



Independent Viability Experts

FAO Ms Hannah Andrew
Senior Planning Officer
Barnsley Metropolitan Borough Council

Sent by email only

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Our ref: DN-0411

Your ref: 2019/1274

Date: 14 October 2020

Dear Ms Andrew

PROPERTY ADDRESS: Land at Kingsmark Way, Goldthorpe, Rotherham

INSTRUCTING BODY: Barnsley Metropolitan Borough Council

APPLICANT: Sir Robert Ogden CBE LLD and Countryside Properties



Further to your instructions dated 23 September 2020 and our terms of engagement dated 24 September 2020, we are pleased to report as follows.

1. Property Overview

- 1.1. The property is located towards the eastern edge of the built-up area of Goldthorpe, a satellite village of Barnsley (with a mining heritage) lying in the east of the district just over 7 miles to the east of the town. The main road access to the locality is via Barnsley Road/Doncaster Road, which runs to the north of the village (effectively a bypass) and links the village centre to both the east and west to the A635, which is one of the main east-west routes between South Yorkshire and Manchester. The nearest link to the strategic road network is Junction 37 of the A1(M) motorway lying circa 4 miles to the east. The nearest rail station is in Goldthorpe itself, with links to Wakefield and Leeds in the north and Sheffield in the south.
- 1.2. More specifically, the subject site is situated to the south of Doncaster Road and to the west of Kingsmark Way, less than a third of a mile to the east of the village centre. Allotments lie immediately to the north of the site. Immediately to the east is Ben Bailey Homes/Avant Homes's Summervale / Bella View residential development, where the scheme sold out in April 2019. To west of the site is a wooded area (in the south), a group of (mainly) older commercial premises and a terrace of dwellings of average/poor quality. To the south is a dismantled railway line.
- 1.3. The site mainly comprises undeveloped land covered in rough scrubby overgrown grass, with scattered shrubs and trees, being part of the cleared site of the former Goldthorpe Colliery, which closed in the mid-1990s. A belt of reasonably mature trees forms part of the eastern boundary onto Kingsmark Way (which has footpaths and streetlighting already in place), and a similar feature lies just inside the southern boundary.

- 1.4. The site is generally flat, with a gentle slope towards the south. It is roughly rectangular in shape but with slight deviations in the eastern (following the edges of a roundabout) and western (diverting around a commercial property) boundaries. The southern boundary is to the cutting of the dismantled railway line; Kingsmark Way itself forms the eastern boundary, the western boundary is partly to the commercial premises and dwellings on Beever Street (with part unmarked) and the northern boundary to the allotments.
- 1.5. Access to the site is available from the already constructed access spur off the roundabout on Kingsmark Way. A public footpath crosses part of the south eastern section of the site parallel to the eastern boundary.
- 1.6. New build activity in the locality includes the Gleeson Homes Barnburgh View scheme to the south of Barnburgh Lane just over a quarter of a mile to the south of the subject site and the Keepmoat Homes Willow Heights scheme at School Street, Thurnscoe, around 1.25 miles to the north of the subject site. As stated in 1.2 above, the recently completed Summervale/Bella View residential scheme lies just to the east of the subject site.
- 1.7. According to the Grasscroft Development Solutions (“GDS”) “Residential Viability Report” dated September 2020, the site extends to circa 4.12 Ha (10.18 acres) on a gross basis, with a net developable area of 3.38 Ha (8.35 acres). For the purposes of this review we have assumed that these stated areas are accurate. If, at a later date, these are found to be inaccurate this could impact on our conclusions.
- 1.8. In terms of planning application history, there have been a number of relevant applications in the last 20 years relating to the subject site, namely:

- *B/00/0001/DE – Outline application for mixed use development including employment and housing. Decision: Granted with conditions 30/04/2001*
- *B/03/1025/DE – Restoration of site. Decision: Granted planning permission with conditions 26/09/2003*
- *B/04/2330/DE – Mixed use development of employment and housing development (323 dwellings). Decision: Granted with conditions 19/10/2005. This was for the wider area of the former colliery site including the land to the east/south east of the subject site, the subject site being proposed for employment uses in this application.*
- *2006/1402 - Residential Development (Outline); this proposed housing instead of employment uses on the subject site. Refused by the Council 21/09/2006. Allowed on appeal 23/04/2007.*
- *2010/0983 - Extension of time limit to implement planning permission 2006/1402 for residential development (granted on appeal Planning Inspectorate Ref APP/R4408/072040687). Decision: Granted with conditions on appeal 02/11/2010.*
- *2013/1330 - Residential development (Outline). Decision: Granted with conditions on appeal 22/04/2014. Expired in 2017.*
- *2018/0103 - Residential development (Outline) (All Matters Reserved apart from access). Decision: Granted with conditions 20/4/2018*

1.9. Further applications have been submitted and approved (or are pending approval) for discharge of conditions under the 2018/0103 permission.

1.10. The current application (2019/1274) is for:

- *Residential development of 116 dwellings and associated works (Reserved Matters for approval of details relating to layout, scale, design, external appearance and landscaping in relation to application 2018/0103). (Amended Plan)*

1.11. This envisages the development of 2/3/4 bed 2/2.5 storey detached and semi-detached dwellings of different types, with public open space, to include the existing public footpath. Based on the schedule of accommodation provided by GDS in their “Residential Viability Report” dated September 2020, the dwellings to be provided on site can be summarised as follows:

Type	Beds	Units	Sq ft	Total sq ft
Arun Semi	2	4	759	3,036
Bourne Semi	3	8	918	7,344
Hollinwood Semi	3	10	948	9,480
Hollinwood Detached	3	2	948	1,896
Midford Semi	3	14	986	13,804
Midford Detached	3	7	986	6,902
New Ashbourne LG Detached	3	12	1,036	12,432
New Ashbourne FCT LG Detached	3	7	1,036	7,252
Sankey Semi	3	8	1,073	8,584
Brathay Detached	3	19	1,095	20,805
Brathay Detached (no garage)	3	1	1,095	1,095
New Walton LG Detached	3	17	1,116	18,972
Southwick Detached	4	2	1,131	2,262
Southwick SA Detached	4	5	1,131	5,655
		116		119,519

2. Scope of Assessment and General Assumptions

- 2.1. To support the applicant's case for an adjustment to policy, their viability consultants, GDS have submitted their "Residential Viability Report" dated September 2020. Based on their assessment, GDS contend that the scheme is unable to viably support the target policy level of affordable housing, assuming other developer contributions amounting to £889,651.
- 2.2. We have been instructed to provide an independent viability assessment of the scheme, with a view to advising the Council as to the robustness of the costs, values and other assumptions adopted by GDS in their appraisal.
- 2.3. In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that in completing this instruction CP Viability Ltd have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.
- 2.4. 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 developer for this scheme. 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.

- 2.5. 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.
- 2.6. In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that in May 2019 CP Viability Ltd undertook an area-wide viability review of the Barnsley Metropolitan Borough region to assist the Council in setting S106 policy. No further instructions have since been received in relation to this or any other area-wide viability study in this locality and as such the advice given is not deemed to be on-going.
- 2.7. We have assessed the proposed scheme as at 14 October 2020.
- 2.8. The site was inspected on 29 September 2020.
- 2.9. 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 robustness of the inputs and assumptions as detailed in the relevant development appraisal(s).
- 2.10. We have relied on the information provided to us by the instructing body and the developer, in addition to information publicly available through the Council's planning portal website.
- 2.11. We have not met either of the Instructing Body, the developer or their consultant and consequently have not partaken in any negotiations regarding the scheme.

- 2.12. In accordance with the RICS Guidance on Viability (Guidance Note 1, 2012), 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).
- 2.13. Our appraisal also adheres to the guidance as set out in the Planning Practice Guidance for viability (as published in July 2018 and updated in May 2019).
- 2.14. In undertaking our appraisals, we have utilised ARGUS Developer. This is an industry approved cash-flow model, designed specifically residual appraisals.
- 2.15. 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. GDS appraisal – summary

- 3.1. GDS has provided appraisal summaries in which they have modelled 2 scenarios:
- Appraisal 1 – a scenario with 0% affordable housing and no other developer contributions. This produces a return on revenue of £2,818,366 (12.64%).
 - Appraisal 2 – a scenario with target policy level contributions including 10% affordable housing (12 dwellings) and £889,651 to cover other developer contributions. This produces a return on revenue of £750,753 (3.52%).

