Independent Viability Experts

FAO Mr Daniel Allen
Principal Planning Officer
South Holland District Council

Derek Clarke MRICS MRTPI
Director
CP Viability Ltd

Sent by email only

Our ref: DN-1314
Your ref: H03-1042-25
H03-0161-17
H03-0598-24
Date: 20th November 2025

Dear Mr Allen,

PROPERTY ADDRESS: **Home Farm, Deeping St Nicholas, Spalding PE11 3HA**
INSTRUCTING BODY: **South Holland District Council**
APPLICANT: **Emerald Homes**

Further to your instruction dated 29th October 2025 and receipt of the independent cost review completed by Thornton Firkin on 20th November 2025, we are pleased to report as follows.

1. Property Overview

1.1. The property is located within the village of Deeping St Nicholas, circa 6 miles south of Spalding and approximately 15 miles north of Peterborough. The main access road to these towns is via the A1175, which runs through the village. More specifically, the site has a frontage onto the A1175 to the northeast, whilst the south-western boundary abuts existing residential dwellings. The rest of the site boundaries affront open fields.

1.2. The property comprises a former farm complex, with agricultural buildings and hard standing to the front section of the site (fronting onto the A1175). The remainder of the site consists of agricultural land, together with a parcel of undeveloped grassland.

1.3. We are advised that the gross site area is 5.7 Ha (14.08 acres).

1.4. By way of background, there has been several previous planning applications relating to the site, dating back to 2017. Initially this was based on 135 dwellings, however during subsequent iterations the number of units was reduced. For clarity, viability arguments were submitted by the applicants at the time and in each case we were instructed by the Council to undertake an independent review (completed in 2017, 2019 and 2020). As a brief summary:

- In May 2017 Kier undertook a viability assessment of the site, based on 135 dwellings. At the time the size of the site in question was larger than the current proposal. As part of this review, Kier concluded that the scheme was unable to viably support the full affordable housing provision.

- In June 2017 we undertook a review of Kier's findings. We disagreed with Kier's conclusion and instead found that the scheme was viable with the full affordable housing provision applied.

- In August 2018 JLL undertook a viability assessment of the scheme. This was based on a reduced number of dwellings (125). JLL concluded that the development was unable to viably support any affordable housing contributions. However, JLL did conclude that it would be able to fund a new village hall, a provision of onsite public open space and an education contribution (secured through a S106 agreement).

- In February 2019 we undertook a viability review of JLL's findings. We concluded that the scheme was able to provide 11 (8.8%) affordable dwellings, plus the various S106 requirements.

- JLL undertook an updated viability report dated October 2020, based on a reduced scheme of 120 dwellings and an onsite community building. JLL concluded that the scheme was viably able to deliver the onsite community hall, education provision, public open space and NHS contribution but only if the affordable housing provision was reduced to zero.

- In December 2020 we undertook a viability review of JLL's findings. We concluded that the scheme was able to support 14 to 17 (11.67% to 14.17%) onsite affordable dwellings alongside the various S106 contributions.

1.5. In December 2021 (under planning reference **H03-0161-17**) outline planning permission was granted for "Erection of up to 120 dwellings and a village hall and ancillary development". As part of the permission, the applicant at that time entered into a S106 agreement with the Council (dated 20th December 2021) which required the following:

- 11 onsite affordable dwellings.
- Education contribution.

- Healthcare contribution (£666 per dwelling), subject to increases as per a stated formula.
- Offsite affordable housing contribution payable if the profit margin exceeds 17.5% on revenue (the commuted sum would be 50% of any profit uplift above 17.5%, up to the limit of the affordable housing policy).

1.6. Under planning reference **H03-0598-24**, Emerald Homes submitted a reserved matters application for "Erection of 119 dwellings and a village hall along with ancillary development including the construction of an attenuation pond". This was approved in November 2024.

1.7. The current application (ref **H03-1042-25**) is for "Modification of 106 Agreement relating to affordable housing and infrastructure contributions (planning approval H03-0161-17)".

1.8. Acting on behalf of the latest applicant, AMK Planning ("AMK") have submitted a 'Viability Appraisal & Report' dated September 2025. AMK's report is based on a slightly reduced scheme of 119 dwellings plus an onsite community building. The dwellings modelled in AMK's appraisal as shown as follows:

