



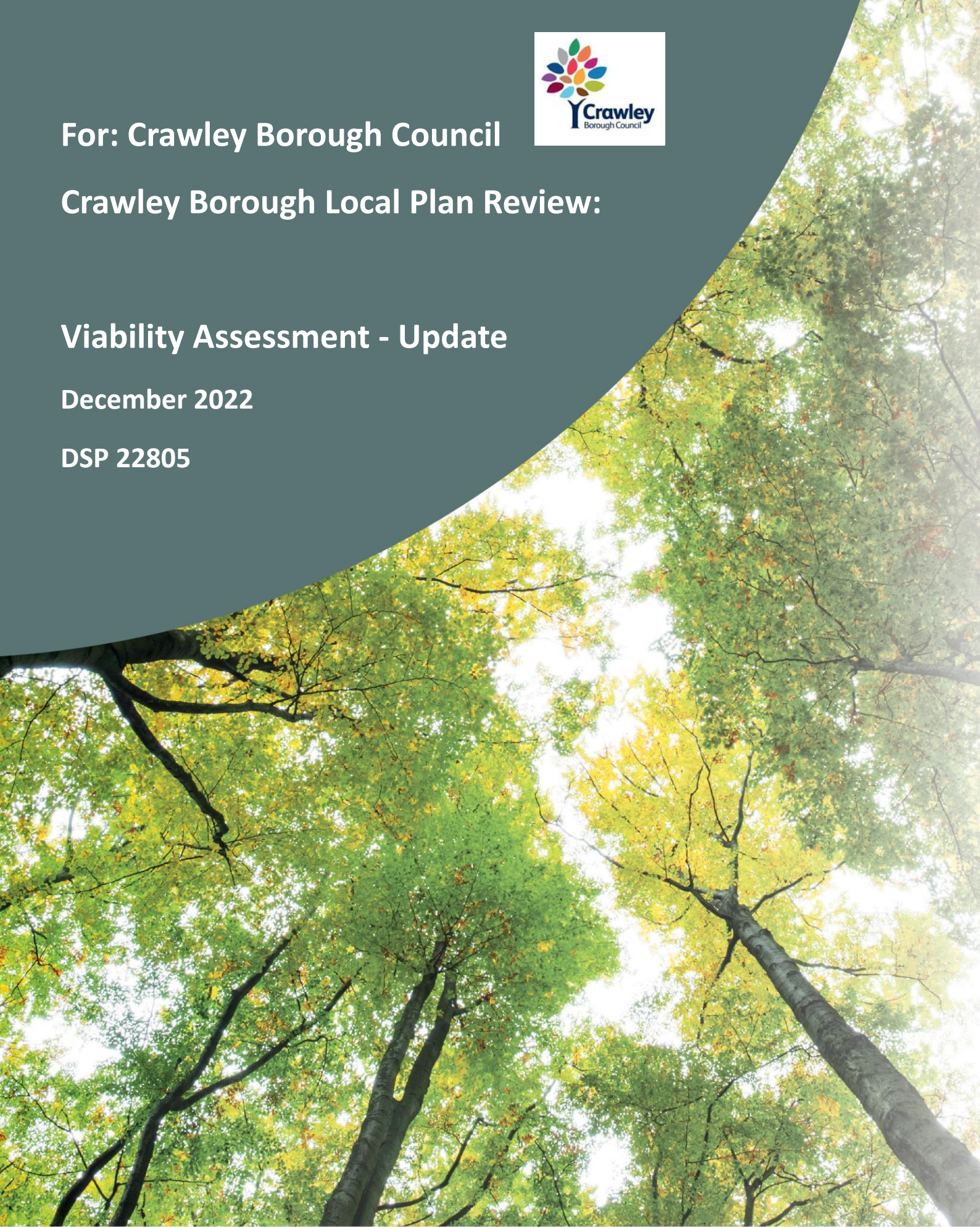
**For: Crawley Borough Council**

**Crawley Borough Local Plan Review:**

**Viability Assessment - Update**

**December 2022**

**DSP 22805**



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(Sample appraisal summaries also displayed - after results tables)

