Worthing Borough Council Community Infrastructure Levy Examination

By

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Turner Morum Viability Report

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1. BACKGROUND & EXECUTIVE SUMMARY

1.1. Worthing Borough Council ("WBC") has undertaken a review of the current Community Infrastructure Levy ("CIL") Charging Schedule – adopted in October 2015 – and instructed Dixon Searle Partnership ("DSP") to publish a CIL Viability Assessment which seeks to assess the suitability of the current CIL Charging Schedule, and inform WBC's review of existing CIL rates.

1.2. Turner Morum ("TM") was subsequently instructed by Roffey Homes in August 2020 to provide a detailed analysis of the DSP "CIL Viability Assessment", carried out on behalf of Worthing Borough Council ("WBC") – focusing on the viability analysis of flatted developments on previously developed land ("PDL") in Worthing.

1.3. As part of their analysis, DSP has tested the viability of a number of flatted scheme typologies, including scenarios of 6, 15, 25, 75, and 100 flats. DSP also note that there are scheme characteristics specific to these flatted schemes which require further investigation – such as base build cost, the net to gross floor area ratio, and the inclusion basement car parking – and as such, DSP have also carried out some sensitivity analysis on these inputs for their scheme typologies.

1.4. Detailed analysis of DSP's key input assumptions is included further below in this report, but DSP's overarching conclusions as to the viability of CIL charges for flatted schemes in Worthing reads as follows:

- 4.1.2. "*Generally, from the wide-ranging results basis, we see a common theme emerging relating to the overall strength of results when comparing development on greenfield and PDL (previously developed land i.e. 'brownfield') site types. This is primarily due to level of EUV that informs the BLV against which the RLV results are compared. Although this effect is clear throughout the results sets, the influence of likely higher EUVs and therefore BLVs is particularly evident in the case of the town centre flatted residential development typologies, where higher development costs and a more typically weaker strength of relationship with the development values*

compound the viability effects associated with often higher site values. This is not just in the main town centre but is considered a notable influence more generally, and especially where apartments-led schemes are proposed for relatively high-value PDL sites and which exceed the affordable housing threshold (so require AH provision). This shows through a high level of sensitivity to the level of CIL supportable with varying sales values (as represented by the VLs) available; and potentially too great a reliance on high-end values in the Worthing context, in order to reliably support fixed CIL costs alongside the CS policies on such developments." [My emphasis]

- 4.1.3. "*Whilst particular viability issues are more likely to be inherent in the site and scheme rather than a direct result of the planning policies or CIL, it is clear that in viability terms the most the Council could do would be to consider a significant reduction in the CIL level applicable to flatted schemes on PDL which carry AH requirements, looking at this now and in the near future. This, in our view, should be considered, although the Council is able within the scope of the CIL guidance in the PPG to consider some pragmatism. Across the consideration of its CIL charging approach, charging authorities must strike an appropriate balance between the desirability of funding infrastructure and the viability of development. Each scenario produces differing outcomes. Judgements and an overview are necessary, therefore, and although unavoidable this is consistent with the nature of a CIL and is appropriate for the purpose."* [My emphasis]

1.5. DSP then make the following recommendation:

- 4.3.1. (C) "*Flatted development borough wide (excluding sites beneath the 10-unit AH threshold i.e. those carrying no AH requirement) – results analysis indicates challenging viability on the whole, and therefore in our view WBC should consider setting CIL at a significantly lower (nominal) or potentially nil rate. For clarity, this involves differentiation by development type, rather than by site type, on the basis that flatted developments are considered likely to only occur on PDL sites. Where flatted development occurs on or is part of a*

larger greenfield site, we consider the characteristics of that are most relevant and we do not envisage that being lower/nominal or nil rated – see F below." [My emphasis]

1.6. It is clear from the above extracts and emphasised passages that DSP view the viability of flatted developments in Worthing as marginal at best – with the appraisal results and supporting commentary showing that these typologies only begin to show viability at the highest value levels (of £4,500+ psm). Despite this, WBC have suggested a CIL rate for flatted developments of £25 psm.

