

## **\_planningadvice**

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**From:** Polly Harris-Gorf  
**Sent:** 02 July 2020 09:42  
**To:** \_planningadvice  
**Subject:** FW: Ashwood Homes - Viability Assessment of Site at Donington, Spalding H04-0508-19  
**Attachments:** We sent you safe versions of your files; 20200428 MG CPV Comparison Revised Calcs.pdf

Please add this email and the attachment as a public doc to the DIP.

thanks

Polly Harris Gorf | Principal Planning Officer | South Holland District Council  
Council Offices, Priory Road, Spalding, PE11 2XE  
DDI: 01775 764504



**Subject:** RE: Ashwood Homes - Viability Assessment of Site at Donington, Spalding H04-0508-19

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Good afternoon Polly

Thank you for the report prepared by David Newham of CPV Independent Viability Experts.

Having had time to review the contents in details, we would make the following remarks.

We note that CPV were advisors to the Councils in the preparation of the SE Lincs Local Plan in that Mr Newham was the Council Expert Witness at EIP and supporting the basis of calculation of the whole plan viability assessment at that time.

We note CPV's position in accepting the gross development value, build costs, site abnormalities, profit and legal costs. However, we disagree with the assumptions and values adopted for professional fees, marketing costs, finance/interest rate and land value.

There are also other differences between our calculations which are highlighted in the attached document. We have compared the income and costs of the scheme on a like-for-like basis and highlighted the difference between them. These differences are analysed in further detail below:

- Professional Fees

We have adopted 8% for design and professional fees in our original assessment, which in our experience is a reasonable and justifiable figure to adopt, this accounts for £1,175,947 of cost. CPV have adopted 6%, based upon 6 other greenfield sites in the wider Lincolnshire area, therefore adopting a total cost of £987,476, a difference of £188,471. In the 2017 Local Plan Viability Study, 7% was adopted, therefore, we are unclear as to why there is a reduction from this point which was evidenced and supported? We accept there will be differences between schemes, depending on the scheme-specific requirements, so we would

accept a revised position of 7% for design and professional fees, however in our view reducing to 6% is unrealistic for this scheme, especially given the abnormals. As such, in our revised calculations, we have amended our percentage rate for professional fees from 8% to 7%, therefore reducing cost from £1,175,947 to £1,028,954.

- Marketing Costs

The level we have adopted of 3% is derived from our work on similar sized schemes in the area, this accounts for approximately £927,480 of cost. This allows for all marketing costs, including advertising, onsite marketing suite etc. This figure was adopted in the Local Plan Viability Assessment, therefore we are unsure why this has been reduced in CPV's assessment now to 2.5%. Whilst we appreciate the use of evidence from the other 6 sites, we would question what was included in their marketing costs and how they were calculated i.e. was it a direct comparison? Whilst an alteration from 3% to 2.5% may sound insignificant, this makes a difference of £137,130 in cost. Given the size of the scheme and agreed position in the SE Lincs Local Plan VA, we have not amended our figure for disposal costs and have adopted 3% again in our revised calculations.

- Finance/Interest Rates

We have adopted an interest rate of 6.5% in our original assessment and this allows for £438,226 of cost, which is reasonable and justified by the comparison with the other 6 sites. This is to reflect the rate at which development finance is available, and whilst base rates are currently low, lenders perceive significant risk and this is reflected in the rates at which they will lend. CPV have adopted an interest rate of 6.25% which is in the middle of the range evidenced by the sample of 6 other sites in Lincolnshire, this equates to £315,979, and therefore makes a difference of £122,247 between our costs.

However, CPV's value of 6.25% is not unreasonable, therefore we have accepted this figure and adopted it in our revised calculations.

- Garages

We have used figures provided by the developer and these have come from the cost of building the garages in Phase 1 of the development. The total cost of garages we have adopted is £998,150 and CPV have adopted £850,000, which means a difference of around £148,000.

Whilst being lower than those provided by the Client, we accept the figures suggested by CPV as being reasonable and therefore have accepted them in our revised calculation and used the values adopted by CPV.

- Externals

In paragraph 4.15 of their report, CPV state that the construction costs and externals adopted by MG are reasonable, however when comparing the costs there is a difference of £213,200. We have adopted a total cost for externals of £2,019,200 and CPV have adopted £1,806,000. This difference is made up of the cost of providing public open space/LAP and driveways. In para 4.29, CPV question whether the cost of a LAP is necessary, however a LAP is clearly shown on the plan within the POS, and for a scheme of this size it will almost certainly be required by the council. After stating they accept our adopted values for externals, we question why the cost of a LAP/POS and driveways has therefore been omitted from CPV's calculations.

As such, within our revised calculations, we have kept the cost of externals the same as we previously adopted.

