL charging rates approaches for retail development. However, as a high-level outcome the general viability variation between larger (retail warehousing and supermarket type) and smaller retail formats identified here is consistent with most of our previous and wider work on CIL viability, as well as with the findings of other consultants engaged in similar work in many cases.

3.8.33 Developing the outline above, the further information on retail in this sub-section is provided for completeness and background at this stage; it provides further insight for use by SDC if a differential approach is considered relevant, bearing in mind the LP context around the types of development planned, in particular, and coming forward more generally in ways that support the plan policies.

3.8.34 Potentially the following factors are to be considered. This applies to all retail scenarios (across Use Classes A1 – A5; i.e. also covering food and drink, financial services, etc.).

3.8.35 In practice, the “churn” of and adjustments to existing shop units or conversions from other uses may provide much of the new smaller shops provision. SDC may wish to consider the extent to which CIL liable new builds may occur.

3.8.36 The extent to which retail of any form is overall plan relevant. If certain or all forms are likely to be coming forward on an ad-hoc basis only (i.e. outside the plan policies scope) then potentially it may be considered that any non-viability of individual schemes is not critical under the CIL principles
3.8.37 No or limited / uncertain overall plan relevance of a certain development use type would also suggest the prospect of a low level of increase in CIL receipts compared with either setting a nil CIL or not pursuing CIL at the current stage; or a low level of receipts impact compared with setting a higher, more viability impacting charging rate.

3.8.38 In any event, as part of considering the impacts of any CIL proposals (both positive and negative), the Council may also wish to consider the relevance of any unintended consequences for other forms of development, such as smaller shops in the various centres and other individual or small groups of shops. Overall, our understanding with regard to this District area is that this range of retail uses is probably the key factor to which any approach to CIL and/or s.106 planning obligations needs to respond – in order to support the likely more general LP positions on retail, perhaps, as well as particular higher value proposals.

3.8.39 Following amendments made to the regulations, charging authorities have for some time been able to set differential CIL rates by reference to varying scale of development as well as varying development use (as has been noted above, for example, in relation to residential development). DSP’s experience is that differentiation has continued to be both appropriate and possible – as well as most clearly justified and described; based on type and scale where that relates to varying development use (i.e. retail offer, site and unit type, site etc. associated with that). The difference between larger and smaller format retail can be clearly defined for these purposes, as has been successfully done across a range of assessments and charging schedules in the last 6–y years or so, since the early period of CIL viability assessment; with type the key differential and size a secondary factor relating to scale but acting as a further way of clarifying the differentiating factors.

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

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

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

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

3.8.44 To reiterate, in our view any differentiation is more about the distinct development use – i.e. the different retail offer that it creates and the particular site type that it requires, etc. The description of the use and its characteristics may therefore be more critical than relying simply on a floor area threshold or similar. The latter could also be set out to add clarity to the definition and therefore to the operation of a charging schedule in due course, however.
3.8.45 In case of assistance in this respect, DSP has worked with a number of authorities on the details of these aspects. As an example that considered and established this principle, the Wycombe DC CIL Charging schedule was a relatively early one that included wording clarifications, in the form of footnotes to assist with the definitions of the chargeable retail use types, put forward by that Council and accepted by the Inspector at Examination, as follows, with the same general principles also used for SDC’s adopted charging schedule:

1 Superstores/supermarkets are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.

2 Retail warehouses are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering for mainly car-borne customers.

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

3.8.47 There are a range of retail related uses, such as motor sales units, wholesale type clubs / businesses, which may also be seen locally, although not regularly as new builds because these uses often occupy existing premises. Whilst it is not possible to cover all eventualities for ad hoc development, and that is not the intention of the CIL principles, we consider that it would be appropriate in viability terms to also link these to the retail approach that is selected based on the main themes of plan delivery, all as above.
3.8.48 Similarly, we assume that where relevant any new fast food outlets, petrol station shops, etc., provided for example as part of large retail developments, would be treated as part of the retail scheme.

3.8.49 Other uses under the umbrella of retail would be treated similarly too. Individual units or extensions would be charged according to their size applied to the selected rate as per the regulations and standard charging calculation approach.

