

For: Uttlesford District Council

Local Plan - Regulation 18



Viability Assessment (Stage 1 Draft Report) September 2023

DSP23825

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High level summary

Introduction / context

1. The following report (together with its Appendices I to IV) provides a Stage 1 Draft Viability Assessment (VA). The Appendices provide a guide to the assumptions made (Appendix I), set out in tables the current stage results (Appendices II and III) and include an overview of the research carried out to inform this (Appendix IV).
2. This assessment looks at the potential for development identified through the emerging new Local Plan for Uttlesford District (over the period to 2041) to be viable once the policies in the new plan are applied - alongside typical costs of development and national requirements.
3. National requirements include the Building Regulations. Those have tightened in areas including climate change response (carbon reduction), accessibility and electric vehicle charging, and will do so further. Other newly applicable national requirements are set to include Biodiversity Net gain (BNG). The typical costs of development include the building works, fees and finance, costs of sale and other matters.
4. As is usual for this type of assessment, and is the case here, the key local policy variables are:
 - Affordable Housing (both quantum i.e. % and its tenure type)
 - Local policy response to climate change (for example through the use of measurable energy efficiency standards as in the case of the UDC policy proposals) and
 - Level of infrastructure / development mitigation required.

These are the policy areas and requirements which are the most costly to support from the development finances. They therefore have most influence on viability and are key elements which need to be considered in the mix with other matters (including the need for their provision) and need to be positioned by the Council as plan maker.

5. Accordingly, viability in this context means the financial health of development. Typically, it varies with the site type and nature of development involved. The viability of development also varies according to the level of values that will likely be achieved on sale of the completed scheme and how these values may vary with location and dwelling types. While various costs

of development will be broadly consistent, the variable viability supported by different circumstances often means, in our experience, that there may need to be some consideration of differential policy positions to reflect and respond to this.

Assessment approach

6. The assessment provision is consistent with the national Planning Practice Guidance (PPG). That sets out how viability should be considered in plan making (as addressed here) as well as at the decision taking stage (for development control i.e. planning applications).
7. The PPG section on 'Viability' brings to life the principles in the National Planning Policy Framework (NPPF) that developer contributions and other policy requirements need to be clearly set out and need to be assessed. This aims to ensure that cumulatively (i.e. when applied together and alongside all other costs) the requirements will not undermine the deliverability of the plan.
8. Using the principles of 'residual valuation' within a well-established and tested assessment methodology, highly experienced consultancy Dixon Searle Partnership (DSP) was appointed to prepare this assessment – now reported to reflect the comprehensive review work undertaken to complete this stage 1, informing and supporting UDC's Regulation 18 Stage emerging Local Plan consultation.
9. Having also allowed for necessary development profit (using a base assumption here for market housing sales at 17.5% GDV – gross development value) the term 'residual' reflects the calculation which deducts all assumed development costs (including tested policy costs) from the estimated sales value.
10. The process (running of a great many development type appraisals) then produces a range of 'residual land values' (RLVs). These are run based on a range of development typologies which are test scenarios broadly representing the general nature of expected developments. More specific assumptions are then also used to initially assess the potential viability prospects for a sample of larger scale developments, reflecting potential strategic or similar site allocation proposals.
11. The resulting numerous RLVs are then compared with judgments on a range 'benchmark land values' (BLVs) which are assessed to represent existing use value (EUV) of sites plus any

necessary premium (uplift) needed by a landowner - to take a site out of existing use and release it for development. The comparison, across a wide range of scenarios and sensitivity tests at different sales value levels (VLs) and affordable housing (AH) proportions (%) then informs the degree to which various development circumstances are considered able to support the emerging policy positions; alongside all other relevant requirements and costs.

12. At this stage, the sales values of market housing have been considered across an overall range £4,000 to £6,000/m², then focussing on the narrower mid-range most relevant to housing delivery overall here – £4,500 to £5,250/m².
13. The influence of BLVs across the range £250,000/ha to £3m/ha, overall, has been considered at this stage. The lower end of this represents larger greenfield sites while, within this overall range, c. £1.25m/ha is considered a provisional key level of BLV suitable for use in viability in planning for a range of PDL - sites in various / former industrial / commercial or other non-residential existing uses.

Stage 1 Draft VA findings

14. Here we will extract from section 3.2 of the full report – findings of the latest phase assessment (review work completed to September 2023).

Typologies review

15. On the basis of the assumptions now in use, 35 – 40% AH appears potentially viable as a headline on greenfield hosted developments. This is certainly not ruled out and could well be supportable.
16. The findings also suggest at this stage that, broadly, the cumulative policy set envisaged should mean that sites retain the ability to come forward viably in general.
17. However, with £20,000/dwelling (all dwellings) section 106 contributions / works also applied, these indications can get tight and particularly if considered with housing sale values falling beneath the currently most relevant levels. We have also noted that the costs of providing homes to enhanced Building Regulations Part L M4(3) – homes accessible to wheelchair users – are significant. Likewise, and although extra over costs can be expected to reduce over time, the costs involved in the energy efficiency requirement proposals (as a key part of the local

climate change response) are significant. The specifics and further considerations may be dependent to some extent on the approach to embodied carbon within this set of principles.

18. Finalising the LP policy approach to such aspects might also play into the settling of a suitable, supportable mix of requirements and balance overall - alongside the affordable housing and infrastructure proposals.
19. At this stage, and a regular DSP assessment finding, it appears likely that an AH policy differential for PDL sites should be considered. This principle or its level may depend on the overall role and types of sites within the intended supply, however. Provisionally, this may be in the range 20% - 30% AH – but for further review subject to circumstances.
20. In noting all the above, it follows that on PDL viability scope relative to the indications for developments on GF land, UDC will need to “overlay” these findings on to the emerging site supply and will be able to consider the extent to which policy differential(s) will be relevant in the overall plan context.

Initial review of potential larger / strategic sites

21. The sites appraised representing large scale development are at SE Saffron Walden (based on c. 900 dwellings), NE Great Dunmow (c. 1,100 dwellings) and N Takeley (assumed potential c. 1,600 dwellings).
22. On the basis initially appraised to this stage, these also appear to have the potential to come forward viably in the context of the emerging policy proposals, although ultimately, likely with variable packages of affordable housing and infrastructure / other mitigation or matters supported from site to site. We note that it will be possible to explore these matters further should this be appropriate and, if so, with more information available to support a more detailed, updated / refined set of appraisals and sensitivity tests.
23. We also need to note that, overall, it is possible that once appraised in due course with the knowledge of the estimates of required infrastructure and other further details available, these current stage indications could change considerably.

Overall

24. The current stage emerging draft policy proposals have been tested cumulatively. All in all, as reviewed so far, we consider the approach proposed by the Council should be capable of supporting viable developments.
25. On the whole, taking the wider plan context rather than only the short term challenging market conditions and costs, on progressing further review work to further inform the LP we are likely to be able to support the viability prospects related to the policy directions and nature of development. Some adjustments may be recommended for consideration from a viability point of view. However, these appear unlikely to be of a critical nature overall.
26. This is likely to warrant further review as UDC's information (particularly on infrastructure) develops and proposed positions progress further, however.
27. Accordingly, at this stage the overall finding is one of likely support of the approach on considering viability. Currently it is not possible to determine the firm combinations of policies (mainly in reference to final AH % headlines in different circumstances) and infrastructure requirements that will be viable alongside the final approach to climate change response – amongst the key areas of influence on viability. However, this is to be expected. There may need to be some further consideration of this, including of potential variation (policy differentials) within the final approach.
28. DSP has also noted a potential need to adapt where flexibility is needed in operation of policies. It seems likely, and not just in Uttlesford, that a range of matters considered here might take a while to bed in – developing responses to climate change, tightening building regulations, evolving / uncertain national policy, further market developments, and so on. This, however, is a typical finding and does not undermine the nature of our above indications at this stage.
29. The full report, as follows, provides the detail of the viability assessment work undertaken to this stage – informing the UDC first formal stage consultation towards the further development and progression of the new Local Plan.

High level summary ends

1. Introduction

1.1 Introduction, Background & Report Purpose

- 1.1.1 Uttlesford District Council (UDC) is in the process of preparing a new Local Plan to replace the current Local Plan 2005 (adopted in January 2005). The Council has been preparing a new Local Plan following the withdrawal, in January 2020, of its 2019 Submission. The Council consulted on Issues and Options and a 'Call for Sites' in spring 2021 followed by a process of reviewing responses in parallel with collating / analysing various evidence documents. The Council also set up a Community Stakeholder Forum to seek local residents' and interested parties' views and ideas on the Local Plan themes. The comments were used to develop the Spatial Vision and Strategic Objectives within the development of the new Regulation 18 draft Local Plan version.
- 1.1.2 The Local Plan 2041 will be a comprehensive Development Plan Document (DPD) with a viable and deliverable spatial strategy. It will allocate sites for infrastructure, residential and other development, and apply strategic and non-strategic policies working towards net zero carbon development over the 15 years of its life.
- 1.1.3 The Local Plan must be prepared in accordance with the requirements set out in the National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG) – as updated 2018 and in some respects further amended through to 2023. Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The key guidance on how to address this is within the PPG, while other publications also provide reference sources.
- 1.1.4 As part of preparing the evidence base for the new Local Plan and in light of the above, the Council commissioned this assessment to help inform the development of policy (focusing on those policies likely to have direct cost implications for new development). The aim was to provide an understanding of the viability of the development proposed within the Plan. Using a well-established methodology consistent with PPG principles and informed by our long experience of the process through to examination stages, this was to be conducted through testing a mixture of site typologies and more specific assessment work on selected key strategic sites / allocations proposals and including, at

the time of being commissioned, Garden Communities development intended to be allocated through the Local Plan. Ultimately, the development identified in the emerging plan should not be subject to such a scale of obligations and policy burdens that the ability of sites to be developed viably is unduly threatened.

- 1.1.5 As will be outlined below, this assessment project evolved alongside the Council's changing approach to its development strategy, with the plan making process paused and revisited - leading to the current, emerging approach as adjusted through to the Autumn of 2023 (see Uttlesford District Profile below). It was commissioned early to enable the viability perspective to be considered alongside the Council's LP development work and Regulation 18 stage consultations. During the progress of this assessment to date, it has been possible to feed into UDC's wider processes with initial (emerging) viability findings. While the Council has been further considering its emerging policy proposals at the same time, and those have not been available for DSP to view in firm, final proposal form, this has enabled some early stage consideration of potential viability implications.
- 1.1.6 At the early stages of developing the new Preferred Options version Local Plan, our project scope involved conducting iterative phases of viability testing to help inform the emerging policies. Conducted in this way, the project both informs and supports the choice of emerging policies. The assessment requires a significant number of assumptions to be made. An important point to note is that given the scope of the evidence base produced to date, there are a number of aspects currently building and which are outstanding in terms of settled sources for firm assumptions for use within the viability work. Owing to this, the work undertaken to date is likely to need to be revisited and built on further, looking beyond the forthcoming Regulation 18 consultation phase. As such we refer to this report as a Stage 1 Draft Report.
- 1.1.7 At this stage it appears likely that, moving ahead, a Final, Stage 2 viability assessment report or update - building on this work - will be appropriate to further inform and support the Regulation 19 stage consultation.
- 1.1.8 In addition to being on hand to comment and advise generally on viability matters as influence the Council's LP policies and strategy development, DSP has undertaken a number of phases of preliminary high level assessment work.

- 1.1.9 After carrying out local property values research and a first stage review of available information at the time, the first of those phases, completed in November 2021, was an initial limited development typologies-based appraisal exercise. That was run to begin reviewing the likely strength of relationship between development values and costs in the district; and how that might be affected by various potential / exploratory policy positions on key matters such as affordable housing (AH).
- 1.1.10 Subsequently, we were asked to take a preliminary high-level look at how the Council's consideration of various potential development strategy options might influence the viability scope that could be available to support the balance between addressing affordable housing need and potential levels of other policies / planning obligations. Provisional feedback on this further very high-level exercise (on viability only) was provided to UDC in February 2022 (again based on the assumptions developed for the November 2021 interim reporting). This was then further revisited and updated in response to the Council's review of potential development options at that time; leading to further interim viability reporting (August / September 2022).
- 1.1.11 Between Autumn 2022 and Spring 2023 there were a number of changes at the Council and a new administration, with a change in approach to emerging overall development strategy to be brought in and leading to a pause in this viability project while the adjusted direction was settled. In late spring, work on the assessment resumed. This has led to this Stage 1 Draft Report which provides information on the likely viability of the developing policies and sites in the emerging Uttlesford Regulation 18 Preferred Options Plan.
- 1.1.12 This assessment has been initiated, built on and progressed through regular close dialogue with the Council's officers (and contact with others involved in contributing to the Local Plan evidence base) since project inception. This has been a two-way process, with our work informing the Local Plan policies development as it progressed to reflect evolving UDC information and respond as far as possible to early stage feedback and questions from the Council. Details of earlier work and interim reporting are summarised in Chapter 3 later in this report. Although a combination of information on approach to and findings of the preliminary work, section 3.1 below is used to draw this together. The approach taken is consistent with DSP's long running and wide experience of similar

assessments applying the same principles and methodology, undertaken reflecting the local characteristics.

- 1.1.13 Moving beyond the preliminary review work to the latest (the latest work being the focus of the findings this report) the assessment provided here involves two main elements. The first is the review of financial viability using a site typologies approach to test the likely viability of the emerging policies in the context of the general development coming forward. The typologies are test scenarios agreed with the Council as broadly representing a range of site types / development schemes likely to come forward through the emerging Local Plan.
- 1.1.14 The second element consists of a more specific review of strategic scale development based on considering selected specific sites as far as possible (informed by available information) at the study stage, where that is important in delivering the aims and objectives of the Local Plan overall. Owing to various stages of progression having been reached towards or through the decision taking (planning application i.e. development management) stage, three potential allocation sites were considered in more detail in order to further test the proposed policy LP positions and initially assess the viability prospects of these. Those were SE Saffron Walden (based on c. 900 dwellings), NE Great Dunmow (c. 1,100 dwellings) and N Takeley (comprising of a proposed c. 1,600 dwellings). At this stage these scenarios have been considered as representative of schemes of the nature covered by emerging policies on areas proposed for large scale development.
- 1.1.15 At this stage, we understand the Council intends to consider implementing a Community Infrastructure Levy (CIL) at a later stage, with the viability of that and potential charging rates considered under a separate commission. While we are looking to lay some groundwork for that through this LP viability assessment, the more detailed work could progress on it once the overall Local Plan strategy is developed further - reducing the circularity that would be involved in viability testing that aspect ahead of the firmer stages of Local Plan process.
- 1.1.16 Consistent with much our strategic viability assessment work, and particularly in recent years, the approach to / phasing of our brief and in particular the overall project timing has changed during the course of the work. As we have found to happen frequently, there have been pauses during the assessment resulting in an extended project period overall.

Nevertheless, this has been an effective process with the dialogue continuing (and most recently allowing for) the assessment of latest emerging policy iterations including refinements as far as have been known up to the preparation of this draft report (September 2023).

