



**2nd Replacement
Caerphilly County Borough
Local Development Plan
Up to 2035**

**Viability Guidance Note
July 2022**

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1. Purpose of this Note

- 1.1 Planning Policy Wales (PPW) Edition 11 states that sites allocated in development plans must be deliverable. As part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to the allocation of any sites within a development plan. As part of the candidate site process, there is a requirement for site promoters to carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their site.
- 1.2 The Development Plans Manual (DPM) Edition 3 is clear that “*Land owners and developers promoting sites through the development plan must ensure they are involved fully and meaningfully in the process. **The failure of landowners and developers to provide the necessary evidence to demonstrate delivery of sites in identified timescales should result in them not being allocated in the plan.***”
- 1.3 The DPM indicates that “*it is important that the methodology for undertaking site appraisals is clearly set out and applied consistently.*” The purpose of this note is to explain the Council’s approach to assessing viability in a consistent manner, including the assumptions that should be factored in.

2. Development Viability Model (DVM)

- 2.1 Caerphilly CBC has worked in partnership with other Local Planning Authorities (LPAs) across the region, alongside consultants Burrows-Hutchinson Ltd, to establish the Development Viability Model (DVM) assessment tool. The DVM has been created as a comprehensive, user-friendly model that can be used by site proposers and decision makers for the purpose of assessing the financial viability of a development proposal.
- 2.2 The DVM is a 'site-specific' appraisal tool. Each copy of the model that is issued by the Council will be 'locked' to relate to a specific development site. The same copy of the model can, however, be re-used to assess more than one proposed scenario for development of that specific site.
- 2.3 A detailed User Guide has been produced to describe how the DVM works; and to set out the information that the user is required to input in the relevant cells. Each copy of the DVM also incorporates a 'Quick Guide', which is aimed at those undertaking an assessment of a purely residential development site not significantly in excess of 5 acres (2 Hectares). Users are also advised that 'Help Notes' are built into the model, embedded within the worksheets themselves, which remind the user what to do on each sheet. The DVM is also accompanied by a series of ['how to' videos](#) on the use of the model.
- 2.4 The Council can make the DVM available to developers, site promoters, or any other individual/organisation, for the purpose of undertaking a financial viability appraisal (FVA) of a proposed development. The model will be released subject to the Council receiving payment of a standard fee.
- 2.5 The standard fee that will apply covers the Council’s administrative time necessary to personalise and issue the model for the specific site, as well as officer time required to carry out a high-level review of the submitted FVA for a Candidate Site. A tiered fee structure applies, which is based on site size and scale. The fee will be determined by the Council having regard to what it considers to be an appropriate number of residential units that could reasonably be accommodated on the site. This tiered approach to fees recognises that the scale and scope of a development proposal will influence the amount of officer time likely to be required to carry out a high-level review of a completed DVM.

2.6 The standard fee schedule is as follows:

- Sites of 1-9 units – £195 plus VAT
- Sites of 10-50 units – £345 plus VAT
- Sites 51-100 units - £495 plus VAT
- Sites of more than 100 units - cost to be agreed with Council depending on size and complexity of proposal

2.7 In addition to the submission of the DVM, site promoters are encouraged to submit an accompanying statement which provides the supporting evidence to justify why certain assumptions have been made.

2.8 Following the submission of the model, the Council will undertake a high-level review of the completed DVM submission and accompanying statement in support of a Candidate Site to check the appropriateness of the information provided by the site promoter as part of the appraisal. This process will also ensure that the cells in the DVM's spreadsheets have been appropriately completed. The review will consider whether:

- a. evidence supplied to support costs and values used in the submitted FVA is sufficient and proportionate;
- b. the suggested timescales for the development are realistic; and
- c. the FVA accords with policy requirements of the Council and with other guidance and/or policy statements that are pertinent to the assessment of viability in a planning context.

2.9 Following completion of the high-level review, the Council will issue a simple statement to the site promoter to indicate the extent to which it considers the submitted FVA meets the tests outlined above. It is stressed that the standard fee schedule above covers the release of the model and high-level review at the Candidate Site Stage and does not allow for any time that a site promoter might wish to spend debating the findings of the Council's initial high-level review. Additional fees may apply in instances where further officer time is necessary as a result of the site promoter entering into further exchanges with the Council.

