Nuneaton & Bedworth Borough Council

Local Plan & Community Infrastructure Levy Viability Study

Appendix IV – Glossary

Glossary of Terms

This glossary aims to define some of the more commonly used terms within viability studies carried out by DSP. It is not an exhaustive list and, in most cases, the report itself explains any acronyms and provides definitions. Note – since the introduction of the National Planning Policy Framework (NPPF – *see below*) in March 2012, all previous Planning Policy Statements have been replaced by the NPPF. References have been included within this Glossary for background information purposes only.

A

Abnormal Development Costs *(or 'abnormals')* – Costs that are not allowed for specifically within normal development costs. These can include costs associated with unusual ground conditions, contamination etc.

Affordable Housing – Annex 2 Glossary of the NPPF (*see below*) defines affordable housing as:

'Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision'

'Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency'

'Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject

to rent controls that require a rent of no more than 80% of the local market rent (including service charges where applicable)'

'Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing'

Affordable Rented housing – See definition above.

Appraisal – *See 'Development appraisal' below*

B

Base Build Costs – for construction only (often sourced from BCIS (*see below*) excluding external works, fees, and any additional / abnormal costs) as explained in the study. Includes the construction overhead and profit together with site set-up and management etc. (known as preliminaries / 'prelims').

BH/BF – preceded by a number – abbreviations used to indicate how many bedrooms a dwelling has – (-bed house / -bed flat).

BREEAM – the Building Research Establishment Environmental Assessment Methodology which assesses the sustainability credentials of industrial, commercial and institutional buildings.

Brownfield – See Previously Developed Land (PDL).

Building Cost Information Service (BCIS) – A subscription service of the Royal Institution of Chartered Surveyors (RICS) to facilitate the exchange of detailed building construction costs – price data.

Building Regulations – A national code of practice issued by way of Statutory Instrument that acts as a detailed set of controls on methods of construction, the type and minimum quality / performance of techniques and materials used in building.

C

Capital value – The value of building or land as distinct from its annual or periodic value (e.g. rental value). So called due to the level of funds (capital) tied-up in a property holding.

Cash flow – In this study sense the estimated movement of money by way of income (e.g. sales receipts) and outgoings (expenditure – e.g. development costs – *see below*) during the course of a development from assumed site purchase to completion on the last sales. The cash flow approach behind most development appraisals looks at the cumulative effect of the development costs and any income (receipts) usually on a monthly basis. In this way the finance cost is accounted for on negative balances and often a lower credit interest rate is applied to positive casflow balances. The overall effect of the cashflow is 'discounted back' so that the residual value of the land or scale of the surplus / deficit can be viewed in today's terms ('present or current value'). Note that for smaller developments completed over a short period, the finance costs are often reviewed through a simpler interest calculation.

Cascade Mechanism / Principle – A Cascade is a mechanism which enables the form and / or quantum of affordable housing provision to be varied according to the availability of grant funding, thus ensuring that at least a base level of need-related accommodation is provided without compromising overall scheme viability. The approach aids delivery of both the market and affordable tenures by providing adaptability where needed, thus avoiding the need to renegotiate Section 106 agreements with the time delays and cost issues that process brings.

Charging Authority – for the purposes of a Community Infrastructure Levy ('CIL' – *see* below) is the Local Planning Authority (as defined by Section 37 of the Planning and Compulsory Purchase Act 2004 for England) that will set, charge, collect and administer the CIL payments.

Charging schedule – sets out the rates at which CIL which will apply (In £/sq. m) in the charging authority's area according to development use type, location and potentially scale of development. The setting-up of a charging schedule involves consultation (through Preliminary Draft and Draft charging schedule stages (*see below*)) leading to independent examination before.

Code for Sustainable Homes ('CfSH', 'CSH' or 'Code') – The Government is undertaking a process to gradually tighten Building Regulations to increase the energy efficiency of new homes and thus reduce their carbon impact. In parallel with these changes to the building regulations, the CfSH was been introduced as a tool to encourage house builders to create more sustainable dwellings, and to inform buyers / occupiers about the green credentials of new housing. CfSH compliance, typically to levels over those generally operated in the market, is also compulsory for all public (HCA) funded affordable housing development. The Code is intended to provide a route map, signalling the continued direction of change towards low carbon sustainable homes that will become mandatory under the building regulations. The Code, again in parallel with building regulations and other initiatives, also covers a wider range of sustainability requirements – beyond lower carbon. The current and expected continued trend is that Building Regulations will continue to develop to incorporate equivalent standards.