1.1.17 This viability assessment has been produced in the context of and with regard to the NPPF, PPG (including crucially on 'Viability' but also consistent with other PPG sections such as on First Homes) as well as other Guidance¹ applicable to studies of this nature. After setting out the assessment context, purpose and general approach within this 'Introduction' section, the following report structure, on the study detail, is presented over two main sections as included below (brief outline here):

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

1.1.18 The testing of Local Plans for viability does not require a detailed appraisal of every site anticipated to be developed over the plan period, but rather a proportionate test of a range of appropriate site typologies that reflect the potential nature mix of sites likely to come forward. The process should however include more specific consideration of any key proposals upon which the Plan relies overall for the delivery of its growth objectives – e.g. particular strategic sites and especially where there has not been more specific work underway already as schemes progress to or reach DM stage.

¹ Including RICS re-issued April 2023 Professional Standard 'Assessing viability in planning under the National Planning Policy Framework 2019 for England' (formerly introduced March 2021 as guidance effective 1st July 2021); 'RICS Professional statement on Financial viability in planning – conduct and reporting' (1 September 2019) and 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

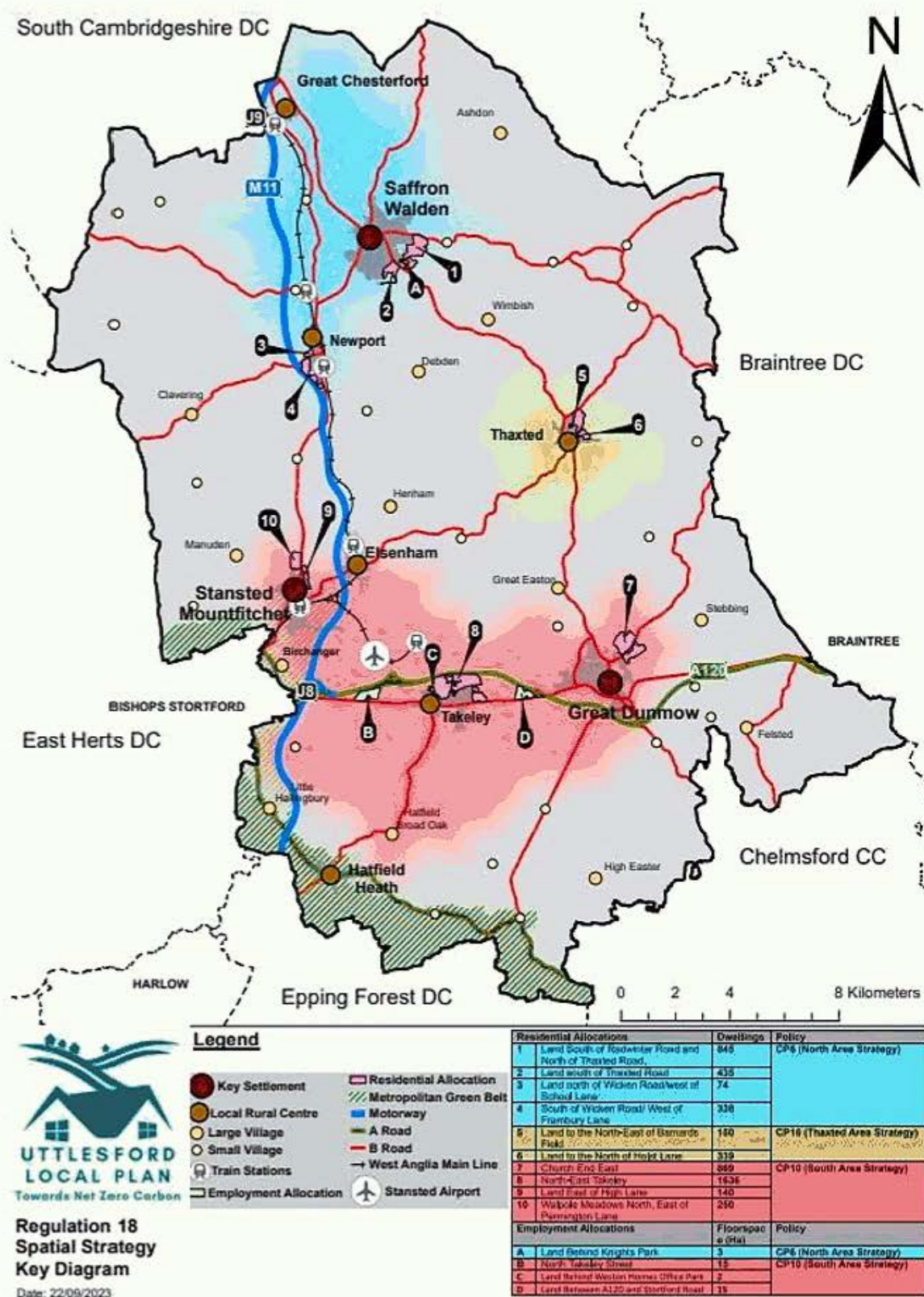
- 1.1.19 Equally, the local plan viability assessment does not require an appraisal of every likely policy but rather the emerging policies that may have a direct quantifiable bearing on the overall development costs. In our experience this type of assessment involves a focus primarily on the viability prospects and potential policies associated with housing development. This is because the scope of the Council's influence over the viability of other forms of development (i.e. non-residential / employment / commercial) through local planning policy positions is typically much more confined. There is no equivalent to affordable housing policy having such a significant effect, or to the increased range of standards relevant to residential development. In this case, the extent of emerging policy influence on the viability of wider development uses is limited, essentially, to the sustainable construction, biodiversity and development objectives of the emerging Plan.
- 1.1.20 The overall assessment approach has applied sensitivity testing to explore the likely impacts of the potential policy costs - including on a range of affordable housing requirements combined with allowances for meeting the requirements of other policies emerging through the local plan process (as well as those applicable at a national level). This covers areas such as carbon reduction measures, Biodiversity Net Gain (BNG), water usage efficiency and space standards alongside infrastructure requirements. At this stage, high level assumptions have needed to be made with regard to wider planning obligations / infrastructure costs as the Council is still in the process of gathering evidence in relation to infrastructure planning.
- 1.1.21 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.
- 1.1.22 The point in time and prevailing economic and housing / property market conditions as schemes come forward can also greatly affect the circumstances around particular developments. It is necessary to consider also that the Local Plan will be delivered over a relatively long timeframe and most likely through varying economic cycles, meaning that taking only an immediate / short term view of assumptions and judgements is not appropriate in this context (whereas it will be more so in most development management 'decision taking' – situations). All in all, there are many variables involved. Such an

assessment seeks to take a course through the consideration of these and how they come together in looking at the potential for developments to be viable - at this strategic level.

1.2 Uttlesford District - Profile

- 1.2.1 The emerging Local Plan will set out the spatial characteristics of the Plan area. This report section provides an outline only, feeding into the consideration of the local characteristics that are influencing the emerging Plan direction and therefore the review of policies and their viability in the relevant local context. The Council's wider evidence base provides an extensive range of information on the nature of the Local Plan area, and the related planning issues and opportunities.
- 1.2.2 Uttlesford District is Uttlesford is a relatively prosperous largely rural district in north-west Essex with a population of just over 91,000. Housing values are high. The district includes the heritage market towns of Saffron Walden (in the north-west of the district and the largest settlement) and Great Dunmow (the second largest settlement and situated in the south-east of the district) together with over 60 villages set within the countryside, dominated by historic landholding estates, woodland, and agriculture.
- 1.2.3 Amid strong pressures for development, Uttlesford occupies a strategic location astride the M11, with London Stansted Airport in the south and the high growth area of Cambridge, including the Chesterford Research Park, part of the cluster of science parks, to the north. The district benefits from the London-Stansted Innovation Corridor and spin-off from the Oxford-Cambridge Arc, new transport proposals and skilled employment growth from Cambridge, with these factors key influences of strong demand for housing in the district.

Figure 1: Spatial Portrait of Uttlesford District



- 1.2.4 The emerging Plan seeks to make provision for 14,377 new homes between 2021 and 2041; a level in excess of the identified housing requirement of 13,680 - to ensure flexibility and contingency. It is proposed that approximately 5,076 dwellings will be provided through strategic allocations across the district and approximately 1,000 dwellings will be delivered via non-strategic allocations at the larger villages and additional dwellings (including windfall) will be delivered through Neighbourhood Development Plans or through the Development Management Process. Core Policy 2 of the emerging version Plan sets out more detail.
- 1.2.5 In addition to provision for residential development, the emerging Plan is set to identify circa 54.3 hectares of land for employment development in the period to 2041.

1.3 National Policy & Guidance

- 1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF)² which says on *'Preparing and reviewing plans'* at para 31: *'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'*
- 1.3.2 NPPF para 34 on *'Development contributions'* states: *'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*
- 1.3.3 The updated national Planning Practice Guidance (PPG) on *'Viability'*, published alongside the NPPF in July 2018 and most recently updated on 1 September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The Planning Practice Guidance on Viability states:

² At the time of writing an updated NPPF (September 2023) had just been published.

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

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

- 1.3.4 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The latest revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the NPPF expectation is that the applicant will need to demonstrate what has changed since the Local Plan was adopted.
- 1.3.5 However, the PPG (paragraph 010) is clear in stating that: *'In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission'.*
- 1.3.6 The Council has to date not progressed the putting in place of a Community Infrastructure Levy (CIL) Charging Schedule (CS), preferring to continue with securing development mitigation and infrastructure requirements under s106 of the Town and Country Planning Act 1990 (further details on the level of planning obligations assumed at this stage are set out later in this report and appendices). Further work to inform the introduction of a

CIL for the district is understood as likely to be the subject of a separate commission in due course.

- 1.3.7 Within this assessment, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies fully (based on assumptions relevant to testing options for the Local Plan). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value) so that an overview of the cumulative effect of the estimated costs of development can be made.
- 1.3.8 The consideration of the collective planning obligations (including affordable housing and other infrastructure requirements) is key and cannot be separated from other matters influencing viability. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to 'striking a balance' between the various planning objectives whilst reflecting the market drivers of development.
- 1.3.9 Further relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report³). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides some still useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.
- 1.3.10 Planning and in particular national policy are constantly evolving processes, with the current environment for these being especially uncertain and fluid – potentially subject to significant further change. A viability assessment such as this, however, is necessarily carried out at a point in time based on knowledge of the system and policies in place at that time or – to the extent that may be practical - taking into account likely changes to policy moving forward (for example through further sensitivity testing or commentary). It needs to be acknowledged however that no study can cover every future eventuality and as far as possible there is a need to avoid re-starting projects at great cost. It

³ 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

therefore needs to be accepted that there may be cases where an update to an assessment such as this may be appropriate to consider or required as the Plan moves forward to Examination.

- 1.3.11 During the course of carrying out this assessment (viability review work undertaken and related latest dialogue with the Council between 2021 - 2023) the Government has both consulted on and more generally considered potential short term and longer-term reforms to the planning system in England and Wales. Previously, the White Paper: Planning for the Future consultation (August 2020) sought views on wholesale reforms to the planning system which in some respects would make it almost unrecognisable from the system under which this assessment and the Local Plan are being produced. A second consultation – ‘Changes to the current planning system’ looked at shorter term objectives including the introduction of a First Homes policy⁴ and temporary increase in the national affordable housing threshold⁵. The Government’s response to its consultation⁶ concluded that: *‘On balance, we do not consider this measure to be necessary at this stage, particularly in light of the broader way in which the sector has responded to the challenges of the pandemic and the other measures we have available to support SMEs. We therefore do not think any change to existing policy is currently needed’*. The later topic appears to have been revisited recently by government to an uncertain extent, but so far there has been no move to raise the affordable housing policy general threshold from the 10 or more dwellings (reflecting ‘major’ development) level (subject to potential changes via the proposed ‘Infrastructure Levy’).
- 1.3.12 The longer-term major reforms proposed in the White Paper look likely to have a significant impact on the setting of planning policy and the way in which policy and wider plan development is considered, running also into the operation of policies. The Government’s proposals include a wholesale reform of CIL. An Infrastructure Levy (IL) may be introduced across the country, over time, for all Local Authorities (including those without a CIL currently) in an overhaul of current arrangements in regard to both CIL and section 106 (s.106) planning obligations agreements, such as continue to be relied upon in Uttlesford and many other areas.

⁴ Policy that requires a minimum of 25% of affordable housing to be First Homes for sale at a minimum discount of 30% of market value.

⁵ The government consulted on whether to increase the current affordable housing threshold (where affordable housing may be sought from developments of 10 dwellings or more) to 40 or 50 dwellings for a temporary period.

⁶ <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system/outcome/government-response-to-the-first-homes-proposals-in-changes-to-the-current-planning-system> (April 2021)

- 1.3.13 During 2022 the Department for Levelling Up, Housing and Communities (DLUHC) introduced planning reforms, ushered in via the Queen's Speech and set out in the Levelling Up and Regeneration Bill (May 2022) – 'LURB'. Further, yet more planning reform proposals were put forward through the Chancellor's September 2022 "mini-budget" that lead to speculation of further revisions to this new Bill; or scrapping it altogether. Later developments have led to the Government consulting on "Levelling-up and Regeneration Bill: reforms to national planning policy" in December 2022 with the consultation ending on 2 March 2023. Subsequently, further amendments to the LURB proposals have been considered.
- 1.3.14 There is therefore significant uncertainty about when we will know more and what any new arrangements might be. Given these wide-ranging, proposed planning reforms are not yet confirmed, we are unable to comment at this stage on what the impact may be on the viability assessment or indeed on the Local Plan or future Infrastructure levy. The proposed wider reforms may not ultimately take the form envisaged and there could be a considerable amount of time taken before any changes enter the planning system.
- 1.3.15 However, in respect of First Homes, by Written Ministerial Statement 24th May 2021 the Government confirmed the introduction of a requirement for these to be delivered via section 106 of the Town and Country Planning Act 1990. Therefore, this assessment fully reflects the inclusion of First Homes in reaching all latest viability results and recommendations.
- 1.3.16 According to the Act and supporting guidance ('First Homes' within the PPG – added 24th May 2021) a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes with a minimum discount of 30% of market value (MV). Increased levels of discount can be considered (at 40% or 50% of MV) subject to demonstrating appropriate need – although we understand the discount selection to be an area wide matter aside from the potential for Neighbourhood Plan areas to look at this more specifically. After discount, the First Homes must be available on the basis of not exceeding a price cap of £250,000 (cap figure outside London).
- 1.3.17 In addition to the above, during 2019 the Government consulted on and sought views on plans for a Future Homes Standard (FHS) for new homes from 2025, and proposed

options for an interim increase to the energy efficiency requirements for new homes ahead of that. The consultation proposed that from 2025, new homes built to the Future Homes Standard will have carbon dioxide (CO₂) emissions at least 75% lower than those built to pre-FHS interim standards (standards applicable prior to the Building Regulations update in 2022).

