



Independent Viability Experts

FAO Mr Mark Niland
Planning Officer
South Holland District Council

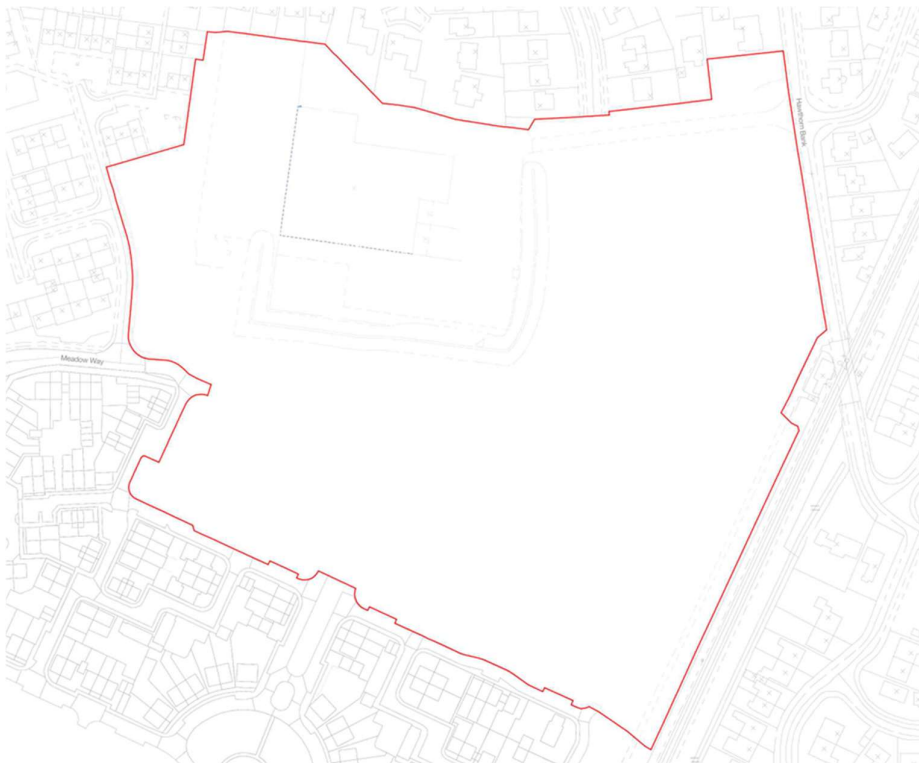
CP Viability Ltd

Sent by email only

Our ref: DN-1476
Your ref: H16-0278-26
Date: 25th August 2026

Dear Sir/Madam,

PROPERTY ADDRESS: Land off Meadow Way Spalding
INSTRUCTING BODY: South Holland District Council
APPLICANT: Broadgate Homes Ltd



Further to your instruction dated 28th July 2026 and receipt of the 3rd party cost review on 11th August 2026 (completed by Thornton Firkin), we are pleased to report as follows.

1. Property Overview

- 1.1. The subject property is situated within an established built environment to the south west of Spalding, the town itself being circa 15 miles south west of Boston and 20 miles north east of Peterborough. The main road access is via the A117 / A16 which runs to the eastern side of the town.
- 1.2. More specifically, the property is situated towards to the south western edge of the town, surrounded by mostly established residential dwellings, including modern estate housing delivered by the applicant immediately to the south (beyond Byron Walk and Keats Grove roadways) and west (beyond Honeysuckle Way) of the site boundaries. To the north there is also an established residential estate, which we estimate is likely to date from the 1980s. To the eastern boundary there is a railway line running roughly in a south westerly to north easterly direction. To the north east there is also Hawthorn Bank, beyond which there is more residential housing.
- 1.3. According to a viability report undertaken by Devvia Property Consultancy (“Devvia”) dated July 2026, prepared on behalf of the applicant, the site itself can be split into 2 components, as follows:
 - (i) Existing building – distribution warehouse, with office accommodation and a ‘chill food’ section. In the Devvia report it states that this is currently partly occupied. The existing buildings are understood to extend to 4,176 sq m. The site areas it understood to be 1.8 Ha (4.45 acres).
 - (ii) Undeveloped agricultural land – understood to extend to 6.02 Ha (14.88 acres).
- 1.4. The total site area therefore extends to 7.82 Ha (19.32 acres) on a gross basis.

