Independent Viability Experts

FAO Mr Mark Niland
Planning Officer
South Holland District Council

Sent by email only

David Newham MRICS
Director
CP Viability Ltd

Our ref: DN-1126
Your ref: H11-0120-24
Date: 9th December 2024

Dear Mr Niland,

PROPERTY ADDRESS: **Land off Little London Long Sutton**
INSTRUCTING BODY: **South Holland District Council**
APPLICANT: **Brownmoor Developments (Long Sutton) Ltd**



Further to your instruction dated 19th November 2024, we are pleased to report as follows.

1. Property Overview

1.1. The subject property is located toward the north eastern fringe of the market town of Long Sutton, circa 11.5 miles northwest of King's Lynn and 8.3 miles north of Wisbech. Main road access to and from the town is via the B1359 (London Road), and the A17, which is located approximately 1.17 miles to the south. The nearest rail connections to the subject site are at Spalding train station, around 12 miles to the west, with services to Doncaster, Peterborough and Lincoln and King's Lynn train station around 12 miles to the south east, with services to London's King's Cross.

1.2. Long Sutton offers a high street and market area, around 750m to the west of the site, with a number of public houses, a library, primary school, a church and a convenience store. More specifically, the subject property lies on the edge of a residential area. It is situated to the east of Little London and is bounded to the southwest by residential houses situated on Little London. A solar farm is located to the east and to the south eastern boundary, with open agricultural fields on all remaining sides. An access road to the solar farm runs along the east and southern boundaries. A drainage ditch is located to the northern boundary. Immediately adjacent the site entrance to the south is Hall Marsh House. Residential housing in the immediate vicinity is a mixture of detached bungalows to the north, along Little London and two storey detached and terraced housing along the remainder of Little London. Long Sutton Hockey club and grounds is located to the northeast of the site and beyond this is University Academy Long Sutton (a combined primary and secondary school).

1.3. The site formerly housed Long Sutton Butterfly & Wildlife Park, a wildlife and nature sanctuary, which had stood unused for a period of 10 years. The site is accessed from Little London via a small private road which extends onto a tarmac car parking area. The buildings on site have since been demolished. The site is relatively level in terms of topography.

1.4. New build activity in the immediate area includes Brunswick Fields by Loosegate to include 3, 4 and 5 bed detached houses, with prices starting at £275,000 and 3 bed bungalows with prices starting at £350,000. This is situated just over half a mile to the south of the subject site.

1.5. According to the 'Financial Viability Appraisal Report' dated 1st November 2024 submitted by R G + P Living ("RGP") on behalf of the applicant company, the site extends to 62.7 Ha (15.49 acres) on a gross basis, with a net developable area of 4.04 Ha (9.99 acres).

1.6. In terms of past planning applications we note: **H11-0398-12** - *"Proposed residential development comprising 87 dwellings and associated works and to include renewable energy systems"* This was approved on 15th August 2012.

1.7. The current planning application for the subject site was as follows: **H11-0120-24** - *"Proposed residential development (123) dwellings) – previously approved under H11-0398-12."*

1.8. This envisages the development of 66 open market dwelling in a mixture of 3 & 4 bed houses and bungalows and 57 affordable dwellings in a mixture of 2 & 3 bed houses. Two areas of informal public open space will also be provided, in the centre and to the eastern boundary.

1.9. We understand from the RGP "Financial Viability Appraisal Report" dated 1st November 2024 that the accommodation to be provided will be as follows:

Description	Type	Beds	Units	Unit size (sq m)	Gross area (sq m)
Fir	Semi	3	16	107	1,712
Elder	Det Bung	3	2	124	248
Blackthorn	Det bung	3	5	128	640
Yew	Detached	3	8	111	888
Cherry	Detached	3	21	130	2,730
Hazel	Det Bung	3	3	134	402
Cedar	Detached	4	1	160	160
Tulip	Detached	4	6	174	1,044
Holly	Detached	4	3	195	585
Hornbeam	Detached	4	1	231	231
Maple (AH)	End Terr	2	6	70.40	422.40
Maple (AH)	Mid Terr	2	3	82.80	248.40
Sycamore (AH)	Semi	2	24	70.40	1,689.60
Willow (AH)	Semi	3	24	82.40	1,977.60
Total			**123**		**12,978**

2. Scope of Assessment and General Assumptions

2.1. As indicated above, RGP submitted their "Financial Viability Appraisal Report" dated 1st November 2024 on behalf of the applicant company in support of a change to planning policy requirements on the grounds of viability. In it, RGP consider 2 scenarios. RGP conclude that "The development with the standard inputs is not viable to achieve a developer return for a lower density scheme of 123 units due to the reduction of developable area and the high associated abnormal costs."

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 9th December 2024.