2.10 It is recognised that some of the information required to demonstrate viability may be considered by the site promoter as commercially sensitive. However, this is not a sufficient reason to avoid providing the appropriate evidence.¹ Caerphilly CBC will treat FVAs as confidential between the Council and the person or organisation that has submitted it. No submitted FVA will be publicly available. If it is considered necessary to present the details of an FVA as evidence, for example to support allocation of a site to an Inspector, the Council will discuss with the site promoter the extent to which such information may be released.

2.11 To obtain a site-specific copy of the DVM, together with the user guide and videos, or to discuss any matters relating to the DVM, please email ldp@caerphilly.gov.uk

2.12 In order to complete the DVM, site promoters will need to input the following information into the model:

Project Information

- Site Name
- Site Address
- Site Description

¹ Development Plans Manual (2020), para 5.96

- Total Gross Site Area (hectares)
- Total Net Developable Area (hectares)
- Net Developable Area Commercial/Investment (where appropriate):
- Total Number of Dwellings
- Maximum residential sales rate (per annum)
- Site Value (purchase/sale price)
- Valuation basis (Land purchase date if applicable)
- Development Start Date
- Cashflow period (from purchase of site to when final part of the development is sold in years)

Residential Development Information

Market Housing

- Dwelling type (house/flat/bungalow) - if dwelling types are not known, standard dwelling types can be used
- Occupancy (e.g. 1 bed 2 person, 4 bed 6 person)
- Gross Internal Area (m²)
- Sales value
- Number of dwellings of each dwelling type

Affordable Housing

- Dwelling type (house/flat/bungalow)
- Occupancy (e.g. 1 bed 2 person, 4 bed 6 person)
- Gross Internal Area (m²)
- Transfer value (as per affordable housing SPG)
- Number of dwellings of each dwelling type

Commercial Development (where appropriate)

- Use
- Unit Size (sq m)
- Rental Value £ per annum for each unit
- Freehold Values (if owner occupation)
- Net Investment Yield
- Net to Gross Ratio

Development Costs

- Build Costs (either total or per m²)
- Build and sale timescales
- Sales rate per month
- Section 106 and CIL costs
- Normal site costs (external site costs, sustainable drainage, extra building regs requirements)
- Abnormal site costs (may not apply on all sites)
- Construction fees
- Contingency
- Letting, sales and marketing costs

Site Costs

- Land Costs
- Land Transaction fees
- Planning/promotional costs

3. Development Cost Assumptions

Community Infrastructure Levy

- 3.1 A Community Infrastructure Levy (CIL) has been implemented in Caerphilly County Borough since 1st July 2014. The CIL is a charge on each square metre of new floorspace created by development.
- 3.2 As set out in the [CIL Charging Schedule](#), there are three CIL charging zones in the County Borough for residential development, and a single charging zone, which applies to the whole County Borough, for commercial development. A map showing the three residential charging zones is included in Appendix 1.
- 3.3 The rates for residential development in the three viability areas are set out in Table 1 below, with Table 2 setting out the rates for commercial development. The rates were set in 2014 but are subject to indexation on an annual basis. The 2022 rates are included within the Table and should be used for the purposes of the viability testing. As rates are calculated at the time that a planning application is first permitted, it should be noted that these rates may be subject to change at a later date.

Charging Zone	Rate (£ per square metre) 2014	Rate with indexation (£ per square metre) 2022
Lower Viability Area	£0	£0
Mid-Range Viability Area	£25	£35.98
Higher Viability Area	£40	£57.57

Table 1: Residential (C3) Development CIL Rates

Type of Development	Rate (£ per square metre)	Rate with indexation (£ per square metre) 2022
A1 Retail Development	£100	£143.93
A3 Restaurants, Café & Drinking Establishments	£25	£35.98
B1 Office Development	£0	£0
B2 – B8 Industrial Development	£0	£0
Care & Nursing Home Development	£0	£0
D1 Primary Healthcare Development	£0	£0
D2 Hotel Development	£0	£0
D2 Cinema Development	£0	£0

Table 2: Commercial Development CIL Rates

- 3.4 Where there is more than one use class proposed on a development, the chargeable development in each use class should be calculated separately and then added together to provide the total chargeable amount.
- 3.5 Social housing is eligible for relief from CIL so the floorspace of any affordable units proposed as part of the scheme should be deducted from the CIL total floorspace. Self-build dwellings are also eligible for relief.