**CIL as % GDV – large format retail**

3.8.50 On an equivalent basis to that above considered as a further way of viewing the trial CIL charging rates, the following is the similar overview picture for the larger retail types (Figure 12 below), again with the existing retail (and residential) charging rates £158/sq. m as indexed for large format retail) and their starting points (orange highlighted) shown:

![Figure 12: CIL as %GDV – commercial (large format retail)](image-url)
DSP 2018

Office developments (B1(a))

3.8.51 In common with our and others’ typical findings across similar assessments covering a wide range of areas, we have found office developments insufficiently viable to support CIL charging.

3.8.52 Some nominally positive RLVs are seen at the highest rent and most positive yield tests, but in those cases involving a more optimistic (likely too positive) rather than necessarily secure yield assumption in combination with that.

3.8.53 As per the adopted charging schedule, from a viability viewpoint we need to recommend on viability grounds a continued nil charging rate (£0/sq. m) applicable to any office developments on a District-wide basis.

Industrial / warehousing (B1, B2, B8)

3.8.54 Although we regard parts of Sevenoaks District as a more established location for such uses compared with offices, again based on researched assumptions appropriate for the assessment purpose these appraisals are some way short of displaying viability outcomes sufficient to support CIL charging.
3.8.55 Again, as per the adopted CIL charging schedule, at this time we need to recommend again the consideration of a continued nil charging rate (£0/sq. m) applicable to any office developments on a District-wide basis – on viability grounds.

**Hotels (C1) and Care Homes / similar (C2)**

3.8.56 The hotel test scenarios show insufficient viability to support CIL charging across the board, using values and cost assumptions considered to be appropriate for the Sevenoaks context.

**Housing for the elderly – Care based development provision (C2) compared with retirement living/sheltered (C3)**

3.8.57 In looking at residential development, consistent with our wider experience of CIL viability, rates setting and site-specific viability review workload to date, we noted above that we would recommend that no differentiation be made for market provided sheltered housing or similar developments. Whilst such schemes involve the costly construction of much larger non-saleable proportions of overall floor area (communal space) and need to be reviewed with particular assumptions (appraisal adjustments) that we have reflected, they also have some balancing viability characteristics. These include typically achieving premium sales values, having higher densities and reduced external works.

3.8.58 As above, such schemes are in our view part of the wide spectrum of market housing. In our experience, both where a CIL is operational and without CIL, commercial negotiations tend to take place in respect of affordable housing contributions on such developments. As with all other schemes, that and other aspects of negotiation have the capacity to deal with viability issues where the collective costs cannot all be carried by a scheme, and a site-specific viability appraisal (planning applicant submission) and review investigates that.

3.8.59 Affordable sheltered housing (within C3) and nursing / care homes (C2 uses) will be exempt from CIL charging through the regulations.

3.8.60 Within the wide range of potential formats of accommodation for the elderly, there is very likely to be a range of scheme types coming forward. These may fall within C3 (e.g. an ‘Extra-Care’ scheme that is primarily residential, but where varying degrees
of support may be additionally available); or C2 such as care / nursing homes and other facilities where the occupants are residents but the primary function and reason for development is the provision of care; a care-led rather than residential-led scenario. It is possible that the determination of the relevant planning Use Class may be difficult in some situations, and likely that this will need to be considered on a scheme-by-scheme basis.

3.8.61 The charging schedule should, however, seek to make clear the Council’s intentions in treating these various forms of development, described for clarity.

3.8.62 With our viability findings for care/nursing homes (clearly within C2) as they are, i.e. a range of negative RLVs, again our recommendation is to consider a continuation of the adopted charging schedule approach – i.e. nil charging rate (£0/sq. m) continuing to be applicable to development clearly fitting the C2 characteristics – care based provision.

**Other development uses**

3.8.63 As a regular component of our CIL viability assessment work, we also consider a range of other development uses – their likely viability.

3.8.64 So, in common with most of our other CIL studies, we have also carried out some initial high-level consideration of other development uses such as leisure (e.g. bowling / fitness / gym) or other D class elements such as health / clinics / nurseries etc.

