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General notes and limitations

This has been a desk-top exercise based on information and feedback provided by North Somerset Council (NSC) both remotely and through meeting with a comprehensive officers’ group (representing planning, housing and regeneration interests at NSC), supplemented with information gathered by and assumptions made by Dixon Searle Partnership (DSP). Conducted as a high-level update, this is appropriate to the current stage of review; revisiting and building on DSP’s 2012 Community Infrastructure Levy (CIL) Viability Assessment for NSC.

This review has again been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments used for developing CIL charging proposals, informing local authority planning policies development and also for supporting development management (planning application stage) site-specific viability reviews and advice. In order to carry out this type of assessment a large number of assumptions are required alongside the consideration of a large range of information which rarely fits all eventualities.

Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated. Therefore, the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. It follows that this assessment (as with similar studies of its type) is not intended to prescribe land values or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments having varying characteristics come forward. This is also true in respect of the long timescales over which the economy and development climate, national and more local influences and impacts over development viability are very likely to vary.

It should be noted that every scheme is different and no review of this nature can reflect the variances seen in site specific cases. Specific assumptions on values and other matters as applied for our test scenarios are unlikely to be appropriate for all developments, and a degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this updated viability overview and further informing NSC’s CIL development work.
The high level viability testing is intended to review previous work undertaken and update it in light of changes to market conditions and to local and National policies where those are known at the point of carrying out this review.

It must be recognised that a planning-led basis for securing planning obligations relies on market-led processes. As a general point and so not just referring to NSC’s progression of CIL proposals here, we have to place an emphasis on the need for a practical approach to be taken by all local authorities, having due regard to development viability. By this we mean the Council continuing its adaptable approach - being prepared to negotiate and consider varying solutions, and being responsive to varying scheme types and circumstances.

The review of development viability is not an exact science. There can be no definite viability cut off point owing to variation in site specific circumstances. These include the land ownership situation. It is not appropriate to assume that because a development appears to produce some land value (or in some cases even value equivalent to an existing / alternative use), the land will change hands and the development proceed. This principle will in some cases extend to land owners expecting or requiring the land price to reach a higher level, perhaps even significantly above that related to an existing or alternative land use. This might be referred to as a premium, “overbid” or sufficient level of incentive to sell. In some specific cases, whilst weighing up overall planning objectives to be achieved, therefore, the proposals may need to be viewed alongside the owner’s enjoyment / use of the land, and a potential “overbid” relative to existing use value or perhaps to an alternative use that the site may be put to. In practice, whether and to what extent an active market exists for an existing or alternative use will be a key part of determining whether or how site discussions develop.

Overall however, land value expectations will need to be realistic and reflective of the opportunities offered by, and constraints associated with, particular sites and schemes in the given circumstances and at the relevant delivery timing; with planning policies being reflected amongst these factors. The planning requirements will be necessarily reflected in the land values that are ultimately supportable.

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 (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.
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.

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 NSC’s policies continue to be applied practically from case to case.
**Executive Summary - including outline of main findings**

1. North Somerset Council (NSC) has for some time been preparing proposals for a Community Infrastructure Levy (CIL).

2. Having carried out a comprehensive Viability Assessment completed in October 2012, experienced consultancy Dixon Searle Partnership (DSP) has been engaged by NSC to provide a further review in order to update and keep topical the authority’s CIL viability evidence.

3. Therefore the purpose of this additional (Viability Review Update) report is to build on the 2012 assessment and to inform the authority’s consideration of the impact of changing market values, development costs movements together with the various changes that have been seen in National level policy and any updated local context.

4. This report does not repeat the context, principles and full methodology details set out in the 2012 assessment, since the basis here is the same. The required focus this time was to update the development values and costs assumptions to reflect changes in market conditions over time as well as to consider with NSC the potential influence on the CIL proposals of any revised circumstances, whether associated with Government policy updating or other matters.

5. Areas to be noted on national policy changes and viability influences include the Government’s Housing Standards Review (incorporating aspects such as energy, water, access to and use of buildings), Nationally Described Space Standards, Affordable Housing and other matters (for example self / custom-build and starter homes / low cost housing). However, several aspects of the new national standards are optional in that they may be implemented by planning authorities subject to evidence of both the local need for the requirements and the viability of policies to include them.

6. In NSC’s case, its development plan (Core Strategy) policy development work has progressed to a near final stage pre-dating the latest national level optional policy enhancements to Building Regulations (B. Reg.s) requirements, so largely speaking the Council is running with a simplified approach that follows the B. Reg.s base levels and does not seek to specifically include enhancements on accessibility or set the new space standards. Although the continued expectation will be of high quality sustainable development in North Somerset, this means that in respect of the new standards NSC will effectively be running with a path of least intervention; a policy set which in our view may be most reflective of the mixed development viability scenario that we picked up in the 2012 assessment.
7. In many respects these are new areas with more time needed to settle the picture and understand all the implications. This is especially the case in respect of the potential influence on overall scheme viability of the starter homes policy that is now within the national approach following the Housing and Planning Bill receiving Royal Assent to become an Act of Parliament on 12th May 2016. There will be further detail for all local authorities to monitor and consider. At this stage, we can give only general consideration to the potential influence on viability of including starter homes within a dwelling mix, which are assumed to be in place of at least some of the previously understood forms of affordable housing.

8. Amongst the uncertainties affecting all local authorities’ consideration of such matters at the present time is also the Government’s CIL Review. At the time of reporting for this update, the DCLG CIL Review Panel findings subsequent to the consultation that ended in January 2016 are unknown. NSC may need to be ready to consider any local implications of this, when the outcomes are publicized.

9. Notwithstanding all of the above potential influences, in the CIL setting context, where the collective costs of development are key and viability must not be taken to the margins, it has been considered important to review the various potential implications to make sure that development locally will still have the capacity to bear appropriate levels of collective costs - including the proposed CIL charging levels. This can only be based on currently available information and known criteria.

10. As a part of this, DSP has put forward a revised s.106 contingency assumption included as a universal scenario re-testing assumption; increased from £1,000 to £3,000 per dwelling. This is not to say that this level of s.106 cost would always need to be borne alongside the CIL charging, and needs to be kept in mind on review of the updated sample test results.