Community Infrastructure Levy (CIL) – A levy allowing local authorities (charging authorities – *see above*) to raise funds from owners or developers of land undertaking new building projects in their area. The funds are to be used solely for the provision of local infrastructure necessary to support new development coming forward under the Development Plan for the area – usually a 'Local Plan' or similar. The CIL is expected to contribute positively to the delivery of that development and not to place development overall at risk through being set at too high a rate. Charging authorities must express through a charging schedule (*See above*) their CIL rates in pounds per square metre (£/sq. m.), as CIL will be levied on the gross internal floorspace of the net additional liable development. The published rate(s) within an authority's charging schedule will enable liable parties to anticipate their expected CIL liability.

Commuted Sum – See 'Payment in lieu' below.

Core Strategy – The key Development Plan Document (DPD) through which many local authorities have set out their strategic planning approach for their area in recent years. Accompanied by other DPDs, usually dealing with aspects such as site allocations or regeneration areas, and in some cases covering particular topics such as affordable housing (see below for other definitions). See also Local Plan, the current term for a typical Development Plan currently being worked-up. Terms such as 'Local Plan Core Strategy' or Development Plan Core Strategy'. *See also 'Development Plan'.*

Current Use Value ('CUV') – Market Value (*see below*) on the special assumption reflecting the current use of the property only and disregarding any prospect of development other than for continuation / expansion of the current use. See also *Existing Use Value*

D

Density ('Indicative Density') – Represents the intensity of use of a site by way of how many dwellings (or in some cases other measures such as habitable rooms) are provided on it. Usually described by reference to 'dwellings per hectare' (DPH/dph).

Development Appraisal – A financial appraisal of a development undertaken to calculate either:-

i. The residual site value or *see 'residual land value'* (deducting all development costs, including an allowance for the developer's profit /

return, from the scheme's total capital value – *see 'Gross development Value'*) or;

ii. The residual development profit / return (deducting all development costs, including the site value / cost, from the scheme's total capital value).

The appraisal(s) would normally look to determine an approximate Residual Land Value (RLV) produced by a particular set of assumptions used to represent a development scenario. Assuming a developer has already reached the initial conclusion that, in principle, a site is likely to be suitable and viable for development, an appraisal is then carried out to fine tune scheme the feasibility and discover what sum they can afford to pay for the site. This would normally be subject to a range of caveats and clauses based on circumstances unknown to the developer at the time of making an offer. As an example, an offer could be conditional – i.e. subject to the granting of planning permission or subject to no abnormal conditions existing etc.

Development Cost – This is the cost associated with the development of a scheme and includes acquisition costs, site-specific related costs such as planning obligations, build costs, fees and expenses, interest and financing costs.

Development Plan ('Plan') – This term includes adopted Local Plans, neighbourhood plans and the London Plan, and is defined in Section 38 of the Planning and Compulsory Purchase Act 2004. (Regional strategies have now been abolished by the Order using powers taken in the Localism Act). The Development Plan guides the use and development of land within the relevant local authority's area through a range of policies. It will often be a collection of documents, for example a Local Plan or Core Strategy associated with other 'DPDs' *(see below).*

Development Plan Document (DPD) – Spatial planning documents that are subject to independent examination, and together with any relevant regional or other plans, set out the planning policies for a local authority area; seeking to create clarity and guidance which is then used as a basis for 'Development Control' ('DC') or 'Development Management' ('DM') – i.e. for informing decisions made on individual planning proposals and planning applications. They often include a Core Strategy and also often cover site-specific allocations of land, Area Action Plans ('AAPs') or similar, together with the development control policies. See also 'Development Plan'.

Developer Payment – *(or 'payment to developer' / 'RP payment' or similar)* – In this study context meaning the payment level received by the developer for completing the affordable homes within a market development under a contractual arrangement with an RP (registered provider of affordable housing). The payment is typically at a significantly lower level than the market sales revenue for an equivalent dwelling, hence the significant viability impact of affordable housing policies.