1.5. According to the applicant's Planning Statement (which accompanies the current application):

The site has extensive planning history having received outline planning permission (H16-0571-09) for residential development in May 2012, as part of the Holland Park Sustainable Urban Extension, which was for:

"Erection of 2,250 dwellings, district centre, 2 local centres, primary school, public open space, access and estate roads"

Two Reserved Matters applications (H16-0464-14 and H16-0116-22) have already been approved and successfully delivered, further reinforcing the established principle of residential development in this location. Although a Reserved Matters application was not brought forward for this specific parcel before the three-year timeframe expired (18 May 2015), the site continues to form an integral part of the wider Holland Park Sustainable Urban Extension. This full planning application therefore represents a positive and timely opportunity to complete the final phase of the SUE, ensuring the comprehensive delivery of planned housing growth in accordance with the long-standing strategic vision for the area.

1.6. The current planning application is **H16-0278-26**:

Demolish existing factory/warehouse to facilitate proposed residential development consisting of 230 dwellings including associated infrastructure and public open spaces.

1.7. Based on Devvia's July 2026 viability review, we understand that the accommodation proposed on site will comprise the following:

House type	Area m ²	Area sq.ft	No.
Type 1 1 bed apartment	49.28	530.2	8
Bain 1 bed bungalow	60.41	650 .0	8
Caythorpe 2 bed semi-detached house	58.52	629.7	17
Colsterworth 2 bed semi-detached house	60.34	649.3	9
Doddington 2 bed semi-detached house	68.59	738.0	4
Type 6 2 bed semi-detached house	71.64	770.9	23
Harrington 3 bed semi-detached house	84.53	909.5	5
Keelby 3 bed detached house	111.76	1202.5	2
Fulbeck 3 bed terraced/ semi-detached house	71.84	773.0	19
Greetham 3 bed semi-detached house	79.28	853.1	18
Type 8/8* 3 bed terrace / semi-detached house	80.54	866.6	23
Type 9A 3 bed terraced house	84.82	912.7	8
Type 9B 3 bed detached house	84.82	912.7	1
Ingleby 3 bed detached house	101.01	1086.9	12
Hundleby 3 bed semi-detached house	103.17	1110.1	15
Langworth 3 bed semi-detached house	114.36	1230.5	6
Ludford 3 bed detached house	132.87	1429.7	4
Type 10 4 bed semi-detached house	91.46	984.1	8
Normanton 4 bed semi-detached house	97.67	1050.9	15
Orby 4 bed semi-detached house	113.18	1217.8	10
Riseholme 4 bed detached house	128.93	1387.3	9
Sudbrooke 4 bed semi-detached house	133.08	1431.9	4
Winteringham 4 bed detached house	147.12	1583	2
Total dwellings			230

2. Scope of Assessment and General Assumptions

- 2.1. As indicated above, acting for the applicant, Devvia submitted their viability report on in July 2026. Devvia conclude *“Our conclusions confirm that the proposed scheme is not viable on a policy compliant basis”*.
- 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 25th August 2026.
- 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. Devvia's appraisal – summary

3.1. Devvia's July 2026 viability report considers 2 scenarios, as follows:

- **Scenario 1** – fully policy compliant with 25% onsite affordable housing and £5,652,102 in S106 / S278 contributions. This results in a negative residual land value of (minus) -£7,432,647. This is significantly below their separately assessed benchmark land value of £4,162,000 and is therefore unviable.
- **Scenario 2** – reduced affordable housing provision of 10 dwellings (4.35%) and reduced S106 contributions of £1,846,440. This generates a residual land value of £1,048,711. This is still below their separately assessed benchmark land value of £4,162,000 and is therefore unviable.