11. The main focus for this updated review was on considering development values and costs trends as impact the development viability scope available to support CIL charging in respect of residential property development and therefore the planned housing growth. However, NSC also sought from DSP general advice as to whether market trends and latest CIL charge setting experience pointed to the Council considering alternative approaches for its next stage proposed CIL charging schedule consultation approach in respect of commercial/non-residential development uses. The next consultation working towards a CIL for the district will be Draft Charging Schedule (DCS) stage; progressed later this year with a view to adopting a CIL during 2017 after a formal submission version charging schedule and independent examination of that.
12. NSC’s previous CIL consultation was on its Preliminary Draft Charging Schedule (PDCS) dated November 2012. Informed by the 2012 viability assessment, that included proposed CIL charging rates as follows (where ‘Weston’ = Weston-super-Mare):

- Residential (based on mapped zones)
  - (A) Inner Weston i.e. Weston town Centre and gateway - £0/sq. m
  - (B) Outer Weston - £40/sq. m
  - (C) Rest of district - £60/sq. m
- Commercial / non-residential @ £0/sq. m except for:
  - Large format retail (>280 sq. m sales) - £120/sq. m
  - Smaller retail units (<280 sq. m sales) - £60/sq. m
  - Care Homes (C2) and purpose built students’ housing - £40/sq. m

**Updated findings and considerations - overview**

13. On review of a sample of the viability test scenarios, overall we have found that the additional development revenue available from market housing sales value increases over the period from the previous assessment has generally been more or less cancelled out by steep rises in build costs.

14. At the low end of the values scale that is relevant to the local circumstances, the updated tests results suggest that at best the current view is of marginally improved viability, but probably only in the highest value scenarios likely to be relevant (i.e. only in the “rest of the District” zone and limited individual other circumstances). Otherwise, if anything, and particularly looking at the lower end values range results relevant to Weston, some level of deterioration to previous results has generally been found. This is clearly a key finding pointing to a continued cautious approach to CIL charging proposals for Weston town (Centre especially) and its regeneration. As above, however, it must be noted that this also includes factoring-in a relatively high s.106 cost assumption as a contingency alongside the trial CIL rate levels, together with largely ‘rent’ based affordable housing provision (as opposed to any adjusted mix that may include starter homes or other intermediate affordable housing tenure forms).

15. In respect of the residential development picture, from a viability perspective, therefore, the updated review and findings point to NSC considering a continuation of its PDCS stage CIL charging proposals, without development being unduly affected with the exception of a potentially marginally increased rate for the higher value locations in the district.

16. In respect of the Council’s scope of influence on, and respect for, local viability characteristics, the nil CIL (£0/sq. m) charging rate for central Weston is in DSP’s view going to continue to be a key aspect.
17. On current review of the local market and house price patterns, it would be possible to take an expanded view of the typically lower value ‘inner Weston’ zone. However, consistent with the previous evidence, we have found the previous CIL zoning map covering zone (A) – which is also consistent with the development plan understanding of the town centre - to most clearly reflect the lowest housing values area. Over time, with regeneration initiatives more established, this picture and the available information could change of course. CIL charging schedules will need to be reviewed over time.

18. In relation to residential development, we note that in the last few years, significant progress has been made towards delivery of the strategic scale housing development proposals on land adjoining Weston. NSC will be aware that many recent CIL charging schedules have been advanced on the basis of a nil or nominal CIL charging rate being applicable on a zoned basis to such developments. This is primarily due to the typically very large site-specific s.106 mitigation and infrastructure/enabling costs that tend to be applicable in these scenarios, reducing or removing the scope for fixed CIL charging. Experience in many cases has also shown the relative flexibility and direct infrastructure delivery scope associated with the use of s.106 in those scenarios has proved useful and a more practical approach compared with CIL. Whilst at £40/sq. m, if continued as previously proposed, this scale of CIL charging would not completely erode the scope for appropriate use of s.106 in addition, NSC may wish to consider these factors in the event that any whole plan relevant development of this nature is due to remain uncommitted at the point its CIL will be implemented.

19. The same “no overall change” scenario is considered to apply in respect of the commercial/non-residential findings too, where a high-level review of market trends does not point to any significant change from the previous assessment.

20. Most scenarios, and particularly in respect of business development (B uses – offices and industrial), are considered to offer little or no improvement in viability and not to the extent of showing clear CIL charging scope. For NSC’s review in relation to its settled policies, DSP’s more recent CIL charge setting experience suggests that in areas where the development of small retail units or care homes is considered relevant in overall Plan delivery terms, then an alternative approach for consideration could be to reduce the CIL charging rate to zero.
1. Introduction

1.1 Background to the Viability Update Review

1.1.1 North Somerset Council (NSC) is currently in the process of assembling the final main ingredients of its Development Plan, after building on the adoption of the majority of the Core Strategy policies in 2012 with further work on a 2-part approach, to formally putting in place Development Management Policies (Part 1) due for adoption before the Autumn of 2016 and the Site Allocations Plan (2) consultation having just ended – April 2016. Collectively, these policies in conjunction with a review of the Core Strategy anticipated by 2018 will guide future development in the area to 2036.

1.1.2 Alongside and in support of its Development Plan, NSC is in the process of preparing to implement a Community Infrastructure Levy (CIL) for the District.

1.1.3 At the point its Core Strategy was moving towards completion, NSC commissioned Dixon Searle Partnership (DSP) to prepare a CIL Viability Assessment, which was completed in October 2012 (DSP Ref: DSP11050). That informed a first consultation stage by NSC on its CIL proposals; as included in the Preliminary Draft Charging Schedule (PDCS) of November 2012.

1.1.4 In order to keep up to date the appropriate available evidence informing its CIL preparations, a review by DSP of the key assumptions informing the base (previous) viability assessment has been commissioned by NSC (this review).

1.1.5 Since the preparation and publication of the viability assessment, there have been considerable changes to key inputs. These include effects from market conditions and associated with national policy changes that warrant revisiting the previous assessment work on a similar appropriate high-level basis - so as to keep the viability information available to NSC alongside review of its wider evidence and local context as topical as is practically possible.