- 1.3.18 Introducing the Future Homes Standard will ensure that the homes needed will be fit for the future, better for the environment and affordable for consumers to heat, with very high building fabric standards and low carbon heating.
- 1.3.19 The government's current approach is such that all homes will be 'zero carbon ready', becoming zero carbon homes over time as the electricity grid decarbonises, without the need for further costly retrofitting work.
- 1.3.20 The interim standard is such that carbon reduction of 31% over prior levels is required and this is now reflected through changes to the Building Regulations (Part L) that have become effective from 15th June 2022. In turn this reflects the direction of travel towards zero carbon, at this stage leading next to the wider implementation of the FHS from 2025 whereby it is expected that a reduction in CO₂ of 75% from pre-June 2022 standards will be achieved, as above.
- 1.3.21 information on the assumptions used in this study is provided in Chapter 2 and within the appendices to this report – Appendix I particularly.

2. Methodology & assumptions

2.1 General Approach

- 2.1.1 The assessment as described in this report has involved an ongoing approach to informing the development of policies of the Local Plan and all conducted based on dialogue with the Council – with information feeding into and out of the study. To recap, a number of stages to this process have taken place since July 2021 with pauses in the process reflecting the Council’s further consideration of issues such as overall housing numbers and need; and how these and the wide range of other Local Plan context matters and objectives are to be reflected in the formulation of the new LP.
- 2.1.2 The first ‘stage’ considered the general viability of options for key policy areas through the testing of ‘site typologies’ that allowed DSP to provide emerging / initial findings and feedback on policy development through the assessment process by carrying out sensitivity testing; leading to interim feedback (emerging findings) for UDC in November 2021 and then again in August / September 2022. These provided some high-level findings and recommendations for the Council to consider based on potential policy options / scope discussed at the time; particularly in relation to the potential scope to support affordable housing alongside other costs and requirements, and potentially suitable overall policy approach. As has been noted, section 3.1 below outlines the nature of and preliminary indications from that earlier review work.
- 2.1.3 Then, through a process of ongoing dialogue reflecting wider emerging evidence (feeding into and out of the assessment) and further assumptions development, this progressed to our current reporting. This document provides a full draft Stage 1 report to support the Regulation 18 consultation and considers the viability of the likely direction of the emerging Local Plan and policies as far as known at this stage alongside a more specific high level review of three currently proposed key (large) site allocations. At this stage of reporting, DSP has not had sight of the Council’s fully assembled drafted Regulation 18 Plan and therefore undertaken a fully detailed review of the Council’s preferred draft policy proposals in their final form for this consultation stage. Therefore, as per the commentary to above, further work or revisiting / updating appears likely to need considering - in order to review and if necessary test the further

developed / final policies, infrastructure requirements and development strategy of the Local Plan beyond the Regulation 18 consultation stage and accordingly in order to provide a robust viability evidence base to support the submission Local Plan in due course. In particular, we note that the detailed picture on infrastructure requirements has not been developed at the point of undertaking the viability appraisal and results review presented here to date, with this being an important element likely to need further consideration as part of the developing LP content and reflective viability overview.

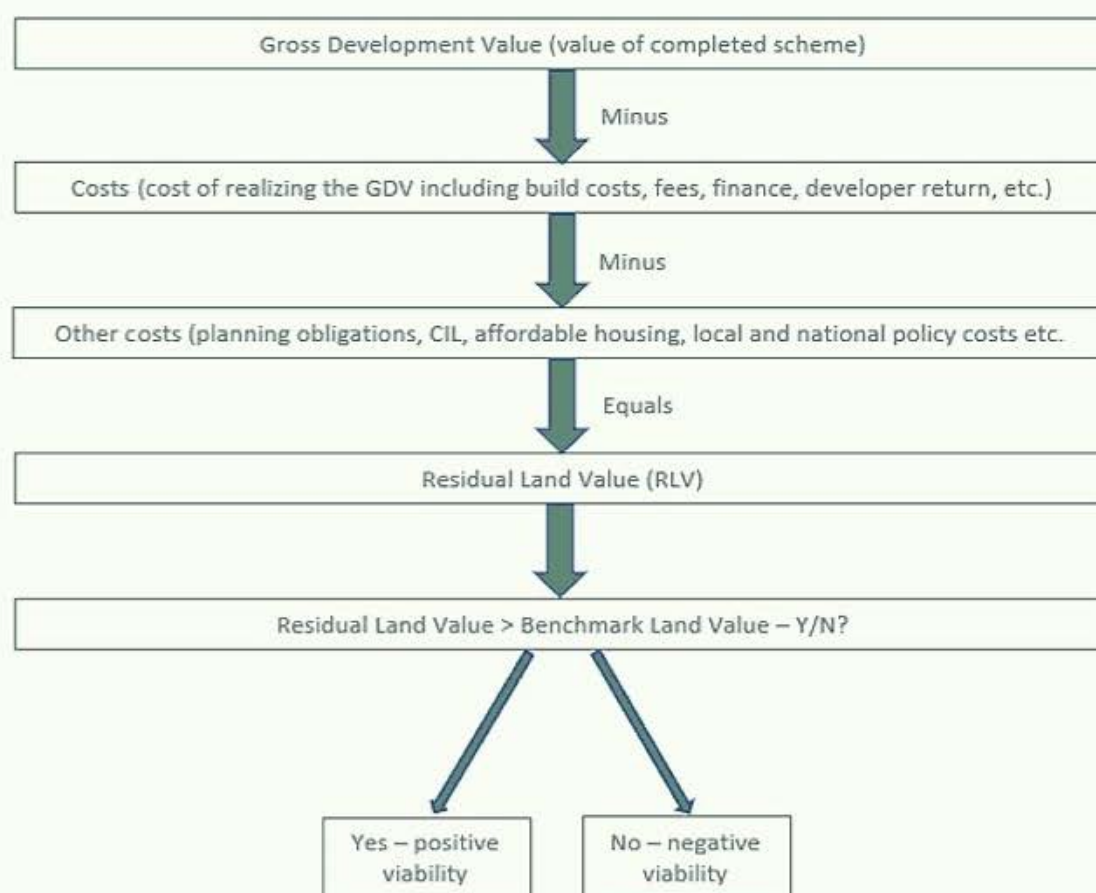
- 2.1.4 For each appraisals stage, prior to fixing assumptions, necessarily at a point in time, and as outlined in the following sections we have undertaken an extensive information review, updated as needed during the course of this commission. This has included property market research, with stakeholder consultation also undertaken as part of our assessment work. As a part of our work we have considered those potential policy proposals that may be likely to have a particular development cost impact on future development, or additional cost implications over and above the typical costs involved in the development process. Those typical costs being, for example, build costs utilising the costs information from established sources such as the Building Cost Information Service (BCIS), associated fees and contingencies, finance, sale costs, development profit and land costs.
- 2.1.5 As part of Appendix I (Table 1d) we include our 'Policy Analysis' overview, which considers the likely level of influence of the emerging proposed policy positions and therefore their relevance directly (or otherwise) to the viability assessment assumptions. The assessment focus is on the likely policies that may be expected, usually, to directly contribute to impacting the viability of developments as part of the cumulative costs involved in completing schemes under the scope of the Local Plan. As discussed above, the work undertaken for this study has been iterative and, to a large extent, to date DSP has needed to run modelling based on the inclusion of typical policy assumptions for Local Plan viability with sensitivity testing carried out to aid the Council in considering the potential viability implications of various policy development routes. Those policies reflecting more specific positions intended to be progressed locally have been reflected within the current appraisals, where the positions were known at the time of needing to fix assumptions. It may be appropriate to revisit this and check some related assumptions as the new Plan progresses.

- 2.1.6 Collectively, this study therefore investigates the potential viability and, therefore, deliverability of the Local Plan and potential policy options and obligations - including the affordable housing requirements and an early review of the viability prospects for larger / strategic scale development that is key to the delivery of the Local Plan housing numbers as a whole.

2.2 Residual Valuation Principles

- 2.2.1. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability (but also used for site-specific viability assessments) is residual valuation. This is also consistent with the relevant guidance described above. Figure 2 below sets out (in simplified form only) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and findings at all stages.

Figure 2: Simplified Residual Land Valuation Principles



(DSP 2023)

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

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

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

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

2.2.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage / site-specific viability reviews but that it is ‘up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage’⁷. An indication of the types of circumstances where viability could be assessed in

⁷ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 006 Reference ID: 10-006-20190509)
Revision date: 09 05 2019

decision making is also included in the PPG. These include: *'for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force'*⁸. There may be the potential for the development of some site typologies or sites identified by the Council to need to overcome abnormal issues and support added costs. The national approach recognises that within this picture and / or at certain stages in the economic cycles there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure. This is, of course, prior to any changes that may be eventually brought forward through any national Infrastructure Levy.

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

2.3 Stakeholder Consultation

- 2.3.1 National policy and guidance reflects the need for and value of stakeholder engagement. Consistent with our established practice for strategic viability assessments, DSP sought soundings as far as were available from a range of development industry stakeholders as assumptions were considered in the earlier stages of this overall assessment to date. This offered an engagement opportunity to a wide range of locally active organisations and interests, with a view to gathering feedback on our emerging study approach and inputs - to help inform the assessment.
- 2.3.2 This engagement process was conducted by way of survey type exercises seeking information and views with which to help test our emerging assumptions at the early

⁸ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 007 Reference ID: 10-006-20190509)
Revision date: 09 05 2019

project stages, followed up with key participants as appropriate. The approach set out our initial draft assumptions and testing ideas, with the opportunity provided for the stakeholders to then comment on those emerging positions or suggest alternative assumptions with reasoning. Generally, the approach involved inviting pointers or examples from local experience. These were issued as follows: -

- Development Industry – range of active or potentially active stakeholders in the Plan area with organisations and contact points as informed by the Council, including local property agents, developers, housebuilders, planning agents and others.
- AH Providers – range of locally active affordable housing providers again as informed by the Council and its housing enabling work. Whilst also invited to comment more generally, these organisations were issued with a narrower survey requesting information more specifically related to the consideration of the AH revenue levels that might be expected by developers on constructing and transferring affordable homes to the RPs, and related assumptions.

2.3.3 In addition to the above, in this case the Council also issued our stakeholder engagement questionnaires to other interested parties including neighbourhood groups / parish councils and similar.

2.3.4 As part of this process, a full record of all stakeholder interaction is kept, including a log indicating the parties contacted, reminders issued, the feedback responses and level of response overall. Given potential commercial sensitivities / confidentiality in some instances, the details of the responses received are not included within our published report. However, this has all contributed to the overall information review, further informing both the consideration of the assumptions range, and the review of and judgments made around the results in the earlier and subsequent assessment stages. All in all, the work is informed by a combination of sources, including the Council and its supplied information, our own extensive research process and experience and supplemented through the relevant stakeholder sourced feedback as far as available at the time.

2.3.5 Leading up to this latest stage reporting of our review work, there was a level of refreshing of this exercise undertaken. DSP produced a letter which was issued by UDC.

There has been a limited response to this, in the main leading to some contact with Parish Council representatives.

- 2.3.6 Reflecting this early stage, the promoters / parties potentially involved in larger / strategic sites for allocation have not been more specifically contacted with a more directed consultation exercise on viability. This is consistent with the approach DSP typically adopts, whereby such parties would be contacted at a later assessment stage once more is known to base this type of exercise upon. This, therefore, is also an element that generally we would expect to pick up further in due course. Although necessarily to be confirmed, the likely scope of this will be a bespoke site-based survey document inviting engagement and requesting more specific information as far as available at the time. For example, including relating to proposed land uses, ownership, any initial estimates of infrastructure requirements, early development costs valued indications, site abnormalities and any preliminary potential phasing / delivery indications, etc.

2.4 Scheme Development Scenarios (Residential Typologies)

- 2.4.1 The scenarios (typologies) modelled as part of this assessment reflect the variety of different types of development that are likely to be brought forward through the planning process across the plan area. They include a mix of residential test scenarios. This has enabled viability to be tested in a way that reflects the likely range of future housing supply characteristics, informed also by the local experience of development to date. This appropriately informs the development of local plan policy alongside an assumption on the level of planning obligations (infrastructure requirements) that is in place for the time being. All with the key aim of operating an appropriate balance between policy requirements (including provision of affordable housing and infrastructure funding) and the objective of developments being able to continue to come forward viably on the basis of both the community needs and the commercial drivers being met as far as possible in the available circumstances.
- 2.4.2 While this cannot be and does not need to be an exhaustive exercise as the guidance recognises, in order to adopt a relevant range of residential development typologies, we have considered with UDC the broad nature of the housing supply expected to come forward over the emerging plan period – up to 2041.

- 2.4.3 A full range of housing development typologies have been tested over a range of value levels (VLs) representing varying residential sales values considered appropriate at the time of review across the Local Plan area by scheme location / type. As well as looking at the influence of location within the Local Plan area, this sensitivity testing approach allowed us to consider the potential impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) as well as how this key assumption may vary by location, development type and scale.
- 2.4.4 A summary of the residential scheme typologies is shown at Figure 3 below, with the full detail set out in Appendix I.

Figure 3: Residential Site Typologies

Scheme Size Appraised	Type	Site type
1	House	PDL
5	Houses	PDL/Greenfield
10	Houses	PDL/Greenfield
15	Flats	PDL
15	Houses	Greenfield
15	Houses	PDL
30	Flats (Sheltered)	PDL
50	Mixed	Greenfield
50	Mixed	PDL
50	Flats	PDL
60	Flats (Extra Care)	PDL
100	Mixed	Greenfield
250	Mixed	Greenfield

(DSP 2023)

- 2.4.5 In addition to the use of the site typologies approach, this assessment considers the viability of a set of specific larger site allocations / strategic scale sites that have been requested by UDC to be appraised at a high-level utilising latest cost and values assumptions (as far as available at the point of running the modelling for this Stage 1 draft report).
- 2.4.6 A summary of the larger site allocations / strategic sites scenarios tested is shown in Figure 4 below. The review approach taken at this stage reflects the nature of

development broadly reflected in the initial versions made available to us on emerging proposed Core Policies CP2, CP6 and CP10.

Figure 4: Strategic Site / Proposed Site Allocations tested – Summary

Potential Local Plan Allocation Proposal	Greenfield / PDL	Indicative site area (Gross – Ha)	Indicative Residential Capacity*
SE Saffron Walden	Greenfield	Approx. 30	900
NE Great Dunmow	Greenfield	Approx. 68	1,100
N Takeley	Greenfield	Approx. 87 plus 20 for ECC education land	1,600

(DSP 2023)

*Other uses / non-developable land areas etc unknown at this stage.

2.4.7 The selected strategic sites representative testing has been based on information as far as available at the point of appraisal – as provided to DSP by the Council and supplemented via the stakeholder consultation exercise where possible at the assumptions fixing stage. The assumed total (gross) site areas and indicatively expected dwelling numbers are as shown above, with the assumptions including current stage broad estimates of infrastructure requirements as noted in Table 1b of Appendix I – to reiterate, using information where provided and discussed with UDC at the assessment stage.

2.4.8 As part of considering both the site typologies and specific (larger / strategic sites), and seeking to make these as representative as possible of the emerging policy approach, an assumption is made in relation to dwelling mix, for which we have adopted the principles set out in Figure 5 below and Appendix I. These dwelling mix principles are based on information provided to DSP by UDC using emerging evidence supporting the Local Plan.