- 3.2. In neither case does the return on revenue meet GDS's opinion of a market rate of return of 20% on revenue. GDS state in conclusion that: "It is clear that viability is a material consideration and that it would be unreasonable for the local authority to impose an additional burden on the development by seeking affordable housing contributions and other S106 obligations".
- 3.3. For the purposes of this section, we have focused on Scenario 2.
- 3.4. To summarise GDS's appraisal, we have categorised the costs provided under common sections of a viability appraisal. For example, all costs which we believe relate to the basic construction of a dwelling (including a contractor's margin and overhead) have been allocated under "Estate housing". Likewise, those costs deemed unusual are labelled 'abnormal' costs. This categorisation approach allows us to undertake a comparison between the subject scheme and other developments we have assessed.

GDS's sales value assumptions

Type	No.	Av £ psf	Total
Market Value Houses	104	£187	£20,362,500
Affordable Houses (AR)	10	£83	£713,250
Affordable Houses (SO)	2	£122	£224,250
Total	116		£21,300,000

GDS's development cost assumptions

Type	Rate	Total
Estate housing	£91 per sq ft	£10,876,229
Garages	63 @ £7,500	£472,500
External works costs	17.25% of build costs & garages	£1,957,721
Contingency	3.86% of build costs above	£513,168
Professional fees	7.71% of build costs above	£1,026,337
Abnormal works costs	Various - £162,297 per net acre	£1,355,500
S.106 contributions	Education/greenspace	£889,651
Marketing & sales	3.25% of market dwelling revenue	£661,781
Sales legal costs	104 @ £700	£72,800
Sales to RP legal costs	12 @ £700	£8,400
Finance costs	6.5% debit	£963,460
Benchmark land value	£197,558 per net acre	£1,650,000
Land acquisition costs	SDLT; legal costs	£101,700
Total		£20,549,247

- 3.5. GDS's appraisal therefore produces a residual amount of around £750,000, equivalent to a rate of return on revenue on the proposed scheme of circa 3.5%, well below GDS' "expected market return" of 20% on revenue.

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 1.11).

4.2. In their appraisal, for the market for sale dwellings, GDS has adopted the following average market values:

- | | |
|--|--|
| - 2 bed semi 759 sq ft | £181 per sq ft |
| - 3 bed semi (2 storey) 918 to 986 sq ft | £187 to £188 per sq ft |
| - 3 bed semi (2.5 storey) 1,073 sq ft | £163 per sq ft |
| - 3 bed detached 948 to 986 sq ft | £193 per sq ft |
| - 3 bed detached 1,036 sq ft | £188 per sq ft |
| - 3 bed detached 1,095 sq ft | £189 per sq ft (bar 1 at £180 per sq ft) |
| - 4 bed detached 1,116 to 1,131 sq ft | £188 per sq ft |

4.3. These have been derived from the following sources of evidence:

- Average price and volume of sales in the 'S63 9' postcode area for the last 5 years, sourced from the Land Registry. Having reviewed the data we understand that this consists of new build dwellings and 'second-hand' sales.
- New build availability at 9 schemes, most of which are located in a relatively wide area including Mexborough and Doncaster. To arrive at estimated sales values at these schemes, GDS deduct 5% from asking prices to reflect sales incentives.

- New build sales in some of the above schemes, although no dates are given for transactions, but also include other schemes in the wider area. To arrive at estimated sales values at these schemes, GDS deduct 2.5% from gross sales values.
- Second hand sales over the last 12 months within 1 mile of the subject site, sourced from Calnea Analytics. Also, second hand availability within half a mile of the subject site, sourced from Rightmove.
- Price trend graph and other metrics from Calnea Analytics showing house price trends in S63 and England and Wales since 1996 and average house price table from Calnea Analytics showing data average price for 1 to 5+ bed dwellings in the subject site postcode.