# 1. Introduction

## 1.1 Purpose and introduction

- 1.1.1 This short supplementary report for Crawley Borough Council (CBC) provides an update to the previously published Local Plan Review and CIL Viability Assessment by prepared by Dixon Searle Partnership (DSP) – report reference DSP19682 – Final v8 issued March 2021. It is to be read in conjunction that earlier, main report, which sets out fully the assessment context, scope, methodology and findings.
- 1.1.2 This update was sought by CBC in the Autumn of 2022. This was requested because, since the comprehensive assumptions on cumulative costs of development were put together for the viability assessment, there are additional requirements proposed for inclusion in the Local Plan Review (LPR). Critically, this includes the expectation that new development located within the Sussex North Water Resource Zone will need to meet water neutrality criteria.
- 1.1.3 At the time of writing, CBC’s LPR webpage provides the following outline (CBC wording extract included here in italic text - below):

### ***Local Plan programme update and water neutrality***

*We have been notified by Natural England that developments within the Sussex North water supply area must not add to impacts on protected nature conservation sites, and must ensure that they are ‘water neutral’. More information on this is provided on our [water resources page](#).*

*This has had implications for progression of the Local Plan Review, as the council must demonstrate that the level of growth identified in the Local Plan will not have an adverse effect on the integrity of designated sites, either alone or in combination.*

*Following the publication of the Water Neutrality Part C mitigation strategy, a timetable for the Local Plan Review going forward has been drawn up, and is published on our [Local Development Scheme page](#).*

*[Natural England's endorsement of Sussex North Mitigation Strategy \(PDF, 246.01 KB\)](#)*

- 1.1.4 Accordingly, the Council requires a directed scope of revisiting of the viability, with no other local level (LPR) policies that impact viability under review. The purpose of this is to see whether there is likely to be sufficient capacity for developments to support the water neutrality requirements and, therefore, check whether any further policy adjustment is considered necessary. So, this is to supplement and further check the picture arrived at previously - the further assessment provided here builds on the earlier noted rounds of iterative testing and policy drafting. That extensive two-way process was undertaken in order to establish how the affordable housing and other local planning policy requirements could be optimised in support of sustainability and community needs, whilst enabling developments to continue to come forward viably.
- 1.1.5 We understand that the Council intends to run a further Regulation 19 stage public consultation on the LPR in Spring 2023, leading to proposed submission of the Plan in Summer 2023 and aiming for its examination later in the year.
- 1.1.6 The following brief section (2) will outline the approach to conducting this update. Following that, the final section (3) provides our further viability findings on this basis.

## 2. Methodology and assumptions

### 2.1 Approach

- 2.1.1 Consistent with the Planning Practice Guidance (PPG) reflecting viability in planning at the plan making stage, this update applies the same principles and established practice as used for the viability assessment (report as noted above and available on the CBC LPR evidence base webpages). We have again used residual valuation, comparing the new appraisal residual land value (RLV) outputs with a range of test benchmark land value (BLV) levels; all as previous. The results tables on this basis are included at Appendix I to this report.
- 2.1.2 We will therefore not go over the methodology or the assumptions again here and will note only those assumptions which have been updated for the current revisiting purposes.
- 2.1.3 For this directed exercise, we have selected the 35 mixed dwellings (as could come forward on either a PDL or greenfield site) and 50 flats typologies (e.g. town centre or other higher density location – likely PDL site) for the update review.
- 2.1.4 These were considered most appropriate for the update review purpose. For the Council’s further information and review in a potential larger site context, we have also re-run appraisals on the previously tested 1,000 mixed dwellings (‘at Crawley’) scenario.
- 2.1.5 The mixed dwellings scenarios were again appraised using assumptions reflecting the borough wide mix, at 40% affordable housing (AH). The 50 flats assume 3 to 5 storey development based on the town centre (TC) mix, appraised reflecting the proposed differential AH policy at 25%.

### 2.2 Approach

#### Development values and costs

- 2.2.1 With the passing of time since the 2021 published assessment, we have revisited our research on values (an overview of which is included below - Figures 2 and 3) and updated

the build costs assumptions, the latter reflecting the latest available BCIS (Building Cost Information Service) figures at the time of running this (BCIS sourced data extract November 2022 is included at 2.2.14 / Figure 4 below). The build costs shown within the BCIS data have risen by approximately 18% since undertaking the research and information review for the main assessment (source; Land Registry HPI data, Crawley location based). However, house prices have risen by approximately 14% over the same period (Spring 2020 to Autumn 2022 in all), the overall effect being that so far these have broadly supported the steeply rising build costs that have been seen in the recent (with build cost representing only a proportion of the development i.e. sale value or 'GDV' – gross development value – as previously described). It follows that before adding further LPR policy related cost (in this case owing to water neutrality requirements) the previously reported viability picture can be expected not to have deteriorated.