3.2. Devvia separately undertake sensitivity testing, focusing on adjustments in sales values and construction costs.

3.3. To summarise Devvia's assessment (focusing on their Scenario 1 policy compliant appraisal), 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 price per sq m	Total
Market Value dwellings	172	£2,824	£44,211,500
Affordable rent	41	£1,329	£3,694,100
Shared Ownership	17	£2,047	£2,558,500
Total			£50,464,100

Gross Development Cost (Outgoings)

Type	Notes	Total
Plot construction	£1,195 per sq m	£23,522,667
Externals	35.13% of plot costs	£8,264,440
Contingency	2.93% of standard build costs	£931,698
Professional fees	3.64% of standard build costs	£1,157,000
Biodiversity Net Gain		£715,992
Building Safety Levy	Market value only £26.68 per sq m	£417,706
Future Homes Standard	£9,363 per dwelling	£2,153,411
Abnormals	Various	£5,134,634
Planning contributions	S106 & S278	£5,708,102
Marketing & sales	3.21% of GDV	£1,417,141
Sales legal fees	£1,097 per dwelling	£252,320
Finance	8% debit	£766,842
Profit	15.77% MV/6% AH of GDV	£7,348,455
Acquisition costs	Legals and SDLT	£106,339
Total		£57,896,747

- 3.4. This produces a deficit of (minus) -£7,432,647. This is significantly below Devvia's separately assessed benchmark land value of £4,162,000 and is therefore an unviable outcome.

4. CP Viability's appraisal

Gross Development Value (Revenue)

- 4.1. We have based our assessment of value on the mix of dwellings set out above in paragraph 1.7.
- 4.2. By way of evidence, Devvia provide a 'Promarks' value report (Appendix C to their report). This considers high level average data and second-hand sales within the general locality. In terms of new build evidence, it refers to current asking prices at the following schemes:
- Ashwood Homes – Yews Farm, Pinchbeck
 - Keston Fields, Pinchbeck
 - Bellway Homes – Pinchbeck Fields, Spalding
 - Allison Homes – Chapel Gate, Moulton Chapel
- 4.3. The Promarks report also considers sales achieved at the following schemes:
- Broadgate Homes – St Johns View, Spalding. Sales achieved between March 2024 and Dec 2024.
 - O&L Developments – New Bridge Inn, West Pinchbeck. Sales in 2024.
 - Keston Fields, Spalding. Sales in 2024 and 2025.
 - Bellway, Pinchbeck – sales in 2024 and 2025.

- 4.4. In their main report (see paragraph 3.5 of Devvia's report), Devvia also provide achieved sales prices for Broadgate Homes, The Furlongs scheme, which is less than 400m to the south of the subject site. This is therefore a strong comparable, as it is close to the subject site and also provides a similar product to that proposed at the subject scheme. The sales shown by Devvia are (which we have converted to £ per sq m rather than per sq ft and also removed any affordable / First Home units):

House type			Bed	Sq m	Date	Price	£ psm
Elcho		Semi	2	71.81	Nov-25	£ 194,995	£ 2,715
Elcho		Semi	2	71.81	Dec-25	£ 189,995	£ 2,646
Elcho		Semi	2	71.81	Feb-26	£ 180,000	£ 2,507
Elcho		Semi	2	71.81	Feb-26	£ 180,000	£ 2,507
							£ 2,594
Glenfarg		Semi	3	81.94	Nov-25	£ 212,500	£ 2,593
Glenfarg		Semi	3	81.94	Nov-25	£ 214,995	£ 2,624
							£ 2,609
Glencarse		Semi	3	81.94	Jun-26	£ 230,000	£ 2,807
Errol	2.5 storey	Semi	3	101.45		£ 239,995	£ 2,366
Kenmore	3 storey	Semi	3	113.15	Mar-26	£ 267,995	£ 2,368
Kenmore	3 storey	Detached	3	113.15	Apr-26	£ 267,995	£ 2,368
Kenmore	3 storey	Semi	3	113.15		£ 269,995	£ 2,386
Kenmore	3 storey	Semi	3	113.15		£ 265,000	£ 2,342
Kenmore	3 storey	Semi	3	113.15		£ 275,000	£ 2,430
							£ 2,379
Strathearn		Detached	4	144.09		£ 394,995	£ 2,741

- 4.5. By way of comparison:

- At the subject scheme the is 'Type 6' which is a 2 bed semi of 71.64 sq m. This is valued at £215,000 (£3,001 per sq m). This therefore compares well with the Elcho type above.