Developers Profit – The developer's reward for the risk taken in pursuing and running the project, required to secure project funding. This is the gross profit, before tax. It will usually cover an element of overheads, but varies. The profit element used in these appraisals is profit expressed as a percentage of Gross Development Value (GDV) (the most commonly expressed understanding / measurement of profit for this purpose) although developers will sometimes use other methods, for example a measurement profit on cost or rate of return on investment ('ROI') or similar. Funders of developments will often also have profit stipulations. There are no fixed rules on development profit, though industry norms and established viability assessment approaches have developed. A reduced level of development is normally applicable to affordable housing within a mixed tenure residential scheme, reflecting the lower risks associated with its delivery (without market exposure) and method by which that housing is usually provided.

Development Viability (or 'Viability') – The viability of the development – meaning its health in financial terms. A viable development would normally be one which proceeds (or at least there is no financial reason for it not to proceed) – it would show a positive strength of relationship between Gross Development Value ('GDV' - *see below*) and Development Cost. There would be a sufficient gap between the GDV and Development Cost in order to support a sufficient return (developer's profit) for the risk taken by the developer in pursuing the scheme (and possibly in this connection to support funding requirements), and a sufficiently attractive land value for the landowner. An unviable scheme is one where a poor relationship exists between GDV and Development Cost, so that insufficient profit rewards and / or land value can be generated.

Differentiation / differential – In respect of a CIL charging schedule, refers to differing (varied) charging rates with reference to varying viability outcomes. May be necessary or justified as a result of viability variances by development type, location or (following 2014 CIL Regulations amendments) by scale of development.

E

Estates Gazette Interactive (EGi) – A comprehensive subscription based property information service that provides online news, research and data particularly for the commercial property market - including comparable property data (deals, availability, etc.), building reports, planning, rating, local profile and a range of other data.

Existing Use Value (EUV) – is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller, in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, assuming the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost (see also Current Use Value and Market Value).

External works – Normal site works allowed-for additionally to the construction of the dwellings or commercial unit building costs – plot, parking, utilities, landscaping, typical access roadways, etc. For larger / strategic sites, additional allowances over and above these are generally made. It should be noted that the approach to considering build and external/site/infrastructure works costs varies between developers and sites.

F

Finance – Costs associated with financing the development cost. Varying views are taken on the length of the relevant construction projects as to how long these costs need to be carried for on each occasion – dependent also on the timing of sales that turn cash flows positive later on in a development's life. The principle finance cost is the interest rate applied to the development costs (expenditure – i.e. negative cash flow balances) but other variable costs may also be relevant in terms of finance arrangement, lender's survey or monitoring costs etc.

Financial Contribution – See 'Payment in Lieu'.

G

Greenfield – Land which for the study purpose is or potentially available for development – has development potential that could significantly enhance its exiting use value - but which has not been developed before e.g. agricultural or amenity land. Following recent changes, now usually includes garden land too.

Gross External Area (GEA) – The aggregate superficial area of a building taking each floor into account. As per the RICS Code of Measuring Practice this includes: external walls and projections, columns, piers, chimney breasts, stairwells and lift wells, tank and plant rooms, fuel stores whether or not above main roof level (except for Scotland, where for rating purposes these are excluded); and open-side covered areas and enclosed car parking areas; but excludes; open balconies; open fire escapes, open covered ways or minor canopies; open vehicle parking areas, terraces, etc.; domestic outside WCs and coalhouses. In calculating GEO, party walls are measured to their centre line, while areas with a headroom of less than 1.5m are excluded and quoted separately.

Gross Internal Area (GIA) – Broadly speaking GIA is the whole enclosed area of a building within the external walls taking each floor into account and excluding the thickness of the external walls. GIA will include: areas occupied by internal walls (whether structural or not) and partitions; service accommodation such as WCs, showers, changing rooms and the like; columns, piers, whether free standing or projecting inwards from an external wall, chimney breasts, lift wells, stairwells etc.; lift rooms, plant rooms, tank rooms, fuel stores, whether or not above roof level; open-sided covered areas. This is the measure by which BCIS build costs are viewed.

Gross Development Value – The amount the developer ultimately receives on completion or sale of the scheme whether through open market sales alone (i.e. at market value) or a combination of those and the receipt from a Registered Provider ('RP') such as a Housing Association for completed affordable housing units – before all costs are subtracted.

H

Harman Report – The report released June 2012 'Viability testing Local Plans' (advice for planning practitioners) – Local Housing Delivery Group Chaired by Sir John Harman.