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. RGP's appraisal – summary

3.1. As stated above, RGP's "Financial Viability Appraisal Report" dated 1st November 2024 considers 2 scenarios:

Scenario 1 – 46 % affordable housing scheme with nil S106 contributions and adjustments on financing cost. This returns a deficit of £2,688,042 and is therefore shown to be unviable.

Scenario 2 - A policy compliant scheme, with 46% affordable housing (57 units), and S106 contributions of £1,790,390. This delivers a deficit of £4,955,052. Based on their modelling, RGP conclude that "…our hope is that the LPA will agree a deviation from the S106 contributions as the scheme cannot meet them."

3.2. Sensitivity testing is carried out in respect of 2.50% adjustments to construction costs and Sales values. All results return a deficit save for one where build costs are reduced by 5% and sales values are increased by 5%.

3.3. To summarise RGP's assessment, we have categorised the costs under what we consider to be the most common sections of a viability appraisal. This categorisation approach allows us to undertake a comparison with other developments.

Gross Development Value (Revenue)

Type	No.	Av £psm	Total
Market Value dwellings	66	£2,599	£22,454,500
Affordable dwellings	57	£1,986	£8,615,342
Total	**123**		**£31,069,842**

Gross Development Cost (Outgoings)

Type	Notes	Total
Bungalow plot	£1,428 per sq m (1,048 sq m GIA)	£1,496,544
Terrace plot	£1,227.37 per sq m (671 sq m GIA)	£823,317
Semi plot	£1,241 per sq m (5,379 sq m GIA)	£6,675,588
Detached plot	£1,365.10 per sq m (5,880 sq m GIA)	£8,026,788
Garages	Double det / Double att / Single att	£831,000
Plot externals	12.50% of build costs	£2,231,655
Contingency	3.39% of combined build costs	£681,845
Professional fees	9.05% of above combined build costs	£1,818,252
Abnormal works	Various (£264,591 per acre)	£2,643,265
S106	Education/ Health/ Highways	£1,790,390
Marketing & sales	2.50% of GDV	£561,363
Sales legal fees (MV)	£1,000 per dwelling	£66,000
Sales legal fees (AH)	£1,000 per dwelling	£57,000
Finance	9.60% debit / 4% credit	£1,938,996
Finance set up cost	0.50%	£135,472
Developer profit	17.50% MV/6% AH GDV	£4,446,459
Benchmark land value	£111,356 per acre	£1,725,250
Acquisition costs		£75,712
Total		**£36,024,896**

3.4. The above generates a deficit of £4,955,054. RGP subsequently conclude that "... our hope is that the LPA will agree a deviation from the S106 contributions as the scheme cannot meet them."

4. CP Viability's appraisal

Gross Development Value (Revenue)

4.1. We have based our assessment of value for the completed dwellings on the mix detailed above (see para 1.9).

4.2. Of the proposed 123 dwellings on site, 66 are proposed to be sold in the open market with the remaining 57 (46.34%) to be provided as affordable housing. The affordable housing units are subject to an offer from Longhurst Group (totalling £8,615,342).

4.3. We have first considered the 66 dwellings that would be sold in the open market. RGP's overall value for these units is £22,454,500 (£2,599 psm). This is based on the following individual values:

-	3b Semi	107 sq m	£250,000-254,500 (£2,336-2,379 psm)
-	3b Det bung	124 – 128 sq m	£375,000-425,000 (£3,024-3,320 psm)
-	3b Det	111 sq m	£277,500-302,500 (£2,500-2,725 psm)
-	3b Det	130 sq m	£330,000-342,500 (£2,538-2,635 psm)
-	3b Det	134 sq m	£410,000 (£3,060 psm)
-	4b Det bung	160 sq m	£420,000 (£2,625 psm)
-	4b Det	174 sq m	£442,000-447,000 (£2,540-2,569 psm)
-	4b Det	195 sq m	£450,000 (£2,308 psm)
-	4b Det	231 sq m	£582,500 (£2,522 psm)

4.4. To arrive at these values, RGP consider the following:

- 2 agents on behalf of BDLSL who have provided similar values and average rates. (Pygott & Crone and Winkworth)

4.5. We have firstly considered Land Registry Data for the postcode area 'PE12', within which the subject site is located, for the last 24 month period. A number of the results were located more than 7.5 miles from the site, we have, therefore, limited our results to within 5 miles. We note the following results:

Holbeach Meadows by Ashwood Homes. Located around 4.5 miles to the west of the subject on the outskirts of Holbeach. We have focused (as far as possible) on similar type and sized dwellings to those proposed at the subject site:

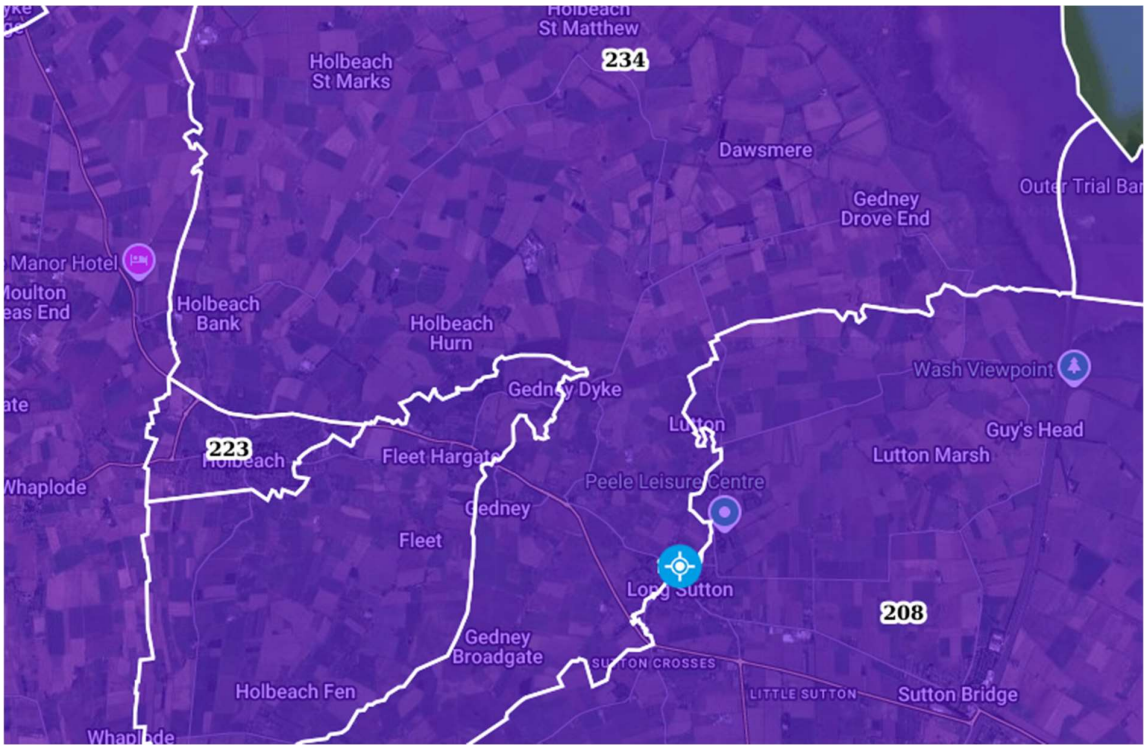
	Address	Sq m	£ psm	Price	Date	Type
23	PHEASANT STREET	82	£2,866	£235,000	27/01/2023	Semi
42	PHEASANT STREET	82	£2,744	£225,000	27/01/2023	Semi
44	PHEASANT STREET	82	£2,579	£211,500	24/02/2023	Semi
46	PHEASANT STREET	82	£2,744	£225,000	10/02/2023	Semi
			£2,733	**£224,125**		
9	SPARROW DRIVE	99	£2,515	£249,000	27/01/2023	Semi
14	SPARROW DRIVE	99	£2,626	£260,000	17/11/2022	Det
31	PHEASANT STREET	100	£2,720	£272,000	14/04/2023	Det
33	PHEASANT STREET	100	£2,720	£272,000	21/04/2023	Det
			£2,720	**£272,000**		
26	PHEASANT STREET	74	£3,514	£260,000	09/12/2022	Det bung
70	PHEASANT STREET	74	£3,703	£274,000	14/04/2023	Det bung
72	PHEASANT STREET	74	£3,703	£274,000	21/04/2023	Det bung
74	PHEASANT STREET	74	£3,412	£252,500	15/12/2023	Det bung
			£3,583	**£265,125**		

4.6. However, the above are gross prices and include non-financial incentives. We have subsequently deducted an average of 3% to account for these sales incentives.

4.7. Furthermore, since the above sales were achieved there has been general sales price inflation/deflation. We have looked at the UK House Price Index data and identified the average price in Cumberland at the time of sale compared to the current average value. Please note, the latest point currently in the data is Sep 2024 and therefore the analysis is only taken up to that point. We have adjusted the above as follows:

	Address	Sq m	£ psm	Date	Type	less 3%	HPI at sale	Latest HPI	Change	Current value
23	PHEASANT STREET	82	£2,866	27/01/2023	Semi	£2,779.88	£239,005	£235,281	-1.58%	£2,735.88
42	PHEASANT STREET	82	£2,744	27/01/2023	Semi	£2,661.59	£239,005	£235,281	-1.58%	£2,619.46
44	PHEASANT STREET	82	£2,579	24/02/2023	Semi	£2,501.89	£238,280	£235,281	-1.27%	£2,470.00
46	PHEASANT STREET	82	£2,744	10/02/2023	Semi	£2,661.59	£238,280	£235,281	-1.27%	£2,627.66
			£2,733							**£ 2,613**
9	SPARROW DRIVE	99	£2,515	27/01/2023	Semi	£2,439.70	£239,005	£235,281	-1.58%	£2,401.08
14	SPARROW DRIVE	99	£2,626	17/11/2022	Det	£2,547.47	£240,515	£235,281	-2.22%	£2,490.80
31	PHEASANT STREET	100	£2,720	14/04/2023	Det	£2,638.40	£233,565	£235,281	0.73%	£2,657.64
33	PHEASANT STREET	100	£2,720	21/04/2023	Det	£2,638.40	£233,565	£235,281	0.73%	£2,657.64
			£2,720							**£ 2,658**
26	PHEASANT STREET	74	£3,514	09/12/2022	Det bung	£3,408.11	£240,989	£235,281	-2.43%	£3,325.43
70	PHEASANT STREET	74	£3,703	14/04/2023	Det bung	£3,591.62	£233,565	£235,281	0.73%	£3,617.82
72	PHEASANT STREET	74	£3,703	21/04/2023	Det bung	£3,591.62	£233,565	£235,281	0.73%	£3,617.82
74	PHEASANT STREET	74	£3,412	15/12/2023	Det bung	£3,309.80	£227,562	£235,281	3.28%	£3,418.38
			£3,583							**£ 3,495**

4.8. Finally, we are also conscious that Holbeach is a different market location to Long Sutton and therefore it is necessary to consider how values differ in these respective locations. In order to gauge this we have referred to the Nimbus Maps 'residential average tool' which shows the following:



4.9. This shows Holbeach as having an average market value index of 223. Long Sutton is on the boundary of an area which has an index of 208 and a wider area of 234. In reality, we would expect the subject site to been more aligned with the 208 index area (as the majority of Long Sutton falls within this area). This suggests that values within Holbeach could be expected to be around 2.5% higher than in Long Sutton.

4.10. Having considered this, we have considered the adjusted values shown above in 4.7 and compared them to RGP's values at the subject site:

- Semi 99 sq m at Holbeach has a current adjusted value of circa £2,400 per sq m. The closest at the subject site is the Fir (3 bed semi 107 sq m) which has a value of £2,336-2,379 per sq m. Allowing for the difference in value between Holbeach and Long Sutton this allowance therefore appears broadly reasonable.

- Detached 100 sq m at Holbeach has a current adjusted value of circa £2,650 per sq m. The closest at the subject site is the Yew (3 bed detached 111 sq m) which has a value of £2,600-2,725 per sq m. Allowing for the difference in value between Holbeach and Long Sutton this allowance therefore appears broadly reasonable.

- Detached bungalow 74 sq m at Holbeach has a current adjusted value of circa £3,495 per sq m. The closest at the subject site is the Elder (3 bed detached bungalow 124 sq m) which has a value of £3,024 per sq m. However, given the size difference between these units it is difficult to draw any firm conclusions from this. When assessing a specific dwelling type (such as a 3 bed detached bungalow) generally the larger the unit the lower the rate per sq m, for reasons of quantum. This is therefore likely to be a key factor in why RGP's adopted value for their larger unit of 124 sq m is significantly lower than the Holbeach example.

4.11. We have then gone on to consider available new build developments within 1 mile of Long Sutton. As noted in Section 1, there is an ongoing new build scheme currently being marketed for sale in Long Sutton, being Loosegate Homes' Brunswick Fields development, just over 0.5miles to the south of the subject site. The following are advertised for sale (limited to dwellings that are broadly similar to those proposed at the subject site):

Plot 7 Mulberry 4b detached 250 sq m	£599,500 (£2,398 per sq m)
Plot 13 Aspen 4b detached 214 sq m	£495,000 (£2,313 per sq m)
Plot 111 Yew 3b detached 124 sq m	£275,000 (£2,218 per sq m)
Plot 14 Blackthorn 3b det bungalow 130 sq m	£440,000 (£3,385 per sq m)
Plot 92 Elder 3b det bungalow 118 sq m	£375,000 (£3,178 per sq m)

4.12. Allowing for some discounts from the attached (to reflect sales incentives) RGP's adopted values compare favourably to the above.

4.13. Having considered the identified evidence, we find no tangible reason to justify a departure from the figures presented. We have subsequently accepted the same values in our appraisal.

4.14. In terms of the 57 affordable units, the applicant has provided evidence to justify the offer from Longhurst Group of £8,615,342. We therefore see no reason to depart from this allowance in the viability appraisal and have subsequently accepted the same in our model.