- 2.2.2 Important context is that, reflecting the strategic overview nature of all of this, the LPR and its evidence base looks across a circa 15-year period over which a mix of economic and property market conditions, potentially various cycles, will likely be experienced. High level assessment of this nature represents this, meaning that it should not all be considered and pitched according to particular immediate / short term circumstances. In this report we acknowledge rather than go into the detail of what has been a fast moving global, political and economic scenario in the past few months especially.
- 2.2.3 On that, with the climate of high inflation (currently running at c. 10% annually), rising interest rates, challenging materials supply and other difficulties, it appears that in the short-term local authorities could well find that more frequent adjustments or negotiations are needing to be considered on viability, but this is a practical rather than strategic effect at this stage. In the immediate period we appear to have a scenario where costs look set to keep rising, while the signs are the annual rates of growth in house prices has already begun to slow following a month-on-month house price fall seen very recently. Time will be needed in order to see whether trends are established on this, but in any event these immediate factors and uncertainties need not and should not affect the appropriateness or effectiveness of proposed policies, the long-term strategy and the balance with the community needs / development mitigation. Viability in planning should inform and support rather than constrain sustainable development.

## Development values

- 2.2.4 Continuing the purpose and appropriateness of the assessment approach to sensitivity testing viability across a range of market sales values levels (VLs) – i.e. GDV levels – for this update we maintain the same VLs range (as per Appendix I to the base study). Reflecting the change in house prices, as noted above, it is now appropriate to consider the results generated higher up the VLs scale. Previously we noted that typical values lay in the range VL3 – 5 generally and potentially higher for town centre apartments schemes (represented by VL6+).
- 2.2.5 Recapping on the VLs range, we include this below (unchanged from 2021 reported base assessment) – see Figure 1 below.

Figure 1 – Recap of tested market sales value levels (VLs) range

Market Values (MV) - Private Units (only)*	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9+	
<b>Typical New Build Values</b>			<b>Borough Wide New Build</b>							
<b>Indicative Applicable VL Range by Ward Area</b>	<b>Bewbush and North Broadfield, Langley Green and Tushmore</b>			<b>Maidenbower, Town Centre Area</b>						
	<b>Furnance Green</b>									
	<b>Gossops Green and North East Broadfield</b>									
	<b>Ifield, Pound Hill South and Worth, Southgate</b>									
	<b>Tilgate</b>									
	<b>Broadfield, Northgate and West Green, Pound Hill North and Forge Wood</b>									
	<b>Three Bridges</b>									
<b>Studio flat</b>	£120,250	£129,500	£138,750	£148,000	£157,250	£225,000	£237,500	£250,000	£275,000	
<b>1-bed flat</b>	£162,500	£175,000	£187,500	£200,000	£212,500	£274,500	£289,750	£305,000	£335,500	
<b>2-bed flat</b>	£198,250	£213,500	£228,750	£244,000	£259,250	£355,500	£375,250	£395,000	£434,500	
<b>3-bed flat</b>	£279,500	£301,000	£322,500	£344,000	£365,500	£387,000	£408,500	£430,000	£473,000	
<b>2-bed house</b>	£256,750	£276,500	£296,250	£316,000	£335,750	£355,500	£375,250	£395,000	£434,500	
<b>3-bed house</b>	£302,250	£325,500	£348,750	£372,000	£395,250	£418,500	£441,750	£465,000	£511,500	
<b>4-bed house</b>	£344,500	£371,000	£397,500	£424,000	£450,500	£477,000	£503,500	£530,000	£583,000	
<b>MV (£ / sq. m.)</b>	<b>£3,250</b>	<b>£3,500</b>	<b>£3,750</b>	<b>£4,000</b>	<b>£4,250</b>	<b>£4,500</b>	<b>£4,750</b>	<b>£5,000</b>	<b>£5,500</b>	

(Source: DSP 2021 LP Viability Assessment)



- 2.2.6 This means that we would expect new build housing values in the Borough now to be represented in the main by VLs 4 to 8+ and most typically VLs 5 to 7 with VL6 (c. £4,500/sq. m) considered a reasonable marker at this point in time on a borough overview basis; all in the context of considering policy positions that should not in our opinion get too variable and more complex than necessary. As noted at 3.1.5 below, results for additional sensitivity tests at £4,600/sq. m (an intermediate test VL between 6 and 7) are also included, reflecting our initial research on revisiting this.
- 2.2.7 As in all such cases, the values overview is informed by the data available and therefore the property and scheme types within that at a given point in time. New build sales data has been collected for the period December 2019 to September 2022 (the latest available at this update point) and adjusted using the Land Registry HPI change (for Crawley) over the period (+14.1%). This adjustment reflects our practice of reviewing the last approximately 2 years data and updating that rather than viewing it historically in a moving market context.
- 2.2.8 The updated research exercise bore this out, with the available data showing the following (Figure 2 below) and with these areas also representing values around the typical level for the borough as observed previously (and reflecting Figure 1 above):