- 3.6 A [Regulation 123 List of Infrastructure](#) has been approved, which sets out the list of infrastructure that can be funded through CIL. The Regulation 123 List is included in Appendix 2.
- 3.7 Only infrastructure that is not included on the Regulation 123 List can be funded through Section 106 agreements. The off-site provision of education is included on the List, so any additional school places generated through new development would need to be funded by the CIL pot. However, the onsite provision of schools remains a matter to be addressed through Section 106 agreements. If a candidate site is of a sufficient scale to justify the provision of a new school, in line with the tests for the provision of planning obligations², the cost of the providing the school should be factored into the viability assessment. Only the largest strategic sites are likely to require the provision of a new school.

Green Infrastructure

- 3.8 Green Infrastructure should be protected and enhanced as an integral part of any development proposal. The type and scale of green infrastructure will vary on a site-specific basis but natural and semi-natural features, green spaces, watercourses, trees etc can all make an important contribution to the design of sites as well as wider green infrastructure networks.
- 3.9 In accordance with the biodiversity duty set out in the Environment (Wales) Act 2016, developments should seek to maintain and enhance biodiversity. Developments should not cause any significant loss of habitats or species and must provide a net benefit for biodiversity. It is therefore essential that biodiversity is considered at the early stages of the development process to ensure that mitigation and enhancement is taken into account.
- 3.10 There may be costs associated with mitigation and enhancement and site promoters are advised to make appropriate allowances for this within their viability assessments where appropriate. These will be site specific so no set assumptions can be determined, but these costs will inevitably be lower where green infrastructure and biodiversity are considered at the earliest opportunity.
- 3.11 Green infrastructure can include on-site play provision. Policy CW10 of the adopted LDP on Leisure and Open Space provision requires all sites of 10 dwellings or more, or 0.3 Ha in gross site area to make adequate provision for:
- Well-designed useable open space as an integral part of the development; and
 - Appropriate formal children's play facilities either on or off site; and
 - Adequate outdoor sport provision either on or off site.
- 3.12 Technical Advice Note (TAN) 16: Sport, Recreation and Open Space advocates the use of the Fields in Trust Benchmark Standard for Outdoor Sport and Play (FIT Standards). The FIT Standards prescribe:
- Outdoor sports space – 1.6 Ha per 1,000 population
 - Children's playing space – 0.8 Ha per 1,000 population (comprising 0.25 Ha per 1,000 designated equipped playing space and 0.55 Ha per 1,000 informal playing space)

² Planning obligations must be necessary to make the development acceptable in planning terms, directly related to the development and fairly and reasonable related in scale and kind to the development.

- 3.13 The average household size in Caerphilly is 2.34 persons per dwelling. The requirement for open sports space and children's play space on a per dwelling basis is calculated below.

Outdoor sports space per dwelling 1.6 Ha = 16,000 sq m
(16,000/1000 population) x 2.34 occupancy = 37.4 sq m per dwelling

Total children's playing space 0.8 Ha = 8,000 sq m
(8,000/1000 population) x 2.34 occupancy = 18.7 sq m per dwelling

Multiply by number of dwellings to determine total space requirements

- 3.14 Site promoters are advised to take into account the level of open space required for outdoor sports and play provision when determining the capacity of the site. When determining the requirements for on-site provision, the Council will give consideration to the existing facilities in the wider area. If sufficient provision is available locally, on-site provision may not be required. Where designated equipped playing space is necessary, the Council will require the developers to provide the facilities and will seek to negotiate a commuted sum for the ongoing maintenance of the facility. Based on evidence over the last 10 years on what has been secured in respect of on-site provision and commuted sums, the following assumption should be factored in:

- On sites of **100 or more dwellings only**, an assumption of £1,500 per dwelling should be factored into the viability for the on-site provision of play facilities and a commuted sum for maintenance.