3.8.65 Bearing in mind the key development value / cost relationship that we are examining here, we find that it is not necessary to carry out full appraisals of these because a simple comparison of the completed value with the build cost indications from BCIS (before consideration of other development costs) points to poor to (at best) marginal development viability. This one of the key reasons why these forms of development are generally not seen stand-alone, but tend to be provided as part of mixed use schemes that are financially driven by the residential and /or retail development.

3.8.66 Much the same applies to elements such as health / clinics and other similar, more community oriented development.
3.8.67 Following our extensive iterative review process, throughout this assessment we can see that once values fall to a certain level there is simply not enough development revenue to support the developments costs, even before CIL scope is considered (i.e. where adding CIL cost simply increases the nominal or negative numbers produced by the residual land value results – makes the RLVs, and therefore viability prospects, lower or moves them further into negative).

3.8.68 In such scenarios, a level of CIL charge or other similar degree of added cost in any form would not usually be the single cause of a lack of viability. Such scenarios are generally unviable in the sense we are studying here – as a starting point. This is because they have either a very low or no real commercial value and yet the development costs are often similar to equivalent types of commercial builds. We regularly see that even the build costs, and certainly the total costs, exceed levels that can be supported based on any usual view of development viability. These are often schemes that require financial support through some form of subsidy or through the particular business plans of the organisations promoting and using them.

3.8.69 As will be seen below, there are a wide range of potential development types which could come forward as new builds, but even collectively these are not likely to be significant in terms of “lost opportunity” as regards CIL funding scope. We consider that many of these uses would more frequently occupy existing / refurbished / adapted premises.

3.8.70 A clear case in point will be community uses which generally either generate very low or sub-market level income streams from various community groups and as a general rule require very significant levels of subsidy to support their development cost; in the main they are likely to be a long way from producing any meaningful CIL funding scope.

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

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

3.8.73 On this basis, Figure 13 below provides examples of this review of the relationship between values and costs - in a range of these other scenarios. This is not an exhaustive list by any means, but it enables us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support CIL funding scope so as to sufficiently outweigh the added viability burden and further complication within any local CIL regime.

3.8.74 These types of value / cost relationships are not unique to the Sevenoaks District area at all. Very similar information is applicable in a wide range of locations in our experience, although across its diverse area (largely comprised of Green Belt, but also with significant urban areas) the Council may be able to consider the likely relevance of certain types of development uses and therefore the potential need to ensure that any essential delivery is not undermined. (See Figure 13 below – following page).
Figure 13: Other development uses - Broad consideration of viability prospects (indicative value/cost relationships (DSP 2018))

<table>
<thead>
<tr>
<th>Example development use type</th>
<th>Indicative annual rental value (£/sq. m)</th>
<th>Indicative capital value (£/sq. m) before sale costs etc.*</th>
<th>Base build cost indications – BCIS**</th>
<th>Viability prospects and Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafés</td>
<td>£85 - £250 per sq. m.</td>
<td>£850 - £2,500 per sq. m.</td>
<td>Approx. £2,500 - £3,350</td>
<td>Insufficient viability to clearly and reliably outweigh the costs</td>
</tr>
<tr>
<td>Community Centres</td>
<td>£20 - £45/ per sq. m.</td>
<td>£200 - £450 per sq. m.</td>
<td>Approx. £2,000 - £3,000</td>
<td>Clear lack of development viability</td>
</tr>
<tr>
<td>Day Nurseries (Nursery School /Creches)</td>
<td>£85 - £150 per sq. m.</td>
<td>£850 - £1,500 per sq. m.</td>
<td>Approx. £2,000 - £2,800</td>
<td>Clear lack of development viability</td>
</tr>
<tr>
<td>Garages and Premises</td>
<td>£30 - £90 per sq. m.</td>
<td>£300 - £900 per sq. m.</td>
<td>Approx. £670 - £1,135</td>
<td>Low grade industrial (B uses) - costs generally exceed values</td>
</tr>
<tr>
<td>Halls - Community Halls</td>
<td>£20 - £50 per sq. m.</td>
<td>£200 - £500 per sq. m.</td>
<td>Approx. £2,142 - £2,800</td>
<td>Clear lack of development viability – subsidy needed</td>
</tr>
<tr>
<td>Leisure Centre - Health and Fitness (Sports Centres/ recreational centres) generally</td>
<td>£60 - £120 per sq. m.</td>
<td>£600 - £1,200 per sq. m.</td>
<td>Approx. £1,260 - £2,650</td>
<td>Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises</td>
</tr>
<tr>
<td>Leisure Centre Other - Bowling / Cinema</td>
<td>No information available</td>
<td>Approx. £1,980 - £2,500</td>
<td></td>
<td>Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises</td>
</tr>
<tr>
<td>Museums</td>
<td>No information available</td>
<td>Approx. £1,300 - £4,000</td>
<td></td>
<td>Likely clear lack of development viability – subsidy needed</td>
</tr>
<tr>
<td>Storage Depot and Premises</td>
<td>£10 - £80 per sq. m.</td>
<td>£100 - £800 per sq. m.</td>
<td>Approx. £300 - £1,135 (mixed storage types to purpose built warehouses)</td>
<td>Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in support of regular viability.</td>
</tr>
</tbody>
</table>
Surgeries | No information available | Approx. £2,175 - £3,050 (Health Centres, clinics, group practice surgeries) | Insufficient viability to clearly and reliably outweigh the costs based on other than high-end looking value assumptions.