Figure 5: Dwelling Mix Assumptions⁹

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

(DSP 2023)

- 2.4.9 In all cases it should be noted that assumptions have to be made based on a “best fit” of both the market dwellings mix and affordable housing numbers/mix and tenure assumptions. This is due to the effects of number rounding and also the limited scope that can be available to reflect all aspects of this within any given scheme; particularly in scheme typologies with small dwelling numbers or lower tested AH %s.
- 2.4.10 The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc. The affordable housing (AH) content assumed within each test scenario is set out in more detail below. As well as summarising the dwelling mix criteria that we have aimed to follow as far as possible, Appendix I also provides more information on the revenue levels associated with (assumed values of) varying AH tenure types.
- 2.4.11 The dwelling sizes (on a GIA i.e. gross internal area basis) assumed for the purposes of this study are as set out in Figure 6 below and based on the Nationally Described Space Standard (NDSS). We understand that this is proposed to be adopted by UDC through the emerging Local Plan. As with the many other variables considered through assumptions, there will be a large range and mix of dwelling sizes coming forward in practice, with these varying by scheme and location. Due to the high-level nature of this study process,

⁹ Based on: JG Consulting: UDC Local Housing Needs Assessment (June 2023)

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

Figure 6: Residential Dwelling Sizes

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

Notes: Older persons' housing – Retirement/sheltered dwellings assumed 1-beds @ 55m²; 2-beds @ 75m²

(DSP 2023)

- 2.4.12 Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).
- 2.4.13 The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e. 100% saleable floorspace). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For example, the general flatted typology development tests assume a net:gross ratio of 85% (i.e. 15% communal space). The sheltered housing scenario assumes a lower proportion of saleable floorspace compared with typical general needs

flats, at 75% (i.e. 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care development typology.

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

2.4.15 At this level of strategic overview, we do not differentiate between the overall value assumed per sq. m. for flats and houses although in reality we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area (£/sq. m or £/sq. ft. or shown as £/m² or £/ft²).

2.5 Commercial / Non-residential Development

2.5.1 Although relatively minimal in terms of the ability of the Council to influence the viability of non-residential schemes through policy (as discussed above), nonetheless, policies on carbon reduction / energy efficiency and biodiversity net gain (BNG) may impact the viability of non-residential / commercial development and are likely to need to be considered upon progressing the LP and, accordingly, the viability assessment.

2.5.2 At this stage, our view is that once sufficient information becomes available, it may well be more informative to carry out high-level appraisal of a relevant selection of employment allocation proposals, or similar, i.e., rather than conduct a wider ranging but more general typologies-based exercise (such as would be appropriate to undertake as a key part of considering the viability of a CIL, for example).

2.5.3 Moving ahead, we suggest that this can be considered appropriately with UDC as part of the wider ongoing consideration of the LP policies development. It is also worth noting, however, that national policy will require BNG (albeit at a minimum of 10%) and new commercial building will also need to meet increased standards through the Regulations. In a parallel with the government's Future Homes trajectory, the 'Future Buildings Standard' is in place. Generally, in our assessments to date, it has been considered that allowances for meeting equivalent BREEAM standards have been a suitable way of

reflecting these extra over costs (as viewed currently). It will appropriate to consider whether, given UDC's newly emerging policy now seen, these or potentially greater cost allowances will be suitable to reflect in this case.

2.6 Scheme Revenue (Gross Development Value / GDV) – Residential

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

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

2.6.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the Local Plan area. This data was collected by both parish / ward and settlement areas reflecting the Council's settlement hierarchy and analysed using both sold and asking prices for new-build and re-sale property. We considered this to provide the most appropriate and reflective framework for this data collection exercise, and the subsequent analysis to inform assumptions.

2.6.3 This research will ultimately enable us to view how the value patterns and levels observed will overlay with the areas in which the most significant new housing provision is expected to come forward over the plan period. It must be acknowledged that the scope of the data available for review varies through time and by location. In some instances, data samples are small (e.g., relating to a particular period or geography) and this is not unusual. Consistent with the above principles and the need to overview the information

for the study purpose, it is important that the available indications are reviewed collectively in setting the values assumptions.

- 2.6.4 Overall, this research indicates a variable values picture across Uttlesford District. This is a common finding whereby different values are often seen to vary within individual developments dependent on design, orientation etc., at opposing sides of roads, within settlements or localities and based on other variables – as well as variations between settlements and areas of course. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations that are considered relevant to influencing varying viability between wards/settlements or other geographical areas in a broader overview sense, including relating to the types and locations of development that are considered most relevant over the emerging plan period.
- 2.6.5 Overall however and on the basis of our research and using our tested assessment approach we have applied assumed property ‘Value Levels’ (VLs) to each typology from VL1 (lowest) to VL9 (highest). These VLs reflect an overall range between £4,000/m² to £6,000/m², representative of varying new-build sale prices likely to be seen by varying location in the Local Plan area. Necessarily but also appropriately for the assessment purpose, we consider the key new build property values – i.e., the most relevant range to housing delivery overall here – to be within the range £4,500/m² (VL3) up to £5,250/m² - (VL6) with flatted development also likely to see values above typical base levels (as the inverse relationship between property size and value when expressed on a £/m² basis is seen). This is not to say that values do not and will not fall outside these levels – i.e. the VLs considered broadly represent the key part of the overall range that may be seen. Appendix I provides an indicative guide to the relevance of the range of VLs to locations in the plan area based on settlement and Ward areas and the assessment will consider how the general picture on the VLs that are thought to be available to support scheme viability in the various areas that are likely to be key to the planned development with the emerging Local Plan; all based on developing information as far as available at the time of undertaking the various assessment stages.
- 2.6.6 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in

particular data samples (limited house price information) can produce inconsistent results. This is not specific to Uttlesford. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between ward areas in this case, given the varying characteristics of the area.

- 2.6.7 However, with this a key variable and its relevance perhaps likely to increase with the market currently changing, to provide a wide range of sensitivity tests that reflect both recent / current values as well as provide as an ability to consider the potential effect of higher and lower values, we carried out our modelling across the full range of values sensitivity tests; again, as shown in the appendices.
- 2.6.8 The values research commenced in July 2021 and has continued to be updated alongside progression of the study with latest data considered in the Summer of 2023 as the report drafting for this assessment has been built up.
- 2.6.9 While the assessment period extended through 2021-2023, the reportable position has remained positive overall to early summer 2023. We found that although build costs rose (sharply and then more moderately), broadly the previously unexpected buoyancy of the market (following the pandemic) and the growing prices it supported were sufficient to balance out or even outweigh cost rises.
- 2.6.10 However, upon finalising the assessment, we are experiencing different and rather more unstable property market conditions, with well reported drops in house prices more recently and it will be necessary to see how this plays out as another set of potentially significant influences on the viability and wider progression of developments. Heightened economic uncertainty appears to be becoming the new norm, with a widely reported cost of living crisis reflecting the recent high energy costs and inflation rates, rising interest rates, changes in the leadership of government and resulting financial as well as wider policy changes. This has led to an environment that is resulting in much greater uncertainty as to what the next year and perhaps coming few years might hold.
- 2.6.11 At the point of finalising the information review for our draft reporting (August - September 2023) even with the continuing economic uncertainty, the latest available reporting indicated however that overall house prices continued to be ahead of where they were 12 months previously. House Price Index (HPI) data suggested house prices in

June 2023 (latest available data at the point of reporting) in Uttlesford were around 4% ahead of where they were a year earlier. See Figure 7 below. This does not, yet at least, fully reflect a national picture where house prices are reported by some outlets to have fallen nationally at their fastest rate since 2009¹⁰ although this does hide the fact that this is relative to record high property prices in the summer of 2022. This is, however, a quickly moving property market environment. This backdrop will be considered further, as far as is possible and appropriate in the Local Plan overview context, in rounding up the assessment reporting (to July – August 2023) – see Chapter 3 below.

Figure 7: HPI Data for Uttlesford District

Average price by type of property in Uttlesford	
<input checked="" type="checkbox"/> All property types <input type="checkbox"/> Detached houses <input type="checkbox"/> Semi-detached houses <input type="checkbox"/> Terraced houses <input type="checkbox"/> Flats and maisonettes	
See data graph	See data table
Download this data	Compare with location ...
Date	All property types
Jun 2022	£465,495
Jul 2022	£475,535
Aug 2022	£489,829
Sep 2022	£489,271
Oct 2022	£492,169
Nov 2022	£478,140
Dec 2022	£481,345
Jan 2023	£469,863
Feb 2023	£459,196
Mar 2023	£473,875
Apr 2023	£478,169
May 2023	£495,571
Jun 2023	£484,847

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Source: <https://landregistry.data.gov.uk/app/ukhpi/browse?from=2022-06-01&location=http%3A%2F%2Flandregistry.data.gov.uk%2Fid%2Fregion%2Futtlesford&to=2023-08-01&lang=en>

- 2.6.12 However, as noted and as we will revisit, the Local Plan timeline is projected to run to 2041 so that a long-term strategic overview is needed, across which it is appropriate to make more typical assumptions reflecting potentially a middle line through various economic cycles. Although the viability of strategic scale development and other aspects may be areas to revisit as more specific information becomes available to inform any

¹⁰ <https://moneyweek.com/investments/house-prices/uk-house-prices-drop-at-their-fastest-rate-since-2009>

further testing, it will not be appropriate to assume only the downside risks and inputs related to deteriorating or poor economic conditions and a tougher housing market for development (such as is being experienced while finalising this assessment).

- 2.6.13 As noted in the report Appendices, higher sales values have been tested in the case of the sheltered / retirement living and extra care typologies. There has been no direct comparable information available at all to inform those test assumptions. Judgments have been made by DSP based on experience of the premium values that are more likely to be supported by these more specialist scheme types (and indeed from experience, with substantially higher than typical values very often needed but achievable in support the viability of such developments). This may be an aspect to consider further at a subsequent stage.

2.7 Scheme revenue (gross development value) – Affordable housing (AH) revenue

- 2.7.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling.
- 2.7.2 A key part of the purpose of this assessment has been to ensure a robust and deliverable policy set and provide information to the Council on an appropriate and viable level of affordable housing to seek from development through the emerging Local Plan. On this basis, we tested a range of affordable proportions against the residential development typologies, also reflecting the latest national policy position as set out in the NPPF and PPG; now including First Homes as 25% of the AH. It is also important to note that not every percentage iteration has been tested on every typology. From our results analysis, it is possible to see where the likely viability lies and also to consider positions between results sets. In summary the testing for this study covered the following range:
- 10 or more dwellings: tested with 20%, 30%, 35% and 40% AH on-site reflecting PDL (previously developed land i.e. brownfield) and greenfield (GF) sites. To explore how much affordable housing may reasonably and realistically be sought under emerging Local Plan policy, alongside cumulative costs of all other development and mitigation / infrastructure.

- 2.7.3 The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (for AR or SR) or capitalised net rental stream and capital value of retained equity (shared ownership - SO). The starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes is that the AH is developer funded rather than part grant funded. We have therefore made no allowance for grant or other public subsidy or equivalent.
- 2.7.4 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the 'transfer payment' or 'payment to developer'. These revenue assumptions are based on our extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).
- 2.7.5 The assumed transfer values for the rented affordable units assumed for the study are shown in Appendix I.
- 2.7.6 In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider's own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here. It follows that the transfer values assumed could therefore be a conservative estimate in some cases and in reality on some schemes an affordable housing provider (e.g. Registered Provider – housing association or similar) could include their own reserves and if so thus improve viability and/or affordability.
- 2.7.7 First Homes have been included as 25% of the overall affordable housing provision within each of the appraisals. The main principles for First Homes provision are as follows:

- Sales to be discounted by a minimum of 30%;
- After the discount is applied the initial sale price of a First Homes must not exceed £250,000 (or £420,000 in Greater London);
- Initial sales of First Homes must contain a legal mechanism to ensure each future sale maintains the discount (as a percentage of current market value). However, a mortgagee enforcing their security against the property will be exempt from this requirement;
- The First Homes requirement is that a minimum of 25% of section 106 units should be delivered as First Homes. With regards to the allocation of the remaining 75% of units after the First Homes requirement has been met, national policy will be that:
 - The provision for Social Rent as already described in the development plan should be protected.
 - Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.
 - In situations where the local plan allocates more than 75% of contributions to Social Rent, the 25% First Homes requirement will remain.

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

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

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

- Local or neighbourhood plans submitted for Examination before the implementation of the policy or that have reached publication stage before implementation and are subsequently submitted for Examination within 6 months of implementation will not be required to reflect the First Homes requirements;
- The requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) within 6 months of implementation of the policy (or 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if the developer wishes to do so;
- The above arrangements will also apply to entry-level exception sites.

2.8 Scheme revenue (Gross Development Value (GDV)) – Commercial / non-residential

- 2.8.1 Further to the initial, current stage commentary at 2.5 above (and as noted elsewhere in this Report / Appendices) at a subsequent stage it is likely to be appropriate to continue the information review and research relating to employment and any other whole plan relevant types of development. This can be expected to encompass research on values and other assumptions to inform the type of appraisals envisaged.
- 2.8.2 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 using residual valuation methodology - as per the principles applied to the residential typologies.
- 2.8.3 As with other elements of the viability assessment work both previous and current / ongoing, the adopted assumptions sets cannot be expected to exactly match those

applicable to all scheme specifics and we need to keep this in mind when considering how this might all play out in practice.

- 2.8.4 Here we use the terms 'commercial' / non-residential generally – i.e. reflecting development use types that are not residential. Of most relevance locally, upon information review to date, it is 'employment' related development (such as industrial, offices, research & development, warehousing / distribution that appear most likely to be relevant to the proposed LP delivery overall. Provisionally, the allocation of land for such scheme types appears likely to be the focus for proportionate viability review at a subsequent stage.

2.9 Development Costs - Generally

- 2.9.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix I to this report, a summary of the key points is also set out below.

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

- Building Cost Information Service (BCIS);
- Locally available information as far as available following the stakeholder consultation process;
- Other desktop-based research;
- Professional experience.

- 2.9.3 For the site typology testing, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review or unduly pull down the view of the available scope to support important policies on sustainable development. Where issues are known as likely to impact development viability and early costs estimates are available or can be devised, these are applied to the specific site allocation tests, however. Contingency allowances

have however been made for all appraisals. 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.

2.10 Development costs - build costs

- 2.10.1 The assumed base build cost level shown below is taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be ‘*appropriate data*’¹¹ and rebased using a Uttlesford location factor. The costs assumed for each development type (e.g. houses, flats, mixed as well as non-residential etc.) are as provided in Appendix I – and summarised below – Figure 8. These are the selected BCIS median average cost rates. We note also that, reflecting economies of scale, the lower quartile ‘mixed developments’ build cost rate has been applied in the case of the current stage strategic / larger proposed allocation site tests (only).