1.2 Policy & Guidance (including changes to policy)

1.2.1 This viability assessment review has been produced in the context of and with regard to the NPPF, CIL Regulations, CIL Guidance and other Guidance applicable to studies of this nature. Regard has also been had to the Planning Practice Guidance (‘PPG’ –
1.2 The NPPF was published in final form in March 2012 and supersedes previous Planning Policy Statements (PPSs). The NPPF sets out the overall approach to the preparation of Local Plans. It states that planning authorities should seek opportunities to achieve each of the economic, social and environmental dimensions of sustainable development, with net gains across all three. Significant adverse impacts on any of these dimensions should be avoided and, wherever possible, alternative options that reduce or eliminate such impacts should be pursued. The NPPF also states that Local Plans should be aspirational but realistic - that is, to balance aspirational objectives with realistic and deliverable policies.

1.2.2 The NPPF provides specific guidance on ensuring Local Plan viability and deliverability. As a CIL is so firmly related to a local development plan, the same principles are considered to apply in looking at CIL viability. Being a fixed, non-negotiable, charge on development, having regard to the collectively costs of development is essential. In particular, paragraphs 173-174 state:

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

‘Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle’.
1.2.4 Having regard to this guidance NSC needs to ensure that its Development Plan including any CIL that it seeks to set up can address the requirements of the NPPF in delivering the overall policy requirements.

1.2.5 Further guidance is set out in the PPG which re-iterates these messages where it says ‘Plan makers should consider the range of costs on development. This can include costs imposed through national and local standards, local policies and the Community Infrastructure Levy, as well as a realistic understanding of the likely cost of Section 106 planning obligations and Section 278 agreements for highways works. Their cumulative cost should not cause development types or strategic sites to be unviable. Emerging policy requirements may need to be adjusted to ensure that the plan is able to deliver sustainable development’.

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

1.2.7 NSC’s CIL Viability Assessment (VA) was published in October 2012 prior to changes to the Community Infrastructure Levy made through amendments in February 20141 and again in March 20152. For general context, an outline of the more recent changes to the CIL Regulations is provided below.

1.2.8 The CIL (Amendment) Regulations 2014 introduced the following:

- Limitation on pooling of s 106 obligations delayed until April 2015
- New mandatory exemptions for self-build housing, and for residential annexes and extensions

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1 Community Infrastructure Levy (Amendment) Regulations 2014 (24th February 2014)
2 Community Infrastructure Levy (Amendment) Regulations 2014 (20th March 2015)
• a change to allow charging authorities to set differential rates by the size of development (i.e. floorspace, units)
• the option for charging authorities to accept payments in kind through the provision of infrastructure either on-site or off-site for the whole or part of the levy payable on a development
• a new ‘vacancy test’ - buildings must have been in use for six continuous months out of the last three years for the levy to apply only to the net addition of floorspace (previously a building to be in continuous lawful use for at least six of the previous 12 months)
• a requirement on the charging authority to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy on the economic viability of development across the area. Previously the authority only had to ‘aim to strike the appropriate balance’
• provisions for phasing of levy payments to all types of planning permission to deal fairly with more complex developments.

1.2.9 The CIL (Amendment) Regulations 2015 were introduced following response ‘to comments made during the 2013 consultation suggesting that housing relief should be extended to include charitable bodies providing affordable housing that are not local housing authorities or registered providers. These Regulations extend mandatory social housing relief to persons who are not local housing authorities, private registered providers of social housing in England or registered social landlords in Wales, that let dwellings at no more than 80% of market rent to households whose needs are not adequately met by the commercial housing market’.

1.2.10 As far as affects the VA process, the above have been taken account of in DSP’s latest discussions with NSC. Also important to acknowledge, however, is that at the point of this update review the DCLG CIL Review Panel has not reached its findings following the Government’s consultation (ended January 2016) on potential further changes to the CIL regime including, potentially, on how CIL operates alongside s.106. Unavoidably, it appears that NSC may need to consider the relevance of any changes that emerge and may be relevant to its local circumstances in the course of progressing towards an adopted CIL (currently targeted during 2017).

1.2.11 Following consultation on the Housing Standards Review (August 2013), on 27th March 2015 in a written Ministerial Statement the Government formally announced

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a new approach to the setting of Technical Housing Standards in England. This has been accompanied by a new set of streamlined standards. The DCLG statement said: ‘From the date the Deregulation Bill 2015 is given Royal Assent, local planning authorities and qualifying bodies preparing neighbourhood plans should not set in their emerging Local Plans, neighbourhood plans, or supplementary planning documents, any additional local technical standards or requirements relating to the construction, internal layout or performance of new dwellings. This includes any policy requiring any level of the Code for Sustainable Homes to be achieved by new development; the government has now withdrawn the code... For the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill 2015. This is expected to happen alongside the introduction of zero carbon homes policy in late 2016. The government has stated that, from then, the energy performance requirements in Building Regulations will be set at a level equivalent to the (outgoing) Code for Sustainable Homes Level 4. Until the amendment is commenced, we would expect local planning authorities to take this statement of the government’s intention into account in applying existing policies and not set conditions with requirements above a Code level 4 equivalent’.

1.2.12 The new approach introduces optional Building Regulations requirements for access (volumes 1 and 2) and water efficiency, which provide for a higher standard than the minimum national Building Regulations. A nationally described space standard has also been introduced which can be implemented through the planning system.

1.2.13 In addition, a new security standard has now been included in the Building Regulations (Part Q).

1.2.14 The review also clarified statutory Building Regulations guidance on waste storage - to ensure that it is properly considered in new housing development.

1.2.15 The effectively optional regulations and space standards may only be applied where there is a local plan policy, based on evidenced local need for them; and where the viability of development is not unduly compromised as a result of their application.

1.2.16 However, the development of policies at NSC has pre-dated the introduction of the Technical Housing Standards. Therefore, consistent with the base VA, these
enhanced standards have not in general been tested for this update review, because DSP’s understanding is that they are not relevant to NSC’s policy costs basis that would impact alongside its CIL. Therefore a current Building Regulations (B. Reg.s) base approach has been followed for the updated assumptions. The single exception to this approach is that on DSP’s suggestion dwelling sizes commensurate with the recently introduced (optional) Nationally Described Space Standards have been assumed for the re-test scenarios in this update review. In DSP’s experience across a number of appraisal sets completed for various similar assessments, this standard typically has a very marginal viability impact only; with the specific impact dependent on the particular relationship between the £/sq. m values and build costs assumptions in each scenario.