Above: Figure 13 (DSP 2018)

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

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

(BCIS Latest available data using Sevenoaks Location)

3.8.75 Our recommendation is for the Council to consider a zero (£0/sq. m) rate in respect of a range of other uses such as included within the above table. As in other cases, this could be reviewed in future - in response to monitoring information.

3.8.76 Our overriding view at the current time is that the frequency of these other new build scenarios in general that could reliably support meaningful CIL scope in the District area is likely to be very limited.

3.8.77 In addition to seeking to ensure that the approach to planning obligations (including any future CIL) does not add unduly to the viability pressures uncertainty to potential investment, the Council could consider the following types of areas and initiatives (outside the formal scope of the brief for this assessment, but put forward purely as practical indications in relation to the more general Local Plan delivery considerations on commercial / employment and non-residential development uses):

- Consideration of market cycles – plan delivery is usually about longer term growth as well as short term promotion and management of growth opportunities that will contribute to the bigger picture;

- Work with the market – be responsive etc. as suitable opportunities are identified;

- Regenerate / improve and protect key existing employment areas;

- Provide land where assessed to be most needed;
• A choice of sites and opportunities – working with the development industry to facilitate appropriate development and employment / economic improvement generating activity when the timing and market conditions are right;

• Consideration of how location is likely to influence market attractiveness and therefore the values available to support development viability. Alignment of growth planning with existing transport links and infrastructure, together with planned improvements to those. Considering higher value locations for particular development use types;

• Specific sites / locations and opportunities – for example in relation to the plan proposals and what each are most suitable for. Focus on the most accessible, best and most valuable locations for particular uses;

• Mixed-use development with potential for cross-subsidy for example from residential / retail to help support the viability of employment (business) or other development – balance the element in deficit or with reduced viability;

• Scenarios for particular / specialist uses – e.g. the local knowledge based employment economy; or that may be non-viable as developments but are business-plan / economic activity led;

• Explore any local specialisms or particular industries / sectors from which economic advantage and stimulation of other activity can be made;

• As with residential, consideration of the planning obligations packages again including their timing (triggers) as well as their extent.

• A likely acceptance that business development overall is unlikely to be a significant regular contributor to general community infrastructure provision in the short-term at least.

• Seek other investment and consider incentive schemes.
3.9 Additional Commentary

3.9.1 We consider that the above identifies scope to both identify opportunities with viability potential and find the appropriate balance between affordable housing needs, other planning policy objectives and scheme viability.

3.9.2 This is consistent with DSP’s wide experience of successful CIL, Local Plan and Affordable Housing viability evidence and outcomes through to examination and on to adoption stages, as well as in the detail of affordable housing and other planning policies and viability factors in operation in practice.

3.9.3 In our view, at a “Whole Plan” level, looking at an appropriate level at the range of potential development scenarios and policy areas likely to be supporting the Draft Local Plan, these appear to be capable of meeting the requirements of the NPPF and being consistent with the related Planning Practice Guidance as well as good practice and other guidance as noted in this report.