- At the subject scheme there is 'Harrington' which is a 3 bed semi of 84.53 sq m. This is valued at £250,000 (£2,958 per sq m). This therefore compares well with the Glenfarg and Glencarse types above.
 - At the subject scheme there is 'Winteringham' which is a 4 bed detached of 147.12 sq m. This is valued at £385,000 (£2,617 per sq m). This is therefore below the Strathearn type above, which shows a value of £394,995.
- 4.6. We have also reviewed current asking prices at the above scheme (focusing only on similar dwelling types and sizes) and note the following:
- Plot 328 The Furlongs: Glencarse 3 bed semi 81.94 sq m. Asking price £244,995 (£2,990 per sq m). The closest type at the subject site is Type 9A (3 bed terrace of 84.82 sq m), which is valued at £245,000 (£2,888 psm). Once sales incentives are taken into account and adjustments between a terrace and semi, the Type 9a compares well with the current asking price identified for the Glencarse.
 - Plot 333 The Furlongs: Glencarse 3 bed semi 81.94 sq m. Asking price £239,995 (£2,929 per sq m). The closest type at the subject site is Type 9A (3 bed terrace of 84.82 sq m), which is valued at £245,000 (£2,888 psm). Once sales incentives are taken into account and adjustments between a terrace and semi, the Type 9a compares well with the current asking price identified for the Glencarse.
 - Plot 329 The Furlongs: Glencarse 3 bed semi 81.94 sq m. Asking price £234,995 (£2,868 per sq m). The closest type at the subject site is Type 9A (3 bed terrace of 84.82 sq m), which is valued at £245,000 (£2,888 psm). Once sales incentives are taken into account and adjustments between a terrace and semi, the Type 9a compares well with the current asking price identified for the Glencarse.

4.7. We also note the following asking prices from the wider Spalding area (again focusing on new build only and similar house types and sizes):

- Yews Farm, Pinchbeck: 4 bed detached 147 sq m asking £405,000 (£2,755 psm). With a say 5% deduction for sales incentives this would adjust to £2,617 psm. This is in line with the Winteringham 4 bed detached (147 sq m) at the subject site, which has a value of £2,617 psm.
- Yews Farm, Pinchbeck: Severn 4 bed detached 131 sq m asking £375,000 (£2,863 psm). With a say 5% deduction for sales incentives this would adjust to £2,719 psm. At the subject site, the Riseholme (4 bed detached 128.93 sq m) is valued lower at £2,637 psm.
- Yews Farm, Pinchbeck: Rutland 3 bed detached 102 sq m asking £305,000 (£2,990 psm). With a say 5% deduction for sales incentives this would adjust to £2,841 psm. This is slightly above the Ingleby at the subject site (3 bed detached 101.01 sq m) which is values lower at £2,772 psm.
- Yews Farm, Pinchbeck: Rutland 3 bed detached 100 sq m asking £299,950 (£3,000 psm). With a say 5% deduction for sales incentives this would adjust to £2,850 psm. This is slightly above the Ingleby at the subject site (3 bed detached 101.01 sq m) which is values lower at £2,772 psm.

4.8. Overall, based on the key evidence identified, some of the values proposed by Devvia are above the evidence, whilst some fall below. However, overall, we find their allowances to be broadly reasonable and we have adopted the same in our appraisal.

- 4.9. As for affordable housing, Devvia allow circa 40% to 45% of market value for rented products and 67% to 70% for the shared ownership / intermediate. Both allowances are reasonable and have been accepted.