Homes and Communities Agency (HCA) – The Government's Agency charged with delivering the affordable housing (investment) programme ('AHP') and the vehicle through which public funds in the form of Social Housing Grant (SHG) are allocated, where available and where the HCA's investment criteria are met, for affordable housing development.

Homes and Communities Agency Development Appraisal Tool (HCA DAT) – The HCA DAT is designed to appraise the viability of an individual site. It takes into account local assumptions for costs and value, and records the dates at which these assumptions impact on a project cashflow over the life cycle of the development in order to identify the residual land value (RLV) or funding deficit.

Homes and Communities Agency Economic Assessment Tool (HCA EAT) –previous version of the HCA DAT (*see above*) using the same process and with a similar platform for entering assumptions and reviewing outcomes. A less sophisticated version, but still used from time to time in DSP's experience

Hope value – An informal term representing any element of the open market value (OMV) of a property in excess of the current use value (CUV), reflecting the prospect of some more valuable future use or development. It takes account of the uncertain nature or extent of such prospects, including the time which might elapse before one could expect planning permission to be obtained or any relevant constraints overcome, so as to enable the more valuable use to be implemented. Other terms such as land value 'enhancement', 'uplift' or 'incentive' are also used to describe a level of premium that may be applied to CUV/EUV in considering market value (*see also 'land value benchmark' and similar terms below).*

Housing Standards Review – The technical housing standards review was launched in October 2012 following the housing and construction 'Red Tape Challenge', launched by the Goverment in spring 2012. It was a fundamental review of the building regulations framework and voluntary housing standards which aimed to rationalise the large number of codes, standards, rules, regulations and guidance that were considered to add unnecessary cost and complexity to the house building process. This review was followed by a housing standards review consultation in October 2013, which proposed a 'clear differentiation between standards which can be asked for subject to viability (set out in a 'nationally described standard set' under the NPPF), and areas where voluntary, market led approaches are to be encouraged but cannot be mandated through planning policy' through developing a set of 'nationally described standards' or through fully integrating the proposed standards into the Building Regulations (England). In September 2014 the Government published draft standards for consultation due to end in November 2014.

I

Infrastructure – The full range of transport networks, utilities, services and facilities that are needed to create sustainable neighbourhoods and support new development. Includes physical items such as roads and social infrastructure such as schools and healthcare centres but exactly what is considered relevant infrastructure for placing on the Regulation 123 ('R.123') list for a charging authority's CIL purposes will vary from area to area, depending on local needs assed through an 'Infrastructure development Plan – 'IDP' or similar)

Intermediate Affordable Housing – See 'Affordable Housing'

J

K

L

Land Costs – Costs associated with securing the land and bringing it forward – activities which generally precede the construction phase, and, therefore, costs which are usually borne for a longer period than the development construction phase (allowing for a lead-in period and very often development sales that continue after construction). They are variable in practice but include financing the land acquisition and associated costs such as land surveys, planning application and sometimes infrastructure costs, land acquisition expenses (agent's and legal fees) and stamp duty land tax (SDLT or 'stamp duty').

Land Residual as a percentage (%) of GDV – The amount left for land purchase expressed as a percentage of the GDV. A c guideline sometimes used in the development industry. Increasing adjustments to land value from a range of planning infrastructure requirements (including affordable housing and CIL for example) have the effect of reducing the land residual that can be reasonably expected; these factors need to be taken into account along with the site and planning circumstances in driving a reasonable land value expectation and assumption.

Land Value Benchmark – See Threshold Land Value.

Large format retail – See 'supermarkets' and 'retail warehousing'.

Lifetime Homes Standard – A series of 16 design criteria introduced with the intention of making new homes, or a proportion of those, more easily adaptable and accessible for lifetime (as occupants age) use at minimal cost. These are not currently more relevant to affordable housing and are not mandatory standards for market homes. The current Housing Standards Review process (*see above*) may determine or guide how such requirements are handled in future. Local authorities' policies on this area vary.