1.2.17 As further background, we should note that the national policy situation on minimum affordable housing thresholds has changed over the period since DSP prepared the base VA and while NSC has been progressing its Plan development. For the full background on this, in November 2014, following a Ministerial Statement, the Government revised national policy on s.106 thresholds as follows:

- ‘Contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1000sqm (gross internal area).

- In designated rural areas, local planning authorities may choose to apply a lower threshold of 5-units or less. No affordable housing or tariff-style contributions should then be sought from these developments. In addition, in a rural area where the lower 5-unit or less threshold is applied, affordable housing and tariff style contributions should be sought from developments of between 6 and 10-units in the form of cash payments which are commuted until after completion of units within the development. This applies to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty.

- Affordable housing and tariff-style contributions should not be sought from any development consisting only of the construction of a residential annex or extension to an existing home.
1.2.18 The national policy changes also included a ‘vacant building credit’. The intention of introducing this was to incentivise the use of brownfield (previously developed) land, by reducing the affordable housing requirements through a credit based on the floor area of any existing vacant buildings.

1.2.19 The introduction of these policies via the Written Ministerial Statement (WMS) and subsequent changes to the PPG were subject to legal challenge by West Berkshire Council and Reading Borough Council. The legal challenge was successful and those policies were quashed as of August 2015. This led to the subsequent re-introduction of lower affordable housing thresholds (where viable to do so) or allowed planning authorities to continue to adopt lower thresholds through the Local Plan process. This situation, a reversion to the position before the November 2014 WMS, continued until very recently.

1.2.20 However, the Government appealed the decision and as of 11th May 2016 the Court of Appeal has overturned the previous judgement so that the post November 2014 WMS policy threshold restrictions are now considered by most to have taken effect again. The removal of any AH content from schemes of fewer than 11 dwellings will boost their viability and this will now at the very least be a balancing factor in comparison with the steep rises in build costs that have been seen (more detail to follow).

1.2.21 A further context point to consider in looking again at the viability information for NSC, and building the assumptions for this update review, is that the Chancellor announced in his Budget speech in 2015 that affordable housing providers will have to cut affordable housing rents by 1 per cent each year for the next four years from April 2016; a reversal of the rental formula which previously allowed RPs to raise rents annually in line with the consumer prices index (CPI) plus 1 per cent. As part of this viability update, we have therefore also allowed for the impact of reduced rents on the assumed affordable housing values that contribute to the overall development.
revenue (i.e. the assumed level of payment received for the affordable homes by a developer from an RP). However we have not, at this stage, as a base assumption taken into account any changes to the definition of affordable housing associated with the emerging introduction of the starter homes concept, given that there is as yet no detail from the Government’s announcement on which to base any meaningful viability modelling at this stage. Initial indications are that whilst affordability could be greatly reduced when considering low cost sale or similar compared with rented or even shared ownership tenure, we could see positive impact (and potentially a significant one) on overall scheme viability. We suggest that NSC should keep open its consideration of these matters. In the meantime, we will include some commentary on initial sensitivity tests that we ran in this respect (again, more information below).

1.3 Updated review aims

1.3.1 DSP has been commissioned to provide further viability overview information that will assist NSC through the consideration of matters including:

- Identifying key national policy changes introduced since the previous viability assessment and identify to what extent those changes would have either a negative or positive effect on viability (relative to the earlier stage findings);

- Review and update the technical information in the viability studies, including values, development and build costs and run appropriate sensitivity testing based on updated inputs;

- Review recommendations - so as to help NSC validate or otherwise the continued use of the earlier findings regarding CIL rates, thresholds and zones.

1.3.2 It is important that the introduction of a NSC CIL does not deter development through adding too much further cost to developments, ultimately having the effect of unduly reducing the supply of land brought forward for development more widely. Alongside this, any charge must not hinder the balance of delivery of affordable housing, planning obligations and other planning policies with maintaining a sufficient incentive (reasonable land value levels) for landowners to release land – allowing developers to promote and bring forward schemes.
1.3.3 The emphasis here is to provide additional and updated evidence to further inform the Council’s proposed CIL charging approach. At this stage, this update review re-assesses the (financial) viability evidence base that informed the development of NSC’s PDCS. It uses the same principles as set out in the previous viability work for NSC and as such this report does not repeat the detail set out in that earlier base assessment. This study provides a relative picture of viability compared to the previous viability work. Not all scenarios or sensitivity tests from the previous work have been re-run in this update. This report should therefore be read in the context of the existing viability assessment, and acts to both check and build on that picture.

1.3.4 This review uses the same methodology as used for the earlier stage viability work except where assumptions have been updated at this review point (more detail is provided in Chapter 2 and Appendix I).
2 Methodology

2.1 Approach

2.1.1 This viability update applies the same principles, methodology and many of the same assumptions as used for NSC’s earlier CIL viability work. This review therefore does not repeat the methodology and assumptions again here in full and this viability update should be read alongside and in the context also of the existing evidence base as listed above.

2.1.2 Put simply, the residual land value (RLV) produced by the potential development under review is calculated by subtracting the costs of achieving that development from the revenue generated by the completed scheme (again, the GDV). The application of these principles is consistent with the approach that underpins the wider viability assessment work and with the established approach used in most similar viability studies as well as for more detailed site-specific assessments; an area of work that DSP is also engaged in on a daily basis.

2.1.3 The diagram below (Figure 1: Residual Land Value) illustrates the principle by showing the basic relationship between the main appraisal areas (the strength of the relationship between development values and costs that is being explored in all such viability work):
2.1.4 A viable development can be defined as ‘the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project’\(^4\). Under normal circumstances, if the residual land value (RLV) created by a scheme proposal exceeds the existing or alternative use value (sometimes with an element of uplift required to incentivise the sale of the land) then we usually have a positive viability scenario – i.e. the scheme is much more likely to proceed.