Dwelling Name	Type of Dwelling	No. Units	GIA (sqm)	Total GIA (sqm)
A1	2B Semi-detached	2	68	136
A2	2B Semi-detached	4	68	272
A3	2B Terraced	3	68	204
A4	2B Terraced	9	68	612
B1	2B Semi-detached	8	74	592
B2	2B Semi-detached	16	74	1184
B3	2B Semi-detached	2	74	148
C1	3B Semi-detached	8	88	704
C2	3B Semi-detached	4	88	352
C3	3B Semi-detached	2	88	176
D1	3B Semi-detached	8	96	768
D2	3B Semi-detached	6	96	576
D3	3B Semi-detached	4	96	384
D4	3B Semi-detached	2	96	192
D5	3B Semi-detached	2	96	192
E1	3B Detached	2	98	196
E2	3B Detached	1	98	98
E3	3B Detached	1	106	106
F1	3B Detached	4	106	424
F2	3B Detached	3	106	318
F3	3B Detached	2	106	212
G1 (Unit 1)	2B Semi-detached	2	78	156
G1 (Unit 2)	3B Semi-detached	2	88	176
G2 (Unit 1)	2B Semi-detached	1	78	78
G2 (Unit 2)	3B Semi-detached	1	88	88
G3 (Unit 1)	2B Semi-detached	1	78	78
G3 (Unit 2)	3B Semi-detached	1	88	88
H1	4B Detached	2	129	258
H2	4B Detached	1	129	129
H3	4B Detached	1	129	129
I1	4B Detached	1	148	148
I2	4B Detached	1	148	148
I3	4B Detached	1	148	148
J1 (Unit 1)	4B End of Terrace	1	114	114
J1 (Units 2-4)	2B Terraced	3	68	204
K1	1B Semi-Bung	2	51	102
K2	1B Semi-Bung	2	51	102
L1 (Unit 1)	2B Terraced	1	78	78
L1 (Unit 2)	3B Terraced	1	88	88
L1 (Unit 3)	2B Terraced	1	68	68
Totals/Average		**119**		**10226**

2. Scope of Assessment and General Assumptions

2.1 As stated above, acting on behalf of Emerald Homes, AMK have submitted a viability report dated September 2025. AMK consider 3 appraisal scenarios and conclude that *"…the £2.7 Million of abnormal costs associated with the development of this site have had a very significant impact on the viability of the development and rendered a policy complaint scheme economically unviable to deliver."*.

2.2 We have been instructed to provide an independent viability assessment of the scheme, with a view to advising the Council as to whether this can provide any affordable housing / S106 contributions.

2.3 In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that prior to accepting this instruction we undertook a conflict-of-interest check. It is stressed that as an organisation we only provide independent viability reviews upon the instruction of Local Authorities and therefore can guarantee that we have not provided viability advice on behalf of the applicant/ their advisors for this scheme or any other project. Within this context and having undertaken a review we are unaware of any conflict of interest that prevents CP Viability from undertaking this instruction. If, at a later date, a conflict is identified we will notify all parties to discuss how this should be managed.

2.4 In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that the fee agreed to undertake this review is a fixed rate (covering the elements set out in our fee quote / terms of engagement) and is not performance related or a contingent fee.

2.5 In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that CP Viability Ltd is not currently providing ongoing advice to South Holland District Council in area-wide financial viability assessments to help formulate policy.

2.6 As stated within the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) it is now a mandatory requirement to provide sensitivity analysis of the viability results. This is to demonstrate to the applicant and decision maker the impact that changes to inputs have on the viability outcome and also to help the assessor reach an informed conclusion. We have subsequently undertaken sensitivity testing as part of this review.

2.7 We have assessed the viability of the scheme as at 20th November 2025.

2.8 This assessment does not provide a critique of the proposed development design (i.e. we have not commented on the efficiency of design, density etc.). Our role is limited to testing the viability of the proposals as detailed on the relevant planning applications.

2.9 We have relied on the information provided to us by the instructing body and the applicant/developer and in particular information publicly available through the Council's planning portal website. We have not met either of the Instructing Body or the applicant/developer and subsequently have not partaken in any negotiations regarding the scheme.

2.10 In accordance with the RICS "Assessing viability in planning under the National Planning Policy Framework 2019 for England (Guidance Note 1st Edition, March 2021), our appraisal assumes a hypothetical landowner and a hypothetical developer. The intention of a viability assessment is therefore to identify the approach a 'typical' or 'average' developer / landowner would take to delivering the site for development. A viability assessment does not therefore seek to reflect the specific circumstances of any particular body (whether landowner or developer).

2.11 In undertaking our appraisals, we have utilised the ARGUS Developer toolkit. This is an industry approved cash-flow model, designed specifically for residual appraisals.

2.12 This report reflects the independent views of CP Viability, based on the research undertaken, the evidence identified and the experience of the analysing surveyor.

3. AMK's appraisal – summary

3.1. AMK's September 2025 viability testing considers 3 scenarios:

- **Scenario 1-** based on the Council's full planning policy requirements with 10% onsite affordable housing, the provision of a community centre and £750,000 of Section 106 contributions. This demonstrates negative viability of (minus) -£5.28 million.
- **Scenario 2** – 100% market Value housing scheme with no affordable housing or Section 106 contributions. This demonstrates negative viability of (minus) -£2.44 million.
- **Scenario 3** – reduces the development profit to 14% and removes all Section 106 contributions. It also assumes the scheme is partially funded from internal resources. This demonstrates a viability position of £37,000.