Local Development Framework (LDF) – A non-statutory term previously used to describe a folder or group of related documents, which included all of a local planning authority's local development documents (LDDs). Has largely been superseded in recent years by the term 'Local Plan' (*see below*). Where applicable currently, an LDF is comprised of: -

- Development Plan Documents (which form part of the statutory development plan);
- Supplementary Planning Documents

The LDF would also comprise the following: -

- The Statement of Community Involvement (SCI)

- The Local Development Scheme (LDS)
- The Annual Monitoring Report (AMR)
- Any Local Development Orders of Simplified Planning Zones that may have been added.

Local Plan – The plan for the future development of the local area, drawn up by the local planning authority in consultation with the community and a wide range of stakeholders. In law this is described as the development plan documents adopted under the Planning and Compulsory Purchase Act 2004. Current core strategies or other planning policies, which under the regulations would be considered to be development plan documents ('DPDs), form part of the Local Plan. The term includes old policies which have been 'saved' (i.e. formally carried-over/kept in place) from and older Plan under the 2004 Act.

Local Planning Authority (LPA) – The public authority whose duty it is to carry out specific planning functions for a particular area. LPAs include District Councils, London Borough Councils, County Councils, Broads Authority, National Park Authorities and the Greater London Authority.

M

Market Value (MV) – The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after a proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

N

National Planning Policy Framework (NPPF) – The NPPF sets out the Government's planning policies for England and how these are expected to be applied. It sets out the Government's requirements for the planning system only to the extent that it is relevant, proportionate and necessary to do so. It provides a framework within which local people and their accountable councils can produce their own distinctive local and neighbourhood plans, which reflect the needs and priorities of their communities.

Nation Planning Practice Guidance (NPPG or PPG) – On-line resource acting as a supporting and delivery document to the NPPF, that refreshes and updates the raft of previous PPGs by providing the Government's latest guidance on how to operate the NPPF approach in practice.

Net Internal Area (NIA) – The useable space within a building measured to the internal finish of the structural, external or party walls, but excluding toilets, lift and plant rooms, stairs and lift wells, common entrance halls , lobbies and corridors, internal structural walls and columns and car parking areas.

O

Open Market Value (OMV) or now strictly termed Market Value (MV) – The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after a proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The usual measure of value in this study context. Used here to build up a development scheme's GDV and also to distinguish between this level of value and the lower level of receipt usually associated with the affordable dwellings (see 'Developer Payment').

Out of centre – A location which is not in or on the edge of a centre but not necessarily outside the urban area.

Out of town – A location out of centre that is outside the existing urban area.

P

Payment in lieu – A financial payment made by a developer or landowners instead of providing the planning-led affordable housing requirement on the site of the market (private sale) housing scheme (see also 'Commuted Sum / Financial Contribution').

Payment Table – This is normally referred to where a local authority prescribes or guides as to the levels of receipt the developer will get for selling completed affordable housing units of particular types and sizes to a Housing Association. In this context it normally relates to an approach which assumes nil grant and is based on what the Housing Association can afford to pay through finance raised (mortgage funded) against the rental or shared ownership income flow. See also 'Developer Payment'. It is sometimes used in a looser context, for example in the setting out of financial contribution levels for payments in lieu of on-site affordable housing provision.

Percentage (%) Reduction in Residual Land Value (RLV) – The percentage by which the residual land value falls as a result of the impacts from the range of affordable housing policy options. Where used, this is expressed as the fall in residual land value compared to a scenario that previously required zero affordable housing or that was required to provide affordable housing previously but at a lower percentage.

Planning obligations – A legally enforceable obligation entered into under Section 106 (‘s.106) of the Town and Country Planning Act 1990 to mitigate the impacts of a development proposal.

Planning-led Affordable Housing – Affordable housing required on new market (private-sale) housing developments of certain types (which are set locally – see ‘Threshold’ and ‘Proportion’ below) as set out by the NPPF.

Planning Policy Statement 3: Housing (PPS3) – Now obsolete former national statement of the Government’s planning policy on Housing – including the planning-led affordable housing that we consider here. Key principles have been absorbed into the NPPF and related NPPG.

‘Premium’ (over CUV / EUV) – An approach to benchmarking land value where a ‘premium’ or ‘uplift’ is added to the existing or current use value of a site in order to represent a competitive return to the landowner. The precise level of ‘premium’ or ‘uplift’ should be determined locally using an evidence based approach. The RICS Financial Viability in Planning guidance suggests that this premium is “often an arbitrary figure ranging from, for example, say 10 to 40 per cent above current use value but higher percentages have been used, particularly in respect of greenfield and rural land development. Related - Threshold Land Value.