1.7. The DSP analysis references the importance of guidance documents such as the publication *Viability Testing Local Plans* (2012) by the Local Housing Delivery Group known as the 'Harman Report' (Appendix 8). In this guidance an overarching theme is that Local Plan requirements (such as CIL) should not be set at a level which can be considered as 'on the margins' of viability. The key extract from the Harman Report (page 16) is shown below;

A viability assessment can test the impact of the costs of different policy requirements on delivery across the plan area, informing the local judgement about risk. Given the clear emphasis on deliverability within the NPPF, Local Plan policies should not be predicated on the assumption that the development upon which the plan relies will come forward at the 'margins of viability'.

In making this local judgement, the planning authority will need to strike a balance between the policy requirements that it deems necessary in order to provide for sustainable development and the realities of economic viability

1.8. In this regard I would contend that even based on the DSP analysis they demonstrate that almost all of the tested brownfield flatted development schemes would face *challenging viability on the whole* with the inclusion of any CIL requirement. As such even the inclusion of a nominal CIL rate would negatively impact the viability of flatted development schemes and in turn would

result in viability negotiations being required at the planning application stage to reduce other obligations such as affordable housing or S106.

1.9. Having undertaken a detailed review of the available evidence provided by DSP to the CIL review, I am of the view that there are some key input assumptions within the 'base' DSP analysis of these flatted schemes which do not reflect the realities of these schemes, and that simply adjusting these input assumptions to more realistic levels further worsens the viability which DSP themselves already conclude is *challenging.*

1.10. Taking this with the fact that CIL should not jeopardise the viability / deliverability of developments within the broader context of a charging authorities' planning policies, I am of the view that DSP's analysis does not support the recommendation that even a *lower (nominal)* CIL rate can be supported by these schemes.

2. MECHANICS OF THE ASSESSMENT

2.1. In order to assess the appropriateness of the assumptions adopted by DSP, it is first necessary to rebuild their analysis to establish the impact of DSP's stated input assumptions. DSP have undertaken their assessment through residual appraisals which produce a Residual Land Value ("RLV") for each typology; this is then compared with the benchmark land values ("BLV") tested by DSP.

2.2. If a surplus is produced, the scheme can be considered as being technically viable, and conversely if a deficit is produced, the scheme should be considered as non-viable. If a scheme is shown to be non-viable, this would suggest that the proposed CIL rate is not appropriate and would jeopardise the viability and deliverability of the scheme.

2.3. Appraisals mirroring DSP's approach to the 6-unit and 25-unit can be found at Appendix 1 and Appendix 2, respectively. These appraisals have been checked against DSP's 'Summary Appraisals' at their Appendix IIa – "Residential Results" –

to ensure that DSP's assumptions have been applied correctly, so that this approach can be mirrored within the TM sensitivity appraisals.

2.4. It should be noted, however, that no detailed appraisals and cash flows have been made available by DSP – and summary appraisals have not been provided for all typologies – and therefore it is not possible to exactly replicate all appraisals for each typology. TM have attempted to obtain the full detailed analysis from DSP in advance of making this submission but at the time of writing this report they have not been made available. Assumptions have therefore had to be made (mainly in relation to finance costs) to produce the attached analysis.

2.5. In terms of my appraisal analysis – these can be seen at Appendix 3 and are summarised as follows:

- Tab 1A 6-Unit Flatted Typology – £100 CIL – VL6
- Tab 1B 15-Unit Flatted Typology – £0 CIL – VL6
- Tab 1C 25-Unit Flatted Typology – £0 CIL – VL6
- Tab 1D 75-Unit Flatted Typology – £0 CIL – VL6
- Tab 1E 100-Unit Flatted Typology – £0 CIL – VL6

2.6. I have also carried out some sensitivity analysis – explored further in Section 5.

3. ANALYSIS OF KEY INPUT ASSUMPTIONS

3.1. It should be noted in the first instance that there are several DSP viability inputs which have not been adjusted in this analysis. This does not necessarily mean they should be considered as accepted, but that are not the subject of this analysis and have therefore not been amended. These can be summarised as follows:

- Tested value levels ("VLs")
- Fees, marketing, and sales legal costs
- External works cost allowance
- Contingency allowance
- Sustainable design and construction
- Professional fees
- Developer profit
- Section 106 costs per plot
- Tested BLVs

3.2. I will now run through the input assumptions which are the subject of this analysis, and where it is felt adjustments should be made:

STANDARD CONSTRUCTION COSTS

3.3. Within their report, DSP state that they have adopted median quartile standard construction costs from the RICS Building Cost Information Service ("BCIS"), with a location weighting for Worthing applied. For flatted typologies, DSP have included build costs for flats (generally), flats (3 – 5 storey), and flats (6+ storey). This is the generally accepted approach for assessments of this nature.