Construction costs

4.15. In their assessment, RGP's appraisal show the following build costs:

- Bungalow construction £1,428 per sq m
- Terrace construction £1,227 per sq m
- Semi construction £1,241 per sq m
- Detached construction £1,365 per sq m
- Garages double detached 1 x £20,000

- Garages double attached — 27 x £18,0000
- Garages single attached — 26 x £12,500
- Plot external works — 12.5% of above costs
- Air Source Heat Pumps — £5,500 per dwelling
- Vehicle Charging Points — £690 per dwelling
- Contingency — 3.39% of combined build costs
- Abnormal works — £1,881,926 (£188,381 per acre)

4.16. To arrive at their plot costs RGP refer to the Build Cost Information Service ("BCIS") and use lower quartile rates. RGP adopt individual rates for bungalows, terraced, semi-detached and detached dwellings.

4.17. We agree that it is appropriate to refer to the BCIS in order to establish plot costs for a scheme of this scale and nature. Please note that BCIS data excludes external works, garages, contingency, Part L and F Building Regulations requirements (at least at the current time), abnormals and professional fees and therefore these costs also need to be allowed for within the appraisal.

4.18. To give the BCIS data some context, between January 2015 and Aug 2023 there were 141 separate housing (only) schemes across the UK which were used for 'elemental' analysis in determining the various BCIS rates. Of this sample, the size of schemes ranged from 1 house to 239 houses, with an average of 25.28 houses per scheme submitted into the data. 59.57% of the sample comprised schemes consisting of 20 houses or less and only 10.64% of the sample (15 schemes) comprised 50 or more dwellings. In other words, the vast majority of the data used for analysis when determining the various BCIS rates was derived from small schemes implemented by either local or relatively small contractors.

4.19. The efficiency savings that a volume housebuilder is able to make with respect to both labour and material are not therefore reflected in the figures. On this basis, the BCIS rates can be regarded as being high compared to the costs incurred by volume house builders. For this reason, the BCIS median rate is not generally used when considering a scheme that would be implemented by a volume house builder. For schemes like the subject development, the lower quartile rate or lower is typically used.

4.20. In terms of the individual rates approach adopted by RGP, we would comment on this as follows:

(i) The BCIS rate for 'detached' units is based on a significantly smaller sample size (18) compared to the generally figure (1,352). The BCIS states that small sample sizes should be treated with caution and less weight attributed to this data. The detached figure is therefore deemed to be less reliable.

(ii) We have subsequently reviewed the 18 detached dwelling dataset in more detail. Of the sample of 18 schemes analysed, only 5 were taken from the last 5 years. The majority of the data analysed (over 75%) are taken from schemes which were constructed between 5 and 15 years ago. This reduces the reliability of the data when considering construction costs in the current marketplace. Furthermore, one of the sample is considerably in excess of the rest of the data, being £4,678 per sq m. This relates to the construction of 4 lodges at Feldon Valley Golf Club. This should not form part of the sample as it is anomalous. The issue is that because the sample is so small, the inclusion of this within the data 'skews' the overall average.

Likewise, one of the sample relates to single detached dwellings (a single detached mews house in London and a detached dwelling in Cambridge). The costs associated with this type of development are higher than a larger scale scheme where there would be cost savings through bulk buying materials and labour. The inclusion of these in the sample unfairly 'skews' the average higher than it should be.

(iii) In a scheme we were involved with in South Holland the use of the BCIS detached dwelling rate was also discussed. The applicant sought advice from a third-party Quantity Surveyor (Two Two Five Ltd). The QS advice suggested the following:

- Two Two Five consider that it will cost more to construct a detached dwelling than a semi-detached or terrace, but state that detached dwellings tend to be larger and there is an economy of scale for these units compared with smaller dwellings (with the implication being that this has a downward pressure on the rate per sq m for detached units).

- Two Two Five also provided a breakdown of the projected build costs for various house types. The figures provided by Two Two Five Ltd can be summarised as follows (all-inclusive of preliminaries, which is how the BCIS data is presented and therefore enables a 'like for like' comparison):

		£ psf	£ psm
Thames	Detached	£ 91.67	£ 986.76
Barrowby	Detached	£ 94.61	£ 1,018.41
Freshney	Detached	£ 95.96	£ 1,032.94
Ribble	Detached	£ 107.28	£ 1,154.79
Tay	Detached	£ 107.60	£ 1,158.23
Harren	Detached	£ 108.43	£ 1,167.17
A902	Semi / terr	£ 109.48	£ 1,178.47
Medway	Detached	£ 110.70	£ 1,191.60
Balmoral	Detached	£ 113.93	£ 1,226.37
Ouse	Detached	£ 113.96	£ 1,226.70
Humber	Detached	£ 114.91	£ 1,236.92
Bain	Detached	£ 115.95	£ 1,248.12
A732	Semi / terr	£ 118.28	£ 1,273.20
Coronation	Semi	£ 118.46	£ 1,275.13
Sparta	Semi	£ 118.76	£ 1,278.36
Mere	Semi / Det	£ 119.32	£ 1,284.39
Huntingdon	Semi	£ 120.52	£ 1,297.31
Lock	Semi / Det	£ 120.72	£ 1,299.46
Avon	Semi	£ 120.96	£ 1,302.05
Severn	Detached	£ 120.96	£ 1,302.05
Tamar	Detached	£ 120.96	£ 1,302.05
Aire	Semi / terr	£ 120.96	£ 1,302.05
Rutland	Detached	£ 120.96	£ 1,302.05
Clyde	Semi	£ 123.96	£ 1,334.34
Dee	Semi / terr	£ 125.39	£ 1,349.73
Holland	Flat	£ 166.30	£ 1,790.10
Average		**£ 116.19**	**£ 1,250.72**