Previously Developed Land (PDL) – Land which is or was occupied by a permanent structure, including the curtilage of the developed land (although it should not be assumed that the whole of the curtilage should be developed) and any associated fixed surface infrastructure. This excludes the following: -

- Land that is or has been occupied by agricultural or forestry buildings;
- Land that has been developed for minerals extraction or waste disposal by landfill purposes where provision for restoration has been made through development control procedures;
- Land in built-up areas such as private residential gardens, parks, recreation grounds and allotments;
- Land that was previously-developed but where the remains of the permanent structure or fixed surface structure have blended into the landscape in the process of time.

Q

R

Rateable value – The figure upon which the Uniform Business Rate is charged, being the Government's Valutaion Office Agency's (VOA's) most recently assessed rental value of a premises, as entered in the local 'Rating List'

Recycled Capital Grant (RCG) – In this context, an internal fund within the accounts of a Registered Provider (RP) of affordable housing used to recycle SHG in accordance with HCA policies and procedures.

Regional Spatial Strategy (RSS) – RSSs were abolished in May 2010 under the new coalition Government. The (former) over-arching spatial plan for a region, promoted and managed by the relevant regional assembly, and in the case of London – the Mayor's 'London Plan' which remains in place whilst the RSS layer has now been removed elsewhere, so that planning delivery is now deferred wholly to a Local Plan level, subject to compliance with the NPPF. Within London, conformity of individual authorities' Local Plans with the London Plan remains relevant. RSS comprised higher level guidance which sub-regional and local authority level planning needs to take account of as a part of delivering strategic objectives for an area. See also Development Plan.

Registered Provider (RP) – This legal definition has replaced the previously recognised term of Registered Social Landlord (RSL) and incorporates most Housing Associations. However, the updated understanding now explicitly allows both profit and non-profit making social housing providers to be registered (with the HCA) as affordable housing providers.

Regulation 123 (Reg. 123 / R. 123) List – A list produced by a CIL charging authority setting out the infrastructure types of projects on which it intends to spend the funds collected from its CIL. This should not include items for which s.106 obligation monies are also collected; so as to avoid so called "double-dipping".

Renewable Energy / Renewal Energy Measures – Measures which are required or encouraged for developments to ensure that a proportion (often expressed as a % target) of total energy needs of the scheme are supplied through renewable sources (for example solar, wind, ground heat, biomass etc.) rather than through conventional energy supply means. Usually in the context of viability studies we are referring to small scale on-site measures or equipment that will supply a proportion of the development's needs. Increasingly, there are also moves to investigate the potential for larger developments or groups of developments to benefit from similar principles but through group / combined / communal schemes usually involving significant plant installations (e.g. an energy network of some form, served by a centralised shared power source.

Rental value – The income that can be derived under a lease or tenancy for use of land or a building – usually assessed or stated in annual value terms.

Residual Valuation – The process by which a Residual Land Value (RLV) is estimated. So called because this is best visualised as starting with the GDV at the top of the calculation and deducting all development costs and developer's profit so as to indicate the amount left remaining (hence 'residual') for land purchase – including crucially the land value itself after the acquisition costs have been allowed for too.

Residual Land Value (RLV) – The amount left for land purchase once all development finance, land costs and profit have been deducted from the GDV, normally expressed in monetary terms (£). This allows for the sums subtracted for affordable housing and other planning obligations where applicable. It is relevant to calculate land value in this way as land value is a direct result of the development that can be accommodated (opportunities) on a site and the issues (constraints) that have to be dealt with to create it together with the costs associated with those.

Retail Warehousing – In the context of Local Plan and CIL viability, retail warehousing can be defined as, large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering to mainly car-borne customers.

S

Saved Policies – Former development plan policies whose life has been formally extended pending the replacement plan being in place. A formal direction is required (through Secretary of State approval) in order for policies to be saved.

Scheme Type – The scheme residential (development project/scenario/site) types modelled in the appraisals consist of either entirely flatted or housing schemes or schemes with a mix of houses and flats. The commercial /non-residential scenarios are also selected according to local relevance. They are notional, rather than actual, scheme types consistent with the strategic overview the study needs to make.