*Figure 2 – Updated new build housing values research (as updated by LR HPI from point of each recorded sale):*

Ward	New Build Value - Summary Quartile Analysis - Crawley (12/19 - 9/22)						
	Minimum £/m <sup>2</sup>	Q1 £/m <sup>2</sup>	Average Value £/m <sup>2</sup>	Median £/m <sup>2</sup>	Q3 £/m <sup>2</sup>	Maximum £/m <sup>2</sup>	Data Sample No.
Three Bridges	£1,703	£3,578	£4,441	£4,561	£5,007	£7,189	41
Pound Hill North & Forge Wood	£3,440	£4,119	£4,524	£4,476	£4,800	£5,758	168

(DSP 2022 – using Land Registry and researched / EPCs Register sourced for floor areas)

- 2.2.9 For the purposes of this update we have not reproduced the fairly unwieldy data sets (with individual line entries) behind these overview tables.
- 2.2.10 Again using Land Registry data we looked at the recorded values of resale (secondhand) properties in the borough to gain a further feel for the local market in recent months,

although noting that we would generally expect to see a notable premium achieved by new builds. The sales in the last 6 months showed the below (see Figure 3) as a further indication.

Figure 3 – latest overview of resale values (last 6 months)

Ward	Resale Value - Summary Quartile Analysis - Crawley (6/22 - 12/22)						
	Minimum £/m <sup>2</sup>	Q1 £/m <sup>2</sup>	Average Value £/m <sup>2</sup>	Median £/m <sup>2</sup>	Q3 £/m <sup>2</sup>	Maximum £/m <sup>2</sup>	Data Sample No.
Bewbush & North Broadfield	£2,316	£3,388	£3,910	£3,736	£4,490	£5,565	30
Broadfield	£3,031	£3,547	£4,589	£4,864	£5,456	£5,880	20
Furnace Green	£1,726	£3,881	£4,419	£4,361	£4,848	£7,675	22
Gossops Green & North East Broadfield	£3,062	£3,701	£4,177	£4,074	£4,506	£6,010	22
Ifield	£2,353	£3,855	£4,406	£4,269	£5,024	£6,892	34
Langley Green & Tushmore	£2,706	£4,263	£4,432	£4,531	£4,885	£2,706	16
Maidenbower	£1,780	£4,860	£5,106	£5,344	£5,523	£7,137	23
Northgate & West Green	£1,832	£3,690	£4,052	£4,150	£4,382	£5,286	28
Pound Hill North & Forge Wood	£2,710	£4,146	£4,821	£4,998	£5,526	£6,965	63
Southgate	£2,805	£3,556	£4,085	£3,966	£4,299	£5,849	20
Three Bridges	£1,942	£3,502	£4,089	£3,875	£4,473	£7,070	29
Tilgate	£3,192	£3,942	£4,212	£4,266	£4,507	£5,294	22

(DSP: 2022 – using Land Registry and researched / EPCs Register sourced for floor areas)

2.2.11 A technical point also worth noting, and having a relatively small overall but nonetheless negative effect relative to the previous details is that we have no longer included additional revenue from ground rental streams (following more recent legislative updates).

**First Homes**

2.2.12 With First Homes having become formalized within national policy in May 2021, the dwelling mixes assumed (on a best fit basis as is always necessary) for this update now incorporate this new form of tenure. This is based on the minimum 25% of the affordable housing, with properties sold at the minimum prescribed criteria i.e. discount level of 30% and price cap (after discount) of £250,000 outside London. Reflecting significantly more sales risk than associated with the established affordable tenures and lower risk than full market price sales, we have used a profit assumption of 12% GDV on these homes (approximately mid-way between the assumed AH and private sale profit levels that were reflected previously and continue to be used in the Plan wide overview context).