3.4. DSP's Appendix 1 ("Development Appraisal Assumptions") shows that an allowance of 10% is applied on-top of these base build costs (for flats) to represent additional, plot-specific, external works costs. An additional allowance of 5% is

then applied on-top for associated contingencies. These allowances are again considered to be 'standard' for assessments of this nature.

3.5. As noted above, it is difficult to fully analyse all assumptions adopted by DSP as not all appraisals (or summary appraisals) have been made available; the only summary appraisals for the flatted schemes are for 6-units and 25-units. However, from what we can infer it would appear that for all 'base' appraisals for flatted typologies, BCIS figures for flats (generally) have been applied.

3.6. Although it is acknowledged that DSP have carried out a sensitivity analysis on this input for the larger typologies – of 75-units and 100-units – BCIS figures for flats (6+ storey) should be the 'base' assumption for these appraisals.

3.7. It is difficult to envisage schemes of this size (i.e. 75+ units) comprising anything less than 6 storeys, and indeed there is no evidence I am aware of for schemes of such a size coming forward within Worthing that are of a lower storey height. As such, the TM appraisals at Tab 1D (75-units) and Tab 1E (100-units) include DSP's BCIS figures for flats (6+ storey) as the base assumption.

3.8. The impact of this change on the conclusions of the viability are significant. The BCIS cost for 3 – 5 Storeys including the 10% allowance for externals and Worthing locational weighting equates to c. £165 psf. The same BCIS cost for 6+ Storeys is c. £204 psf; the additional £40 psf will significantly increase the build costs and thus negatively impact the viability conclusions.

3.9. To illustrate this point further, my own recent experience of working on flatted schemes in Worthing includes a scheme for Rocco Homes called The Causeway – which extends to 81 flats and 8-storeys in height (see Appendix 9). This is clearly an example of a brownfield flatted development of just over 75 units which would require the BCIS 6+ Storey build cost be applied. In adopting the BCIS 3 – 5 Storey cost DSPs analysis is assuming significantly lower build costs than can be justified and thus is falsely inflating the viability of these scenarios.

3.10. I have also been involved in the recently consented Teville Gate application which was approved at Planning Committee in March 2020 (details as per Appendix 10). This application submitted by Mosaic Global Investments Ltd, includes 378 flats and a 22-storey tower block in addition to various other non-residential use classes. Although the size of this scheme is in excess of the typology tested by DSP is an indication that clearly BCIS 6+ Storey build is the minimum requirement for large scale flatted development projects.

3.11. Further examples include flatted developments being bought forward by Roffey Homes and others which are detailed below (see Appendix 11 for details):

- Bayside Apartments – 141 units up to 15 storeys; this scheme is currently being built out.
- Union Place – over 100 units proposed at 6+ storeys as part of a mixed-use development – AWDM/0461/20.
- Grafton Site – over 100 units proposed at 6 + storeys; no application submitted as yet but I understand from the applicant that this will certainly exceed 6+ storeys in height.

3.12. There could even be an argument made for smaller development typologies requiring BCIS 6+ storey build costs. For example, Roffey Homes submitted viability evidence to DSP for their development proposal at West Parade & Grand Avenue. This scheme is for 29 flats and is arranged over 3 – 8 storeys in height together with 31 basement car park spaces. Once again, the impact of this would be to increase build costs from the analysis currently undertaken by DSP and thus worsen the viability of the flatted development scenarios they have tested.

3.13. I believe this reinforces the fact that BCIS costs for flats (6+ storeys) are more appropriate for the larger scheme typologies at the least – and could evidently be applicable to smaller schemes also, as is the case at Grand Avenue.