2.1.5 Having determined the RLV results for each development scheme typology and each sensitivity testing layer through running a range of these appraisal calculations, we then need to compare those results with a range of land value levels that could relate

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\(^4\) Financial Viability in Planning – RICS Guidance note (August 2012)
to potential existing / alternative site uses. This comparison can vary significantly. The level of land value sufficient to encourage the release of a site for development is, in practice, a site specific and highly subjective matter. It often relates to a range of factors including the actual site characteristics and/or the specific requirements or circumstances of the landowner. For the purposes of this report we have taken a very high level view on the potential threshold land values (land value comparison levels) based on the original assessment and updated where necessary.

2.1.6 The basis for this viability review is to test the relative impact of any changes to market conditions, development costs and policy (local and national) cost impacts.

2.1.7 The ability of a scheme to produce a residual land value in excess of some form of comparative land value or “benchmark” (often based on existing or alternative use value, potentially plus a premium to incentivise release of land for development depending on the circumstances) is a key factor in determining development viability. If insufficient value is created by a development proposal then land will not come forward for development, ultimately putting at risk housing targets (for both open market and affordable) if this becomes too regular an occurrence. This also has important implications for the appropriate wording of the policy so that it will need to be applied sufficiently practically as development circumstances vary.

2.1.8 The following section briefly outlines the national policy context that is to be considered on approaching the update, and indicates the local relevance for the review context, since mostly these factors are pre-dated by NSC’s progression of policies. Essentially this means that NSC will now be running with the base Building Regulations standards on matters associated with construction – e.g. relating to sustainability (energy usage and water efficiency), accessibility and other matters.

2.1.9 This is then followed by our approach to sensitivity testing using, as a basis, a selection of appraisals from the base VA by reviewing changes in the property market, development costs and the removal or introduction of costs in respect of national and local policy influences, as discussed and also overview within Appendix I.

2.1.10 Appendix I summarises the assumptions used in the base VA (2012) and beside those identifies the 2016 update assumptions, so showing the key changes made at this point and enabling comparison between the two sets. Appendix II provides a summary of the updated results and Appendix III includes an outline of the updated
market / house prices research that has informed the adjustment and interpretation of the assumptions on updated values.

2.2 National policy potentially influencing development costs – Implications or otherwise for the district of North Somerset

Energy & Water

2.2.1 As a result of the Housing Standards Review, NSC will need to alter policy (where applicable) to remove any reference to achievement of the Code for Sustainable Homes, and ensure that any specific policy in regard of water consumption is set at no more than 110 Litres/person/day. The previous assessment included an allowance for attainment of Code for Sustainable Homes (CfSH) Level 4 based on the Cost of Building to the Code for Sustainable Homes - Updated Cost Review (August 2011) cost data assuming Building Regulations 2010 baseline. All 2012 base appraisals assumed an uplift to base build costs of 5% to represent achieving CfSH L4.

2.2.2 This study assumes that the Sustainable Design / Construction Standards costs have reduced from those assumed for the existing evidence base due to the Government’s withdrawal of the Code for Sustainable Homes (as discussed above). Appendix I provides the detail but data taken from the DCLG Housing Standards Review Impact Assessment (average £ per unit E/O cost) for meeting the energy requirements for Code for Sustainable Homes Level 4 has been used as a proxy for building regulations compliance. This has informed an updated assumption of an addition of 2% (a reduced uplift) to the updated base build costs.

2.2.3 No allowance was made within the original assessment to cover any local policy on water consumption other than that included within the Code for Sustainable Homes. For this review we have assumed that given its position NSC would run with the minimum level of compliance (i.e. 110 litres per person per day (LPPPD)) and in order to represent that no additional cost allowance is required in our opinion. At this review point, no other sensitivity testing has been carried out in relation to higher levels of the CfSH or zero carbon as a result of the Government announcement to delay the introduction of national zero carbon policy and the scrapping of the allowable solutions element of national policy.

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5 DCLG – Cost of Building to the Code for Sustainable Homes – updated Cost Review (August 2011)
6 DCLG – Housing Standards Review – Costs Impact (September 2014)
7 N.b. extra over costs of attaining water efficiency standards of 110lppd are in the region of £6-£9 per dwelling according to the DCLG Housing Standards Review Cost Impacts Study (September 2014). This would have such a marginal impact on scheme viability that it has not been included in this review.
Affordable Housing (AH)

2.2.4 For this update review, with appraisals undertaken prior to the 11th May Court of Appeal judgment as noted above, AH has been included within the re-test for the 5 dwellings scenario at 20%, and at 30% at 10+ dwellings. This approach was taken so as to provide a relative picture to the previous VA results; like for like scenario comparisons (noting the assumptions updates discussed in this report). 30% AH is the ‘benchmark’ referred to as the target within Core Strategy (CS) Policy CS16, carried forwards from the previous Replacement Local Plan target and so a long held baseline position for the district. Any variation to the base position tested is purely for wider information, aimed to help illustrate to NSC potential sensitivities or trade-offs that could become more relevant as part of considering negotiated outcomes in the usual way; they are not influencing the CIL charge setting recommendations.

2.2.5 Clearly in the event of NSC applying its AH policy at 11+ dwellings only moving forward, there will be additional viability cushioning benefits from the smaller schemes where newly benefitting (or benefitting again) in development viability terms from the updated national policy context. At the point of report writing, in order to fix the basis of the review update advice, consideration beyond this has not been given; further review scenarios have not been added. NSC may wish to consider whether to explore the implications further. However, given the viability findings in relation to the key locality of Weston-super-Mare (‘Weston’) DSP notes that any potential trade-off or scope to consider balancing with additional obligations/CIL is likely only to be a matter for potential consideration at other typically higher value settlements.

Nationally Described Space Standards

2.2.6 The Government’s Technical Housing Standards have introduced ‘Nationally Described Space Standards’ for C3 housing which can be used in a Local Plan policy if there is sufficient evidence of need and viability.

