

## Executive Summary

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Local Plan Viability Study



**Horsham**  
**District**  
**Council**

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Horsham District Council

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June 2021

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Private and Confidential

## Introduction

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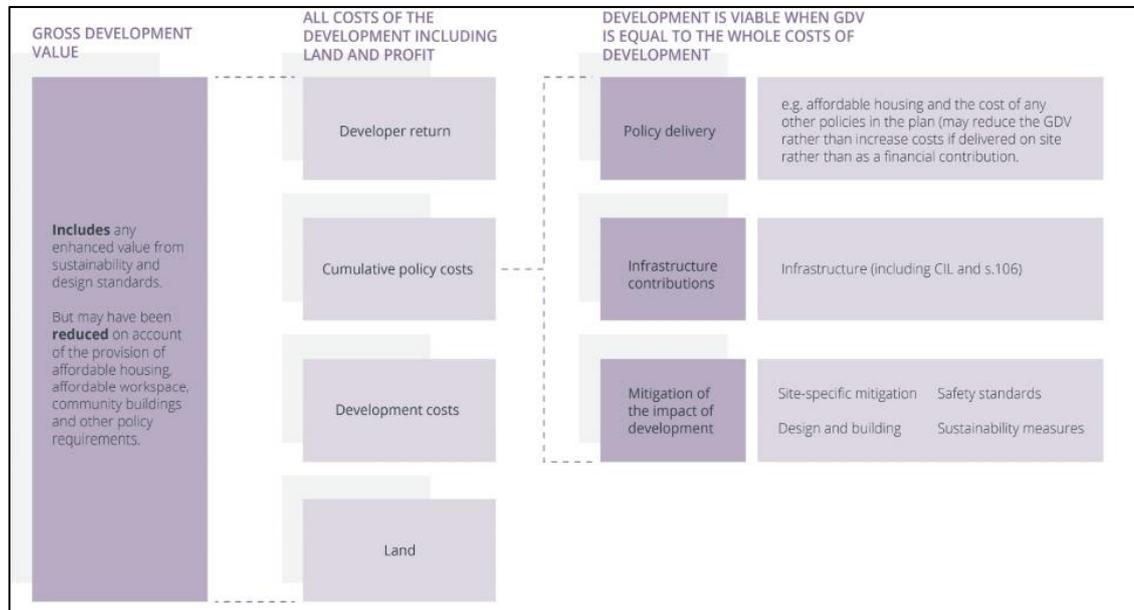
- ES 1 AspinallVerdi have been instructed by Horsham District Council (the 'Council') to provide an evidence base to assist in identifying the viability impacts of emerging planning policies in its draft Local Plan.
- ES 2 As is demonstrated in this report, the draft policies are viable and hence deliverable. We have demonstrated this through viability testing the draft policies against development typologies, which are reflective of the type of development anticipated to come forward in the plan, and specific testing of strategic sites.
- ES 3 In making our assessment we have had regard to:
- Revised National Planning Policy Framework (NPPF)
  - Planning Practice Guidance (PPG)
  - Local Housing Delivery Group publication 'Viability Testing Local Plans', 2012
  - Royal Institution of Chartered Surveyors (RICS) 'Financial Viability in Planning 1st Edition', 2012
  - RICS Financial viability in planning: conduct and reporting 1st Edition, May 2019.
  - RICS, March 2021 (effective from 01 July 2021), Assessing viability in planning under the National Planning Policy Framework 2019 for England

## Approach

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- ES 4 In testing viability, we have run a series of development appraisals using a bespoke MS Excel model. The model calculates the viability surplus/deficient for each scenario with results displayed in a series of tables. Figure ES 1 summarises the formula used in the MS Excel Model to assess development viability.

Figure ES 1 Elements required for a viability assessment



Source: Source: RICS, March 2021

ES 5 The inputs used in the appraisals have been based on robust evidence as follows:

- **Values** - are based on detailed analysis of the local market which is evidenced in a separate property market report appended to this study. The property market report draws on published data from Land Registry, CoStar (commercial property database of transactions) and commercial property reports. In addition, telephone consultations have been undertaken to verify the published data.
- **Development costs** - devised from recognised published data such as BCIS<sup>1</sup> and comparable schemes. On strategic site costs and been informed through consultations.
- **Policy costs** – we have undertaken a review of the Council's draft policies. Those policies that will have a direct cost to development have been included in the appraisals. Pertinent potential policy costs have been included are: affordable housing, biodiversity net gain, improving housing standards (M4(2) and M4(3)), sustainable urban drainage, water efficiency, sustainability, 75% carbon reduction, Community Infrastructure Levy (CIL), and electric charging points. Education has been included in the strategic site testing.