- 3.15 This assumption is for viability testing purposes only, as the exact site-specific requirements will need to be determined at planning application stage. For sites of less than 100 dwellings, it is not proposed that an assumption for on-site provision should be factored into the viability testing. However, at planning application stage, consideration will be given to provision within the wider area to determine if there is a need for onsite provision, and it may be the case that there will be a requirement at that stage.

- 3.16 Off-site leisure provision is listed on the Regulation 123 List in Appendix 2 and will be provided through CIL where required.

Affordable Housing

- 3.17 The viability assessment should include assumptions for the provision of policy compliant levels of affordable housing, in accordance with Policy CW11 of the adopted LDP and the Council's Supplementary Planning Guidance (SPG) on [Affordable Housing Obligations](#).

- 3.18 Figure 1 identifies the viability areas in the County Borough. The current targets for affordable housing are as follows:

- 40% of the total number of dwellings proposed on sites within the Caerphilly Basin (excluding Aber Valley)
- 25% in the Northern Connections Corridor (excluding Newbridge) and
- 10% in the Rest of Caerphilly County Borough (including Aber Valley and Newbridge but excluding the Heads of the Valleys Regeneration Area)

- 3.19 Whilst no indicative targets have been provided for the Heads of the Valleys Regeneration Area on the grounds that the viability assessment demonstrated that it would be unviable to do so based on the findings of the high-level testing, it is recognised that there may be some areas within this part of the County Borough where the provision of affordable housing would be viable and there is evidence of need. The Affordable Housing Obligations

SPG states that the Local Authority will therefore give consideration to the viability of provision on sites within the HOVRA on a site-by-site basis.