3.2. AMK conclude that scenario 3 *"…illustrates how the scheme can be delivered if the applicant is prepared to accept such a profit reduction and divert funds from other opportunities to fund the scheme…"* they go on to state "*It should not however be taken to imply that a 14% profit is considered a reasonable risk allowance for this sort of speculative development.*".

3.3. To summarise AMK's appraisal (scenario 1) we have categorised the costs provided under what we consider to be the most common sections of a viability appraisal. For example, all costs which we believe relate to the basic construction of a dwelling (including a contractor's margin or developer's overhead) have been allocated under "Basic construction cost". Likewise, those costs which are considered to relate to typical external works, such as highways, drainage, general services etc are allocated under "Externals / infrastructure". Any unusual costs are referred to as "Abnormals", and so on. This categorisation approach allows us to undertake a comparison between the subject scheme and other developments we have assessed.

<u>Gross Development Value (Revenue)</u>

Type	**No.**	**Average £ per sq m**	**Total**
Market Value Houses	108	£3,118	£29,493,200
Affordable Rent	8	£1,649	£893,950
Intermediate/ SO	3	£2,276	£509,880
Total	**119**		**£30,897,030**

Gross Development Cost (Outgoings)

Type	Rate	Total
Plot costs (inc. prelim)	£1,353.72 psm	£13,843,189
Garages		£963,023
Externals (on/off plot)	29.72% of build costs	£4,400,817
Car Chargers	119 @ £750 each	£89,250
Part L	119 @ £7,000 each	£833,000
Contingency	3.45% of build costs	£694,500
Professional fees	7.16% of build costs	£1,440,527
Abnormals (inc community centre)	£214,540 per acre	£3,020,720
S106		£725,000
Marketing	2.50% of revenue	£737,330
Legals	£1,298 per unit	£154,485
Finance	7.50% debit	£2,231,372
Developer's profit	17.50% of MV / 6% of AH	£5,245,540
Benchmark land value	£120,698 per acre	£1,700,000
Acquisition costs	Agent, legals, SDLT	£105,100
Total		**£36,183,853**

3.4. Based on the above assumptions AMK's appraisal makes a loss of circa £5,286,823 and is therefore deemed to be unviable.

4. CP Viability's appraisal

Gross Development Value (Revenue)

4.1. We based our assessment of value on the schedule of accommodation as set out above in paragraph 1.8.

4.2. In their appraisal, AMK have allowed the following market sales values:

- 2b terr/semi	68 sq m	£227,800 (£3,350 psm)
- 2b semi	74 sq m	£236,800 (£3,200 psm)
- 2b terr/semi	78 sq m	£249,600 (£3,200 psm)
- 3b terr/semi	88 sq m	£272,800 (£3,100 psm)
- 3b semi	96 sq m	£288,000 (£3,000 psm)
- 3b detached	98 sq m	£313,600 (£3,200 psm)
- 3b detached	106 sq m	£328,600 (£3,100 psm)
- 4b detached	129 sq m	£380,550 (£2,950 psm)
- 4b detached	148 sq m	£451,800 (£2,850 psm)

4.3. To support their adopted average value AMK have considered the following evidence:

- New build properties on the market and new build transactions since 2024.
- New build semis within a 7km radius of Deeping St Nicholas since 2024.
- Data gathered has been cross checked against available second-hand dwellings.

4.4. We have initially considered Land Registry Data for transactions completed within the last 24-month period, in Deeping St Nicholas. The results have been limited to properties of a similar style and size. We note the 2 following developments:

Littleworth Park by Jelson Homes circa 1.3 miles to the southwest of the subject site:

	Address	SQM	£ psm	Price	Date	Type
42	FALCON AVENUE	68	£ 2,868	£195,000	26/04/2024	Semi
45	FALCON AVENUE	68	£ 3,088	£209,950	17/11/2023	Semi
			£ 2,978	**£202,475**		
16	FALCON AVENUE	75	£ 2,800	£210,000	29/11/2024	Semi
17	FALCON AVENUE	75	£ 2,933	£219,950	28/08/2025	Semi
18	FALCON AVENUE	75	£ 2,850	£213,750	27/09/2024	Semi
			£ 2,861	**£214,567**		
2	FALCON AVENUE	88	£ 3,352	£294,950	30/11/2023	Det
8	FALCON AVENUE	88	£ 2,813	£247,500	23/02/2024	Det
			£ 3,082	**£271,225**		
10	FALCON AVENUE	99	£ 2,576	£255,000	07/10/2024	Det
14	FALCON AVENUE	99	£ 2,676	£264,950	14/08/2024	Det
40	FALCON AVENUE	99	£ 2,626	£259,950	26/07/2024	Det
43	FALCON AVENUE	99	£ 2,525	£250,000	18/12/2024	Det
			£ 2,601	**£257,475**		
12	FALCON AVENUE	148	£ 2,669	£395,000	26/04/2024	Det
20	FALCON AVENUE	153	£ 2,717	£415,750	03/01/2025	Det
		151	**£ 2,693**	**£405,375**		