<sup>1</sup> Build Cost Information Service published by RICS and is recommended by the PPG

Affordable housing has been tested with the Council's preferred tenure of 70% affordable rent and 30% shared ownership. A sensitivity assessment has been undertaken that includes the government's new First Homes tenure. We make recommendations on the level affordable housing which is viable across the District.

In the current Local Plan strategic sites had been zero rated for CIL. For future strategic sites to be zero rated a CIL review would be required. This testing has included CIL, as the sites are not currently zero rated, with the findings to inform (amongst other things) whether a CIL review is required for strategic sites. Though including CIL on strategic sites may mean an element of double counting with the assumptions used for S106. As these sites progress the Council will need to ensure no double counting does occur.

- **Developer return** – the testing reflects the range set out in the PPG of between 15% and 20% of gross development value (GDV). It is widely accepted in the market that the risk profile on affordable units is lower as developers have an end user and benefit from a golden brick payment structure i.e. receive payments for the units during the construction period. Therefore, affordable housing has been tested with 6% of GDV.
- **Land value** - has been determined through using the Existing Use Value (EUV) plus Premium method – this method is set out in the PPG and RICS guidance. For the land value calculation for greenfield sites, we have based the EUV on agricultural land values and applied a suitable multiplier. For brownfield sites, we have based the EUV on low grade employment sites and applied a reasonable percentage uplift to reflect the premium. However, our analysis has shown that some of the brownfield sites may have lower EUVs, as a number of these sites comprise curtilage of developed land such as equestrian facilities or contain structures that have blended into the surrounding landscape.<sup>2</sup> As such, some sites which are categorised as brownfield may, in reality, derive lower land values akin to the greenfield sites.

It is important to stress, that should any site specific schemes incur any additional costs than that identified in this study, then these costs will need to be reflected in a reduced land value – this is in accordance with the PPG and RICS guidance.

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<sup>2</sup> Planning Portal, 2021. Glossary: Previously Developed Land or 'Brownfield' land.

## What we have tested?

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ES 6 The viability testing has considered both residential and non-residential growth identified in the draft Local Plan, with the test set out as follows:

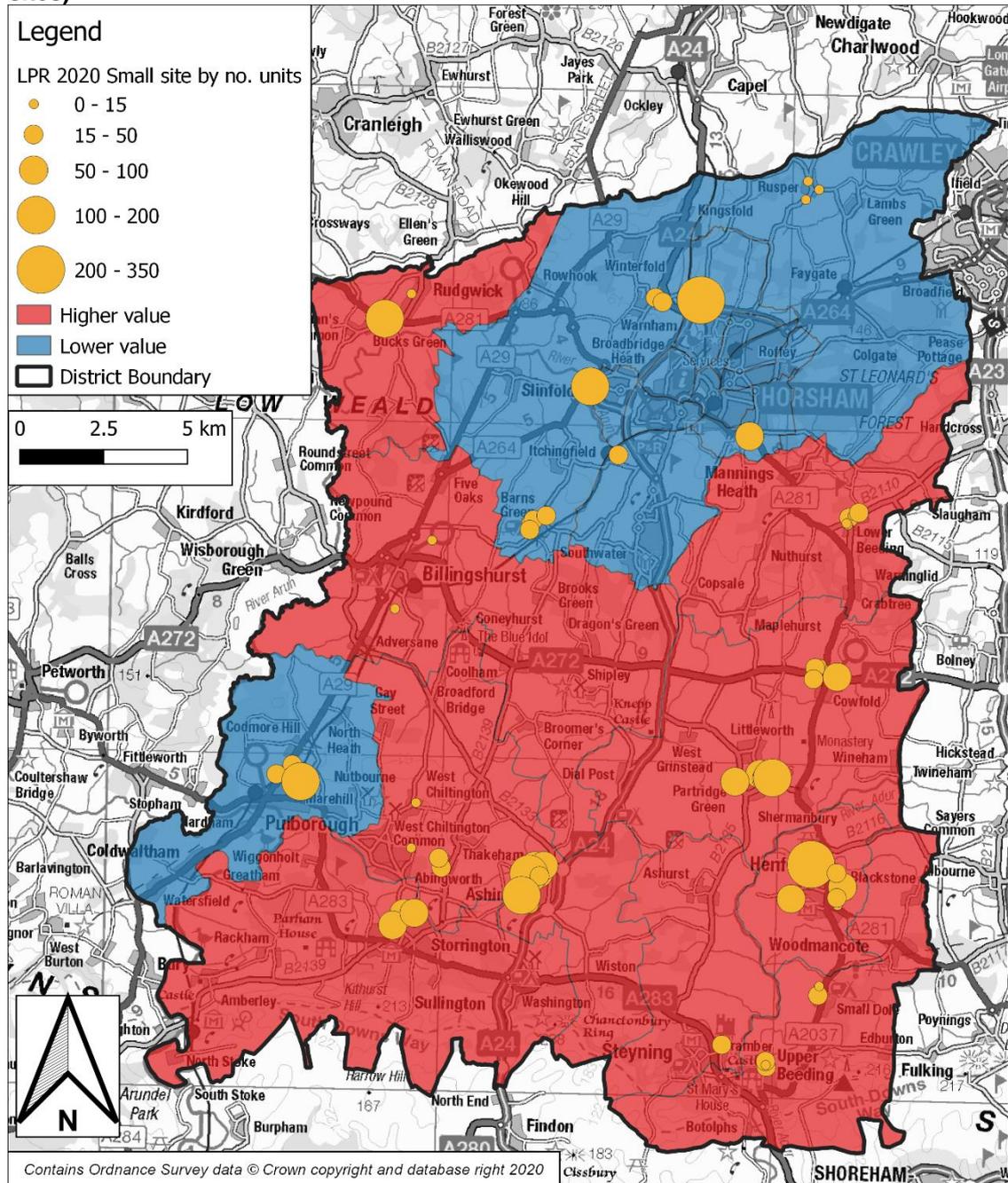
### Residential

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ES 7 The residential testing has been based on a typology approach (reflecting the type of development proposed in Council's Regulation 18 Site Assessment Report (SAR)) and testing of the strategic sites.

ES 8 In determining the typologies, guidance allows us to vary the viability testing by values. In our assessment we have considered new build sold prices of schemes in the District, in doing so we have considered unit prices, unit sizes and price £psm. Based on our analysis, we devised two value zones to test, we then overlaid the pattern of proposed development – see analysis in Figure ES 2 overleaf.

Figure ES 2 Viability zones and pattern of potential residential allocations (excl. strategic sites)



ES 9 Guidance allows us to also vary the testing by greenfield and brownfield development, we therefore analysed the pattern of proposed development in each of the two value zones by greenfield and brownfield sites. It was clear through this analysis that the majority of planned growth is on greenfield sites. Our analysis showed that brownfield sites will yield around 13% of all planned residential growth, excluding strategic sites. Once strategic sites are included this percentage will significantly fall. In addition, as part of this analysis, we considered development

densities and gross and net developable area. Finally, we analysed the Council's Strategic Housing Market Assessment (SHMA) to ensure the dwelling mixes used in the testing met the housing need.

- ES 10 For the strategic site testing, we undertook consultations with the landowners, promoters and developers associated with the those shortlisted for allocations in the emerging plan. We requested the relevant parties complete a proforma detailing the nature of development, site-specific circumstances (i.e. opportunities / constraints), ownership details and their approach to viability testing. We also undertook a series of virtual meetings which lasted around 1 hour.
- ES 11 These consultations aimed to understand the nature of development that is being promoted on the sites and how the site-specific circumstances may influence viability in the context of the emerging policy requirements.
- ES 12 Where viability inputs were provided, we asked for supporting evidence. We then benchmarked their inputs against published data. Where we have agreed with the inputs, we have adopted the same costs and values in our appraisals. Where we have disagreed, we have made appropriate adjustments based on our review of evidence for the generic site testing.

### Older persons accommodation & Build To Rent (BTR)

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- ES 13 In formulating our typologies for older persons accommodation, we considered age restricted accommodation, as this is what is typically provided by private developers. This typology along with BTR typologies were informed by comparable schemes.

### Non-residential

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- ES 14 Grouped into the non-residential testing is comparison and convenience retail, office and industrial uses. These typologies have been based on the type of sites proposed to come forward and the type of schemes developed locally and regionally.

## Viability testing results

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ES 15 The following results and recommendations are based on the evidence set out in this viability report and the objectives set out in the Council's draft Local Plan.

## Generic Typologies

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ES 16 The results of the generic typology viability testing are summarised as follows:

### Residential

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ES 17 Our testing of the non-strategic sites has shown that all potential greenfield allocations are viable with 45% affordable housing. Also, viability is maintained with the introduction of the First Homes tenure.