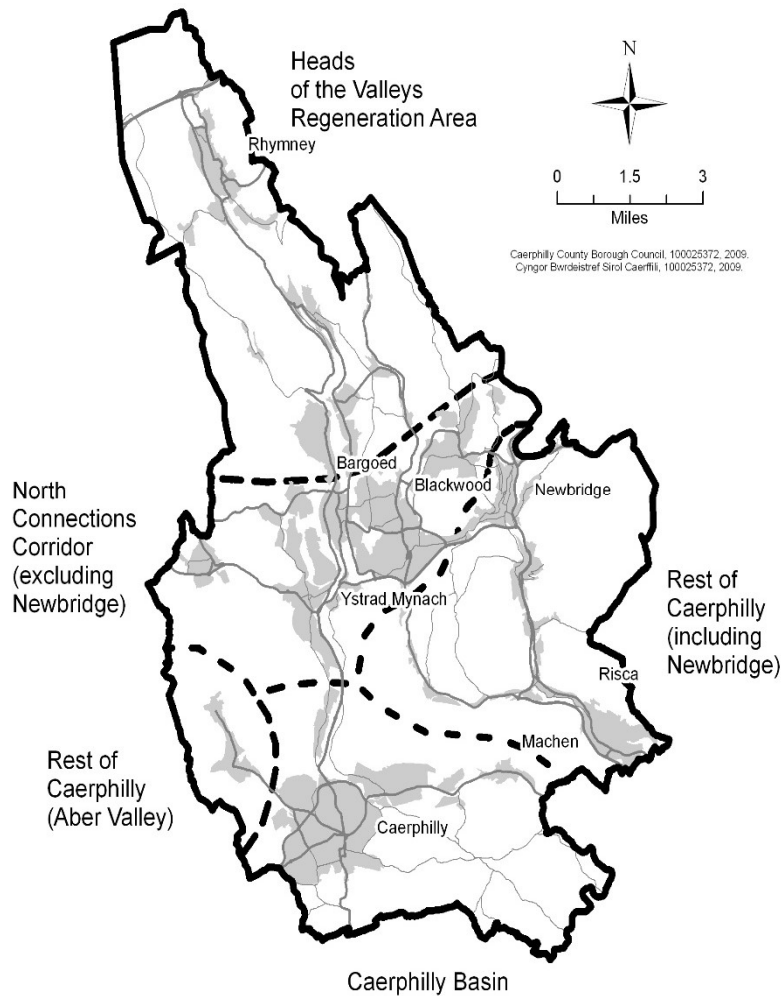


Figure 1: Viability Areas

- 3.20 The threshold for the provision of affordable housing is 5 dwellings or 0.15 Ha. However, as the minimum site size for allocation in the 2RLDP has been determined to be 10 dwellings and/or 0.5 Ha, a viability assessment will only be required on those sites that exceed that threshold.
- 3.21 As part of the evidence base for the Deposit 2RLDP, the Council will prepare an Affordable Housing Viability Assessment (AHVA), which will review the viability areas and affordable housing targets in light of current viability assumptions. **The targets and viability areas may be subject to change in the future.**
- 3.22 In accordance with national planning policy, it is the Council's preference for affordable housing to be provided on-site by a developer, with the units then being transferred to either the Local Authority or a Registered Social Landlord (RSL) at a discounted fixed value. The transfer values for social rented and intermediate units are set out with Appendix 3 of the SPG and site promoters are requested to use these fixed transfer values in their viability assessments.

- 3.23 The DVM requires site promoters to make assumptions on the size of units. The DVM includes standard dwelling types for market and affordable units, which can be used for the purposes of viability testing.
- 3.24 The proposed mix of affordable dwellings is informed by the need figures on an area basis as identified in the Local Housing Market Assessment (LHMA). To aid the viability assessment, an indicative mix of units for a notional 1 Ha site in each of the viability areas and at different densities is included in Table 3. This indicative mix should be used as a basis for assessment, with requirements being applied proportionally to reflect larger or small sites. In accordance with the SPG, where the requirement would not equal a whole number, the unit requirement should be rounded up or down to the nearest whole number.

DPH	Tenure	Type	Bed Count	Head of the Valleys 0%	Rest of Caerphilly 10%	Northern Connections Corridor 25%	Caerphilly Basin 40%
25	Social rented	House	4	-	-	-	1
25	Social rented	House	3	-	1	-	-
25	Social rented	House	2	-	-	-	2
25	Social rented	Flat	2	-	-	-	-
25	Social rented	Flat	1	-	2	6	4
25	Intermediate	House	3	-	-	-	2
25	Intermediate	House	2	-	-	-	1
30	Social rented	House	4	-	-	1	1
30	Social rented	House	3	-	1	-	-
30	Social rented	House	2	-	-	-	-
30	Social rented	Flat	2	-	-	-	-
30	Social rented	Flat	1	-	2	6	8
30	Intermediate	House	3	-	-	1	2
30	Intermediate	House	2	-	-	-	1
35	Social rented	House	4	-	-	1	1
35	Social rented	House	3	-	-	-	-
35	Social rented	House	2	-	-	-	2
35	Social rented	Flat	2	-	-	-	-
35	Social rented	Flat	1	-	4	6	8
35	Intermediate	House	3	-	-	1	2
35	Intermediate	House	2	-	-	1	1
40	Social rented	House	4	-	-	1	1
40	Social rented	House	3	-	-	-	-
40	Social rented	House	2	-	-	1	3
40	Social rented	Flat	2	-	-	-	-
40	Social rented	Flat	1	-	4	6	8
40	Intermediate	House	3	-	-	1	2
40	Intermediate	House	2	-	-	1	2

Table 3: Affordable Housing Mixes by Viability area (notional 1 Ha site)

- 3.25 Please note that the affordable housing mixes identified in Table 3 are for **2RLDP testing purposes only**. The exact mix of affordable housing units required at planning application stage will be dependent on the more locally specific need identified in the latest LHMA at the time that a planning application is submitted.

Sustainable Travel

- 3.26 On major sites, contributions have been sought towards travel plan initiatives to increase the use of sustainable and active travel within new developments, linked to the adopted LDP objective of minimising the need to travel and promoting more sustainable modes of transport. Contributions towards measures such as sustainable travel vouchers for occupiers, the funding of a bus service linking the site to local facilities and the funding of a travel plan coordinator have all been secured through Section 106 agreements on major schemes.
- 3.27 The scale of contributions will vary depending on the circumstances of the site and such measures will not be necessary on every site. On this basis, it is not considered that an assumption should be included within all site-specific viability assessments, but promoters of major sites should note that this may be a requirement at planning application stage.