Tinsley Close by D & R Homes Circa 0.4 of a mile to the south of the subject

	Address	SQM	£ per SQM	Price	Date	Type
1	TINSLEY CLOSE	89	£ 2,528	£225,000	23/05/2024	Semi
2	TINSLEY CLOSE	89	£ 2,528	£225,000	23/05/2024	Semi
4	TINSLEY CLOSE	89	£ 2,458	£218,750	28/03/2024	Semi
			£ 2,505	**£222,917**		
6	TINSLEY CLOSE	135	£ 2,626	£354,500	14/08/2024	Det
7	TINSLEY CLOSE	135	£ 2,589	£349,500	04/03/2025	Det
			£ 2,607	**£352,000**		
8	TINSLEY CLOSE	163	£ 2,561	£417,500	16/08/2024	Det
9	TINSLEY CLOSE	163	£ 2,515	£410,000	19/07/2024	Det
			£ 2,538	**£413,750**		

4.5. We have then considered available new build housing within 1 mile of Deeping St Nicholas and note the following:

Littleworth Park (as referenced above)

The Cartmel 2b semi	£189,950, 57.59 sqm (£3,298.31 psm)
The Sanderling 2b semi	£189,950, 65.95 sqm (£2,880 psm)
The Kite 3b semi	£214,950, 73.36 sqm (£2,930 psm)
The Willoughby 3b detached	£264,950, 97.86 sqm (£2,707 psm)
The Cardinal 4b detached	£409,950, 146.55 sqm (£2,797 psm)
The Maple 4b detached	£469,950, 158.73 sqm (£2,960.68 psm)

The Furlongs at Holland Park by Broadgate Homes. Located around 2.8 miles to the north of the subject site on the outskirts of Spalding, this development offers 2, 3 and 5 bed homes. The following are currently advertised for sale:

The Elcho 2b semi	£186,995 72 sqm (£2,597 psm)
The Elcho 2b semi	£194,995 72 sqm (£2,708 psm)
The Glencarse 3b semi	£239,995 82 sqm (£2,927 psm)
The Glencarse 3b semi	£244,995 82 sqm (£2,988 psm)

4.6. We have then considered second hand sold properties within 0.5 of a mile of Deeping St Nicholas and note the following (please note, we would expect a premium for a new build when compared to an equivalent resale):

14 Fantail Close

3b semi-detached

£230,000 on 14th February 2025

88 sqm (£2,614 psm)

11 Caultons Road

3b detached

£294,000 on 12th June 2025

98 sq m (£3,000 psm)

8 Willow Court Cowbit

3b detached

£265,000 on 31st March 2025

100 sqm (£2,650 psm)

6 Cornfield Close

4b detached

£325,000 on 22nd November 2024

133 sqm (£2,444 psm)

4.7. Having considered all of the above, we find that AMK's suggested net sales values are broadly reasonable and not understated for the purposes of a viability argument. We have subsequently accepted these allowances in our appraisal.

4.8. For the affordable units, AMK have assumed transfer values equivalent to circa 50% of market value for affordable rent and 70% of market value for intermediate / shared ownership, which we have accepted as being reasonable.

Build costs

4.9. For their construction costs (including prelims) AMK have allowed the following:

- Plot costs £13,843,189 (£1,353.72 psm)
- Garages £963,023

- Externals £4,400,817 (29.72% of above)
- Car chargers £89,250 (£750 per unit)
- Part L £833,000 (£7,000 per unit)
- Contingency £694,500 (3.45% of above)
- Abnormal costs £3,020,720 (£214,540 per acre)

4.10. AMK indicate that their costs are based on an Order of Costs report, prepared by Gleeds Cost Management Limited, dated 9th September 2025. AMK have then benchmarked this against the BCIS Median rate for Lincolnshire, of £1,535 per sq m.

4.11. The Gleeds Order of Cost Estimate is not a detailed cost plan and instead is a high-level indication of costs, based upon historical data, cost per m2, functional units and elemental benchmarks with broad allowances for elements based upon the information available.

4.12. We would stress that we are not qualified cost consultants and therefore not qualified to interrogate the Gleeds costs fully. However, we would make the following general comments based on our experience of undertaking viability testing:

- The RICS Viability Guidance (2021) refers to cost plans and suggests that this is a good form of evidence for determining costs in a viability submission, because it considers the specific circumstances of the site (which is less applicable to general datasets such as the BCIS and SPONS).