SITE WORKS

3.14. DSP have included an allowance for "Site Works" – i.e. all site abnormal and infrastructure works costs – at £300k per net hectare. The first key issue here is

considering these costs on a rate per net hectare basis. Given that these are high-density, flatted schemes, the site areas DSP have assumed are all very small, ranging from just 0.08 hectares to 0.5 hectares, and therefore produce very low overall site works cost sums ranging from £24k to £150k.

3.15. Taking, for example, the 100-unit typology (although, again, it is difficult to verify these assumptions without sight of the full appraisals and supporting information) this assumption would produce site works costs totalling just £136k (based on 0.45 hectares). For a flatted scheme of 100-units – even on a high-level basis – this simply cannot be correct, but when one also considers that these schemes are being brought forward on PDL sites – which naturally attract significantly higher abnormal work costs – this allowance appears grossly insufficient. This cost would need to include all items outside of 'standard' BCIS costings such as (but not limited to);

- Demolition
- Remediation
- Site Clearance/Preparation
- Extra-over Foundations
- Piling
- Electrical Substations
- Additional Design Requirements/Sustainability Measures
- Rights of Light Compensation Budget/Insurance

3.16. This is also before important aspects such as basement parking are included, which will increase these costs dramatically (although it is appreciated that DSP have considered this within their report and sensitivity analysis).

3.17. When one considers also that the 75-unit typology has a larger site area than the 100-unit typology, this site works assumptions would produce site works costs for the 75-unit typology which are c. £15k higher than the 100-unit typology. This again cannot be considered reasonable although I would assume that DSP have adopted this approach so as to justify their 3 – 5 Storey BCIS Build Costs.

3.18. An alternative approach would be to include site works on a cost per unit basis, which was the approach adopted by DSP when carrying out the CIL viability study for Brighton & Hove City Council in 2017. Although this was still a fairly small allowance – of £4.5k per unit – this would account for differences in site area and scheme size that DSP's adopted allowance within the subject assessment cannot.

3.19. I have prepared a schedule below to illustrate how the different approach to assessing site works and produce significantly different costings; this is especially notable for 25 units and above;

Units	ha	£300k per ha	£4.5k per unit
6	0.08	£24,000	£27,000
15	0.15	£45,000	£67,500
25	0.25	£75,000	£112,500
75	0.50	£150,000	£337,500
100	0.45	£135,000	£450,000

3.20. To maintain consistency with the DSP approach, however, I have increased the site works allowance to £500k per net acre (or c. £1.2m per net hectare) within the attached TM sensitivity appraisals at Appendix 3, which – given the scheme sizes – still produces relatively modest overall site works costs as highlighted in the schedule below;

Units	ha	£300k per ha	£1.2m per ha
6	0.08	£24,000	£98,840
15	0.15	£45,000	£185,325
25	0.25	£75,000	£308,875
75	0.50	£150,000	£617,750
100	0.45	£135,000	£555,975

3.21. Again, looking to recent experience within Worthing to evidence this point, at The Causeway, demolition and piling alone equated to c. £940k per net hectare, before other abnormal and infrastructure works were included on-top. This cost plan also excluded any allowance for contaminated material, remediation,

asbestos surveys and removal etc. As such it is likely that the true abnormal costing would be closer to the £1.2m figure included in my appraisal analysis.

3.22. It should be noted also that The Causeway is not a seafront development and is not achieving sales values at the highest VLs in the DSP appraisal – indeed one can observe online a 1 bed flat in The Causeway is marketed at £180k (Appendix 9) which would suggest it would fall into the VL4 category tested by DSP. Furthermore, The Causeway does not require any basement car parking which is a significant additional cost over BCIS. The majority of brownfield flatted developments in Worthing would require basement car parking (in order to attain a certain value) and this costing would not be covered within the BCIS allowance (even at 6 + storeys).

3.23. The Roffey Homes seafront scheme at West Parade/Grand Avenue (29 flats) also had particularly high abnormal costs totalling £1.678m (c. £58k per unit/£6.5m per hectare) and a basement car park totalling £1.206m (a further c. £42k per unit/ £4.6m per hectare (Appendix 12).