- The above demonstrates that the highest rates per sq m are generally reflected through the smallest semi-detached and terraced dwellings. This suggests that detached dwellings are not more expensive to build (at least in terms of a rate per sq m) when compared to terraced and semi-detached dwellings.

4.21. We have reviewed the latest BCIS rates in South Holland and note the following:

BCIS®

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 30-Nov-2024 08:19

Rebased to South Holland (97; 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)	1,498	770	1,269	1,437	1,638	5,146	1352
Single storey (15)	1,699	996	1,432	1,631	1,860	5,146	222
2-storey (15)	1,444	770	1,245	1,397	1,585	3,122	1053
3-storey (15)	1,560	928	1,299	1,494	1,778	3,054	72
4-storey or above (15)	3,113	1,522	2,492	2,782	4,140	4,629	5
810.11 Estate housing detached (15)	2,010	1,095	1,475	1,679	2,270	5,146	18

4.22. Having considered the above, we are of the view that using the 'Estate housing 2 storey' lower quartile BCIS rate of £1,245 per sq m (based on a sample size of 1,053) is reasonable here for the 2 storey dwellings. For the bungalows, we have applied the single storey lower quartile rate of £1,432 per sq m. This gives an overall construction cost of £16,398,840, which compares to £17,022,237 shown in RGP's appraisal using their approach to the BCIS.

4.23. RGP's allowance for garages are considered to be reasonable and has been accepted in our appraisal.

4.24. C&W's additional allowance of 12.5% to cover plot externals is deemed to be appropriate and has been agreed in our appraisal.

4.25. The Part L & F Building Regulations changes require a 31% reduction in CO2 emissions. This came into full effect from June 2023 and therefore we agree that these changes will impact on the subject site. RGP allow £5,500 per dwelling for Air Source Heat Pumps to cover these costs, plus £690 per dwelling for Vehicle Charging Points.

4.26. The Department of Levelling Up, Housing and Communities impact assessment suggested that the most cost effective route to meeting the interim standards was through the use of Air Source Heat Pumps. This estimates an additional average cost per dwelling of £4,070 (although this cost has increased due to general build cost inflation since this was originally estimated). In other schemes we are appraising typically developers are allowing for the installation of heat pumps and some improvement to general insulation. However, where the BCIS rates are applied, it is stressed that these figures already allow for existing heating systems inherently within the costings. These costs therefore have to be deducted before the new heat pump costs are applied (otherwise there would be a double-counting of heating systems within each dwelling). Adding the heat pump costs on top would therefore, in our view, reflect double-counting, therefore some allowance for this needs to be factored into the rate used for the Part L & F changes. Based on other schemes we have appraised; we consider a £4,500 per dwelling allowance to be appropriate rather than £5,500. RGP's allowance for the Vehicle Charging Points, though, is deemed to be reasonable.

4.27. 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.

4.28. 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.

4.29. With respect to abnormal / site specific infrastructure works costs, RGP allow:

Offsite highway works	30,946
Foul pump station	75,000
HV Cable diversion works	32,635
HV Cable diversion works	39,600
Site clearance inc demo	87,005
Piling to 35 units	565,000
raising of dwellings houses	339,000
raising of dwellings bungs	55,000
raising of extrnal levels	446,076
Bat boxes	5,000
Infiltration drain for suds	70,560
badgers plant exclusion zone	15,000
Tree orchard works	20,000
boundary fencing orchard	4,920
maintenance orchard	10,000
tree protection orchard	10,575
IDB fencing gate and Ped walkway	29,800
attenuation basins	45,809

4.30. These total £1,881,926 (equivalent to £188,381 per net acre).

4.31. Please note, to some degree the impact of abnormal costs can be offset in the land price (at least when determining viability). The Planning Practice Guidance ('PPG') on viability makes it clear that abnormal costs must be factored into the assessment of land value, with the implication being the higher the abnormal costs the greater the downward pressure on land value.

4.32. In practical terms, it is not the case that if abnormal costs go up by £100,000 per acre the land value will always decrease by £100,000 per acre, as the land value still has to be at a sufficient level to incentivise a landowner to release the site for development. For example, if a site has an existing use value as an agricultural field at £10,000 per acre and, after abnormal costs are deducted, a residential scheme can only deliver a land value of £15,000 per acre then this would not represent a sufficient incentive for a landowner to release the site for development. There still has to be some sort of suitable premium above the existing use value.