- Land Value

This is the area of greatest difference between ours and CPV's assessment. We have adopted a BLV of £1,500,000, whereas CPV have adopted £1,200,000, meaning a difference of £300,000. Whilst we note the comments regarding adjustment of EUV down from £10,000 to £8,000 per acre (£25,000 to £20,000 per hectare) for repairs and the condition of the greenhouses and accept their relevance, we have to disagree with the subsequent calculation of premium, being 11 times that value. The premium is not related to the EUV, i.e. it is not a multiplier of that amount, and therefore this is not a valid method of calculation. NPPF and PPG requires an EUV + premium approach, not an EUV times by a multiplier approach. This has resulted

in CPV's land value being calculated significantly lower than ours as the reduced EUV has been carried forward and multiplied out as the premium, as opposed to adding the premium on separately. This difference in calculation makes up most the surplus of £318,000, which they deem the site can withstand. The calculations below explain this more clearly:

**Maxey Grounds' Original BLV Calculation:**

EUV £25,000 per ha	x 5.47 ha	= £136,750
Premium £250,000 per ha	x 5.47 ha	= £1,367,500
	Total	= £1,504,250
	Say	£1,500,000

**If Maxey Grounds adjusted EUV from £25,000 to £20,000 per Ha (i.e. from £10,000 to £8,000 per acre):**

EUV £20,000 per ha	x 5.47 ha	= £109,400
Premium £250,000 per ha	x 5.47 ha	= £1,367,500
	Total	= £1,476,900
	Say	£1,477,000

**CPV BLV calculation:**

EUV £20,000 per ha	x 5.47 ha	= £109,400
Premium amount not added		
Overall Site Value (including premium)	EUV x 11	= £1,203,400
	Say	£1,200,000

Rather than the adjusted EUV making £23,000 difference, it has made £300,000, which is not correct.

CPV argue that the cost of clearing the site justifies the adjustment in BLV. If this argument was valid then the cost shown as abnormal in our calculation for site clearance is just under £150,000 so this counters the argument of reducing the land value because of the cost of clearance. Their adjustment is twice that level. As a compromise, we have adopted an amended BLV in our revised calculation of £1,350,000, being our original EUV + Premium calculation less the abnormal cost of site clearance, i.e. £1,500,000 less £150,000 for clearance.

To summarise our amended calculations, we have adopted the adjusted levels below:

- BLV £1,350,000. This has then had a knock-on effect on SDLT.
- Garages £850,000 (CPV's cost)
- Externals have remained the same as before at £2,019,200
- Professional fees 7%
- Disposal fees remained the same at 3%
- Finance 6.25%

Where our costs have been accepted by CPV, these are unchanged.

As is demonstrated in the attached document, the result of our amended calculation still shows a **deficit** of £181,363, and therefore we stand by our conclusions within our Report dated 25<sup>th</sup> February 2020 that no affordable housing or S106 cash contributions should be delivered/paid. Whilst this will result in a small deficit of around £1,300 per unit this scheme is still deliverable at that, providing there are no additional S106 costs payable.

If you have any queries at all, please don't hesitate to contact John or I.

Kind regards,

Victoria McIlroy BSc (Hons), MRICS

Associate

For and on behalf of Maxey Grounds & Co LLP



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Comparison	MG	CPV	Difference	Notes	Revised Calculation	Notes
Revenue	£27,516,000	£27,534,000	-£18,000		£27,516,000	
Land	£1,500,000	£1,200,561	£299,439		£1,350,000	£1.5m less cost of clearance
Purchase costs	£72,000	£55,531	£16,469		£57,000	Reflects revised land value
Unit build costs	£14,536,140	£13,801,939	£734,201	Piling shown within MG	£14,536,140	
Contingency	£436,084	£493,738	-£57,654		£436,084	
Garages	£998,150	£850,000	£148,150		£850,000	Accept CPV figure, despite Client's figure on Phase 1
Abnormals	£1,361,226	£2,095,976	-£734,750	Piling shown here CPV	£1,361,226	
Externals	£2,019,200	£1,806,000	£213,200	Diff is POS/LAP plus drives	£2,019,200	CPV accept our figure, then disregard POS/LAP and driveways
Professional fees	£1,175,947	£987,476	£188,471	Percentage rate difference	£1,028,954	7% accepted as per local plan
Disposal Fees	£927,480	£790,350	£137,130	Percentage rate difference	£927,480	3% as per local plan + legals
Finance	£726,387					
Cash flow adjust	-£288,161					
Net finance	£438,226	£315,979	£122,247	Percentage rate difference	£315,979	Accept CPV figure
Profit	£4,815,300	£4,818,450	-£3,150		£4,815,300	
Total	£28,279,753	£27,216,000			£27,697,363	
Surplus / Deficit	-£763,753	£318,000	£1,045,753		-£181,363	