- However, it should also be recognised that a cost plan is a professional opinion, not a statement of fact. It is made up of numerous measurements/quantities and corresponding build rates per sq ft / per sq m or per item, it is therefore necessary for an assessor to make numerous assumptions throughout their appraisal. Small changes to rates per sq ft / per sq m, for example, could have a significant impact on the overall cost conclusion. It is therefore likely that another cost consultant / quantity surveyor reviewing the proposal would reach a different conclusion.

- For this reason, a cost plan should not simply be accepted as being a definitive position on the costs. The cost plan still needs to be measured against some form of evidence, whether that be a more generic dataset (such as the BCIS or SPONS) or advice from an independent quantity surveyor / cost consultant in the form of the review of the cost plan submitted.

- The Planning Practice Guidance: Viability states in paragraph 013 that:

  Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.

  Costs include:
  build costs based on appropriate data, for example that of the Building Cost Information Service [i.e. the BCIS]

- We note that the South East Lincolnshire Local Plan viability testing (albeit dating back now to 2017) took into account BCIS costs.

4.13. In this sense, a cost estimate by a quantity surveyor put forward as part of a viability submission is a useful source of evidence. However, this should not be simply accepted (in a similar way to a viability assessment on behalf of an applicant is not simply accepted) and instead needs to be considered alongside general data, including the BCIS database. If the plot costs set out in the cost estimate depart significantly from the expected rates for a scheme of that scale and nature as shown in the general data (e.g. BCIS rates) and/or the approach used in the Local Plan viability testing, then the assessor can favour a different figure from the quantity surveyor submission.

4.14. We note that Gleeds seemingly accept this principle, stating in their cost estimate the following:

> Gleeds surveyors would never refer to a database such as BCIS but understand its relevance as a comparator under the terms of statutory planning guidance on viability issues. We would stress, therefore, that whilst benchmark comparision with published data such as BCIS may be useful as a background check, it is no substitute for a detailed elemental cost plan.

4.15. In other words, Glees have adopted their own approach to determining plot construction costs, however they acknowledge that, when testing viability, it is appropriate to use the BCIS as a general 'sense check' of the figures. It must follow that is the BCIS is deemed to be an appropriate source of evidence to 'sense check' the costs, if the costs depart significantly from the BCIS figures then this can be raised by a viability assessor as part of their review.

4.16. Within this context, we have reviewed the latest BCIS rates to check how Gleeds' suggested plot cost of £1,353.72 per sq m compares.

4.17. Initially, we have rebased the data to South Holland. Please note, because the sample size is only ‘6’ we have used the ‘default’ data setting which analyses data over a 15 year period. This is to ensure that as much data as possible is fed into this. This is the approach adopted routinely by other applicant’s assessors / ourselves on numerous other cases across the district in recent years. We note the following:

BCIS®

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 15-Nov-2025 07:31
Rebased to South Holland (98; sample 6)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810.1 Estate housing							
Generally (15)	1,554	775	1,318	1,487	1,700	5,330	1267
Single storey (15)	1,781	1,043	1,486	1,701	1,946	5,330	199
2-storey (15)	1,499	775	1,298	1,449	1,648	3,212	999

4.18. It is our view that the ‘generally’ rates can be referred to as a sense check. Gleeds’ figure of £1,353.72 per sq m therefore sits in between the ‘generally’ BCIS lower quartile and median rates (albeit closer to the lower quartile of £1,318 psm as shown above) and also the ‘2 storey’ (which we consider to be a reasonable point of comparison here) range of £1,298 to £1,449 per sq m.

4.19. However, AMK have commented that they consider the '5 year' dataset to be more appropriate as Building Regulations have changed in recent years (most notably Part L and F in June 2023) and this potentially 'skews' the default data which is taken from up to 15 years ago and analysed (as inflation will be factored in, but not specification upgrades/Building Regulation improvements). We have therefore also considered the '5 year' data and note the following:

BCIS®

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 15-Nov-2025 07:31
Rebased to South Holland (98; sample 6)

MAXIMUM AGE OF RESULTS: 5 YEARS

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810.1 Estate housing							
Generally (5)	1,728	919	1,438	1,696	1,903	3,450	187
Single storey (5)	2,009	1,328	1,693	1,871	2,172	3,450	30
2-storey (5)	1,680	919	1,416	1,682	1,872	2,648	153

4.20. When the BCIS data is restricted to the '5 year' set the 'generally' lower quartile figure (which we typically deem to be appropriate for larger scale schemes) increases to £1,438 psm in the generally category, or £1,416 per sq m for '2 storey'.