3.24. DSP note in their analysis that the highest VLs can be achieved on sea-front developments however there is no adjustment applied in their appraisal models to reflect the additional cost of building on the sea-front. Included as per Appendix 13 is the NHBC (National Housing Building Council) technical guidance document for developments within 500m of the sea-front and the LABC (Local Authority Building Control) technical standards manual for developments within 5km of the seafront. Both of these documents' stipulate additional requirements/specifications for coastal developments all of which would be an extra-over cost on top of the base BCIS figure. No such allowance is reflected in the DSP analysis and as such, certainly when considering high VL sites, these additional costs would need to be factored into the calculation and ultimately would worsen the viability conclusions.

3.25. Another Roffey Homes scheme at 22 Lyndhurst Road (30 apartments) – which is set back from the seafront, and does not include basement car parking –

included abnormal costs amounting to c. £618k (£21k per unit of £2.5m per hectare) (Appendix 12).

3.26. In both cases (Grand Avenue/Lyndhurst Road), these costs were reviewed and agreed by DSP advising the Council, and are clearly significantly higher than those allowed for within DSP's CIL testing. This would therefore suggest that DSP's allowance is wholly insufficient – and I believe this also shows that my own amended allowance is still entirely modest.

NET TO GROSS ADJUSTMENT

3.27. DSP have applied a net to gross area adjustment at 85% to reflect the common parts/shared spaces in flatted developments. Whilst this may be a suitable working assumption for mixed-use schemes – which predominantly provide houses along with a small proportion of low-rise apartments – it is considered that for entirely flatted schemes (particularly in high-value locations, which is a relevant consideration when looking at the higher VLs which DSP have tested) this is an insufficient allowance.

3.28. To achieve these higher VLs (and also to achieve higher sales rates) – which will likely only be achieved at high specification or seafront developments – increased communal space, facilities and basement parking will almost certainly be necessary, as this is what purchasers of more premium properties will expect.

3.29. The illustrate this point, I attach a schedule provided by Roffey Homes (at Appendix 4) which details the actual net to gross area ratios of several schemes within Worthing. It will be noted that there is only one example of a net to gross ratio similar to DSP's allowance at 85%. At the other end of the spectrum, there is Vista Mare, a seafront development which has basement car parking, and shows a net to gross ratio of 60%.

3.30. To highlight the impact even a minor adjustment would have on the viability – one can observe that in the DSP Residential Results reports (Appendix IIa) for the 25-unit flatted typology they have assumed a total based build cost of £3.227m.

If I were to make a minor adjustment and change the net to gross area to 80% (as evidence as reasonable above) the build costs for the 25 unit scheme would increase by £200k (not including the additional uplift of fees, contingency etc).

3.31. Although I am firmly of the view that the 15% allowance DSP has adopted is insufficient for entirely flatted scheme typologies, I have maintained this allowance within the 'base' sensitivity appraisals at Appendix 3 & 5. Clearly, if a more realistic approach had been taken, the already poor viability conclusions would look considerably worse – and I have undertaken sensitivity analysis on this input to illustrate this.

4. SUMMARY CONCLUSIONS

4.1. To allow for an easy comparison with the DSP Summary Appraisals, I first include the results of these in the below schedule:

Scenario	Market Revs £ psm	AH %	CIL £ psm	RLV	BLV @ £850k/Ha	Surplus/ Deficit	Viable/Non-Viable?
DSP - 6 Unit	£4,000	0%	£100	£158,122	£69,530	£88,592	VIABLE
DSP - 25 Unit	£4,000	32%	£0	-£37,930	£219,281	-£257,212	NON-VIABLE

4.2. I then include my own analysis of these scheme typologies, as well as the 25, 75, and 100-unit flatted typologies below:

Scenario	Market Revs £ psm	AH %	CIL £ psm	RLV	BLV @ £850k/Ha	Surplus/ Deficit	Viable/Non-Viable?
TM - 6 Unit	£4,000	0%	£100	£45,553	£69,530	-£23,977	NON-VIABLE
TM - 15 Unit	£4,000	33%	£0	-£197,187	£132,369	-£329,556	NON-VIABLE
TM - 25 Unit	£4,000	32%	£0	-£303,098	£219,281	-£522,380	NON-VIABLE
TM - 75 Unit	£4,000	31%	£0	-£3,521,382	£445,313	-£3,966,695	NON-VIABLE
TM - 100 Unit	£4,000	30%	£0	-£4,590,349	£403,875	-£4,994,224	NON-VIABLE

4.3. As can be seen from the above schedules, all 'base' scheme typologies – including market revenues at VL6, £4,000 psm – show viability deficits against the lowest PDL BLV ("Low Grade Industrial" – at £850k per hectare). It will also be

noted that none of these scheme typologies include CIL, aside from the 6-unit typology (where CIL has been included at £100 psm to mirror DSP's Summary Appraisal). Full appraisal results can be seen in a comparable format to that of DSP at Appendix 5.