ES 18 For brownfield sites viability is more challenging. To maintain a single affordable housing percentage across the District for this type of development 10% affordable housing is deemed to be viable. To enable viable development for brownfield sites at 10% affordable housing, land values may need to fall slightly and/or developer profit reduced on some of the scenarios tested. We consider such an approach to be reasonable given that some of the brownfield lands in reality could be lower (as highlighted above) and we need to strike an appropriate balance between the developer, landowner and aims of the planning system.<sup>3</sup>

### Older persons accommodation

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ES 19 Our testing has shown that elderly accommodation development is viable with all policies tested and affordable housing at 40%.

### Build To Rent (BTR)

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ES 20 Our testing has shown that BTR development is viable with all policies tested but affordable housing needs to be varied as follows:

- Greenfield – 40% affordable housing
- Brownfield – 20% affordable housing

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<sup>3</sup> Paragraph 010 of the Viability PPG which states: '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.'

### Retail

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- ES 21 Convenience retail development is viable and the Council can continue to deliver the CIL charge (indexed linked), as well as biodiversity net gain and electric charging points.
- ES 22 Comparison retail viability is more challenging and is very sensitive to changes in rents and yields. Given the challenges with viability we recommend that the Council should not seek anything too onerous in terms of policy.
- ES 23 There is retail development identified as part of the uses on some of the strategic sites. The retail element of the strategic sites forms only a small element of the overall mix and our testing has shown it does not render these sites to be unviable.

### Employment

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- ES 24 Office development viability is also challenging in the current market. Office development is generally not viable on a speculative basis away from core cities and the Thames Valley but can become viable on a pre-let basis or owner occupier. The Council should not seek anything too onerous in terms of policy ask to maintain viable development.
- ES 25 Industrial/warehouse development is viable, but smaller units are more marginal, hence, the Council should not be too onerous in their policy ask.

## Strategic Sites

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ES 26 Based on initial high-level viability testing we agreed with the Council that the strategic sites should be tested with 35% affordable housing and all draft policy costs. Unlike the generic typologies, this also includes education contributions (primary & secondary).

ES 27 We have reviewed the expected delivery numbers contained within the Icení Horsham Housing Delivery Study (September 2020) and compared these to the proposed delivery rates put forward by the site promoters within the plan period. The majority of strategic sites delivery rates fall in the plan period as anticipated by the Icení report. But there is a discrepancy between the delivery rates stated by the promoters, the Icení report and our assessment as follows:

- **Buck Barn** - Icení indicated in their report that Buck Barn will deliver 2,100 dwellings over the plan period based on 200 dwellings per annum. The promoter indicated a quicker delivery rate of 300 dwellings per annum, which will deliver 3,500 dwellings over the plan period. We have tested the full 3,500 dwellings but have found the promoter's delivery rate to be too high. Based on our testing of 250 dwellings per annum around 3,200 dwellings will be delivered in the plan period.
- **NE Henfield** - Icení indicated in their report that NE Henfield will deliver 1,850 dwellings over the plan period. The promoter has indicated 2,600 dwellings, the key difference in the assumptions is the lead-in time for the development. Through our consultations, the promoter has indicated the land can come forward as the majority of the site is under option or willing landowners, with a small number of parcels to be concluded. We therefore do not see significant challenges in bringing forward the 2,600 dwellings over the plan period, and that is reflected in our testing.
- **Adversane** - Icení indicated in their report that the Adversane site will deliver 2,100 dwellings over the plan period. The promoter has presented us 2,708 dwellings over a 17-year period, based on a delivery of 160 dwellings per annum. We have tested the 2,708 dwellings and have agreed with the promoter's delivery rate. Once allowing for a reasonable lead-in period the promoter's total units fall outside the plan period, Based on our assessment, we anticipate around 2,040 dwellings will be delivered over the plan period i.e. broadly in line with the Icení assessment.

- **West of Ifield** - Icen indicated in their report that West of Ifield will deliver 2,800 dwellings over the period. The promoter has presented us 3,250 over the plan period, based on a delivery of 250 dwellings per annum. We have agreed with the 250 dwellings per annum delivery but we have found the promoter's lead-in period to be optimistic. Once adjusted, the anticipated delivery is broadly achieved, with our completions 2-months longer than the 15 year plan period (i.e. 182 months).

ES 28 Our assessment has shown that all the strategic sites are viable i.e. the residual land value generated in the appraisals provides a sufficient premium (multiplier) above the agricultural existing use land value. Further details on the strategic sites are summarised in Table ES 1.