Figure 8: Base Build Cost Data – Site Typologies

Development type (BCIS Median unless stated)	Rate/m ²
Build cost - Mixed Developments (generally - houses/flats)	£1,490/m ²
Build cost - Houses only (generally)	£1,446/m ²
Build cost - Flats only (generally)	£1,650/m ²
Build cost - Supported Housing (generally)	£1,830/m ²

(DSP 2023 sourced from BCIS)

- 2.10.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (assumed allowances all added separately). Across the assessment an allowance for external works has been allowed for on a variable basis depending on scheme type (typically between 10% and 15% of base build cost). These are based on a range of information sources and cost models and generally not pitched at minimum levels so as

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

to ensure sufficient allowance for the potentially variable nature of these works. Specifically, wider site works and infrastructure costs equivalent to £500,000/ha have been assumed for the range of site typologies tested. Particular cost allowances have been made as appropriate in relation to the site-specific testing of strategic sites – with UDC information used as far as available to inform the review of selected sites. See Appendix I.

- 2.10.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always been a range of data and opinions on and methods of describing, build costs. In our view, we have made reasonable assumptions in accordance with relevant guidance which lie within the range of figures we generally see for typical new build schemes (rather than high specification / complex schemes that may require particular construction techniques or materials). As with many aspects of viability assessment, there is no single appropriate figure in reality, so judgements on these assumptions (as with others) are necessary. It is important to note that as with any appraisal input, in practice this will be highly site specific.
- 2.10.4 In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.
- 2.10.5 An allowance typically of between 3%-10% build costs is also added to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates).
- 2.10.6 It is important to note that the interaction of costs and values levels will need to be considered again at future reviews of the local plan as base build cost levels typically vary over time. However, further sensitivity tests have been run and included where considered most relevant in relation to the larger / strategic sites more directed current stage testing. This additional information is included to allow the sensitivity of the various scenario test outcomes to build costs variation to be viewed; all as set out in the assumptions and results appendices.

2.11 Development costs – Fees, Finance & Profit

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

Figure 9: Residential Development Costs – Fees, Finance & Profit

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

(DSP 2023)

2.12 Build period

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

2.13 Key policy areas tested – Summary

2.13.1 A number of policies that the Council is considering implementing through the emerging Local Plan may have impacts on development viability, both directly and indirectly. Some do not add or add significantly to the typical costs of development or costs that, at the time of completing this assessment in summer 2023, are now resulting from or shortly due to relate to national level policy or requirements.

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

2.13.3 At the time of writing policy wording and numbers had not been finalised and as such the sub-headings below relate to a mix of more specific references, where known, and broad policy areas (as above, those that are likely to have a cost impact on development and that are outside normal development costs). These may need to be updated in due course through later stages of this assessment (likely Stage 2 reporting). The direct impacts are from policies which ultimately result in a specific fixed cost assumption within the appraisal modelling. Those key elements not already discussed above - e.g. dwelling mix, affordable housing, etc. are considered below.

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

(Proposed Core Policy CP55: Residential Space Standards). Requirement for proposals to be designed to comply with the NDSS. The dwelling size assumptions used in the viability testing are set out earlier in this report and in Appendix I, consistent with the NDSS ranges to meet the requirements of the Council's objectives. (Source: Technical Housing Standards - former DCLG, 2015). External residential space expected to be provided as part of normal costs of development.

- **Open space requirements**

At the time appraisal for this Stage 1 Draft Report for regulation 18 stage, and as with other policy areas, the detail of the intended UDC approach had not been built up. For this stage we have therefore used a proxy approach of assumptions representing the buying of an expanded (grossed-up) site area and applying a servicing / improvement cost assumption across that gross site area. This is in addition to running the appraisals to

include varying initial tests levels of s106 cost, as noted above. Again, the details are provided in Appendix I.

- **Water efficiency**

(Proposed Core Policy CP34: 'Water Supply & Protection of Water Resources) – A base assumption of 90 - 110 lpppd (water usage not exceeding 110 litres per person, per day) has been used in all appraisals with the additional cost (over Building Regulations base at 125 lpppd) considered de minimis. Areas within sensitive chalk catchment areas must meet the lower consumption rate.

- **Carbon / Energy reduction**

(Proposed Core Policies CP22 – 24: 'Addressing Climate Change'; 'Energy Hierarchy & Energy Efficiency'; 'Embodied Carbon'; 'Monitoring Building Performance' and 'Carbon Offsetting') – All new development must achieve net zero carbon emissions from total operational energy use (regulated and unregulated) by incorporating measures to reduce greenhouse gas emissions. DSP based the current stage on the emerging policies direction that was taking shape at the point of running appraisals.

- A new Approved Document Part L published on 15th December 2021 came into effect on 15th June 2022. Approved Document Part L supports Part L of Schedule 1 to the Building Regulations 2010 by providing guidance and requirements relating to the conservation of fuel and power in buildings, and onsite generation of electricity. Part L is in two parts - Volume 1 relates to new dwellings, and extensions to and work on existing dwellings and Volume 2 relates to other buildings. The recent changes to Approved Document Part L form part of the government's move toward net zero carbon, including through the proposed Future Homes Standard and Future Buildings Standard which will see a phased reduction in energy use. The new Part L represents approximately a 31% reduction in energy use in dwellings compared to the previous Part L (2016 amendments), and 27% in non-residential buildings. This is an interim step prior to the full Future Homes and Future Building Standard which are due to be implemented in 2025, with consultation during 2023.
- The Future Homes Standard (FHS) is due to be implemented in 2025 and intends to achieve 75% lower carbon emissions from new homes compared to current

Part L Building Regulations. The first phase of Government consultation states that from 2025 new homes will be “zero carbon ready” i.e. no further retrofitting for energy efficiency will be required to achieve “zero carbon” status, as the electricity grid continues to decarbonise.¹²

- At the point of appraisal, the emerging UDC proposals require all major developments to achieve net zero carbon emissions. For residential development this is via site average space heating demand of no more than 15-20kWh/m²/year and a site average total energy use intensity (EUI) demand of 35kWh/m²/yr, to be delivered by a ‘fabric first’ approach to construction. For the purposes of this assessment and given the stage at which we are testing policies (i.e. prior to other supporting information being available) we have assumed that the net zero policy is achieved through alignment with LETI principles with space heating demand of no more than 15-20kWh/m²/yr with an average total energy use intensity (EUI) demand of 35kWh/m²/yr assuming a ‘fabric first’ approach.
- There are a number of published sources of information relating to the costs of achieving various carbon reduction measures with varying degrees of detail and cost outputs. We have assumed a range of costs of between 8-10% on base build costs to meet the policies described above. This includes an assumed uplift in base cost from Part L 2013 to Part L 2021 given that at the current time, the BCIS datasets are unlikely to have caught up to reliably reflect latest Building Regulations. Over time, the additional costs (as assessed now) are likely to reduce.
- At the time of writing, it appears that there may be some further development of the UDC policy proposals to incorporate more explicit requirements / targets in respect of embodied carbon. This may be moving towards a more specific, more ambitious approach compared with an earlier policy iteration which we interpreted as building this consideration into the development thought and planning processes more generally. On final (for current stage) review of our drafting, our initial view is that the UDC policy approach is probably on the cusp of involving further extra over costs (which have not been allowed for currently). Initially it appears that the upfront embodied carbon element is within the LETI

¹² MHCLG: The Future Homes Standard 2019 Consultation document and summary

2020 standards (and representing nominal further cost) but the total scenario on this appears almost at the 2030 RIBA standards (which would suggest that the influence, potentially, of greater involved cost may need to be considered further in due course). We reiterate that these are necessarily preliminary observations at this stage.

- For non-residential development, at the time of review the emerging approach set out is via the generation of renewable energy on-site to accommodate demand including all regulated and unregulated energy use. Again provisionally, we noted that this will be in part by achieving a target for site average space heating demand of 15kWh/m²/yr and a site average total energy demand of 70kWh/m²/yr through energy and fabric efficiency services and energy supply. Details to be confirmed.

Appendix I provides further detail.

We reiterate that to date – for this Draft Stage 1 assessment reporting for Regulation 18 stage – the appraisal work has not extended to include commercial / employment / non-residential uses. This reflects the typical picture in our experience that the proposed LP “policies reach” in respect of those development uses is much more limited than for residential developments. This is likely to need to be considered at a subsequent stage of updating / refining the viability assessment, building further towards UDC’s Regulation 19 LP stage.

- **Electric vehicle charging points**

(Proposed Core Policy CP29 – Electric & Low Emission Vehicles)

The council will require development proposals to comply with latest guidance on electric vehicle charging infrastructure and to maximise the provision of residential and public electric vehicle charging. Policy may be superseded by national policy: Building Regulations 2010 Infrastructure for the charging of electric vehicles: Approved Document S 2021 edition and any subsequent guidance and codes of practice for electric vehicle charging).

An allowance of between £865 / £1,961 per dwelling (houses and flats respectively) has been assumed within this study representing the typical costs of complying with policy

on new sites building in the policy from the design process onwards. This is based on the Department for Transport Residential Charging Infrastructure Provision Impact Assessment (September 2021).

- **Biodiversity Net Gain (BNG)**

(Proposed Core Policy CP40 - Biodiversity) – National requirement to deliver minimum net gain of 10%. The Council is considering the introduction of a requirement to meet a minimum net gain of 20%. For the purposes of this assessment, we have assumed 20% net gain within all of the modelling undertaken to date, with 10% carried out as a sensitivity test. Assumes Scenario C (worst case) as set out in the Impact Assessment¹³ associated with the Government consultation on BNG – 2021 assessment work as a proxy to the uplift to the cost of achieving biodiversity units to £20,000 per unit (from £11,000 per BNG unit assumed within the Impact Assessment). Appendix I provides more detail.

DSP notes that BNG will be a factor to consider in the context of non-residential developments, alongside the above noted comments on carbon / energy reduction related policies.

- **Accessible Homes**

(Proposed Core Policy CP53 – ‘Standards for New Residential Development’.) Requirement for all dwellings on major developments to meet the requirement for the new Building Regulations standard of all new homes provided to M4(2) with, going beyond national requirements, 10% of market homes and – in the latest draft policy iteration seen by DSP at write-up stage - 20% of affordable homes required to meet the more onerous M4(3) standard.

The assumed cost of achieving the M4(3)(b) and M4(2) standards are set out in Appendix I (Table 1c) - based on details set out within the Government’s consultation on raising the accessibility standards of new homes¹⁴. With DSP having included cost assumptions broadly reflecting 10% M4(3) provision (across all dwellings) and the very latest draft policy iteration therefore not included in the current stage testing, this again is likely to be a factor considered further at a subsequent stage of review.

¹³ DEFRA: Biodiversity net gain and local nature recovery strategies Impact Assessment (October 2019)

¹⁴ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/raising-accessibility-standards-for-new-homes-html-version#raising-accessibility-standards-of-new-homes>

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

(Proposed Core Policy CP61 – 'The Travelling Community') – At this stage, and reflecting UDC supplied information, no particular allowances have been made in this viability assessment for the cost / potential cost of provision for pitches (or separate allocation of sites) or similar. This reflects there being no specific requirement within the Local Plan, the subject of the assessment, as far as we are aware.

- **Self and Custom-build**

(Proposed Core policy CP58 – Custom & Self-Build Housing') – Proposals for 100 or more dwellings will be required to deliver service plots for at least 5% of the total number of dwellings. From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for self or custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on the viability of a scheme in general. Broadly, we would expect this activity to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process. In our view however, there may be the potential for practical challenges to be involved in integrating plots within general market housing schemes if applied in a rigid way. In practice, many self-builders will look to satisfy their own specific aims through the market – finding either an individual plot, re-build opportunity or similar.

- **Hatfield Forest SSSI (SAMM) / Essex Coast Recreational Disturbance Avoidance & Mitigation Strategy (RAMS)**

(Proposed Core Policy CP38 – 'The Natural Environment'.) - We understand that the zone of influence impacts a small proportion of the district. Where applicable we have assumed any contributions required are covered in the overall range of s106 / planning obligations test level allowances.

2.14 Infrastructure costs provision – Section 106 (s106)

- 2.14.1 As discussed earlier in this report, UDC currently has no CIL in place and therefore has continued to request contributions to, or provision of, site-specific infrastructure mitigation measures through s106 on a site by site basis (for example potentially relating to a range of matters alongside affordable housing - such as educations, open space,

highways adjustments / improvements and any other particular requirements needed to make a development acceptable in planning terms). The Council is likely, however, be considering the introduction of a CIL for the district in due course.

- 2.14.2 Given the stage of this assessment and lack of detail on infrastructure delivery planning at this early stage, we have needed to run sensitivity testing on the level of planning obligations to assume within the modelling. We have therefore tested an allowance of between up to £20,000 per dwelling (tests at £10,000 and £20,000/dwelling (all dwellings) as an appropriate approach for the typologies based testing pending detail being available at the time of appraisal on the infrastructure requirements. This approach aims to provide UDC with information against which to compare the likely typical infrastructure demand levels, once more is known on that.
- 2.14.3 The testing of proposed larger / strategic site allocations would normally assume infrastructure costs and requirements specific to the scheme being tested – using information as far as available from UDC and supplemented / considered alongside any stakeholder feedback on this, again as far as possible at the time of setting assumptions for running appraisals. This information was not fully developed, however, meaning that there are likely to be other costs incurred which have not been reflected by assumptions within the appraisals at this stage. Accordingly, we have run the modelling on the basis of considering the ‘surplus’ available to meet planning obligations / infrastructure requirements (education, highways, open space etc). The Council will need to consider whether the indicative surpluses as far as reported in the Appendix III results at this stage are likely to meet the infrastructure requirements and any other costs as details of those become available. It should be possible to compare the indicative outcomes and the assumptions on included costs with the more detailed lists of infrastructure requirements per strategic site, once those are built up further in due course. As noted above, further work on a more refined basis appears likely to be required prior to consulting on the Regulation 19 stage Plan version in due course.
- 2.14.4 Again, Appendix I (at Tables 1 a – 1c) provides an overview of the assumptions made at this stage – within both the typologies testing and the more specific review of the larger / strategic site allocation proposals.

2.15 Indicative land value comparisons and related discussion

- 2.15.1 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of value levels, affordable housing policy targets (%) and other planning obligations.
- 2.15.2 The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.
- 2.15.3 The levels of land values selected for this context are known as ‘benchmark land values’ (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.
- 2.15.4 As noted above, the PPG on viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development. Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach that could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always “EUV plus” (existing use value plus) consistent with the PPG on Viability.
- 2.15.5 As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as ‘Viability Tests’, based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the results tables appended to this report provide a graded effect

intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).

- 2.15.6 The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.
- 2.15.7 As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies (as well as those conducted for Uttlesford by DSP and others) both at a strategic level as well as site-specific viability assessments where available. In addition, we have also had regard to the consultation responses and published Government sources on land values for policy appraisal¹⁵ providing industrial, office, residential and agricultural land value estimates for locations across the country – including Uttlesford.
- 2.15.8 It should be noted that the MHCLG *residential* land value estimates require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher “serviced” i.e. “ready to develop” level of land value.
- 2.15.9 The MHCLG model provides a much higher level of land value for ‘residential land’ as it assumes the following:
- All land and planning related costs are discharged;
 - Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by up to around 50% on a 0.5ha site with 35% AH.
 - Nil CIL;
 - No allowance for other planning obligations;

¹⁵ MHCLG: Land value estimates for policy appraisal – most recent version 2019 published August 2020

- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point;
- Lower quartile build costs;
- 17% developer's profit.