3.9.4 This is provided that SDC maintains an approach of not adding unduly to the national baseline policies together with addressing its local affordable housing needs as far as is practical, and adopted CIL; and that landowners’ expectations are also at realistic levels reflecting requirements and constraints as well as the opportunities side.

3.9.5 Wherever pitched, the policies will need to be accompanied and explained by appropriate wording and guidance that sets out the strategic context and nature of the targets but also recognises the role of viability in implementation. Where robustly justified by a developer, a practical approach may need to be acknowledged - which can be responsive to particular circumstances - those will continue to be highly variable with site specifics. The need for this type of approach is likely to be particularly important in the event of ongoing economic and market uncertainty such as we still have at the current time. Only time will tell how these matters play out, however.

3.9.6 Suggestions to consider (and any subsequent use of) reduced / lower than headline targets for affordable housing, or other policy cost areas, do not imply that such targets would always be met at their lower levels. Specific full policy performance cannot be certain to be always achieved at any given policy level.
3.9.7 This viability evidence will need to be considered in conjunction with wider evidence on housing needs and the shape of site supply (type, location and size of sites coming forward), infrastructure needs and planning, employment land and so on. It is not necessary for the local authority to exactly follow the viability evidence, rather it should be able to show how the information (along with other sources and drivers) has informed its overall approach as it will be balancing viability with needs (affordable housing, other policy requirements and the desirability of funding infrastructure) and considering a range of planning objectives.

3.9.8 Keeping the picture informing the Plan development topical, it will be also be essential to monitor, review and keep up to date evidence associated with the policies as part of creating a sound overall approach.

3.10 Brief summary – main policy considerations

3.10.1 The following table (Figure 14, below) provides a quick guide to the key policy development observations offered to SDC, in respect of areas directly impacting development costs and based on the findings and recommendations as discussed above.
## Site supply and likely deliverability – “whole Plan” overview

Generally, a picture of potential viability to support the emerging Plan delivery across a likely good mix and spread of sites and locations. The strategy should be capable of supporting a balance of affordable housing and other policy costs - subject to site-specific characteristics and details, with the use of targets and flexibility as needed, acknowledging both the needs side and the role of viability as far as may now be appropriate under the NPPF and PPG.

Consider setting AH and CIL within apparent maximum levels to allow some scope for consideration of other policy costs, unforeseen site costs (e.g. abnormals, etc.) and market movements.

SDC may wish to further revisit / refine, with increasing more settled knowledge of proposed policy positions and more known about the emerging locations and sites / site types.

OVERALL, with AH allowed for as proposed below, and CIL at or around the existing charging rates (as indexed), there is considered to be relatively little available “slack” to take-up generally, and this needs to be kept in mind first and foremost in setting AH policy targets (as the CIL is already in place at these levels), then also in considering again the CIL rates for a refreshed charging schedule.