4.21. In this instance, to inform our review, we have sought professional advice from a Quantity Surveyor. Thornton Firkin consultants were subsequently instructed to review the Gleeds Order of Costs, and in this case to include an assessment of the base dwelling costs for individual house types, on plot external works and drainage, off plot external works, infrastructure and abnormal costs. Please see attached (Appendix 1) Thornton Firkin' findings, which they summarize as follows:

Element	Thornton Firkin LLP	Gleeds
Dwellings	12,676.652	13,153,479
On plot external works and drainage	1,843,749	1,889,379
Off plot external works and drainage	2,424,798	2,511.438
Garages	777,093	963,023
Preliminaries	689,710	689,710
Abnormals	3,357,253	3,942,970
Total Cost	21,769,255 £2,132m2	23,150,000 £2,268m2

4.22. We have subsequently applied Thornton Firkin's advice into our model to see how this impacts on the overall appraisal outcome (please note we have factored in the 'dwellings' costs together with the 'preliminaries' allowance, just for the purposes of the model).

4.23. In terms of contingency, we would stress that this is ultimately a figure which may never be realised by a developer (and there is a line of argument to say that a contingency should not be allowed in viability testing for this reason, as essentially 'risk' is reflected already in developer profit). In other words, this is a cost which may never be drawn upon by the developer in which case this simply becomes an additional profit, potentially at the expense of planning policy requirements.

4.24. However, and notwithstanding this, it is common practice to apply contingencies to viability modelling (as well as this approach being approved through the viability guidance) therefore we are of the view that it is appropriate to make some allowance for contingency in the appraisal, albeit not overstating this given the pressures on Councils to deliver planning policies. We are of the view that a figure of 3% reflects a reasonable balance between the need to include some level of contingency but also the Council's need to deliver planning policies. We have applied this in our appraisal.

Professional fees

4.25. For professional fees, AKM have included £1,440,527, the equivalent of 7.16% of build and externals costs.

4.26. By way of evidence, we have reviewed other viability assessments (submitted on behalf of applicants therefore not our opinion) we have recently appraised across the region. We note the following allowances were put forward for externals by applicants / their advisors:

Site Address	Local Authority	Date	Units	Prof fees %
Officer Mess, Norwich Rd, Watton	Breckland Council	May-24	80	8.35%
Hargham Road, Attleborough	Breckland Council	Jun-25	100	5.89%
Land at Sporle Farm, Swaffham, Sw	Breckland Council	Aug-24	150	11.53%
Matt Pitts Lane, Wainfleet All Saints	East Lindsey	Sep-22	122	6.00%
Yews Farm, Spalding	South Holland DC	Jan-22	100	4.73%
				7.30%

4.27. AMK's allowance is therefore within expectations and has been agreed in our appraisal.

S106 / Other Council Policy Requirements

4.28. As per the S106 agreement, there is a c10% onsite affordable housing requirement for this scheme. The S106 agreement only refers to Affordable Rented and Intermediate dwellings, AMK (Scenario 1) have assumed the affordable housing provision would comprise these tenures only. They have also assumed a circa 70/30 split in favour of Affordable Rented.

4.29. In terms of other planning policy contributions AMK have included a total £725,000 in s106 contributions within their appraisal.

Health Care	£92,886
Education	£632,345
Community Facility	To be provided (cost attributed £1,200,000)

4.30. The S106 agreement, dated 20th December 2021, states that the contributions payment profile will be as follows:

- Health Care: 100% of contribution paid prior to the 50% of occupation (59th dwelling irrelevant of tenure).

- Education: 50% of contribution paid prior to 35% of occupations (41st dwelling irrelevant of tenure), remaining 50% paid prior to 70% of occupations (83rd dwelling irrelevant of tenure).
- Community Facility: Constructed and transferred to the Parish Council, prior to the occupation of 50% of dwellings (59th Dwelling).

4.31. In terms of the other contributions, we have assumed that the figures applied by AKM are accurate. If, at a later date, these are subject to significant variance this could impact on our overall viability conclusions.

Marketing / legal costs

4.32. The figure adopted by AKM is equivalent to 2.5% of their market value revenue in their appraisal. A further allowance of £1,298 per unit for legal fees (irrelevant of tenure).

4.33. We have again reviewed the same viability appraisals received from applicants discussed above in 4.26 and note the following:

Site Address	Local Authority	Date	Units	Marketing
Officer Mess, Norwich Rd, Watton	Breckland Council	May-24	80	2.00%
Hargham Road, Attleborough	Breckland Council	Jun-25	100	1.25%
Land at Sporle Farm, Swaffham, Sw	Breckland Council	Aug-24	150	2.50%
Matt Pitts Lane, Wainfleet All Saints	East Lindsey	Sep-22	122	2.26%
Yews Farm, Spalding	South Holland DC	Jan-22	100	3.00%
				2.20%

4.34. This suggests that AMK's allowance is slightly above expectations. An adjustment to 2.25% is deemed to be reasonable, plus £1,000 per unit for legals.

Finance

4.35. AKM have allowed for finance costs at a debit interest rate of 8.25%. Given the nature and scale of the scheme, current Bank of England base rates and allowances we are seeing on other schemes we consider 7.5% to be a reasonable input for the purposes of the viability testing.