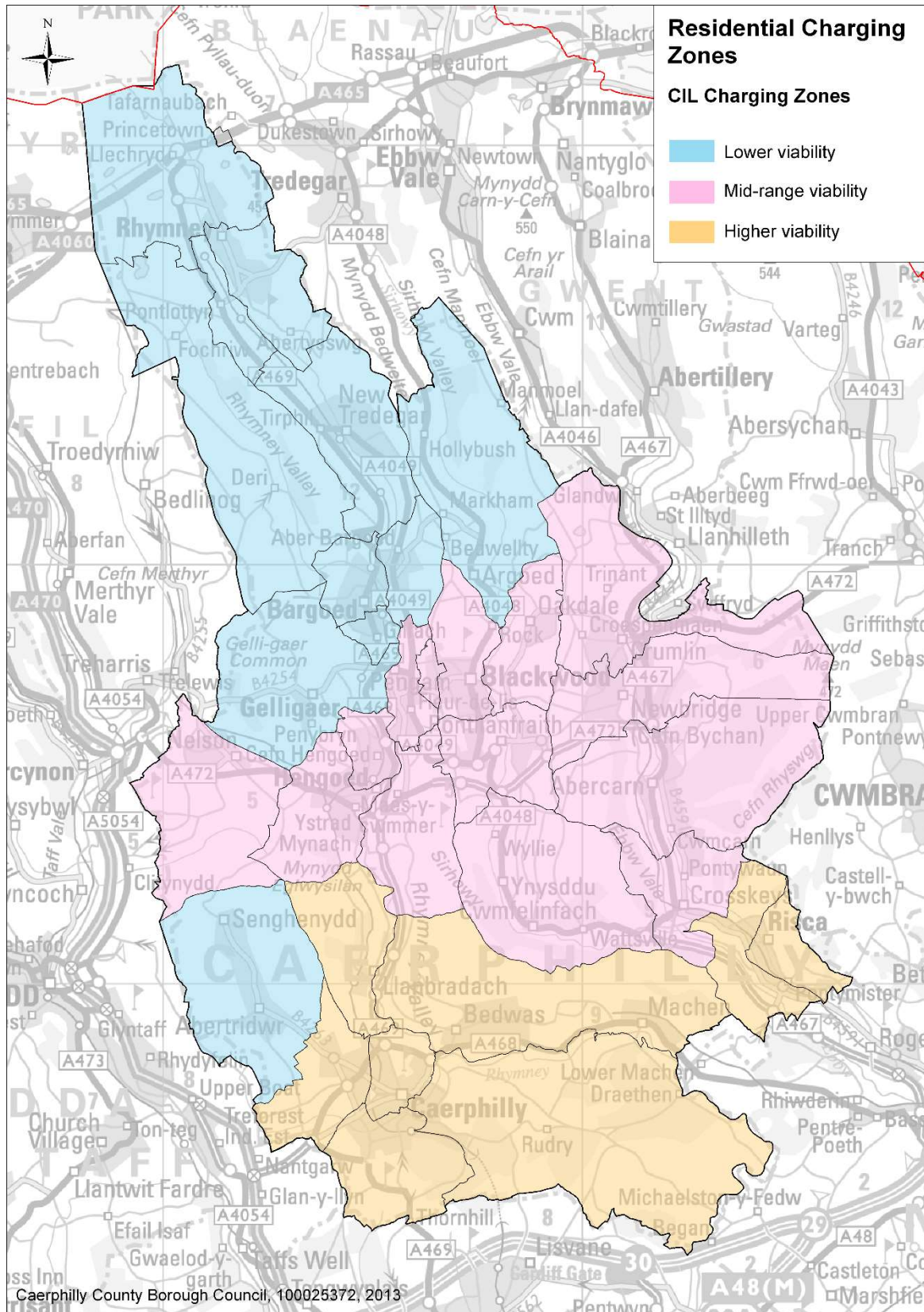
Sustainable Drainage (SuDS)