### Development costs – build costs

2.2.13 The latest build cost data, extracted from BCIS (date 14/11/2022) is as follows – see Figure 4 below.

2.2.14 In order to provide an update based not just on the added policy (water neutrality) cost, we have used updated cost levels as relevant by category in place of those displayed within the main Study Appendix I (and as were also noted at 2021 Assessment report section 2.11 / Figure 10):

Figure 4 – BCIS sourced build cost data latest

> Rebased to Crawley ( 110; sample 27 )

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m <sup>2</sup> gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
<b>New build</b>							
810. Housing, mixed developments (5)	1,552	864	1,383	1,515	1,677	3,341	365
<b>810.1 Estate housing</b>							
Generally (5)	1,532	833	1,317	1,481	1,692	3,155	216
Single storey (5)	1,703	1,075	1,398	1,695	1,898	3,155	44
2-storey (5)	1,483	833	1,298	1,443	1,608	2,738	170
810.11 Estate housing detached (5)	2,124	1,323	-	2,010	-	3,155	4
<b>810.12 Estate housing semi detached</b>							
Generally (5)	1,585	1,002	1,338	1,497	1,727	2,740	54
Single storey (5)	1,637	1,239	1,355	1,601	1,809	2,740	23
2-storey (5)	1,547	1,002	1,342	1,454	1,621	2,738	31
<b>810.13 Estate housing terraced</b>							
Generally (5)	1,490	950	1,267	1,451	1,692	2,277	14
2-storey (5)	1,424	950	1,253	1,370	1,619	2,031	12
<b>816. Flats (apartments)</b>							
Generally (5)	1,798	987	1,492	1,677	2,016	3,898	198
1-2 storey (5)	1,831	1,090	1,478	1,657	2,235	3,801	38
3-5 storey (5)	1,771	987	1,483	1,654	1,945	3,898	135
6 storey or above (5)	1,898	1,360	1,616	1,892	2,064	2,768	25

(DSP: Downloaded from BCIS 14.11.2022)

## Development costs – Emerging policy & CIL

### Water Neutrality

- 2.2.15 The Council shared with DSP its emerging evidence in the form of the Draft version Part C (Strategy) of the ‘Sussex North Water Neutrality Study’ by JBA Consulting (October 2022) – prepared for Crawley Borough, Horsham District and Chichester District Councils.
- 2.2.16 Based on consideration of this, CBC asked DSP to “load” the viability with a further assumption of an additional £2,000/dwelling development cost (applied to all dwellings).
- 2.2.17 This has been used as an appropriate precautionary allowance with reference to the Water Neutrality Part C Report reflecting the various elements and the estimated cost projections related to those (on-site water efficiency measures; contribution towards offsetting residual net increase in water consumption; contribution towards management/monitoring/overheads of the scheme) at this time. Although as the strategy starts to become a practical reality it can be expected that the implications and mitigation cost calculations will be subject to refinement, we understand that the overall extra-over cost implications are likely to reduce after a fairly short period of time as improvement measures undertaken by the water company (Southern Water) come into effect. Although necessarily involving a judgment, appropriate as part of the strategic level work related to the Local Plan, the selected assumption approach at £2,000/dwelling is considered reasonable and prudent for the current purposes.
- 2.2.18 As below, the other previous (base assessment) assumptions (cost allowances) reflecting sustainable development (collectively including carbon reduction, biodiversity net gain and electric vehicle charging) are considered to remain appropriate as part of a sound approach to considering viability alongside other matters; particularly bearing in mind that we can reasonably expect to see extra-over costs involved in supporting these elements reducing over time, in the LPR strategic context. As with other aspects, we consider current estimates / impacts statements on extra-over costs based on available information in these rapidly evolving areas and make judgments. The approach of making such assumptions typically does not factor in these matters currently being viewed as enhancements whereas these will need to become ‘normal’, with expanded markets

leading to economies of scale, further supporting and driving the progression of familiarity and further advancements in knowledge and techniques, technology, etc.

**Sustainability** (including electric vehicle charging provision)

2.2.19 The +5% on build costs allowance has been maintained as a current extra over cost for sustainability measures (sustainable construction and development – including carbon reduction, biodiversity).

2.2.20 While we remain of the view that this over-arching allowance is appropriate at the LPR level and is sufficient to cover the CBC policy approach, including electric vehicle charging points (EVCPs) provision, for the Council’s information given the representations received at the last LPR consultation stage in relation to EVP costs, we have added further cost assumptions at this update review stage. In our view this collective cost allowance represents taking a more than prudent approach, most likely now reflecting additional contingency. The extra over costs assumptions in these areas make no allowance for the likelihood that in the coming years, with these matters becoming the norm, that with increasing demand and improvements in knowledge and technology etc. leading to efficiencies we should see reducing cost additions being necessary. Build cost data will increasingly reflect the inclusion of the currently relatively new or emerging requirements.