4.36. To calculate the finance we have inputted our appraisal data into the ARGUS Development Appraisal Toolkit, which is an industry approved discounted cash flow model (appended to this report).

Developer's profit

4.37. AKM consider that the appropriate level of developer's profit for this scheme should be 17.5% of total revenue for the market value and 6% of total revenue for the affordable dwellings.

4.38. For a scheme of this size and nature we believe it is appropriate to apply a profit margin expressed as a percentage of the revenue. The Planning Practice Guidance ("PPG") on viability shows that profit is a reflection of risk and is subject to adjustment to take into account site specific circumstances. The PPG suggests that developer profit should fall within a range of 15% to 20% on revenue, unless firm evidence suggests otherwise (whilst this is within the context of Local Plan viability testing the recent viability consultation process suggested that this was a reasonable range to apply to decision making viability assessments). With regard to the affordable housing, the PPG states that: "A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk." This is conventionally around 6 % to 8% on revenue.

4.39. In our view, the subject site reflects an attractive greenfield site in a good market location. Furthermore, it is a single-phase development of predominantly 2 storey housing, which can be regarded as being lower risk (as the time to recover capital inputted at the start of the scheme is quicker than a multiphase development or a development comprising of apartments). We note that AKM have provided appraisals with profit based upon 1.75% of GDV open market, 6% of GDV of Affordable. They have also provided an appraisal with a reduced profit of 14% of GDV of 100% open market housing.

4.40. In light of the identified evidence we consider a developer profit equivalent to 17.5% on revenue for the market value dwellings and 6% on revenue for the affordable to be reasonable.

Benchmark land value

4.41. The BLV attempts to identify the minimum price that a hypothetical landowner would accept in the prevalent market conditions to release the land for development. Whilst a relatively straight forward concept in reality this is open to interpretation and is generally one of the most debated elements of a viability appraisal. It is also often confused with market value, however the guidance stresses that this is a distinct concept and therefore is different to market value assessments.

4.42. The standard approach is to run an initial appraisal based on all of the above fixed inputs to arrive at a site value for the site. In accordance with the RICS guidance, this residual site value can then be compared to the "benchmark land value" (which is the minimum price that a hypothetical landowner would accept and a hypothetical developer would pay for the scheme to be delivered). If the residual site value is above this "benchmark" then the scheme is viable. If the residual site value falls below this figure then the scheme is deemed to be unviable.

4.43. Viability assessors are provided some guidance through the National Planning Policy Framework ('NPPF') and Planning Practice Guidance ('PPG'), as published on 24th July 2018 (and subsequently revised). One area which the PPG deals with is in relation to assessing BLV, stating the following:

4.43.1. To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land.

4.43.2. The EUV should disregard any hope value.

4.43.3. Benchmark land value should reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.

4.43.4. Benchmark land value should be informed by market evidence including current uses, costs and values wherever possible.

4.43.5. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

4.43.6. Under no circumstances will the price paid for land be a relevant justification for failing to accord with the relevant policies in the plan.

4.43.7. Alternative Use Value of the land may be informative in establishing benchmark land value. However, these should be limited to those uses which have an existing implementable permission for that use. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.

4.44. In other words, the Council should not subsidise (through a loss of planning policy contributions) any overbid made when acquiring the site. Any overbid (or indeed underbid) for a site should therefore be disregarded when considering the BLV. As part of the process of reviewing viability it is down to the assessor to determine whether a price paid is an appropriate figure (or not) to use as a BLV.

4.45. In their appraisal, to establish the benchmark land value, AKM follow guidance and adopt the 'existing use value plus premium' approach. For the existing use value AKM refers to agricultural land value being around £20,000 per gross hectare, equivalent to an EUV of £115,600. AKM then propose a premium multiplier of c £274,118 per hectare (c15 times the existing use value). Applied to the gross area this derives a benchmark land value of £1,700,000 (rounded).

4.46. Following a review of the latest RICS / RAU Farmland Market director of sales for H1 2025, published in September 2025 stated the National Weighted Average for sites smaller than 50 acres was £16,744 per acre (£41,375 per ha) for the East Midlands region. We have reviewed farmland currently on the market and under offer within the district, which indicates a lower value per acre / hectare closer to the AKM assessment of £20,000 per hectare. On balance we consider the AKM allowance of £20,000 per hectare broadly reasonable.