2.15.10 The above are additional assumptions that lead to a view of land value well above that used for comparison (benchmarking purposes) in viability assessments. Overall, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of the above factors.

2.15.11 As set out in the results appendices, we have made indicative comparisons with BLVs in a range between £250,000/ha and £3,000,000/ha plus overall, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them. Below, we will consider further the relevance of this range first to GF sites and then to PDL.

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

2.15.13 In our view, moving outside the scope of the general site typologies considered in this assessment (i.e. development at a scale of more than approximately 200 – 300 dwellings) an appropriate BLV should not need to exceed this level (£250,000/ha). The largest typology-based sets of testing have been run assuming 250 dwellings, representing a scale of development beneath the large strategic level appraised more specifically but at the upper end of the range that in our view should be reflected by median level build costs and a higher GF related BLV of £500,000/ha.

2.15.14 However, this indicated point (assumed for results review, for now, at 250 dwellings in this case) beneath which a higher BLV could apply is a current stage testing assumption only and not a fixed boundary between BLV assumptions levels. In some cases, we have experienced development at 50 – 100 dwellings on GF representing larger than typical

schemes in an area, so that the higher GF BLV at c. £500,000/ha might only apply to a narrower band of smaller, more general sites – developments of fewer than 250 dwellings. In our view and experience, certainly the c. 250 dwelling typology outcomes could also be considered relative to the £250,000/ha GF BLV as well as the higher (smaller sites) GF BLV at £500,000/ha. This means that viewing the RLVs of the 250 dwellings tests in the context of a £500,000/ha represents a fairly cautious approach in our view; lower BLVs could be appropriate at that scale of (greenfield) development.

- 2.15.15 This reflects the viability in planning policy principles within the PPG as opposed to a more market orientated approach that may be influenced by comparison with older (pre-PPG) deals and include more emphasis on ‘hope value’ or similar, rather than being purely EUV plus based. We need to bear in mind that especially for bulk GF land, the stated BLV figures should not be regarded as a minimum or absolute cut-off. Indeed, gross land area figures may include areas of land where for example lower values may be appropriate in support of ancillary provision, undeveloped mitigation land such as SANG or similar.
- 2.15.16 Above the base level of BLV £250,000/ha, and generally reflecting smaller, non-strategic scale development, we would expect an EUV+ of up to £500,000/ha could be applicable for greenfield / amenity land use releases. The commentary above reflects this. We will consider it further as part of the context for the review of the Appendix II typologies results (see Findings Review – section 3 – below).
- 2.15.17 Moving on to typically higher BLVs representing the same principles on PDL sites with usually higher EUVs, we consider that a key area of the range for judging the viability prospects is around £1.25m/ha. This is around the minimum value we might expect to see for land in a range of commercial uses. Beneath this level of land value, sites are likely to be in lower values existing uses, such as former community uses or other redundant uses such as low grade commercial / yards etc.
- 2.15.18 RLVs meeting or exceeding BLVs the range £1.25m to £3m/ha are indicative of scenarios that come with more certainty and, as the RLV increases, more confidence of a viable outcome across a wider range of circumstances (site types) – and, again, all in the viability in planning context. In some PDL scenarios, we also need to be mindful that EUV+ based BLVs will be higher; hence the overall range used for viewing the results context - as set out below and seen in use within the Appendix II typologies results tables.

- 2.15.19 DSP understands that the emerging Plan site supply (mix of new dwellings) is to come predominantly from greenfield sites although with PDL hosted development also playing a role as a range of redevelopments / underused and other sites also come forward.
- 2.15.20 Figure 10 below shows, with some explanatory notes, the range of selected BLVs which have been used as 'viability tests' (filters) for the viewing and provision of the results interpretation / judgments – as per the results in the Appendices II tables where these BLV levels are also shown as part of the 'key' or notes. There are two versions of this – the first applying to GF scenarios and the second being relevant to PDL.

Figure 10: Range of BLVs (Indicative 'viability tests')

Relevant to greenfield (GF):

Key:

Indicative non-viability	RLV beneath Viability Test 1 (RLV <£250,000/ha)
Potential/marginal viability	Viability Test 2 (RLV £250,000 to £500,000/ha)
Indicative positive viability scenario	Viability Test 3 (RLV >£500,000/ha)
BLV Notes:	
EUV+ £/ha	Notes
£250,000	Greenfield Enhancement - reflecting larger scale development
£500,000	Greenfield Enhancement (Upper) - reflecting smaller scale development

Relevant to PDL:

Key:

Indicative non-viability	RLV beneath Viability Test 1 (RLV <£500,000/ha)
Potential viability on lower value PDL	Viability Test 2 (RLV £500,000 to £1,250,000/ha)
Viable indications - Medium value PDL	Viability Test 3 (RLV £1,250,000 to £3,000,000/ha)
Viability indications - higher value PDL	Viability Test 4 (RLV >£3,000,000/ha)
BLV Notes:	
EUV+ £/ha	Notes
£500,000	Low-grade PDL (e.g. former community uses etc.)
£1,250,000	Medium PDL - industrial/commercial
£3,000,000	Upper PDL Benchmark/residential land values

(DSP 2023)

2.15.21 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping / double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

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

2.15.23 The PPG¹⁶ 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*

¹⁶ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509
Revision date: 09 05 2019

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

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

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

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

3. Findings review

3.1. Initial review – preliminary assessment work

- 3.1.1 Reflecting the phased assessment approach to date, first in this section we will outline the key points from the preliminary assessment work (emerging findings) based on the information available and appraisals run at the time – as follows. Although much has moved on since this earlier work in terms of the refreshed emerging LP approach, there are also many continued or largely unchanged aspects of the context in which the ongoing viability assessment is provided; both local and wider.

(1) Assumptions development and initial review work – completed November 2021

- 3.1.2 This first preliminary phase of viability assessment work included information review, values research, an initial phase of stakeholder consultations and limited early running of appraisals.
- 3.1.3 This was undertaken in order to generate some initial indications for review and to help inform next steps as part of an iterative approach overall. For this exercise we applied initial assumptions to 2 no. general development typologies; 100 Mixed dwellings (houses/flats) – greenfield site, and 100 Mixed dwellings – assuming re-use of PDL. We have also provided some preliminary feedback to UDC in the form of commentary relating to a high-level strategic scale scenario test.
- 3.1.4 Below together we outline what we noted at this very early stage, i.e. providing an initial feel only for the type of emerging findings that we might need to begin to put forward, dependent on being able to review further information to support firmer assumptions as the LP development and viability assessment moved on. This was also informed by our experience of what new housing development of a likely relevant local value level is generally found able to viably support, in terms of cumulative development and policy costs.

- 3.1.5 The early information provision aimed to help inform a view on the relative costs of different requirements, and how these might need to trade-off against each other in some cases as part of making choices within an overall balance. DSP noted that typical experience showed there is usually a need for some level of compromise against the full list of desired objectives.
- 3.1.6 Overall, amongst the initial and necessarily sketchy indications based on the information available to this point were indications that the value of typical new housing was found at around the “cusp” level of viability needed to support more extensive policy requirements and planning obligations. It was noted at very this early stage that there were likely to be compromises needed when reviewing policy priorities together.
- 3.1.7 The table below (Figure 11) sets out the ‘base’ costs included within that early version appraisal model as well as the emerging policy costs (viewed as variables) that were excluded from the initial testing.

Figure 11: First stage preliminary assessment – overview approach to considering development and policy costs

Base Appraisal Costs (included within appraisal model)	Potential Emerging Policy currently <u>excluded</u> from high-level testing (direct cost implications only)
Build cost - Mixed Developments (generally - houses/flats) External Works Site Works (on gross land area) Contingency (% of build cost) Professional Fees (% of build cost) S106 / Proxy CIL Sustainable design/climate change/carbon reduction (% of build cost) - assumed at 31% carbon reduction representative of the FHS interim uplift to current Building Regulations (Part L 2016). Biodiversity Net Gain (BNG) (% of build cost) Marketing & Sales Costs (% of GDV) Legal Fees on sale (£ per unit) Developer's Return for Risk & Profit Open Market Housing Profit (% of GDV) Affordable Housing Profit (% of GDV) Finance & Acquisition Costs Agents Fees (% of site value) Legal Fees (% of site value) Stamp Duty Land Tax (% of site value) Finance Rate - Build (%) Finance Rate - Land (%)	Additional sustainable design/climate change/carbon reduction standards (% of build cost over base test assuming Building Regulations Part L 2021) - emerging policy positions considered at 1.5% and 5.5% over 'base appraisal costs', representative of full FHS and zero carbon. Parking Standards - Electric Vehicle Charging Points (£/unit) Water efficiency standards Affordable Housing (AH) (% proportion) Open Space (on-site) Open Space - maintenance contributions Sports Facilities and Playing Pitch Provision Education Contributions M4(2) Accessible and adaptable dwellings compliance M4(3) Wheelchair user dwellings compliance Flooding / Flood Risk

(DSP 2021)

- 3.1.8 Although this recap of the approach repeats some of the above, it is worth setting out the nature of the assumptions used at this very early stage. So, for context, other considerations / assumptions at this first preliminary stage were as follows. We now note (September 2023) that the thrust of these policy initiatives has essentially continued, although refinements / reinforcements to proposed policies have been developed and the national policy / Regulations base has also moved on since – as per the current scope and assumptions set (see report Section 2 above and Appendix I):

- **Sustainability/climate change response**

The Council's vision for the district was understood to be the achievement of net-zero carbon status by 2030 and this was expected to be central to all aspects of the Plan. The Future Homes Standard (FHS) due to be implemented in full in 2025 intends to achieve 75% lower carbon emissions from new homes compared to the then current Building Regulations Part L (2013). The first phase of Government consultation states that from 2025 new homes will be "zero carbon ready" i.e. no further retrofitting for energy efficiency will be required to achieve 'zero carbon' status, as the electricity grid continues to decarbonise.¹⁷ The first phase of implementing the full FHS (to achieve 31% carbon reduction in new homes) has now to come into effect (in June 2022) and the cost to achieve this standard was assumed as a base cost (above BCIS build costs) within our initial high-level typology tests and at that stage also proposed for carrying forward as a key base assumption. Assuming a base position representing the FHS interim uplift, the emerging policy scope tests a range of further additional costs looking ahead, from 1.5% to 5.5% (% uplift over Building Regulations Part L 2021) representing the full FHS and paving the way zero carbon homes.

- **Parking Standards – Electric vehicle charging points**

Alongside the above carbon emissions reduction scenario, we anticipated requirements for electric vehicle charging points as a part of updated parking standards in the district - assumed in the very early tests at a cost of £500/dwelling (reflecting individual and / or communal type provision).

- **Biodiversity Net Gain (BNG)**

At this stage, subject to further clarification from the Council, we assumed an explicit additional cost allowance for BNG reflecting the 10% minimum national baseline requirement. Following our research, consideration elsewhere (including liaison with other consultants) the cost assumptions were noted vary by type of site (PDL/greenfield), based on the data contained in the DEFRA/Natural England BNG impact assessment approach (specifically Tables 19 and 20), assuming a 90% pass-

¹⁷ MHCLG: The Future Homes Standard 2019 Consultation document and summary

through cost to the land.¹⁸ On this basis, we applied an additional percentage uplift to the base build costs to reflect the cost of achieving the 10% minimum BNG requirements – at 0.7% (Greenfield) and 0.1% (PDL). We noted that in due course, sensitivity tests could be used to consider any reasonable alternative levels / assumptions – noting that it is not possible or necessary to appraise all potential scenarios or iterations.

- **Water usage efficiency**

Consumption restricted to not more than 110 litres per person was the assumption, on the basis the Council could appropriately demonstrate that the district is an area of water stress (as with all optional enhanced standards, the case for the need has to be established as well as the viability impact reviewed). The overall cost impact for this requirement (at this level compared with the current Building Reg.s baseline of 125 lpppd) is nominal and was noted to be reflected within the overall development cost allowances (no additional explicit cost assumption required to meet 110 lpppd).

- **Accessibility and use of buildings**

The emerging policy requirements for accessibility standards in the district were not available at this early stage and therefore we based our initial exercise allowances on the following as a baseline test. We noted that this would need to be confirmed by the Council once further information is available (and, again, linked to an assessment of need).

- All dwellings to meet at least enhanced M4(2) accessible and adaptable dwellings standard. With up to 10% M4(3) wheelchair user dwellings targeted (although we also noted that this may be found quite onerous in due course – often we have seen this provision linked to the affordable homes in some way. However, this meant the initial assumption reflected 90% M4(2) and 10% to M4(3) as these standards are independent. It was noted that it may well be appropriate to carry forward a less onerous requirement if ultimately some balancing of viability or other with other

¹⁸

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

matters is needed, with the cost of M4(3) indicatively up to around ten times that related to M4(2).

- **Education provision (contributions)**

Although (as per Figure 11 above) education infrastructure costs were outside the appraisals, it was noted that the consideration of these alongside other infrastructure costs would be a key matter to get a clearer picture of as the LP and viability assessment progressed in due course. The potential costs mooted at the time looked very high in our experience, being part only of the likely overall developer contributions.

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

As a base assumption, we assumed a requirement for all housing to meet the minimum standards set out by (former) MHCLG - consistent with the NDSS. It was noted that these may need to be checked in response to / for consistency with any other relevant UDC evidence (and that it would be useful to review the size of dwellings that have been built recently in this district if this information is available).

- **Other emerging policies**

It was noted that there will be other emerging policy areas which would need further clarification and explanation from the Council regarding the appropriate on-site or off-site contributions to be sought from development and therefore to be reflected as closely as possible within the fuller viability testing in due course. For example in respect of the various likely required forms of open space provision. As the Council develops the draft working policy set, we noted a need to understand whether there are any other emerging policies (in addition to those areas outlined above) which will be likely to have a cost impact on development.

3.1.9 At each stage of viability testing, we have to use the information available to that point. This influenced the way in which we conducted this first very high level look at the potential varying strength of development value:costs relationships and as noted through the latest assessment work this remains a relevant theme.