Section 106 ('s.106') – (of the Town and Country Planning Act 1990). The legally binding planning agreement which runs with the interest in the land and requires the landowner (noting that ultimately the developer usually becomes the landowner) through covenants to agree to meet the various planning obligations once they implement the planning permission to which the s.106 agreement relates. It usually sets out the principal affordable housing obligations, and is the usual tool by which planning-led affordable housing is secured by the LPA. Section 106 of this Act refers to 'agreements regulating development or use of land'. These agreements often cover a range of planning obligations as well as affordable housing. There is a related type of agreement borne out of the same requirements and legislation – whereby a developer unilaterally offers a similar set of obligations, often in appeal or similar set of circumstances where a quick route to confirming a commitment to a set of obligations may be needed (a Unilateral Undertaking – or 'UU'; a term not used in this study).

Sensitivity test(s) – assumptions variations allowing the viewing of the effect of those – i.e. review of the sensitivity of the viability outcomes (RLVs) to the appraisal inputs varying.

Shared Ownership – Shared ownership is an intermediate form of Affordable Housing and provides a way of buying a stake in a property (an initial % share) where the purchaser cannot afford to buy it outright. They have sole occupancy rights.

Shared ownership properties are usually offered for sale by Registered Providers. The purchaser buys a share of a property and pays rent to the RP for the remainder. The monthly outgoings will include repayments on any mortgage taken out, plus rent on the part of the property retained by the Housing Association. Later, as the purchaser's financial circumstances may change, they may be able to increase their share until they own the whole property (see 'Stair-casing' below). See also Affordable Housing.

Sheltered Housing – (Also known as retirement housing, later living housing or similar) Provides independent, self-contained homes for, usually over 55's (typically flatted development). Many of these schemes have their own 'manager' or warden' living on-site together with some shared or communal facilities e.g. lounge and potentially laundry or other shared facilities. These developments may be by market providers, as part of the wide overall spectrum of market housing provision; or be affordable / subsidised schemes developed by RPs and local authorities. They are housing provision led. *'Extra Care'* – Schemes are often similar in general format to sheltered housing but these types of schemes provide a greater or more fixed element of care, so that they are not simply housing-led. Distinctions such as a greater proportion of communal (and therefore non-saleable) floorspace, meals provision and other factors may well exist in comparison with sheltered housing.

Site value – In outline the RICS 'Financial Viability in Planning Guidance' (RICS GN94/2012) provides the following definition:

'Site value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan'

Sliding Scale – Refers in this context to a set of affordable housing policies which require a lower proportion of affordable housing on the smallest sites, increasing with site size – to provide a graduated approach.

Special Protection Area ('SPA') – Areas which have been identified as being of international importance for the breeding, feeding, wintering or the migration of rare and vulnerable species of birds found within European Union countries. They are European designated sites, classified under the Birds Directive. Local Authorities must work with Government Agency 'Natural England' to safeguard SPA affected areas (according to various criteria on the distance of development from the designated habit) through having a mitigation scheme in place. This involves the identification of land and funding for SANGS (Suitable Alternative Natural Green Space) together with SAMM (Strategic Access Management and Monitoring) or similar arrangements. The measures usually involve an additional cost to development that has to be allowed-for and/or assumed as an element that will be top-sliced from CIL receipts, given that in affected areas development cannot proceed without the necessary mitigation measures being in place.

Social Rented Housing – See Affordable Housing.

Stair-casing Receipt – Payment an RP receives when a shared ownership leaseholder (shared owner) acquires additional equity (a further share of the freehold) in a dwelling.

Strategic site / strategic scale development – Development, usually of housing or housing-led, which is of a scale strategic to the local planning context and which has different characteristics from smaller scale development by virtue of the scale of site works and planning obligations related to opening up and bringing forward sustainable development, including significant on-site / site specific infrastructure and or mitigation (e.g. significant access/new road works, on-site schooling and other facilities, etc). Whilst generally a site with these characteristics may provide say 400-500 or more dwellings, there is no dwellings number or other threshold that can reliably describe 'strategic development' in a fixed way in DSP's experience.

Supermarket – In the context or Local Plan and CIL Viability a supermarket can be defined as, shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.

Supplementary Planning Document (SPD) – Provides supplementary information in respect of the policies in Local Plans / DPDs, and their more detailed application. These do not form part of the development plan and are not subject to independent examination.