Construction costs

- 4.10. In their assessment, Devvia's appraisal shows the following build costs:

- Plot construction	£23,522,667 (£1,195 per sq m)
- Standard external works	£8,264,440 (35.13% of plot construction)
- Biodiversity Net Gain	£715,992
- Building Safety Levy	£417,706
- Future Homes Standard	£2,153,411 (£9,363 per unit)
- Contingency	£931,698 (2.93% of above)
- Abnormals	£5,134,634 (£265,724 per net acre)

- 4.11. To arrive at their plot construction costs Devvia refer to a cost plan provided by the Gleeds (acting on behalf of the applicant). Gleeds cost allowances are then cross-checked against the Build Cost Information Service ("BCIS") database, which is a data base regularly used in the industry when assessing scheme viability.

- 4.12. We would stress that we are not qualified cost consultants and therefore we are not qualified to interrogate the Gleeds costs fully. However, we would make the following general comments based on our general 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.
- We are not quantity surveyors and therefore rely on external advice if a detailed cost plan review is required. However, we have wide experience of appraising development sites across the country and also have access to the BCIS data. By drawing on our experience in the marketplace and the BCIS, we are able to give a 'high-level' view as to whether the cost plan appears broadly in keeping with expectations or not. If the cost plan is significantly out of kilter with expectations, then this may trigger the need to instruct an expert cost consultant to review the plan to confirm whether the allowances can be accepted in the appraisal or not.

- 4.13. In light of the above, as per Devvia's approach we cannot simply accept the Gleeds cost plan without looking to measure against some form of evidence. As per Glead's own approach, we have reviewed the latest BCIS rates (please note, we have used the Lincolnshire rebasing as there is a concern that the South Holland data set is too small to be reliable):



£/M2 STUDY

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

Last updated: 22-Aug-2026 08:12

Rebased to Lincolnshire (102; sample 90)

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)	1,665	818	1,407	1,590	1,824	5,691	1239

- 4.14. The lower quartile figure of £1,407 per sq m is therefore above Gleeds suggested rate of £1,195 per sq m and in this sense compares well.

- 4.15. However, this needs to be considered alongside the external costs. When applying the BCIS lower quartile, typically the 'standard' externals would equate to an additional 15% of the BCIS costs. With the BCIS rate and standard externals combined, this would equate to a total cost of £1,618.05 per sq m.
- 4.16. We note that Gleeds plot cost is significantly below the BCIS rate, however the externals allowance is substantially higher, being 35.13% of the plot cost. In order to compare this on a 'like for like' basis we have subsequently added the Gleeds plot cost and external allowance together, which equates to £1,614.85 per sq m. This is similar to the 'BCIS plus 15%' approach outlined above.
- 4.17. Furthermore, given the extent of the 'externals' costs, we have engaged a 3rd party Quantity Surveyor ("QS") to undertake a review. Thornton Firkin have subsequently undertaken a review (see Appendix 1 for their findings). TF have suggested a slight reduction in the external works, from £7,842,868 to £7,802,238. We have applied this amended allowance to our appraisal.
- 4.18. Devvia's appraisal includes an allowance of £715,992 for Biodiversity Net Gain. We have assumed the same in our appraisal, **however we would request confirmation from the Council that this is a robust allowance. If this is subject to significant change in the future this could impact on our overall conclusions.**
- 4.19. Devvia also allow for the Building Safety Levy (which is due to come into effect from 1st Oct 2026 and therefore we agree it is necessary to allow for this in the appraisal). There are 2 Government set rates, one for developed land and a separate figure for non-developed land. The subject site has elements of both and therefore it is difficult to calculate precisely which accommodation falls into which area. We have subsequently adopted the same allowance as Devvia (£417,706). **Again, if this is subject to significant change in the future this could impact on our overall conclusions.**

4.20. Devvia have also allowed for Future Homes Standard costs, which is due to come into effect (after a transition period) in Spring 2028. Their allowance is £2,153,411 (£9,363 per dwelling). We also have reservations about this allowance, as we remain sceptical that this is simply a 'cost' to a developer as in reality we would expect some uplift in value to offset part / all of these costs to reflect the higher energy efficiency of the dwellings built to these standards (i.e. these standards result in a tangible financial saving to the purchaser, therefore these dwellings are worth more). That said, we have made some level of allowance for this elsewhere. In keeping with our experience elsewhere, we have assumed a 'net cost' of £2,500 per dwelling to meet this standard.