- 3.1.10 Alongside the above, we considered the variable influence of market housing sales values. This was done using assumed sales values from levels between £3,500/sq. m. and £6,000/sq. m. (approx. £325 to £557/sq. ft.) and within range formed the view that the key typical new build values were most closely represented within the range approximately £4,000 to £4,500/sq. m. at the time (approx. £372 to £418/sq. ft). Accordingly, we found £4,250/sq. m. (approx. £395/sq. ft.) to be a reasonable representation of the key part of values range at this point, representing a suitable indicator for the purposes of initially reviewing the early preliminary results. We noted that flatted development could be expected to typically achieve sales values at the upper end of the main range considered but also found, as is normal in any area, there to be both higher and lower values seen within an area and even within a site or between nearby sites; so that an overview has to be taken at Plan Making stage.
- 3.1.11 Overall, we noted a relatively narrow range of new-build housing values likely to be relevant to the forthcoming supply in the district, but with typically the highest values seen around Saffron Walden together with key commuter areas around the M11 and A120 main transport routes. Lower values were seen around Stanstead Airport and the central eastern areas e.g. Great Dunmow and some of the rural fringes e.g. Stort Valley. How this picture would go on to influence viability was noted to depend on how the value patterns and relativities “overlay” with a more settled view of the emerging development strategy and sites locations within that in due course. This would be a theme to keep considering.
- 3.1.12 As part of the wider early stakeholder consultation exercise, the responses received from housebuilders and others broadly aligned with the above range of typical values for new build property in the district, albeit noting this is likely to vary depending on the type and scale of development.
- 3.1.13 Respondents to the stakeholders survey consistently summarised their experience of Uttlesford, noting the strong housing market compared to national and regional markets – typically supporting higher values historically than some adjoining local authorities and with this relativity expected to remain strong moving forwards. Typical new build sales values were noted to range between approximately £3,000 to £4,800/sq. m. and expected trends over the 6 months from the survey indicated a range of £4,000 to

4,750/sq. m. for flats and £3,900/sq. m. to £4,500/sq. m. houses; overall a similar picture to that observed by DSP.

- 3.1.14 Commentary was also provided in relation to the approach to BLVs and particularly the level of uplift over existing use value for brownfield and greenfield sites. Greenfield sites were noted to be of particular relevance in the district and overall respondents indicated approximate land values for this purpose of £50,000 to £150,000 per gross acre. In respect of the scope of policy costs, overall respondents noted a balance needing to be struck between specific obligations and additional costs on viability and deliverability of development, with the importance of the Council considering competing pressures linked to making policy choices.

Affordable Housing (AH)

- 3.1.15 An updated Housing Needs Assessment was under preparation and therefore at this stage we based initial review ideas on the previous SHMA Update (2017). With this context in mind, we considered a range of affordable housing proportions – at 20%, 30% and 40%. We assumed AH tenure based on the above – i.e. with 70% Affordable Rent and 30% Intermediate reflected within the assumed overall dwelling mix after “top-slicing” the affordable housing content so that it also included 25% as First Homes (FH) in line with the Government’s then recent introduction of this new model. It is important to note that the improved revenue from FH might be offset by the additional market related risk associated with this model, as reflected by our assumed profit level for this element @ 10% GDV, as a provisional assumption reflecting our emerging experience of and views on this at the time. Our emerging review of First Homes and their potential influence on viability generally had been indicating that even at the minimum prescribed level of discount (30% from MV) there may be no improvement in viability compared with shared ownership provision and it was possible that depending on circumstances may see a further burden on viability overall from this.
- 3.1.16 The housing mix was noted as also potentially having an influence here as the overall price cap on First Homes may limit the income from this tenure or limit the size of properties which can be brought forward as FH. We conducted some initial high-level analysis of the potential impact of the FH cap which demonstrates initially the likely relationships between the fixed FH discount levels and property type/size based on our

values research, as set out in Figure 12 below. Within this the red shaded price levels indicated those which would fall outside (not be workable based upon) the various FH discount levels (the discount can be placed at 30%, 40% or 50% MV, subject local evidence).

Figure 12: Initial look at First Homes in context of local values range

Uttlesford DC - Initial review - Indicative First Homes property price cap and MV discount effects										
100% Market Value										
Unit Type	Size of unit (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500	£6,000
1BF	50	£175,000	£200,000	£212,500	£225,000	£237,500	£250,000	£262,500	£275,000	£300,000
2BF	67	£234,500	£268,000	£284,750	£301,500	£318,250	£335,000	£351,750	£368,500	£402,000
2BH	75	£262,500	£300,000	£318,750	£337,500	£356,250	£375,000	£393,750	£412,500	£450,000
3BH	93	£325,500	£372,000	£395,250	£418,500	£441,750	£465,000	£488,250	£511,500	£558,000
4BH	124	£434,000	£496,000	£527,000	£558,000	£589,000	£620,000	£651,000	£682,000	£744,000
30% Discount										
Unit Type	Size of unit (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500	£6,000
1BF	50	£122,500	£140,000	£148,750	£157,500	£166,250	£175,000	£183,750	£192,500	£210,000
2BF	67	£164,150	£187,600	£199,325	£211,050	£222,775	£234,500	£246,225	£257,950	£281,400
2BH	75	£183,750	£210,000	£223,125	£236,250	£249,375	£262,500	£275,625	£288,750	£315,000
3BH	93	£227,850	£260,400	£276,675	£292,950	£309,225	£325,500	£341,775	£358,050	£390,600
4BH	124	£303,800	£347,200	£368,900	£390,600	£412,300	£434,000	£455,700	£477,400	£520,800
40% Discount										
Unit Type	Size of unit (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500	£6,000
1BF	50	£105,000	£120,000	£127,500	£135,000	£142,500	£150,000	£157,500	£165,000	£180,000
2BF	67	£140,700	£160,800	£170,850	£180,900	£190,950	£201,000	£211,050	£221,100	£241,200
2BH	75	£157,500	£180,000	£191,250	£202,500	£213,750	£225,000	£236,250	£247,500	£270,000
3BH	93	£195,300	£223,200	£237,150	£251,100	£265,050	£279,000	£292,950	£306,900	£334,800
4BH	124	£260,400	£297,600	£316,200	£334,800	£353,400	£372,000	£390,600	£409,200	£446,400
50% Discount										
Unit Type	Size of unit (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500	£6,000
1BF	50	£87,500	£100,000	£106,250	£112,500	£118,750	£125,000	£131,250	£137,500	£150,000
2BF	67	£117,250	£134,000	£142,375	£150,750	£159,125	£167,500	£175,875	£184,250	£201,000
2BH	75	£131,250	£150,000	£159,375	£168,750	£178,125	£187,500	£196,875	£206,250	£225,000
3BH	93	£162,750	£186,000	£197,625	£209,250	£220,875	£232,500	£244,125	£255,750	£279,000
4BH	124	£217,000	£248,000	£263,500	£279,000	£294,500	£310,000	£325,500	£341,000	£372,000
Red denotes property value above the £250,000 FH cap.										
Discount required to achieve £250,000 cap										
Unit Type	Size of unit (m ²)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
		£3,500	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500	£6,000
1BF	50	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
2BF	67	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	32.2%	37.8%
2BH	75	30.0%	30.0%	30.0%	30.0%	30.0%	33.3%	36.5%	39.4%	44.4%
3BH	93	30.0%	32.8%	36.7%	40.3%	43.4%	46.2%	48.8%	51.1%	55.2%
4BH	124	42.4%	49.6%	52.6%	55.2%	57.6%	59.7%	61.6%	63.3%	66.4%

(DSP 2021)

First stage preliminary findings – emerging indications November 2021

- 3.1.17 These pre-assessment findings were intended to enable officers to get an initial feel for the potential level of surplus (or deficit) available to support policy requirements after all 'base' fixed development costs/assumption were considered.
- 3.1.18 Looking at the 100 Mixed dwellings on PDL typology with market housing values at c. £4,250/sq. m) as an example, we saw that when all emerging policy costs (at the above noted levels assumed for this illustrative exercise) were deducted from the indicated surplus, the results included a range of deficits. While it could be seen that there may be scope to support some but not all of the policy costs (again bearing in mind the potentially very high level at which Education contributions were discussed there are of course other aspects of infrastructure to be funded, that have not yet been identified and we could expect to balance against a reduction in the education related costs to some extent.
- 3.1.19 This indicated in our view a strong likelihood for example that a universally applicable 40% AH policy would be likely to be found challenging, and possibly too challenging as part of a significant cumulative costs set. This may be the case even on some greenfield development when combined with the level of policy scope that may be envisaged, but certainly a need for some potential policy differentiation looked likely to be a consideration on the viability prospects of PDL sites.
- 3.1.20 Although we did not specifically test a strategic scale typology, based on the typical characteristics of such schemes and our experience of a range of large scale sites (both for site allocations review and DM stage purposes), with increasing cumulative costs (often including significant infrastructure and abnormals) we could reasonably expect the level of achievable AH to be perhaps in the range 30-40% rather than higher. This was not put forward as a limiter by any means, and above all it would need to be explored more fully. These were all highly provisional points only. Once the Council reached the stage of being able to confirm the strategic / larger strategic sites to be specifically viability tested (with the infrastructure requirements and other costs estimates available together with a more refined set of policy iterations to test) full appraisal modelling could be presented for further consideration.

3.1.21 As additional context for review, we understand the Council's current target for affordable housing¹⁹ is 40%. It was noted that the success rate of delivering this via s106 could usefully be reviewed; and bearing in mind the less onerous adopted policy set compared with the envisaged.

(2) Further preliminary review work – completed August 2022

3.1.22 Conducted as above, the preliminary assessment work and emerging findings aimed to explore whether the policies as set out to date were likely to leave development able to come forward viably, cumulatively, and if not, to inform begin to inform any potential compromises and policy priorities the Council may need to consider from a viability perspective. This principle is noted bearing in mind there is a limit in all Plan areas as to how far development can go in meeting infrastructure and policy costs / requirements cumulatively. Any potential compromises or "trade-offs" that need to be considered are reviewed in the context of striking a balance between policy objectives (including on affordable housing need, infrastructure fundings etc.) whilst ensuring the scope for continued delivery and growth across the district.

3.1.23 As continues to apply, and as a general point applicable in any area (not just Uttlesford), typically there are some sites that are likely to have inherent viability issues, regardless of the level of affordable housing (AH) or other policy requirements. However, it is typically the affordable housing proportion (%) that is key in considering viability prospects. To re-cap, this is because affordable housing as a policy 'ask' is significantly more costly to support than other policy requirements. A Council's approach also has to reflect the need for affordable homes as far as possible, so that viability is not the only factor in weighing up policy positions.

3.1.24 Through this further phase of liaison with UDC through 2022, DSP consolidated the first set of preliminary assessment and findings as above and began initial exploration with UDC as to how the review work to date might inform the consideration of viability / infrastructure scope comparisons across various potential LP growth options (potential variations of an emerging spatial strategy).

¹⁹ Based on the Council's adopted Local Plan 2005, Policy H9.

3.1.25 This assessment aspect was not progressed beyond initial exploratory thinking and discussion, however, as the Council then changed its approach to how the distribution of housing delivery might be addressed - through the subsequently refreshed emerging Regulation 18 version LP (as has now developed towards further consultation).

3.1.26 Accordingly, the above noted preliminary findings remained in place as an initial guide only for UDC pending the latest comprehensive further information review, updating of assumptions and appraisals exercise running to late summer / early Autumn 2023 – all as per the above reporting (sections 1 and 2 of this current report, assumptions basis as per current Appendix I; and producing the viability indications within the Appendix II and III results tables now provided and described here).

3.1.27 We will now overview these – latest findings September 2023.

3.2 Latest assessment findings – Stage 1 Draft Viability Assessment – Regulation 18 stage

Updated review context – Market housing values

3.2.1 As per the commentary at 2.6.5 above and informed by the research within Appendix IV, the updated values context for this latest exercise is as follows.

3.2.2 The sensitivity tested value levels (VLs) now reflect an overall range between £4,000/m² and £6,000/m², representative of varying new-build sale prices likely to be seen by varying location in the Local Plan area. Necessarily but also appropriately for the assessment purpose, we consider the key new build property values – i.e., the most relevant range to housing delivery overall here – to be within the range £4,500/m² (VL3) up to £5,250/m² (VL6) with flatted development also likely to see values above typical base levels (as the inverse relationship between property size and value when expressed on a £/m² basis is seen).

3.2.3 As the Appendix II tables show, the typologies appraisals have been run across the full range of VLs – 1 to 9. The retirement living / sheltered housing and extra care scheme typology appraisals have been run reflecting a premium (higher) range of test VLs – extended upwards to VLs 10 and 11, reaching a tested £6,500/m² (see more on those below).

- 3.2.4 In a similar but more targeted use of the VLs approach (although with wider sensitivity testing on both changes to values and costs also provided) because specific locations are assumed, the larger sites results tables in Appendix III set out the 3 no. VLs that have been tested as base assumptions in each of those cases.

Benchmark land values (BLVs)

- 3.2.5 Reflecting the context and overview, but also noting the nuances, within section 2.15 above, the following review of latest assumptions and appraisals based findings is to be based on the use of key points within the BLVs range (EUV+ based and applied to gross site area) – as appropriate judgments for this viability in planning purpose in our experience:

- £250,000/ha reflecting bulk release of agricultural land – here (indicatively only for the assessment purpose) reflecting sites producing more than c. 250 dwellings (i.e. larger than the general typologies range appraised). Including larger scale / strategic sites, as appraised more specifically (as per Appendix I Table 1b and Appendix III results – Tables 3a – 3c).
- £500,000/ha reflecting smaller scale GF release sites – indicatively those within the size range represented by general typologies, although not a formal threshold or similar because some sites supporting lower dwellings numbers may have very large gross (overall) site areas.
- £1,250,000 (£1.25m)/ha reflecting a level of land value which generally a range of PDL schemes could be expected to need to reach, frequently as a minimum. As acknowledged earlier, while some PDL site values (and therefore suitable BLVs) could be lower, significantly higher existing use values could also be seen. Hence the wider overall range against which the scheme appraisal RLVS are compared ('filtered' using coloured shading in the results tables).

Affordable housing

- 3.2.6 The UDC emerging LP policy proposal at this stage is for a 35% headline in AH policy (Proposed Core Policy 56 – Affordable Dwellings). For completeness and wider reviewing of the sensitivity of outcomes to this key influence, AH has been tested across a range 20% to 40% as the Appendix II tables show. It is noted that owing to part dwellings / numbers rounding on some smaller schemes, 35% and 40% AH amount to the same. This approach now enable the currently proposed draft policy level outcomes to be viewed in the context of others.

Infrastructure / development mitigation

- Tested (trial) levels of / approach to s.106 costs

- 3.2.7 With the detail on infrastructure requirements not known at this testing stage, and based on all the other assumptions set out, the tested levels of s.106 (at £10,000 and £20,000/dwelling) within the typologies appraisals (as per Appendix II) should enable UDC to consider the level of this that may be supportable in combination with variable AH, as above, in different potential circumstances. This may need to be considered in the context of emerging site supply and above all will in our view need to be reviewed further once the typical infrastructure requirements are known for comparison with these test levels.
- 3.2.8 As also discussed in Section 2 above, the Appendix III current stage results indications (Tables 3 a – 3c) for the selected 3 no. larger / specific site allocations proposals tested are provided entirely on the basis of reported surplus (or in a few scenarios, deficit) outcomes i.e. prior to including s.106 infrastructure / development mitigation. This has been considered appropriate as a means of comparing the potential scenarios on a like for like basis at this stage, prior to there being sufficient information available to carry out appraisals that included cost estimates timed within the cashflows. The latter approach should generally be considered in our experience, so this is likely to remain a follow-up point at this Regulation 18 stage – all as noted above.
- 3.2.9 In both of these cases (Appendix II and III results indications) UDC will be able to begin to compare the provided viability and surplus indications with estimated infrastructure costings in different circumstances as that information becomes available.