2.2.21 With this noted, for the update purpose with the aim of further testing the proposed policy positions, we have now added allowances reflecting the following basis:

<p>£865/unit (houses) £1,961 (flats)</p>	<p>Houses only typologies - assumes 1x EVCP per dwelling Flats typologies - assumes 1x EVCP per dwelling Mixed (Houses/Flats) typologies - cost weighted by dwelling mix, assumes 1x EVCP per dwelling</p>
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2.2.22 The source of these assumptions – made in the context noted above - is the DfT Residential Charging Infrastructure Provision Impact Assessment (September 2021).

2.2.23 For current purposes rather than necessarily determining actual costs or considering site specific (DM stage) cases, the effect is to add cost at the following levels overall (reflecting the assumed dwelling mixes and therefore blended further costs assumptions):

- 35 & 1,000 dwellings tests (mixed dwellings) EVCPs @ £1,249 per AH dwelling; £1,468 per market dwelling (average – overall). Adds test cost of £46,781 and £1,336,600 respectively.
- 50 flats tests @ £1,961 per dwelling (all dwellings). Adds test cost of £98,050.

### CIL

2.2.24 Although only a small change in the context of overall scheme finances and well within the normal tolerances of such an exercise, we have also updated the development costs to reflect the Crawley BC CIL adopted charging schedule rate as will be indexed for 2023 (at £131/sq. m and approximately £7/sq. m more than previously assumed).

### S.106

2.2.25 As with other assumptions, the previously included £1,000/dwelling (all dwellings) s.106 contingency alongside CIL and the other policy costs has been maintained in this update.

2.2.26 As a further point of clarification, in the context of strategic scale / neighbourhood-level housing development (or other unforeseeable / very specific circumstances) there is the possibility of s.106 monies (or works) for Education and other infrastructure being appropriate outside the scope of CIL. We understand this has been a point raised through the previous LPR consultation. DSP is able to confirm that although we understand there is no strategic scale / neighbourhood-level development currently planned in the borough, on such sites an approach designed more around s.106 and allowing more direct funding / delivery of specific provision would be typical in our experience. Indeed, depending on the nature of any future Infrastructure Levy (as may be introduced through forthcoming national reforms) or if CBC's current CIL set up continues at a point where such development is considered, a review of the charging schedule may be warranted. In our experience, a differential (lowered) CIL is often appropriate in such circumstances, although highly dependent on the specific details. In the relevant circumstances here,



this is intended as a general note. There are no consequential changes to the appraisal assumptions around this, as above, with no development of this nature planned for within the emerging LPR.

## 3 Findings summary – update overview

### 3.1. Introduction & guide to Appendix I results tables

3.1.1 Using the approach outlined above we have tested whether any revised findings need to be provided for CBC’s consideration - in terms of the policy positions that have been informed through their development and supported from a viability perspective.

3.1.2 Appendix I to this brief update report provides tables of the latest RLVs and comparisons with the BLVs – again all using the same principles and display themes as previous (main Assessment 2021 Appendices). The tables found there, covering the 3 re-tested scenarios, are as follows:

Table 1a -	35 (mixed) dwellings (40% Affordable Housing)
Table 1a (i) -	35 (mixed dwellings) - Further Sensitivity Data report

Table 1b -	50 flats (town centre - 25% AH)
Table 1b (i) -	50 flats - Further Sensitivity Data Report

Table 1c -	1,000 (mixed) dwellings (40% AH)
Table 1c (i) -	1,000 (mixed) dwellings - Further Sensitivity Data Report

3.1.3 In each case the ‘a’ table shows the latest (current update) results. The RLVs are filtered against the full range of BLV tests as per the ‘key’ shown and reflecting the ‘BLV Notes’ (on potential site type) beneath that.

3.1.4 However, while the 35 mixed dwellings typology broadly represents a scenario that could be seen on either a GF (greenfield) or PDL (previously developed land i.e. brownfield site) in a potential variety of circumstances, the 50 flats is envisaged as a town centre or similar scenario, very likely on PDL. The 1,000 mixed dwellings test envisages potential large scale GF based development (e.g. with the characteristics mentioned at 2.2.26 above). It is worth noting again that likely site context should be considered within the Council’s review of the information provided.