- 3.28 From 7 January 2019, all new developments of more than one house or where the construction area is of 100m² or more have been required to have sustainable drainage to manage on-site surface water. Surface water drainage systems must be designed, and built, in accordance with mandatory standards for sustainable drainage published by Welsh Ministers. These systems must be approved by the Local Authority acting in its SuDS Approving Body (SAB) role before construction work begins. The SAB has a duty to adopt compliant systems so long as it is built and functions in accordance with the approved proposals, including any SAB conditions of approval.
- 3.29 As part of the viability assessment, site promoters should make appropriate assumptions for the costs of gaining SAB approval for their development, together with the costs of implementing an appropriate SuDS scheme, and commuted sums for the ongoing maintenance.
- 3.30 The fees associated with the SAB Pre-application and application processes should be accounted for as part of the wider professional fees assumptions within the DVM. Details of the current fees can be found at <https://www.caerphilly.gov.uk/sab>
- 3.31 The cost of the provision of an appropriate SuDS scheme and its ongoing maintenance varies considerably. The single biggest influencing factor is whether the development utilises a green infrastructure led approach or whether it uses a more traditional pipe / underground storage type approach, with the latter normally being a more expensive option. A commuted sum is required for the ongoing maintenance of the SUDs infrastructure. For the purposes of testing only, the following figures should be factored into the viability assessment, based on average costs of schemes that have received SAB approval:
- Commuted sum - £13,000 per dwelling
 - Inspection fees - £600 per dwelling
- 3.32 **The actual figures will be determined at SAB approval stage**, as they will be specific to the site. The commuted sum per plot may be higher or lower depending on the type of SuDS scheme proposed, the size of the development, and soil conditions. Site promoters are encouraged to consider SuDS as early as possible within the development as an

integral part of the placemaking and green infrastructure for the site, and early engagement with the SAB through a SAB pre-application is recommended.

- 3.33 It is the Council's policy to apply a bond where the duty to adopt applies and for non-adoptable schemes / parts of the site on a risk based approach. The bond may be up to 100% of the SAB's best estimate of the total cost of construction of the drainage system. Green Infrastructure typically has lower construction costs than more traditional pipe based / below ground storage designs and therefore generally results in a lower bond.
- 3.34 Based on bonds secured on other schemes, the average cost would be £10,000 per dwelling. The bond is fully refundable on satisfactory completion of the SuDS scheme and an associated defect liability and establishment period. The defect liability / establishment period varies between 12 and 36 months following practical completion, depending on the type of SuDS used. For viability testing purposes, as the bond is fully refundable, subject to the scheme being completed satisfactorily, it is advised that this is not included as a cost in the viability assessment, but site promoters will need to be mindful of this when considering cash flows.
- 3.35 For phased developments, a partial release of the bond may be considered on a site-by-site basis as individual phases are completed.

Appendix 1: Residential Charging Zones for CIL



Appendix 2: Regulation 123 List of Infrastructure

Physical Infrastructure

- ***Policy TR5 Transport Improvement Schemes- Northern Connections Corridor.***
- ***Policy TR6 Transport Improvement Schemes – Caerphilly Basin.***
- ***Policy TR9 Highway Corridor Safeguarding – Caerphilly South East Bypass.***
- ***Policy TR8.1 Regeneration Led Highway Improvements – Heads of the Valleys Area.***
- ***Strategic public transport infrastructure (excluding site-specific links to the strategic network, for example a short length of cyclepath to link a site to a local or national route, a new bus stop within a new development to make it accessible).***
- ***Waste transfer / recycling bulking infrastructure.***
- ***Upgrade of existing Civic Amenity Sites.***
- ***Strategic Drainage Network.***
- ***Air Quality Action Plan Schemes (excluding air monitoring stations).***
- ***Network Connections – Superfast Broadband.***

Social Infrastructure

- ***Off-Site Education Provision (Schools).***
- ***Youth and Community Facility Provision & Upgrade to existing facilities.***
- ***Cemetery Provision.***
- ***Leisure Centre Provision & Upgrade to existing facilities.***

Green Infrastructure

- ***Off-Site Formal Leisure Facilities (Playing pitches and associated changing facilities, Multi-use games areas, Neighbourhood Equipped Areas for Play)***