- 3.2.10 Again, indicatively only, but it may be worth noting that a £10,000/dwelling s106 (or other cost) assumption is approximately equivalent to a CIL charge of c. £110/sq. m on an average dwelling size (of c. 90 sq. m). The £20,000/dwelling test on the same basis is broadly equivalent to a CIL charging rate of c. £220/sq. m. However, in considering this context it is also worth noting that CIL is not paid on affordable homes, so that a higher than noted here residential CIL charging rate would be needed to secure a similar level of income overall. DSP is able to provide more indicative figures of this nature to UDC if considered useful moving ahead.

Latest findings – viability indications – greenfield (GF) site typologies (Appendix II)

- 3.2.11 Reviewing in the above context, the updated findings are such that (on the basis of the assumptions now in use) 35 – 40% AH appears potentially viable as a headline. This is certainly not ruled out and could well be supportable.
- 3.2.12 The findings also suggest at this stage that, broadly, the cumulative policy set envisaged should mean that sites retain the ability to come forward viably in general.
- 3.2.13 As the Appendix II results tables show, however, with £20,000/dwelling (all dwellings) s106 applied, these indications can get tight and particularly if considered with housing sale values falling beneath the considered most relevant current range noted at 3.2.2 above. We have also noted that, based on an earlier assumption and not reflecting the latest policy drafting, the appraisals (in all cases) have been run on the basis of a 10% M4(3) dwellings content overall and not a higher 20% of the AH.
- 3.2.14 Ultimately, as the current stage key finding, the finally considered viable combination of new LP policies (including the AH) and infrastructure requirements that are supportable in various circumstances will need to be reviewed again once UDC is able to compare the typical infrastructure levels that will be required with the viability indications.

Latest findings – viability indications – PDL site typologies (Appendix II)

- 3.2.15 As can be seen within the relevant Appendix II tables (Tables 2c, 2e, 2f, 2h, 2i, 2j and 2l) the viability indications representing PDL scenarios are generally notably poorer, with the higher EUV based BLVs to be met or exceeded.
- 3.2.16 This again is particularly the case at the higher s106 cost test level (£20,000/dwelling assumed) and also, more generally, as the AH proportion testes goes beyond 30%. Similarly, this relativity (with GF) is seen further if reducing sales value are assumed.
- 3.2.17 Overall, with the information available at this stage, the overriding feedback to UDC needs to be as per 3.1.11 above – i.e. the ultimately supportable combinations of policies and costs will need to be considered further once the (albeit likely estimated) infrastructure costs are known and can be considered and priorities further reviewed alongside the settled policy aspirations.
- 3.2.18 In the meantime, at this stage there are emerging themes apparent and that in our view are likely to need more consideration as part of settling these variables within a suitable overall mix and balance of objectives, as follows:
- a) It appears likely that an AH policy differential for PDL sites should be considered. This principle or its level may depend on the overall role and types of sites within the intended supply. Provisionally, this may be in the range 20% - 30% AH – but for further review subject to circumstances.
 - b) DSP's experience is such that LP examiners have often been encouraging or expecting to see an acknowledgement of the role of viability within policy framing, i.e. considering potential flexibility in requirements where appropriately justified in assessing some sites at DM stage. This may be a point for UDC to consider in firming up policies.
 - c) Appendix II results Tables 2f and even more so 2j indicate that even with a PDL policy differential as noted for consideration here, retirement living (sheltered) and extra care appear likely to more frequently need the type of approach note

at b) above. In our view, a combination of these policy tools should avoid the need for a further policy differential for such schemes. This may be appropriate as schemes within these brackets are very varied in nature. With increasing demand, as the UDC housing needs information recognises, it might also be the case that we see different / more mixed provision models appearing. It could also be the case that such development comes forward on GF sites or as part of larger GF developments (with lower BLVs applicable).

- d) However, in noting all the above on PDL findings relative the indications for developments on GF land, UDC will need to “overlay” these findings on to the emerging site supply and will be able to consider the extent to which policy differential(s) will be relevant in the overall plan context.

Latest findings – Current stage viability indications for emerging larger / strategic / specific site allocation proposals (Appendix III)

- 3.2.19 While using the same principles, and reflecting the different appraisal approach as noted above, the Appendix III tables show from top to bottom the tested AH % in combination with (across the top) the tested value level (VL) again as assumed for the market sale housing.
- 3.2.20 Surplus outcomes are shown in the green shaded results areas, while (using current assumptions) a few test scenarios (in respect of NE Great Dunmow only) arrive at deficits which are the pink / red shaded results.
- 3.2.21 In each case the current base build cost assumption supports the ‘0% BASE TEST’ row of results shown in bold type, meaning results with 0% change applied to the base build cost. Either side of that we can see the effect of further sensitivity tests with higher and lower assumed (adjusted) build costs.
- 3.2.22 It can be seen that the indicated surpluses (sums potentially available to support s106 and any other currently unknown costs that are not included within the appraisals) fall with increasing AH% tested, VL test level reducing, or sensitivity tested build cost increasing. The indicated surpluses rise with the opposite effects.

- 3.2.23 The potential effect of varying movements in and combinations of assumptions can be viewed. As with the typologies results, it is also possible to identify different assumptions combinations that might produce broadly similar viability outcomes overall.
- 3.2.24 The surplus (or deficit) indications result from deducting the constant of the assumed BLV per site (gross site area multiplied by £250,000/ha) from the appraisal RLV in each instance. Each outcome is shown as a total indicated surplus (or deficit) sum (£ total) as well as expressed in £/dwelling terms (right hand side of the tables) to give a better feel for how the indications look.
- 3.2.25 At this stage, the viability indications on this basis for SE Saffron Walden as tested are seen to be notably stronger than for the other two tested sites, with NE Great Dunmow indicating the tightest viability on this basis. As can be seen. However, the principal driver of this stage is the varying strength of the housing values assumed within the appraisals (as represented by the different use of the VLs in each case, as shown within the tables.
- 3.2.26 Overall, it is very possible that once appraised in due course with the knowledge of the estimates of required infrastructure and other further details available, these current stage indications (and possibly relativities) could move considerably.
- 3.2.27 On this basis the sites appear to have the potential to come forward viably, although ultimately, likely with variable packages of affordable housing and infrastructure / other mitigation or matters supported from site to site. It will be possible to explore these matters further should this be appropriate and, if so, with more information available to support a more detailed, updated / refined set of appraisals and sensitivity tests.

OVERALL

- 3.2.28 The current stage emerging draft policy proposals have been tested cumulatively. All in all, as reviewed so far, we consider the approach proposed by the Council should be capable of supporting viable developments.
- 3.2.29 Therefore, on the whole, and taking the wider plan context rather than only the short term, on progressing further review work to further inform the LP we are likely to be able

to support the viability prospects related to the policy directions and nature of development coming forward in the district.

- 3.2.30 Some adjustments may be recommended for consideration from a viability point of view. However, these appear unlikely to be of a critical nature overall – no “showstoppers” identified to this stage.
- 3.2.31 Bearing in mind the commentary and findings above, it also appears that this is likely to warrant further consideration and refinement as UDC’s information (particularly on infrastructure) and positions develop further.
- 3.2.32 Accordingly, at this stage it is not possible to determine the firm combinations of policies (mainly in reference to final AH % headlines in different circumstances) and infrastructure requirements that will be viable alongside the final approach to climate change response – amongst the key areas of influence on development viability. There may need to be consideration of some variation in this.
- 3.2.33 There is a potential need to adapt where flexibility is needed in operation of policies. It seems likely, and not just in Uttlesford, that a range of matters considered here might take a while to bed in. This, however, is a typical finding and does not undermine our Uttlesford emerging LP overview that the policy aims should be supportable and reasonably placed over the longer run that is relevant (the LP period runs to 2041).

3.3 General points to consider

- 3.3.1 The purpose of viability in planning is to inform rather than constrain sustainable development; and in doing so to enable the optimising of planning obligations supporting this.
- 3.3.2 UDC must consider the overall sustainability of development together with the affordable housing and other community needs – all in balance with viability. The Council is able to consider how much weight to give to viability at decision taking stage, as per the PPG.
- 3.3.3 The likely effect of intermediate levels of AH or other assumptions (such as s106 level) can also be considered through interpolation – i.e. viewing between two results points,

if relevant. Overall, the sensitivity testing information could also be used to broadly assess different combinations of appraisal inputs (assumptions) that may be expected to support similar viability outcomes or which might be viewed on a “trade-off” type basis if needs be in particular instances.

- 3.3.4 The significant viability impact of the affordable housing relates to its development cost being broadly the same as market housing while it generates revenue (sale value) at a very much lower level – often around half (50%) of market value when a blend of AH tenure is taken into account overall. This is also behind the affordable housing generally needing to be considered (and potentially not being provided at the fullest levels of policy aspirations) when it comes to considering support of a mix of policy objectives within an overall balance. Aside from the nationally required First Homes now allowed for as a base assumption, the AH policy as impacts viability is entirely locally set. In balancing up, the cost of providing the AH is such that some adjustment in its provision can often “pay for” other less costly policy objectives in their entirety, and /or collectively.
- 3.3.5 The assessment allows for extra over costs for example as are assumed to be associated with increased development and housing standards relative to previous requirements. However, no allowance has been made at this stage for the likelihood of these costs reducing as the currently new or emerging sustainability and other requirements become the norm; reflecting improvements in knowledge, techniques and technologies, and economies of scale.
- 3.3.6 Very soon it should be possible also to assess whether more energy efficient homes and business premises attract higher values. There have been suggestions of this for some time, but mostly anecdotally that we have seen so far. More data on this is awaited. We have noted that this effect is being seen already in some commercial sectors, but we expect it to flow through more into the residential market. Developers’ marketing campaigns are now often including or focusing on energy efficiency. This along with the above noted likely cost efficiencies anticipated over time may well help further to balance out any initial viability pressures. Nevertheless, it seems very likely that there will be some form of transition to make, with time taken over that.

- 3.3.7 Similarly, although build costs are continuing to rise, there are some indications that this pressure may be beginning to ease and this can be expected to happen in the event of a decline in demand.
- 3.3.8 We expect also that “multi-purpose” solutions to supporting measures for achieving biodiversity and other elements of the landscaping, open space, environmental and ecological requirements will be developed too, whereas currently in this process we are taking more of an individual costs assumptions approach to some of these elements.
- 3.3.9 This has been a challenging time at which to consider development months viability, as it is for development activity. This has been the case in the recent period, while we have been concluding this assessment – to the late summer / early Autumn of 2023, using information as provided and gathered up to that period.
- 3.3.10 However, while done at a point in time, considering recent and current circumstances, above all it is appropriate to look across the emerging LP period overall. The viability assessment also reflects this longer-term more strategic, relevance, therefore. This is consistent with the application of viability in planning at plan making stage, as per the NPPF and reflecting the PPG. This commentary is considered relevant to both residential and other development use types.
- 3.3.11 DSP notes that these have been common factors across such assessments undertaken in recent years and they continue to be. The dynamics described here are by no means unique to Uttlesford District. In our extensive experience of these matters, they are typical considerations (albeit at varying policy levels etc. according to local characteristics and at this point in time exacerbated by circumstances in terms of current / short term market effects).
- 3.3.12 All in all, within the nature of viability in planning it is appropriate to consider how development can and will come forward, rather than only how it might not be able to comply with reasonable requirements. The same context applies to other policy related matters proposed by UDC.
- 3.3.13 However, it is also appropriate in our view to consider that in the short term (potentially the next few years) the increased development costs related to local as well as national

policy requirements will be impacting at a time when the economic circumstances seem likely to continue to be relatively difficult, with general costs inflation pressures. So, it is likely that there will be a coming together of aspects that will be challenging for viability in some cases. This will be likely to influence matters across the board to some extent, but the assessment suggests this effect may will probably continue to be at its most challenging on some PDL sites as well schemes that support heavy burdens from infrastructure requirements or significant abnormal costs. Typically, PDL sites are where more frequently there will be inherently less or very limited viability headroom owing to higher site values (BLVs based on existing use plus as per the PPG) in combination with often higher development costs. The same principles may also be relevant to bear in mind in regard to some more specialised forms of development – such as retirement living / sheltered housing and perhaps particularly extra care development – as noted above.

- 3.3.14 Different assumptions used as appraisal inputs could result in different viability indications. For example, a varied dwellings number or mix, assumed density or other alternative assumptions could be expected to have an influence. The assessment does not amount to an options appraisal for sites or similar, whereas prospective promoters, developers and housebuilders can be expected to work up the most viable scenarios that will be able to address the individual site characteristics and requirements as far as possible.
- 3.3.15 DSP will be pleased to assist Uttlesford District Council with any further work or points in relation to this or further viability assessment work in support of its emerging new Local Plan to 2041.

Notes and Limitations

- i. The purpose of the further assessment reported in this document (as conducted between mid-2021 and September 2023) has been to inform the emerging LP approach and policies anticipated to shortly reach Regulation 18 consultation stage.
- ii. Gathering up and reflecting on the testing of typologies and strategic scale development over the main elements of assessment over the above noted period (work to date), this report sets out the information considered and scope of review as part of the Council's development of its emerging LP proposals from a viability perspective - whilst also taking into account national policies and initiatives that may have an impact on development viability.
- iii. This has been a desk-top exercise based on information provided by UDC supplemented with information gathered by and assumptions made by DSP, once again as appropriate in the context of LP development ('plan making').
- iv. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.
- v. It should be noted that every scheme is different, and no review of this nature can reflect all the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to directly prescribe assumptions. Assumptions applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach towards a robust and viable LP.

- vi. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indications generated by the development appraisals for this strategic purpose will not necessarily reflect site specific circumstances. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.
- vii. The research, review work and reporting for this assessment has been assembled at a time when there have remained remain economic uncertainties associated with post-Brexit, the after effects of the COVID-19 (Coronavirus) pandemic situation, more latterly the war in Ukraine, and challenging economic circumstances in general; with the latter coming to more the fore as this assessment has progressed to its latest stages and this Stage 1 Draft Report write-up has been progressed.
- viii. This may run through into many potential areas affecting development viability or deliverability, particularly in the short term. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability. It is of course only possible to work with available information at the point of carrying out the assessment. At this stage it appears that it will be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.
- ix. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan preparation/review and potentially pending or during examination. In the meantime, this work contains information on the impact of varied assumptions applied within a wide range of sensitivity tests. Run in this way, and through regular dialogue with the Council while in progress, this has helped and continues to inform the Council's consideration of development viability in the wider plan delivery context.
- x. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

- xi. To the extent that the document is based on information supplied by others, DSP accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.
- xii. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies will be applied from case to case.
- xiii. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We have not undertaken and are not undertaking other work in the Council's area at the time of this project, but have undertaken strategic viability assessment work previously on behalf of the Council and we work for other authorities in the region.
- xiv. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive / performance related payment. Our project costs are simply built-up in advance, based on hourly / day rates and estimates of involved time.
- xv. In the preparation of this assessment DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

Report ends.

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Appendices I to IV follow.