4.21. Devvia's contingency allowance is equivalent to 2.93% of all of the above cost items. This is reasonable and in keeping with expectations and is therefore agreed.

4.22. As for infrastructure / abnormal works, Devvia's appraisal includes (totalling £5,018,204):

Demolition	611,827
Oversite earthworks	2,105,765
Piled foundations	2,300,612

4.23. Given the extent of these costs, we have again engaged Thornton Firkin to review this figures (see Appendix 1 for their findings). In short, Thornton Firkin conclude that the total allowance should be £2,948,678. We have subsequently applied this to our appraisal.

Professional fees

- 4.24. Devvia have included professional fees equivalent to £1,157,000 (3.69% of our adjusted build costs). This is reasonable and is accepted in our appraisal.

Planning policies

- 4.25. It is understood that there is a policy requirement for 58 (25.22%) onsite affordable units, split as 41 rented and 17 shared ownership.

- 4.26. Devvia have included the following planning contributions (totalling £5,708,102):

Spalding Relief Road	1,380,816
Education	3,715,622
Health	216,706
Travel plans	170,370
Section 106 costs	168,588
Section 278 works	56,000

- 4.27. We have adopted the same in our appraisal. **If this is subject to significant change in the future this could impact on our overall conclusions.**

Marketing / legal costs

- 4.28. To cover sales and marketing, Devvia have an allowance of 3.21% of open market revenue within their appraisal, and legal fees of £1,097 per unit. This is arguably slightly above expectations; however the accepted professional fees are at the lower end of expectations. We have subsequently agreed to the marketing / disposal costs.

Finance

- 4.29. Devvia have allowed for finance costs at a debit interest rate of 8%. However, we consider this to be above expectations based on other schemes we have appraised and instead that a rate of 7% is appropriate.
- 4.30. 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

- 4.31. Devvia's refer to a developer profit of 15% on market value revenue and 6% on affordable housing revenue.
- 4.32. 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.
- 4.33. In our experience profit margins fluctuate depending on the nature of the scheme and the type of developer implementing the project. However, and only as a broad guide, we tend to see profit margins in the region of 15% to 20% of revenue. This range is now also explicitly referenced in the recent PPG publication.
- 4.34. Devvia's allowance is within the suggested range (at the lower end) and is therefore not considered to be overstated for the purposes of a viability argument. We have subsequently adopted the same in our appraisal.

Benchmark land value

- 4.35. 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.
- 4.36. 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.
- 4.37. 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:
- 4.37.1. 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.
- 4.37.2. The EUV should disregard any hope value.

- 4.37.3. Benchmark land value should reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.
- 4.37.4. Benchmark land value should be informed by market evidence including current uses, costs and values wherever possible.
- 4.37.5. 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.
- 4.37.6. Under no circumstances will the price paid for land be a relevant justification for failing to accord with the relevant policies in the plan.
- 4.37.7. 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.
- 4.38. 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.