3.1.5 The 'Further Sensitivity Data Report' which in each case follows the 'a' table and is suffixed '(i)' provides additional information on the effect on the indicated RLV in each test of varying the assumed (input) build cost level – again as the assumed VL (sales value level) also varies. This additional sensitivity testing moves the build cost assumed now up and down in 5% steps from the current base build cost assumption (shown by the 0% adjustment row in the centre of the grid). So that rising cost as expected reduces the RLVs, although the stronger the achievable VL, the more resilient the appraisal is to this effect (the more capacity there is to support increased cost). The results tables also include the outcome of sensitivity tests at an additional trial VL level representing market housing sales at approximately £4,600/sq. m and shows the very positive effect of even a relatively small looking increase from a stated VL level. This was run initially and is retained for CBC's information as our emerging findings for this update work indicated values overall at around this level. As above, this is certainly within the core areas of the VLs range that we consider to be relevant at this time.

3.1.6 Again, for further information, sample appraisal summaries are also provided (as produced by the Argus Developer appraisal software) – displayed at the end of Appendix I after the results tables. Reflecting the above, these also give an overview of the assumptions (appraisal inputs).

3.1.7 We will now go on to outline the viability indications from this updated review and appraisal exercise.

### **3.2 35 (mixed) dwellings typology updated** (Appendix I Table 1a)

3.2.1 On GF land (and at this scale of development allowing potentially for the upper end BLV at up to £500,000/ha) the RLV is strong enough to support all costs now tested (cumulatively as previously) with VL4 market sales values assumed (£4,000/sq. m or approx. £372/sq. ft.) with, as the table shows, slightly lower values also supporting the cumulative costs on this basis.

3.2.2 In a PDL context, values at just over VL5 (£4,250/sq. m) are needed (equivalent to £395/sq. ft. approx.) to reach the key area of BLV levels as considered appropriate previously (£1.5 – 2m/ha). The added VL test (at 'VL 6.5') in Table 1a shows the RLV

reaching approximately £2.05m/ha with the market sales assumed at £4,600/sq. m (approx. £427/sq. ft.).

- 3.2.3 The indications are that the policy set (with the addition now of the water neutrality criteria) remains supportable from a viability point of view.

### **3.3 50 flats typology updated** (Appendix I Table 1b)

- 3.3.1 These updated appraisal outcomes point to values assumptions within the range VL6 (£4,500/sq. m) to VL 7 (£4,750/sq. m) placing the RLV indications in an appropriate BLV range as above. For example, the RLV with 25% AH and all other policies tested cumulatively reaches approximately £2.43m/ha with VL7 assumed. At the added VL6.5 (£4,600/sq. m) the RLV reaches £1.73m/ha.

- 3.3.2 The highest BLV test level (£2.5m/ha) is notably exceeded with greater than VL7 sales assumptions (£4,750/sq. m or approx. £441/sq. ft.) applied.

- 3.3.3 However, the RLV is seen to quickly fall away with values assumed beneath VL6, so that at VL5 (£4,250/sq. m) with all the assumptions applied, the viability would be well beneath expected levels. However, this test assumption is beneath where we would expect most new build values to lie, and particularly for town centre apartments.

- 3.3.4 Overall, the sensitivity to this effect remains a key factor to bear in mind given the higher development costs and in the context of usually expecting to see such schemes come forward on PDL sites which will often support existing use values in at least the mid-range of the PDL BLV assumptions.

- 3.3.5 Accordingly, while these findings again indicate again the suitability of the policy set from the viability in planning viewpoint (at plan making stage) as per the PPG, they do again also highlight why it has been necessary and appropriate for CBC to consider and move ahead with the significant AH policy differential.

### **3.4 1,000 (mixed) dwellings typology updated** (Appendix I Table 1c)

- 3.4.1 Reflecting large scale GF site release for strategic scale development, principally as additional information should this form of development become relevant and as further

test, the Table 1c results show the RLV reaching approximately £330,000/ha with VL5 applied; well above the base level considered to be appropriate for bulk land release of this nature (@ £250,000/ha i.e. approximately £100,000/acre) and within the overall range of the wider GF BLV assumptions. At VL6 and bearing in mind our overview of the values likely to be available to support viability, at approximately £470,000/ha the RLV is well above minimum BLV levels for such a scenario.

- 3.4.2 While a suitable BLV for bulk land release (£250,000/ha) is not indicated to be met at VL4 (£4,000/sq. m) using the assumptions set, and again showing the sensitivity to the sales value assumption, currently that is considered to be beneath the likely achievable levels. As in each case looked at here, the wider results and additional (i) Table sensitivity data grid provide further information on how changing costs as well as values could influence the viability positions ultimately.
- 3.4.3 Again, we consider the updated testing supports the proposed Crawley LPR policy positions, again tested cumulatively (collectively) and now including a further assumption relating to water neutrality as a key driver for this update, along with the other updated assumptions as outlined in 2.2 above (see 2.2.6 to 2.2.25) including in regard to further loaded test costs in regard to electric vehicle charging provision and the updated (2023 indexed) CIL charging rate.