**Table ES 1 Strategic sites testing summary**

	E. of Billingshurst	W. of Billingshurst	N.E. of Henfield	Adversane	Buck Barn	Kingsfold	Southwater	Rookwood	West of Ifield
<b>Total Units (inc. other resi)</b>	650	1,000	2,600	2,708	3,500	1,300	1,200	750	3,250
<b>Baseline Policy Costs</b>	9,514,538	14,668,500	48,661,275	50,423,231	65,173,500	18,878,925	17,565,300	10,698,463	59,721,188
(per unit)	(14,638)	(14,669)	(18,716)	(18,620)	(18,621)	(14,522)	(14,638)	(14,265)	(18,376)
<b>Infrastructure Costs</b>	14,600,300	20,000,000	52,000,000	62,284,000	83,317,500	26,000,000	24,393,600	15,000,000	74,750,000
(per unit)	(22,462)	(20,000)	(20,000)	(23,000)	(23,805)	(20,000)	(20,328)	(20,000)	(23,000)
<b>Promoter's Adjusted S106</b>	2,542,800	10,216,600	24,796,200	13,540,000	44,044,000	12,970,100	11,444,400	-	48,064,250
(per unit)	(3,912)	(10,217)	(9,537)	(5,000)	(12,584)	(9,977)	(9,537)	(-)	(14,789)

## APPENDIX 8

LPVA Executive Summary  
Horsham District Council  
June 2021

	E. of Billingshurst	W. of Billingshurst	N.E. of Henfield	Adversane	Buck Barn	Kingsfold	Southwater	Rookwood	West of Ifield
<b>Total</b>	<b>26,657,638</b>	<b>44,885,100</b>	<b>125,457,475</b>	<b>126,247,231</b>	<b>192,535,000</b>	<b>57,849,025</b>	<b>53,403,300</b>	<b>25,698,463</b>	<b>182,535,438</b>
(per unit)	(41,012)	(44,885)	(48,253)	(46,620)	(55,010)	(44,499)	(44,503)	(34,265)	(56,165)
<b>Delivery</b>	<p>Land in multiple ownership, option agreements in place with no minimum land payment.</p> <p>Access needs to be obtained through the existing development to the north. But may form part of land deal to reaccommodate a school site.</p>	<p>Only one landowner who is self-promoting the land.</p> <p>Not aware of any minimum land payment required to bring site forward.</p> <p>No significant highway work constraints identified.</p>	<p>Land in multiple ownerships but most under option. Smaller parcels of land still need to be acquired through private treaty. No evidence provided of minimum payments.</p> <p>Promoter BLV said to be reflective of premiums agreed with landowners.</p> <p>Residual land in our testing exceeds promoter's BLV.</p>	<p>Three landowners with options in place.</p> <p>Equalisation agreements to be determined.</p> <p>Promoter BLV said to be reflective of premiums agreed with landowners.</p> <p>Residual land in our testing exceeds promoter's BLV.</p> <p>Construction of bridge over railway line required. Some detailed work undertaken to establish</p>	<p>Seven landowners with all land held under option agreements.</p> <p>Majority of the site (circa 70%) under one option agreement which has a minimum payment.</p> <p>Residual land in our testing exceeds promoter's BLV, and the minimum land payment in their main option agreement.</p>	<p>Five landowners with all land held under option. No need for equalisation agreement, but no evidence on minimum land payment.</p> <p>Requires bridging of railway line, which is a delivery risk.</p> <p>Business case has been submitted to network rail.</p> <p>Parcel to the west can be delivered in isolation without the</p>	<p>Two landowners with agreements in place to bring forward the site.</p> <p>Technical works undertaken on infrastructure works, no known constraints identified.</p>	<p>Owned by HDC. Land value significantly lower than other strategic sites. Land not available until 2022/23.</p> <p>No due diligence has been undertaken on key infrastructure constraints.</p>	<p>Most of the land under single ownership to Homes England.</p> <p>Land held through historic interest relating to New Towns initiative. No set minimum land payment.</p> <p>Western Link Road and school required to be delivered upfront.</p>

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	<b>E. of Billingshurst</b>	<b>W. of Billingshurst</b>	<b>N.E. of Henfield</b>	<b>Adversane</b>	<b>Buck Barn</b>	<b>Kingsfold</b>	<b>Southwater</b>	<b>Rookwood</b>	<b>West of Ifield</b>
				optimum position of bridge.		need to bridge railway.			

## COVID-19

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- ES 29 Our viability assessment commenced prior to the global pandemic but has been updated throughout, with our assessment of costs and value reflecting latest published evidence. In some sectors it is still too early to tell the full impact COVID-19 but we have already seen positive indicators with house prices and strong capital values on industrial properties therefore we consider the local market to have held up well.
- ES 30 Furthermore, the viability testing has allowed for sufficient “viability buffers” to ensure development does not come forward at the margin of viability.

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