2.2.7 Dwelling floor areas sufficient to meet these standards have been included in the modeling for this viability review update as a standard assumption – previously a range of unit sizes were used based on typical typologies but not related to a nationally described standard. See Appendix I for the details/comparisons.
Access to and use of Buildings

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

2.2.9 Again, as with residential space standards, there needs to be evidence for both need and viability. Within the base NSC VA, an allowance was included in the appraisals to account for meeting Lifetime Homes standards. Since those are now superseded, with the B. Reg.s forming the relevant baseline, that particular allowance of a nominal £575 per dwelling has not been carried forward into the current stage update review. We understand that owing to the timing of policy development, and therefore pending future review, the Authority’s approach to accessibility will per as per the base Part M(4) position. Therefore, we have not included any additional costs for the enhanced standards within the re-tests. For wider information only, however, we set out below the likely additional costs for including policies that meet the optional Category 2 and 3 requirements of Part M(4) of the B. Reg.s.

2.2.10 As part of the Government’s Housing Standards Review consultation, costs analyses were produced by EC Harris (and subsequently updated) relating to areas that included Access. Within the 2014 update to that review document, approximate costs of complying with the optional Category 2 requirements of Part M(4) were included. This indicates various costs for different types of dwelling and on different forms of development. For the purposes of this report, the average extra over access cost per dwelling is approximately total of £2,447 for houses and £1,646 for flats for meeting Part M(4) (2) standards. This is based on an average extra over access cost per dwelling (£682/dwelling) alongside the average access related space cost per dwelling but without allowing for cost recovery (£1,444/dwelling).

2.2.11 For Part M4 (3) the same report indicates on an equivalent basis average extra over costs to be £15,691 for flats and £26,816 for houses.

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8 Approved Document M of Schedule 1 of the Building Regulations – (Access to and use of Buildings)
9 EC Harris – DCLG Housing Standards Review - Potential Cost Impacts Summary (June 2013)
EC Harris – DCLG Housing Standards Review - Potential Cost Impacts (September 2014)
Starter Homes & Self-Build

2.2.12 Although, as noted above, necessarily on a purely assumptions related basis, for this review we looked at the potential sensitivity of the 25 dwellings test to a switch to 20% starter homes plus 10% AH (tenure as existing) in place of the base 30% AH (including rent/shared ownership on a mix as closely matched as possible to the NSC target approach of 82/18).

2.2.13 From DSP’s experience of considering self-build to date (albeit limited to early stages exploratory work on viability) we consider that the provision of plots for this has the potential to be a sufficiently profitable activity so as not to prove too significant a drag on overall site viability; where for example it forms an element of provision with a larger site. Broadly, from review work undertaken so far we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details – as with other aspects of the development process.

2.4 Other Updated Assumptions

2.4.1 In addition to the above, DSP has also considered changes to property values, build costs, any other development costs and affordable housing revenue. In all cases for the appraisal inputs on CIL we have assumed that the charges would be applied as set out in NSC’s PDCS. Appendix III outlines the supplementary (updated) house prices information that informed the update review, and will not be repeated here. Appendix III also contains information in relation to the commercial property market – updated snapshot considered appropriate, alongside DSP’s subsequent experience, to informing a view on viability for CIL relative to the positions seen from the base assessment.

Values

2.4.2 Reference to the Land Registry House Prices Index (HPI) points to an overview that local house prices have risen by approximately 19% since the point of putting together the 2012 VA. The latest HPI updated report released 28th April 2016 shows the average house price in North Somerset to have increased by 6.6% over the 12 months to March 2016. This trend follows the national one (at 6.7%) and the average house price in the district is seen to be higher (at £203,980) than the national average of £189,901. Clearly there will always be localized variations and indeed site-specifics together with timing in relation to varying market adjustments will determine the particular values achieved.
2.4.3 Nevertheless, a 19% uplift to the range of values levels (VLs) used for the 2012 VA provided us with values assumptions for the update review that were sufficiently recognizable both from review of other web-based information (e.g. Zoopla.co.uk) and on looking closely again at Weston-super-Mare so as to review the nil CIL rating scenario and its continued applicability.

2.4.4 This level of house price uplift informed assumptions for new VLs as seen at Appendix I. We note that the effect is broadly that of the residential values having moved up by one VL step in each case.

2.4.5 Within this picture, based on adjusting the search areas, we re-examined the residential property values within Weston town. As can be seen at Appendix III, the lowest value area was again found to be the Core Strategy understanding of the town centre; consistent with the Zone A nil (£0/sq. m) CIL charging zone proposed and mapped within the PDCS.

2.4.6 Whilst lower values than for the wider area of Weston town were also found within the proposed Regeneration area extent that is a focus for particular initiatives that NSC is working on in regard to a Supplementary Planning Document (SPD) or similar, the regeneration area values search showed higher values than those for the town centre boundary/PDCS stage nil CIL rate zone.

2.4.7 There is a considerable overlap between the latter zone and the emerging regeneration initiatives area. Furthermore, however, our revisited research showed that values in that part of the emerging regeneration area that sits outside the town centre boundary (denoted regen. area ‘A’ in the DSP research) includes typically higher values overall than those where these two areas overlap (i.e. regeneration area within the town centre – denoted regen. area ‘B’ in the DSP research).

2.4.8 Land value comparisons have been used that are consistent with the earlier assessment work. DSP considers this appropriate given the nature of the outputs from the updated appraisals – i.e. in the context of viability results that vary beneath and above the previous set but which might be considered broadly similar across the picture. We are certainly not seeing improved outcomes to the extent that would in our view be expected to drive significantly higher land value expectations, bearing in mind that land value should be considered a function of the viability scope offered by
a site. These are assumptions which are in practice one element of a set of figures that will inevitably vary through different circumstances.

**Build costs**

2.4.9 As we are finding across our work at present, typically build costs have risen significantly. This is seen through changes in the BCIS average building costs data, the source that was also used to inform the base VA assumptions. Over the same period, build costs have also increased in the area by around the same percentage as house prices; approximately 18 to 20% across the main build type categories considered, and by around 23% across all categories bearing in mind higher increases in some. We have used the latest BCIS figures in carrying out this viability update – more details within Appendices I and III.

2.4.10 In addition to an inflationary rise in build costs over the period between the studies, the RICS (on behalf of the Federation of Small Businesses) has recently published a report on the additional cost of construction for small sites\(^\text{10}\). This suggests that the costs of construction for houses is higher on sites of 10 dwellings or fewer than for those of more than 10 dwellings, with the actual cost increases varying by project size and type of unit (and with flatted development on small schemes having a lower cost than larger schemes). Although the detail of the report is yet to be considered in depth and a number of commentators have pointed out that there are a number of factors that benefit smaller developments (in terms of development viability), to reflect the variable nature of the findings of the report we have made additional allowances on the build costs within our updated trial appraisals of scenarios of 10 dwellings or fewer.