4.47. As for the premium uplift, the guidance does not provide any indication of what a reasonable return equates to. However, as suggested above, there are now planning appeal decisions which provide some assistance, in particular the following cases:

- Warburton Lane, Trafford appeal from Jan 2021 (ref 3243720) solidified the key viability principle that there is a relationship between the level of site specific infrastructure / abnormal costs and the corresponding benchmark land value (on the basis that as site specific infrastructure / abnormal increase the benchmark land value decreases and vice versa). In this decision the Inspector agreed with the Council that 10 times multiple of the existing use value was appropriate. In that particular case the site-specific infrastructure / abnormal costs were in excess of £1,000,000 per net Ha.
- Halton Heights, Forge Weir View involving Wrenman Homes and Lancaster City Council (ref 3285794) dated 29th July 2022. The Inspector accepts an existing use value of £10,000 per acre and a premium uplift of 15 times this amount to arrive at the benchmark land value. At that scheme, the site-specific infrastructure / abnormal costs equated to £400,000 per net Ha. The guidance states that the higher the site-specific infrastructure / abnormal costs, the lower the benchmark land value (as the existing use value is fixed the only way this can be accounted for is by reducing the premium uplift).

4.48. The 2 appeal cases discussed above therefore allow premium uplifts in high value areas of 10 to 15 times the existing use value for site specific infrastructure / abnormal costs ranging from circa £400,000 to £1,000,000 per net Ha. This suggests that for every increase in costs of circa £120,000 per net Ha, the multiplier reduces by 1.

4.49. Based on Thornton Firkin's advice, the abnormal costs total £3,357,253 (£588,992 per Ha). Based on the above, this would suggest a reduction in the multiplier down from 15 to say 13.5 times the existing use value. We have applied this to the agreed existing use value, which results in a benchmark land value of £1,560,600. We have subsequently applied this to our appraisal.

5. Appraisal results and conclusions

5.1 For our initial appraisal testing, we have run a scheme which complies with the S106 agreement (i.e. 11 onsite affordable units and S106 costs of £725,000, plus the construction of the community centre). However, this generates a residual land value which is below our benchmark land value of £1,560,600 and is therefore deemed to be unviable.

5.2 On a 'trial and error' basis we have subsequently reduced the planning policy contributions to determine at what point (if possible) the scheme returns a viable outcome (i.e. the residual land value is broadly in line with the benchmark land value). Please see attached our appraisal (Appendix 2). With nil affordable housing and nil S106 contributions (but the community centre still factored into the model) the scheme generates a residual land value of £933,744. This is below our benchmark land value of £1,560,600 and therefore this fails to meet the viability threshold, even with nil affordable housing / S106 contributions.

5.3 For illustrative purposes, this poor viability outcome is despite the following adjustments in our appraisal:

Input	AMK appraisal	CPV appraisal
Construction costs	£23,150,000	£21,769,255
Contingency	£694,500	£552,360
Marketing / disposal	2.50%	2.25%
Legals	£1,298 per unit	£1,000 per unit
Benchmark land value	£1,700,000	£1,560,600

5.4 As per the requirements of the guidance, we have also considered sensitivity testing:

	Sales: Rate /m²				
Construction: Rate /m²	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
-5.000%	17.500% (£429,602)	17.500% (£986,759)	17.500% (£1,543,917)	17.500% (£2,101,074)	17.500% (£2,658,231)
-2.500%	17.500% (£124,516)	17.500% (£681,673)	17.500% (£1,238,830)	17.500% (£1,795,988)	17.500% (£2,353,145)
0.000%	17.500% £183,279	17.500% (£376,587)	17.500% (£933,744)	17.500% (£1,490,902)	17.500% (£2,048,059)
+2.500%	17.500% £493,836	17.500% (£71,501)	17.500% (£628,658)	17.500% (£1,185,815)	17.500% (£1,742,973)
+5.000%	17.500% £807,199	17.500% £237,089	17.500% (£323,572)	17.500% (£880,729)	17.500% (£1,437,887)

5.5 This tests the impact on the residual land value if sales values / construction costs were to increase / decrease at 2.5% intervals. By way of explanation, if the sales values increased by 2.5% but construction costs remained the same, the residual land value would be £1,490,902. This would still be below the benchmark land value of £1,560,000 and therefore would not meet the viability threshold.

5.6 In summary, in keeping with the applicant's conclusions, and despite various adjustments in our appraisal, our model also demonstrates that the scheme is unable to viably support any affordable housing / S106 contributions (although our model does still retain the construction of the Community Centre). This is a reflection of the current poor market conditions and is a national issue at the present time.

5.7 In this respect, it is conceivable that market conditions will improve again in the future. If the Council agrees to relax the existing S106 requirements in order to help ensure the site is delivered, then we would recommend that an amended S106 agreement retains the ability to revisit viability in the future to allow the Council the ability to 'clawback' lost policy provisions. We note that a review mechanism is already referenced in the S106 agreement and we would strongly recommend that this is retained to allow viability considered at a later date, during the delivery of the project.

5.8 Our conclusions remain valid for 6 months beyond the date of this report. If the implementation of the scheme is delayed beyond this timeframe then market conditions may have changed sufficiently for our conclusions on viability to be adjusted. Under this scenario we would strongly recommend the scheme is re-appraised.