### 3.5 Overall

- 3.5.1 This further review and update continue to show the previously iteratively informed policy positions as suitable from a viability point of view – consistent with the NPPF and PPG, with developments considered able to continue to come forward viably following a narrowing of the CBC policy expectations from the initial starting point for testing (all as explained in our main 2021 assessment report).
- 3.5.2 We have noted that this is a challenging point for the development industry in general and at which to consider development viability, therefore. As per 2.2.1 – 2.2.3 above, the well-reported immediate economic circumstances and likely conditions in the recent and currently ongoing period mean that it may well be appropriate for the Council to consider the difference between the strategic level overview for the LPR as a whole and some

adaptability that could be needed in particular circumstances as schemes come forward for the time being / in the early Plan period.

- 3.5.3 However, with suitably framed and operated policies, this should not and need not detract from the LPR strategy and policy positions which have to be set also with sustainability, affordable housing and other community needs in mind. A balance is required and it appears likely that whilst clarity of expectations on planning infrastructure and obligations is necessary, as per national policy, some level of compromise may need to be considered where the need for this is properly demonstrated.
- 3.5.4 As noted previously, DSP will be pleased to assist CBC further if required. For example, with any queries, supplementary information or further updating that may be considered appropriate as the Council's further progression of the Local Plan Review develops through final stages, including its examination. Again, the same applies as the need or potential to revisit the Crawley Borough CIL charging schedule (or potentially consider an alternative form of Infrastructure Levy following Government reforms) is also kept under review as the LPR is further established.

## Notes and Limitations

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1. The purpose of the furth (update) assessment reported in this document is to continue to assess the viability of the proposals and policies proposed as part of the Crawley Local Plan Review (LPR) whilst (at this point) continuing to take account of the Council's Community Infrastructure Levy (CIL) Charging Schedule.
2. Building on DSP's main viability assessment (reported in March 2021 DSP ref. 19682) this report sets out our further findings again informing the Council's consideration of its proposed LPR policy positions from a viability perspective whilst taking into account adopted national policies that may impact on development viability.
3. This has been a desk-top exercise based on information provided by Crawley Borough Council (CBC) supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of Local Plan Review (all consistent with national policy within the NPPF and reflecting the guidance within the PPG as is relevant to viability in planning and particularly at the plan making stage).
4. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.
5. It should be noted that every scheme is different, and no review of this nature can reflect the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions. Specific assumptions and values applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach to and proposals for a robust and viable Plan Review.

6. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.
7. The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with Brexit. As more recent influences, although its direct impacts are now thought to be largely over in the UK, the Global COVID-19 (Coronavirus) pandemic situation continued to dominate the first year or so following the earlier assessment work. Furthermore, since early 2022 the effects of the war in Ukraine have been felt globally and during the Autumn of 2022 there have been multiple changes in the leadership and economic strategy of the UK Government. All in all, collectively this has led to very challenging and uncertain economic circumstances which may be seen to become more established and potentially lead to increasing or additional development delivery hurdles in a range of situations in the immediately foreseeable future. Only with time will it be possible to see how this all actually pans out, and the update report provided here notes the difference between the appropriate strategic overview for the LPR and what might need to be considered by way of potential flexibility and compromises at decision making (planning application) stage in the coming period.
8. This may run through into many potential areas of influence on matters affecting viability or deliverability, short term in particular. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability or other matters. At the point of this assessment, while there are unknowns, and potentially significantly so, it is possible to work only with the known – i.e. once again using available information at this point in time and as continues to be reflected in the usual way through the stated established information sources. At this stage it appears that it will then be for Local Authorities and others to consider how this picture may change – monitor it as best

- possible and consider any necessary updating of the evidence and local response in due course.
9. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan or CIL preparation/review. In the meantime, this work contains information on the impact of varied assumptions. Additionally, in considering the assessment we have also sought to provide wide sensitivity testing to inform the Council's consideration of development viability in the wider plan delivery context.
  10. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.
  11. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd (DSP) accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.
  12. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies will be applied from case to case.
  13. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. Currently we also undertake site specific viability assessments (at DM stage) on behalf of Crawley Borough Council from time to time – instructed on an ad hoc basis as required.
  14. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time. In the preparation of this assessment DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.



**Update Report document ends.**

**DSP v3 (Final)**

**December 2022**

**Appendix I provided as separate document.**