### Affordable housing (policy target scope - %) & Commentary

<table>
<thead>
<tr>
<th>Sites 10+ dwellings – District wide</th>
<th>Suggested consideration of 30% AH for PDL (brownfield); 40% AH as headline for greenfield.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For clarity, 40% AH is the expectation on the strategic sites in the Green Belt, and the current stage review indicates that up to 40% AH should be achievable on those, supported by low existing use site values.</td>
</tr>
<tr>
<td>Sites of fewer than 10 dwellings – District wide (application to schemes of 6-9 dwellings is the suggested SDC approach)</td>
<td>As applicable, consider the use of a financial contribution equivalent to (in lieu of) no more than 20% AH.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Potential alternative for consideration re town centre PDL sites, and particularly in the (relatively) lower value SDC areas (e.g. Edenbridge, Swanley)</td>
<td>Suggested a reduced target – indicatively 20% - could be considered purely in viability terms as an alternative approach. However, the relevance of such sites in overall emerging Plan terms is understood to be limited, and a balance needs to be struck with seeking to secure progress towards meeting AH needs. Overall, a 30% target could perform better in our view – be more aspirational on needs and could be equally responsive in use, in varying circumstances. This would also assist overall clarity – avoid further complication in describing how such an approach would be applied.</td>
</tr>
<tr>
<td>AH tenure mix</td>
<td>Both 76% affordable rent/24% shared ownership (base) and 38% social rent/38% affordable rent/24% SO (sensitivity) have been tested. Subject to individual site and enabling/funding circumstances, the prospect of being able to secure social rented AH should not be ruled out. We think its inclusion should prove viable to an extent in some circumstances, but may be a matter more for site-specific level detailed consideration.</td>
</tr>
<tr>
<td>Enhanced accessibility – M4(2) &amp; (3)</td>
<td>At 20+ dwellings, 5% to M4(3) has been tested; remainder to M4(2) – and should prove financially viable based on current assumptions; as should all dwellings to M4(2) on smaller sites.</td>
</tr>
<tr>
<td>Overall consider a guided / target based and flexible rather than rigid approach – as for some scheme types practical issues may be encountered. Note: Evidence of need required if these or other optional enhanced housing/technical standards beyond current Building Reg.s are to be adopted.</td>
<td></td>
</tr>
<tr>
<td><strong>Open Space</strong></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td>DSP has encountered potential issues with onerous on-site / provision based open space policies - consider emerging policies and ensure workable within range of potential site types / constraints.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Energy efficiency (carbon reduction)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Building regulations standards – assumed former CfSH4 equivalent standards considered viable.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Nationally described space standard</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate dwelling sizes allowed for and considered viable (more of an early stage planning and feasibility factor).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Self &amp; Custom-build</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Considered no significant implication for overall viability but, as a proportion of a development, potentially more practical on larger schemes (where, together with other requirements, this would still allow an appropriate proportion of usual (“unfettered”) market sale housing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>CIL</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential (all forms of C3, including for the elderly - retirement / sheltered)</strong></td>
</tr>
<tr>
<td>No change (scope as existing including indexing). Existing charging rates, as indexed are appropriate in our view. Likely to be little scope to increase these alongside other development and policy costs, as above. The existing differentiation still looks helpful to site viability and appropriate in the (relatively) lower value SDC areas (as remain broadly appropriately represented by the current CIL charging zone Area B; responsive for example to Edenbridge and Swanley).</td>
</tr>
</tbody>
</table>

<p>| <strong>Large format retail</strong> (Retail warehousing, foodstores - out of town centres, but equally) |
| No change (scope as existing including indexing). Up to the approximately the upper (Area A zone) residential rate as now indexed (i.e. suggested not more than approximately £100 -150/sq. m). |</p>
<table>
<thead>
<tr>
<th>All other retail – smaller shops, all types</th>
<th>Potential to continue the existing charging rate (as indexed) whilst keeping away from the margins of viability; or consider some level of re-setting within these parameters.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All other development uses, including employment (Offices / industrial / warehousing – B1 – B8); Hotels (C1); Care Homes (C2)</td>
<td>No change. A lower rate or other differential approach might be justifiable for some types only but, overall, consideration of a continued nil-rate (£0/sq. m) for all other forms, including small shops, is again suggested at this review point.</td>
</tr>
<tr>
<td>All other development uses, including employment (Offices / industrial / warehousing – B1 – B8); Hotels (C1); Care Homes (C2)</td>
<td>No change. Suggest consider continued nil-rating (£0/sq. m) at this time.</td>
</tr>
</tbody>
</table>
Limitations

The purpose of the assessment reported in this document is to inform the Council’s on-going work on further refining and progressing through consultation the policies of the emerging Sevenoaks District Local Plan and its work towards a reviewed Community Infrastructure Levy (CIL) Charging Schedule.

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

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

In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council’s policies continue to be applied practically from case to case.

It should be noted that every scheme is different and no review of this nature can reflect the variances seen in site specific cases. Specific assumptions and values applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing the Council’s policy development.

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

Accordingly, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as individual developments with varying characteristics come forward. This is also true in respect of the long timescales in Local Plan development and implementation over which the economy and development climate
(national and more local influences and impacts) are very likely to vary. Nevertheless, the assumptions used within this study reflect the policy and strategy direction of the Council as far as known at the time of carrying out this assessment and therefore take into account the cumulative cost effects of policies where those are relevant.