4.33. However, it is reasonable that the burden of the higher abnormal costs on a development should not fall solely on the Council through a reduction in their planning policies. The principle that the land value must bear the most significant proportion of any abnormal costs is a sound one.

4.34. In short, changes in abnormal costs are of course significant. However, when assessing viability, they should be balanced against land value (which can serve to dampen the effect of abnormal costs on the overall viability outcome).

4.35. Having considered these factors, we have applied the abnormal costs put forward (although we reserve the right to reassess these costs in the event that the scheme is shown to be significantly unviable), albeit on the basis that the remaining sum is balanced with the appropriate level of the benchmark land value, as per the requirements of the Planning Practice Guidance.

Professional fees

4.36. RGP have allowed for professional fees totalling £1,818,252 (equivalent to 9.38% of our adjusted build costs).

4.37. By way of evidence, we have reviewed other viability appraisals we have been involved with for similar scale schemes. We have identified the professional fees put forward by the applicants in their own viability appraisals (therefore not our opinion). Please note, 'professional fees' are deemed to incorporate NHBC warranties and EPC costs. The percentages are based on the plot costs, externals / infrastructure works, garages, renewables and electric car charging points, but not abnormals (just for the purposes of the analysis). We note the following:

Site Address	Local Authority	Date	Units	Prof fees (applied to build)
Lansdowne Close, Carlisle	Carlisle CC	Feb-23	101	7.61%
Land off Beetham Road, Milnthorpe	South Lakeland DC	Feb-23	125	2.16%
Land south of the Elms, Chatteris	Fenland DC	Jul-23	152	8.74%
Millbrook Lane, Wragby, East Lindsey	East Lindsey	Jul-23	171	7.60%
Land south of Wainfleet Road, Boston	Boston BC	Jul-23	200	9.48%
Land off Low Eggborough Rd, Eggborough	North Yorks Council	Oct-23	109	6.00%
38 High Street, South Elmsall, WF9	Wakefield DC	Nov-23	112	5.22%
Land at Mill Lane, Carlton, North Yorks	North Yorks Council	Nov-23	150	6.33%
Phase 2 & 3, Ingfield Lane, Settle	North Yorks Council	Feb-24	131	9.72%
Land at Bartlett View, Sherburn	North Yorks Council	Apr-24	106	7.55%
Land at Sporle Farm, Swaffham	Breckland Council	Aug-24	150	11.53%
Bowmans Mill, Selby Road, Eggborough	North Yorks Council	Sep-24	110	6.29%
				7.35%

4.38. Across the sample, the average professional fee allowance equates to 7.35%. For the purposes of our review, we consider 7% to be a reasonable allowance in the modelling.

S106 policy asks

4.39. RGP allow the following S106 costs in their appraisal:

- Education £1,704,210
- Health £81,180
- Highways £5,000

4.40. The above totals £1,790,390 (£14,556 per dwelling). We have adopted the same in our appraisal. Please note, if (at a later date) this is subject to significant adjustment then this could impact on our viability conclusions.

Marketing / legal costs

4.41. To cover sales and marketing, RGP have allowed the equivalent of 2.5% of the revenue for the 66 market value dwellings in their appraisal. A further allowance equivalent to £1,000 per unit is allowed for the sales legal fees for all of the dwellings (irrespective of tenure).

4.42. In order to identify an appropriate allowance, we have again reviewed the other sites discussed above in para 4.37 and note the following:

Site Address	Local Authority	Date	Units	Marketing
Lansdowne Close, Carlisle	Carlisle CC	Feb-23	101	2.19%
Land off Beetham Road, Milnthorpe	South Lakeland DC	Feb-23	125	3.00%
Land south of the Elms, Chatteris	Fenland DC	Jul-23	152	2.87%
Millbrook Lane, Wragby, East Lindsey	East Lindsey	Jul-23	171	2.00%
Land south of Wainfleet Road, Boston	Boston BC	Jul-23	200	2.26%
Land off Low Eggborough Rd, Eggborough	North Yorks Council	Oct-23	109	2.50%
38 High Street, South Elmsall, WF9	Wakefield DC	Nov-23	112	3.00%
Land at Mill Lane, Carlton, North Yorks	North Yorks Council	Nov-23	150	4.00%
Phase 2 & 3, Ingfield Lane, Settle	North Yorks Council	Feb-24	131	2.25%
Land at Bartlett View, Sherburn	North Yorks Council	Apr-24	106	3.68%
Land at Sporle Farm, Swaffham	Breckland Council	Aug-24	150	2.50%
Bowmans Mill, Selby Road, Eggborough	North Yorks Council	Sep-24	110	2.50%
				2.73%

4.43. Across the sample, the average marketing / disposal fee adopted by applicants within their viability assessment equated to 2.73% of market value revenue. RGP's allowance is therefore deemed to be broadly reasonable and has been accepted in our appraisal.