- 4.39. In their report, Devvia look to follow the guidance and first calculate the existing use value, before applying a premium uplift to arrive at the benchmark land value.
- 4.40. For the existing warehouse building, Devvia calculate a main building of 4,176 sq m, plus a temporary extension of 2,580 sq m. For this element they arrive at a (rounded down) existing use value of £1,400,000. For the agricultural land, which is 6.02 Ha, they adopt an existing use value of £25,000 per Ha, giving a figure of £150,500.
- 4.41. As for a premium uplift, a 20% uplift is applied to the existing building and 20 times the existing use value for the agricultural land. This results in a benchmark land value of £4,162,000.
- 4.42. Firstly, in terms of the existing building, we have reverted to the Business Rates calculation for the subject site, as this provides a useful indication of the likely Market Rent for the building. This shows a Rateable Value of £155,000. Devvia's suggested existing use value of £1,400,000 is equivalent to a gross investment yield of just over 11%. This is considered to be realistic for this type of facility and is therefore agreed. Furthermore, we agree that a premium uplift of 20% of this figure is reasonable and subsequently we have adopted the same. For this element of the site, we therefore agree to a benchmark land value of £1,680,000.
- 4.43. For the agricultural land, we also agree to the suggested existing use value of £25,000 per Ha, giving a capital sum of £150,500. However, we consider the 20 times multiplier to be significantly above expectations. The guidance does not provide any indication of what a reasonable return equates to. However, 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 just over £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).
- 4.44. 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.
- 4.45. At the subject site, based on TF's reduced allowances, the infrastructure / abnormal costs are circa £377,069 per gross Ha. Assuming a gross to net ratio of 70%, this gives a net developable area of 5.47 Ha. The abnormals would therefore equate to £538,670 per net Ha. In keeping with the above, this points to a multiplier of 14 times the existing use value. For the undeveloped land, this equates to £2,107,000.

4.46. Adding the 2 elements together, we have subsequently arrived at a benchmark land value of £3,787,000.

5. Appraisal results and conclusions

5.1. We have initially run an appraisal with 25% onsite affordable housing plus S106 costs totalling £5,708,102. 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 / affordable housing provision to assess at what point (if any) this returns a viable outcome. Please see attached our appraisal. Based on 24 (10.43%) onsite affordable units (split as 17 rented and 7 shared ownership) plus reduced S106 contributions of £1,380,816 (i.e. the relief road payment), the development generates residual land value of £3,786,784. This is close enough to our benchmark land value of £3,787,000 to be deemed viable.

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

Input	Devvia appraisal	CPV appraisal
Externals	£8,264,440	£7,802,238
Future Homes Standard	£2,153,411	£575,000
Abnormal Costs	£5,018,204	£2,948,678
Professional fees	£1,041,635	£578,765
Finance	8%	7%
Benchmark land value	£4,162,000	£3,787,000

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

Sales: Rate /m ²					
Construction: Rate /m ²	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
-5.000%	14.580%	14.580%	14.580%	14.580%	14.580%
1,135.25 /m ²	(£2,912,030)	(£3,804,944)	(£4,695,969)	(£5,586,173)	(£6,475,555)
-2.500%	14.580%	14.580%	14.580%	14.580%	14.580%
1,165.13 /m ²	(£2,454,393)	(£3,349,536)	(£4,241,541)	(£5,132,222)	(£6,022,248)
0.000%	14.580%	14.580%	14.580%	14.580%	14.580%
1,195.00 /m ²	(£1,995,931)	(£2,892,943)	(£3,786,784)	(£4,678,138)	(£5,568,477)
+2.500%	14.580%	14.580%	14.580%	14.580%	14.580%
1,224.88 /m ²	(£1,536,275)	(£2,435,096)	(£3,330,894)	(£4,223,509)	(£5,114,529)
+5.000%	14.580%	14.580%	14.580%	14.580%	14.580%
1,254.75 /m ²	(£1,073,985)	(£1,976,324)	(£2,873,717)	(£3,768,400)	(£4,660,105)

5.5. This shows the impact on the residual land value if sales 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 sales values decreased by 2.5% and the construction costs remained the same, the residual land value would be £2,892,943, which is lower than the benchmark land value of £3,787,000 and therefore unviable.

5.6. In summary, we agree with Devvia that the scheme cannot viably support the full planning affordable housing policy requirements and S106 contributions. However, contrary to Devvia's position, we consider the scheme to be viable based on 10.43% onsite affordable and a S106 payment of £1,380,816.

5.7. Alternatively, if the Council favours a different mix of S106 contributions and affordable housing mix, we can calculate this on request.

5.8. Given the current viability pressure on the scheme, the Council should consider imposing an overage / review mechanism in a S106 agreement. This would allow viability to be revisited in the future, potentially when market conditions have improved. We can provide advice on this, if required.

- 5.9. 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.