2.4.11 With increasing build costs, the effect on viability tends to be magnified because the external works, professional fees and build cost contingency continue to be added at the same % rates as used previously, so that we have those significant additions effectively growing at the same rate. Appendix I summaries the assumptions placing for those and other factors, which in the main have not been adjusted from previous.

**S.106 (assumed contingency cost)**

2.4.12 Based on DSP’s experience of continuing to conduct CIL VAs and given the way s.106 and CIL have operated together in some areas, as a part of this update review it has been considered prudent to increase the s.106 contingency allowance within the

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\(^{10}\) BCIS (for Federation of Small Business) – Housing Development: the economics of small sites – the effect of project size on the cost of housing construction (August 2015)
appraisals considerably - from £1,000 to £3,000 per dwelling (assumed applied to all dwellings).
3 Results & Review Conclusions

3.1 Background

3.1.1 The comparative residential results (subject current review update (2016) and base i.e. previous (2012) from the approach set out above are shown in the tables (1 and 2) at Appendix II and will not be discussed in detail here.

3.1.2 It is important to note that the colour-coding at Appendix II provides only a rough guide to the trends – it helps to highlight the general results trends. Based on the accepted nature of such an exercise, i.e. this not being an exact science, this must not be over-interpreted as representing any strict cut-offs as regards viability / non-viability. In practice, switch-points between viability and non-viability will be variable and this process explores the likelihood of various realistically assumed values and costs proving to be workable. We can see the results trends as indicative outcomes vary with changing scheme type and changing affordable housing content with that.

3.1.3 Land owners’ situations and requirements will vary. While, as stated, those will need to be realistic and take account of policy requirements (and, as part of that, assessments will need to be made as to whether there are realistic prospects of securing significant value from existing or alternative uses in the prevailing market), they could be outside the ranges that we have explored in making our overviews; including at higher levels.

3.2 Results & Conclusions – North Somerset CIL Viability Review Update

Affordable housing threshold

3.2.1 The base assumptions were set in line with the CS16 policy position, reflecting NSC’s requirement for 30% AH on-site at 10+ dwellings and either on-site or by way of a financial contribution in-lieu on sites providing 5 to 9 dwellings. The removal of AH from schemes of <11 units, following the 11th May 2016 Court of Appeal decision (although noting that the involved Councils may seek leave to appeal that at the Supreme Court), would provide a positive viability influence particularly in lower to mid value areas in North Somerset, especially when comparing with the base results from the Council’s target 82/18 AH tenure mix in favour of rented products.
3.2.2 With the review work almost complete, further sensitivities at 0% AH (i.e. reflecting sub-threshold all-market housing scenarios, without AH) were also added for information to further support NSC’s review.

3.2.3 Looking at the 5 houses scenario, owing to numbers rounding and the limited scope to reflect any alternative other than 40% AH (with 2 units of AH) or 100% shared ownership (with 1 unit SO) the policy compliant version, the base scenario includes 1 unit notionally allocated for rent – i.e. 20% AH, at 100% rent. This is seen to have a significant impact on viability.

3.2.4 Again the 10 units scenario offers limited scope for adjusting the AH content to explore sensitivities. Given this also looks set to be ruled-out by the reinstated national minimum threshold (of 11 dwellings), it was decided to use the 25 dwellings scenario as a basis for switching 20% of the units into assumed starter homes tenure, with those selling at 80% market value (MV) and leaving 10% (rounded to nearest whole dwelling number) for “traditional” affordable tenure. Within the overall test scenario mix this then produced an assumed make-up that calculates at 32% AH overall, comprised of 17 market units, 5 for starter homes sale and 3 for affordable housing (2 x rent; 1 x shared ownership).

3.2.5 For the Council’s information, the added sensitivities on this basis are included within Appendix II. In the absence of known detail, the starter homes have been treated as top-sliced portion of affordable housing and therefore assumed just for current appraisal purposes to be brought forward by the involved RP as an extension to their shared ownership activities. The results could alter as more is clarified on this area, and it could be that a market based or some intermediate level of profit together with other market sale based fees would be incurred on these discounted sales if this element of the scheme were run by the developer. Nevertheless, the included sensitivity results will begin to give a feel for parameters – i.e. indicating the likely maximum improvement in outcomes to be seen from a switch of 20% of the units into starter homes use.

3.2.6 The Appendix II results also include a range of sensitivity scenarios for flatted development assumed at existing Weston Town centre values, VL1, reinforcing the need for a nil-rate CIL charge there at this time. As can be seen, with higher values assumed to be achieved, the VL2 and 3 sensitivity tests show how mixed outcomes
could emerge, especially over time and with a growing sense of place linked to the Council’s progression of various regeneration initiatives.

3.2.7 Overall, whilst arguably the general tone of residential values in Weston could potentially be considered to warrant some degree of wider nil-CIL rating approach, and the emerging regeneration area in its entirety could also be considered for nil-rating (meaning an extension of the town centre nil-rate zone approach by including ‘regen. area A’ as per the DSP search areas (see Appendix I)), a continued use of the PDCS approach in our view best represents the values patterns at a level appropriate to CIL setting at this point in time. This may need review in future.

3.2.8 At the other end of the spectrum, a case might now be made for a higher than previously proposed CIL charging rate in respect of the highest value areas of the district, as can be seen from the switch in the results trends for those. The resultant increase in CIL yield would probably not be very significant, and in combination with the downward movements on affordable rents the delivery of the most needed form of affordable housing could also be placed under additional pressure. However, a further added sensitivity test (£80/m² CIL) was included late on in the project update and these results are shown in Appendix II. This shows the limited impact that a marginal increase in the CIL rates would have in Value Levels 4, 5 and 6 covering the higher value areas of the district and upper end values in settlements outside of Weston-Super-Mare. The results are more marginal within the lower value areas district outside of WSM.