4.4. The direct comparison between the 6 and 25-unit typologies shows significantly worsened viability (when essentially only the site works allowance has changed). The viability of these scenarios would further worsen with a net to gross adjustment which has been justified in the above section of this report.

4.5. The larger scheme typologies are then clearly impacted significantly more when the appropriate build costs are included on-top of this adjustment to site works.

4.6. It should be noted that the schedule above showing viability deficits in all of my appraisal scenarios is based on the assumption that the Benchmark Land Value (BLV) will be low-grade industrial value of £850k per hectare. This is the lowest of the BLVs tested by DSP in their analysis and therefore can be considered as a 'best case' position. In the below summary tables I have adopted the higher BLVs to highlight the negative impact this has on the viability conclusions in all scenarios tested;

BLV of £1.5m per hectare – Industrial Upper/Commercial Lower:

Scenario	Market Revs £ psm	AH %	CIL £ psm	RLV	BLV	Surplus/ Deficit	Viable/Non-Viable?
TM - 6 Unit	£4,000	0%	£100	£41,905	£124,700	-£82,795	NON-VIABLE
TM - 15 Unit	£4,000	33%	£0	-£203,778	£232,063	-£435,841	NON-VIABLE
TM - 25 Unit	£4,000	32%	£0	-£317,467	£391,688	-£709,154	NON-VIABLE
TM - 75 Unit	£4,000	31%	£0	-£3,595,248	£793,875	-£4,389,123	NON-VIABLE
TM - 100 Unit	£4,000	30%	£0	-£4,682,929	£720,750	-£5,403,679	NON-VIABLE

BLV of £2.2m per hectare – Commercial Lower:

Scenario	Market Revs £ psm	AH %	CIL £ psm	RLV	BLV	Surplus/ Deficit	Viable/Non-Viable?
TM - 6 Unit	£4,000	0%	£100	£38,119	£181,960	-£143,841	NON-VIABLE
TM - 15 Unit	£4,000	33%	£0	-£213,781	£343,425	-£557,206	NON-VIABLE
TM - 25 Unit	£4,000	32%	£0	-£334,402	£579,375	-£913,777	NON-VIABLE
TM - 75 Unit	£4,000	31%	£0	-£3,674,796	£1,169,250	-£4,844,046	NON-VIABLE
TM - 100 Unit	£4,000	30%	£0	-£4,782,630	£1,062,000	-£5,844,630	NON-VIABLE

BLV of £2.8m per hectare – Residential Lower:

Scenario	Market Revs £ psm	AH %	CIL £ psm	RLV	BLV	Surplus/ Deficit	Viable/Non-Viable?
TM - 6 Unit	£4,000	0%	£100	£34,874	£231,040	-£196,166	NON-VIABLE
TM - 15 Unit	£4,000	33%	£0	-£234,236	£439,950	-£674,186	NON-VIABLE
TM - 25 Unit	£4,000	32%	£0	-£368,493	£740,250	-£1,108,743	NON-VIABLE
TM - 75 Unit	£4,000	31%	£0	-£3,742,980	£1,491,000	-£5,233,980	NON-VIABLE
TM - 100 Unit	£4,000	30%	£0	-£4,868,088	£1,354,500	-£6,222,588	NON-VIABLE

BLV of £3.5m per hectare – Residential Upper:

Scenario	Market Revs £ psm	AH %	CIL £ psm	RLV	BLV	Surplus/ Deficit	Viable/Non-Viable?
TM - 6 Unit	£4,000	0%	£100	£30,989	£289,800	-£258,811	NON-VIABLE
TM - 15 Unit	£4,000	33%	£0	-£258,100	£552,563	-£810,663	NON-VIABLE
TM - 25 Unit	£4,000	32%	£0	-£408,267	£927,938	-£1,336,205	NON-VIABLE
TM - 75 Unit	£4,000	31%	£0	-£3,822,527	£1,866,375	-£5,688,902	NON-VIABLE
TM - 100 Unit	£4,000	30%	£0	-£4,967,790	£1,695,750	-£6,663,540	NON-VIABLE

4.7. The above analysis demonstrates that when higher BLVs are adopted in the viability analysis all flatted typologies show as non-viable with substantial deficits incurred. I consider that this is a pertinent consideration because in reality flatted developments are likely to incur in town centre brownfield development sites which would have a higher BLV than £850k per hectare (for low grade industrial space).

4.8. Furthermore, the Local Authority have a planning policy which restricts the loss of employment land for residential development and therefore, in reality, in line with Local planning policy, the most likely BLV's for flatted residential developments

would be the 'Residential Lower/Upper' as tested above at £2.8m - £3.3m per hectare. Including these higher BLVs in my analysis shows all typologies are non-viable and thus cannot viable contribute towards CIL.

4.9. Overall, I feel the above summary conclusions, and the full appraisal results attached as Appendix 5 illustrate that, with only minor amendments to DSP's analysis (to more accurately reflect the realities of such schemes), flatted scheme typologies within Worthing show significant non-viability before CIL is allowed for, save for the smallest schemes at the highest VLs.

4.10. Where scheme typologies are shown to be viable – as DSP have themselves pointed out and as intimated above – this is typically dependent on such schemes achieving the highest tested VLs. In reality, schemes achieving these levels of value will be bespoke, high specification, seafront developments, with considerable communal space, residential amenity, and (in all likelihood) basement car parking.

4.11. It should also be highlighted that these schemes will not be coming forward on "Low Grade Industrial" land, and therefore the lower tested BLVs are not considered particularly relevant when considering the viability of schemes at the highest VLs. As highlighted above in line with local policy it is likely that land coming forward to flatted development will be of residential value and as such the higher BLVs are required in the viability assessment.

5. SENSITIVITY ANALYSIS

5.1. I feel the above (and attached) results are particularly striking considering that I consider my adjusted site works allowance is still modest, and that I have not yet adjusted the net to gross area ratios within my appraisals. As such, I have included a sensitivity analysis of adjusting the net to gross allowance down from 85% to 75% (at Appendix 6) and then 65% (at Appendix 7), to assess the impact of allowing for a more realistic net to gross ratio (particularly for higher value schemes).

5.2. As will be noted from Appendix 6, at a 75% net to gross ratio, the only scheme scenarios which show any viability are the 6-unit typology (which includes no affordable housing) at VL7 (£4,500 psm) and VL8 (£5,000 psm). No other scheme typologies reach even the lowest tested BLV (of £850k per hectare).

5.3. It is therefore unsurprising that the appraisal results included as Appendix 7 – including a 65% net to gross ratio – show non-viability almost entirely across the board, even at the highest tested VLs. Given the evidence shown at Appendix 4, this level of net to gross ratio is not considered at all unrealistic, particularly at higher VLs.

6. CONCLUSIONS

6.1. In light of the above conclusions shown at Appendix 5 and the sensitivity analysis attached as Appendices 6 & 7, in my view it is clear that the viability of the flatted typologies tested by DSP is marginal in only the best case scenarios once a few key inputs are amended to more 'realistic' levels, and that when the further key issue of net to gross ratios is considered, these conclusions worsen still to show non-viability across the board.

6.2. As such, I feel that DSP's recommendations and the proposed charging schedule should be amended to include only a nil CIL rate for flatted developments, rather than suggesting that a "*nominal*" CIL rate could potentially be afforded. I believe it is clear from my analysis that a CIL charge at any level would jeopardise the viability of flatted developments within WBC, which is at odds with the 'balance' which needs to be struck when charging authorities are setting CIL charges.

6.3. I also understand that currently the Local Authority does not have an exceptional circumstances relief policy in place. I would recommend that the Council should look to adopt this policy so as to allow for discretionary relief from CIL where justified.

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