Finance

4.44. RGP have allowed for finance costs at a debit interest rate of 9.60%, plus 'set up' cost at 0.5%. Based on other similar scale schemes we have applied across the wider regions we deem 9% to be reasonable ta the current time, inclusive of arrangement fees / exit fees.

4.45. To calculate the finance, we have inputted our appraisal data into Argus Developer, which is an industry approved discounted cash flow model. This calculates the finance charge.

Developer's profit

4.46. RGP adopt 17.5% on revenue for the 66 market value units and 6% on revenue for the 57 affordable.

4.47. 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.

4.48. 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.

4.49. On balance and having taken into account the specific nature of the subject site we consider a developer profit of 17.5% on revenue to be reasonable for the market value units. For the affordable dwellings, a reduced rate of 6% of GDV is considered to be a reasonable reflection of the risk associated with 'bulk selling' affordable units to a Registered Provider.

Benchmark land value

4.50. 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.

4.51. 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.

4.52. 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:

4.52.1. 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.

4.52.2. The EUV should disregard any hope value.

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

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

4.52.5. 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.

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

4.52.7. 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.

4.53. 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.

4.54. RGP look to follow the guidance and adopt the 'existing use value' plus premium approach. For their existing use value RGP consider an agricultural land value to be appropriate and apply a rate of circa £25,000 per Ha (around £10,000 per acre). Their premium uplift is circa 11 times this sum. RGP subsequently arrive at a benchmark land value of £1,725,250.

4.55. We agree with RGP's method of looking to establish the existing use value and then apply a premium uplift. However, for the existing use value we consider £25,000 per Ha to be reflective of good quality agricultural land. The subject site, though, is not considered to be good quality agricultural land in its current state. We therefore consider that a deduction should be applied for the existing use value. In this case, we consider £17,500 per Ha to be a reasonable allowance. This gives an existing use value of £109,725.

4.56. In terms of the premium uplift, taking into account the corresponding level of abnormal costs associated with the site, we consider 10 times the existing use value to be a reasonable allowance for the purposes of the viability testing. This equates to a benchmark land value of £1,097,250 (£70,822 per gross acre). We have applied this to our appraisal.

5. Appraisal results and conclusions

5.1. We have initially run an appraisal with the full S106 policy requirements totalling £1,790,390. However, this generates a residual land value below the benchmark land value and is therefore deemed to be unviable.

5.2. On a 'trial and error' basis we have subsequently reduced the S106 contributions to assess at what point (if any) this returns a viable outcome. Please see attached our appraisal. Based on a total S106 payment of no more than £390,000 the scheme generates a residual land value of £1,100,674 (i.e. just above our benchmark land value of £1,097,250 and therefore viable).

5.3. For illustrative purposes, we have compared our appraisal to RGP's submission:

Input	RGP appraisal	CPV appraisal
Plot construction costs	£17,022,237	£16,398,840
Air Source Heat Pumps	£5,500 per unit	£4,500 per unit
Contingency	£681,845	£600,658
Benchmark land value	£1,725,250	£1,097,250

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

	Sales: Rate /m²				
onstruction: Rate /m²	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
	2,468.96 /m²	2,533.93 /m²	2,598.90 /m²	2,663.87 /m²	2,728.85 /m²
-5.000% 1,200.41 /m²	14.31% (£1,164,717)	14.31% (£1,532,311)	14.31% (£1,899,905)	14.31% (£2,267,499)	14.31% (£2,635,093)
-2.500% 1,232.00 /m²	14.31% (£764,469)	14.31% (£1,132,696)	14.31% (£1,500,296)	14.31% (£1,867,890)	14.31% (£2,235,484)
0.000% 1,263.59 /m²	14.31% (£362,673)	14.31% (£732,292)	14.31% (£1,100,688)	14.31% (£1,468,281)	14.31% (£1,835,875)
+2.500% 1,295.18 /m²	14.31% £43,285	14.31% (£330,340)	14.31% (£700,114)	14.31% (£1,068,674)	14.31% (£1,436,266)
+5.000% 1,326.77 /m²	14.31% £472,356	14.31% £76,837	14.31% (£297,915)	14.31% (£667,938)	14.31% (£1,036,639)

5.5. This shows the impact on the residual land value if market values were to increase / decrease at 2.5% intervals and likewise if construction costs were to increase / decrease at 2.5% intervals. By way of explanation, if the overall construction costs increased by 2.5% and the market values remained the same, the residual land value would be £700,114, which is below the benchmark land value of £1,097,250 and therefore unviable (so the S106 payment would need to be reduced).

5.6. In summary, we agree with the applicant that the scheme cannot viably support the full S106 asks. However, contrary to the applicant's position, we find that the scheme can viably support a S106 total payment of £390,000.

5.7. 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.