3.2.9 On balance, subject to NSC’s consideration of the range of changing factors as outlined here, the residential CIL charging proposal headlines as previously consulted (PDCS November 2012) on are considered still to provide an appropriate basis for proceeding to the DCS stage and onward subject to internal discussions over a potentially slightly higher rate potentially for the higher value villages / towns outside of WSM.

3.2.10 For the avoidance of doubt, it is expected that the residential CIL charge will apply to use classes C3 and C4 given the similarity in viability terms and the ability via permitted development rights to convert an existing C4 property into a C3 dwelling and potentially vice versa (subject to Article 4 direction) without the need for planning permission.
Housing for the elderly / Specialist accommodation involving care provision

3.2.11 DSP’s consistent assessment findings, are that housing-led development (including sheltered / retirement housing for independent living) should not be differentiated for in comparison with the approach to C3 in general. This forms part of the wide spectrum of market housing provision, within which there is inevitably great variety. These may or may not include an element of accommodation available for or supporting “assisted living” or similar, but in our view should in any event be CIL charged at the standard residential rate where they are commercial developments offering apartments or similar for market sale as the primary driver. In those cases the apartments would very often command premium level values as new-builds and they from part of the wide-ranging provision within the spectrum of market housing.

3.2.12 The viability picture on this is however quite different to that relating to accommodation for care provision. In contrast, regardless of their viability and whether as sheltered/retirement or extra-care schemes, developments brought forward by the affordable/public housing sector, by definition providing affordable housing, would not be charged.

3.2.13 The particular nature of a specialist housing scheme is always likely to need specific consideration at the planning delivery point - when planning obligations and CIL will be under review alongside the wide range of Development Management matters. Given the varied nature of such schemes, in our view it is unlikely to be possible to provide a definition that will solve all ambiguities.

3.2.14 At this stage, we see no clear viability pointers to varying the PDCS approach in these respects. NSC may wish to consider the relevance to its whole Plan delivery of new or extended care homes, however, in considering its final selection of a rate suggested not exceeding the previously consulted on £40/sq. m, aligned to the mid-range charge proposed for residential development (C3).

3.3.14 We would also like to note that there as well as specialist forms of housing for the elderly, there may also be some distinct housing provision for other vulnerable groups. DSP’s assumption is that those would again be provided either by the public sector as part of the wider social / health infrastructure or by affordable / charitable providers and hence also outside the CIL charging scope.
Potential further consideration of CIL in relation to strategic site proposals

3.3.15 The review overall suggests no scope at this point in time to increase the proposed CIL charging rates in respect of the outer Weston area (zone), which is still considered likely to form part of an appropriate approach “blending out” from the clearly typically lower values within inner Weston and the clearly higher typical values levels supported by locations moving out to other parts of the district.

3.3.16 More recent growing practice on the use of CIL and s.106 together, however, has in our experience moved towards a preference for the use of s.106 as the key infrastructure contributions tool from strategic scale site development.

3.3.17 There are usually two main factors involved in that approach. These are the direct provision of infrastructure and timing control that comes with s.106 and the fact that with a high-level of site specific mitigation and infrastructure/enabling works usually required on such a site, the scope for fixed (non-negotiable) CIL charging is often significantly reduced or removed. Overall, in such situations, s.106 has of late been considered to offer greater delivery flexibility.

3.3.18 The viability information continues to support a CIL level not exceeding the previous consultation levels in any event, but NSC may also wish to consider an alternative approach if there remains significant a significant level of strategic development still to come forward by the time its CIL is due to be implemented. An approach in the range £0-40/sq. m would be within the scope of the viability information overall, bearing in mind that it is to inform the NDC approach alongside other evidence, and does not direct the approach as the only factor. For context here, we mean any outstanding large scale schemes that, individually, are crucial to securing the overall delivery of the Plan.

CIL and other commercial/non-residential development uses, including retail considerations

3.3.19 DSP’s 2012 VA report contains comprehensive information informing the consideration of local CIL charging in North Somerset for retail and other commercial/non-residential development uses.

3.3.20 As with the residential overview, we consider that on balance the previously advanced proposals remain appropriate. The proposed approach is explained, consistent in key respects with wider experience and remains appropriate in DSP’s view.
3.3.21 Although currently we do not see much evidence for rising rents as would influence our commercial test scenario assumptions, there appears to be a case for assumed yield % to have reduced to some extent in many scenarios, informing a more settled investment view – more security of income. This is typically seen to flow through to increased development values. However, at the point of this update with think a balanced approach would also assume increased build costs from previous and that, overall, a “no significant change” outcome will be most representative.

3.3.22 Similar to the care homes (C2 use) related discussion above, NSC may wish to consider the latest local and whole Plan context in respect of how the development of smaller retail units fits in. Where this form of development has been considered key to a Plan’s proposals, DSP also has experience with LAs setting a lower still or nil (£0/sq. m) charging rate for small shops development. At present it appears unlikely that a modest CIL charging rate as previously proposed, and well beneath the rate put forward and remaining appropriate for larger format retail, would be detrimental to the delivery of the Plan, and again NSC will need to consider not just the viability evidence, so that further discussion could be held with NSC on this if relevant.

**Monitoring and review**

3.3.23 Our 2012 report noted the importance of monitoring and reviewing the operation of a CIL over time - once it is implemented. We emphasize this point again here as a subsequent CIL charging schedule (future update) may need to be different in terms of the rates, differentials or other matters.

3.3.24 There are currently no set criteria for review, but this is likely to require a relatively short term view and update compared with the Local Plan timeline. A review in due course would be undertaken in response to a range of information and influences; with its timing and extent based on considering a variety measures that will vary over time and may in some cases also vary by development type and / or location. The influences, which we suggest would form part of the monitoring context, could include:

- the economy;
- housing and wider property markets – nationally / regionally and locally;
- developments costs trends (build and other costs, as considered here);
- updated view on progress with planned development delivery, including any reviewed relevance of strategic sites to a subsequent charging schedule;
- national policy impacts / opportunities (as considered here);
- how influences such as these come together when looking again at the local characteristics to inform any CIL rates and / or zones adjustments – so as to respond appropriately in taking a refreshed look over time at the balance between securing infrastructure to support new development and the viability of that necessary development – as identified through the Local Plan.

3.3.25 DSP is happy to assist further in informing NSC’s ongoing considerations around this, if required.