T

Tenure / Tenure Type – the mode of occupation of a property – normally used in the context of residential property and varying affordable housing tenure types – in essence includes buying part (e.g. shared ownership) or whole (market purchase), and renting (e.g. usually affordable rent in the study context); although there are now many tenure models and variations which also include elements of buying and renting.

Tenure Mix – The tenure types of affordable housing provided on a site – refers to the balance between, for example, affordable rented accommodation and shared ownership or other intermediate tenure.

Threshold – Most commonly refers to an affordable housing policy threshold i.e. the point (development scheme and / or site size) at which the local authority determines that affordable housing provision should be sought (at specified percentage(s), or in this study context the potential points at which the local authority wishes to test viability with a view to considering and selecting future policy or policy options. The term may also have other uses – e.g. where it is used to describe a point (or points) at which differential CIL charges are set by reference to scale of development; or a point at which a renewable energy or other scheme sizes based policy takes effect. In viability terms, a threshold usually represents a change / switch point in viability assumptions and outcomes to some degree.

Threshold Land Value – A land value at or above that which it is assumed a willing landowner would be prepared to sell. Related – Viability benchmark or land value comparison level or similar, Site Value.

Trial rate(s) – meaning trial CIL charging rates - used by DSP to describe the process of testing the impacts of CIL by gradually increasing the rate (£/sq. m) input to appraisals.

U

Use class – The Town and Country Planning (Use Classes Order) 1987 (as amended) puts uses of lands and buildings into various categories known as ‘Use Classes’. This list provides an indication of the types of use which may fall within each use class.

V

<u>Valuation Office Agency (VOA)</u> – The VOA is an executive agency of HM Revenue & Customs (HMRC). Their main functions are to compile and maintain the business rating and council tax valuation lists for England and Wales; value property in England, Wales and Scotland for the purposes of taxes administered by HMRC; provide statutory and non-statutory property valuation services in England, Wales and Scotland; give policy advice to Ministers on property valuation matters. The VOA used to publish twice-yearly Property Market Reports ('PMRs') that included data on residential and commercial property, and land values – these reports are no longer published but may be referred to amongst the range of information reviewed to inform study assumptions..

<u>Value Level(s)</u> ('VL's) – DSP usually carries out sensitivity testing based on a range of new build property values which represent typical locally relevant values for new developments in the area at the time of the study research. The VLs cover a range of values, allowing the exploration of varying viability by locality / market area and according to market trends. Generally the VLS are numbered lowest to highest and for commercial schemes the same principles are described by reference to 'L' (lower), 'M' (mid/medium) and 'H' higher value sensitivity tests.

<u>Viability</u> – See <u>Development Viability</u>.

<u>Viability buffer or viability cushion</u> (or 'buffering / cushioning') – When considering and setting CIL charging rates, those should not be set at the margins of viability; viability should not be taken to its limits so that the development across an area as a whole is placed at risk through CIL rates that are too high (bearing in mind that CIL is a fixed, non-negotiable charge once in place). Whilst the principles of a CIL acknowledge that all individual schemes need not be viable, an element 'viability buffering' or 'viability cushioning' should therefore be considered in order to help guard against potential changes in external circumstances that could render a significant number or type of sites unviable (in the overall plan delivery context). There is no prescribed approach or particular guidance on the details of ensuring a buffered type approach (which in DSP's experience is a factor to bear in mind in both assumptions setting and the judgements made on results review (for CIL rates scope), potentially but not necessarily including a stated buffering margin or similar.

<u>W</u>

<u>X</u>

<u>Y</u>

Yield – In this study context, as applied to different commercial elements of a scheme (i.e. office, retail etc.). Essentially indicates the percentage (%) of the capital value of the property represented by one year's rental income – i.e. the rental (investment) return. The lower the yield %, the higher the rental capitalisation (the 'years purchase'; a function of the yield % divided into 100) will be, consistent with an investment based on a more secure rental stream. A lower yield (lower %) assumption generally represents a greater envisaged strength of lease (occupier) covenant and greater certainty / lower risk over the security of the rental income (security or stability of the development / property type investment, therefore). Related to this, in turn a lower yield % produces a higher rental capitalisation (a higher multiplier), or Years Purchase (YP) applied to the annual rent). The converse applies as the yield % increases (a higher yield assumption means a lower multiplier applied to the annual rent).

Z