4.4. In undertaking our review, we consider the strongest evidence to be derived from other (where possible) nearby new build housing schemes either in the process of being delivered or recently completed.

4.5. On that basis, we have initially reviewed Land Registry new build sales evidence since Jan 2018 in the S63 postcode area, which includes Thurnscoe, Goldthorpe, Bolton upon Dearne and Wath upon Dearne. In our view, the strongest comparable evidence can be derived from the following schemes:

- (i) Avant Homes, Bella View development a few hundred metres to the south east of the subject site.
- (ii) Gleeson Homes, Barnburgh View development around 0.25 miles to the south of the subject scheme.
- (iii) Keepmoat Homes, Willow Heights, around 2.5 miles to the north in Thurnscoe.

- 4.6. The closest scheme to the subject property is Avant Homes' Bella View development. We note the following sales (restricted to, where possible, the most recent sales of similar house types and sizes to that proposed at the subject property):

Avant Homes – Bella View

	Address		Pcode	sq ft	£ psf	Price	Date	Type
9	CERAMIA COURT	GOLDTHORPE	S63 9GR	829	£ 200	£165,950	22/02/2019	Detached
21	CERAMIA COURT	GOLDTHORPE	S63 9GR	829	£ 199	£164,950	15/03/2019	Detached
25	CERAMIA COURT	GOLDTHORPE	S63 9GR	829	£ 195	£161,500	15/02/2019	Detached
7	BELLA AVENUE	GOLDTHORPE	S63 9GT	829	£ 201	£166,950	08/03/2019	Detached
11	BELLA AVENUE	GOLDTHORPE	S63 9GT	829	£ 199	£164,950	08/03/2019	Detached
				829	£ 199	£164,860		
4	MELTONFIELD	GOLDTHORPE	S63 9GY	1,023	£ 171	£174,950	25/04/2019	Detached
37	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,076	£ 186	£199,950	31/08/2018	Detached
3	BELLA AVENUE	GOLDTHORPE	S63 9GT	1,076	£ 181	£194,950	22/02/2019	Detached
15	BELLA AVENUE	GOLDTHORPE	S63 9GT	1,076	£ 183	£196,950	20/12/2018	Detached
				1,076	£ 183	£197,283		
1	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,087	£ 184	£199,950	26/10/2018	Detached
2	MELTONFIELD	GOLDTHORPE	S63 9GY	1,087	£ 189	£204,950	25/01/2019	Detached
				1,087	£ 186	£202,450		
3	THORNHAM MEADOWS	GOLDTHORPE	S63 9GL	1,152	£ 169	£194,950	23/02/2018	Detached
10	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,152	£ 169	£194,950	27/04/2018	Detached
20	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,152	£ 174	£199,950	05/07/2018	Detached
				1,152	£ 171	£196,617		
7	FOXMIRES GROVE	GOLDTHORPE	S63 9GS	624	£ 173	£107,950	11/03/2019	Semi
17	CERAMIA COURT	GOLDTHORPE	S63 9GR	624	£ 168	£104,950	24/10/2018	Terrace
8	MELTONFIELD	GOLDTHORPE	S63 9GY	624	£ 168	£104,950	20/12/2018	Terrace
				624	£ 170	£105,950		
15	CERAMIA COURT	GOLDTHORPE	S63 9GR	710	£ 166	£117,950	19/10/2018	Terrace
19	CERAMIA COURT	GOLDTHORPE	S63 9GR	710	£ 166	£117,950	19/10/2018	Terrace
6	MELTONFIELD	GOLDTHORPE	S63 9GY	710	£ 162	£114,950	14/12/2018	Terrace
10	MELTONFIELD	GOLDTHORPE	S63 9GY	710	£ 169	£119,950	14/12/2018	Terrace
				710	£ 166	£117,700		
1	BELLA AVENUE	GOLDTHORPE	S63 9GT	861	£ 166	£142,950	08/03/2019	Semi
16	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,001	£ 145	£144,950	03/08/2018	Semi
30	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,001	£ 146	£145,950	28/09/2018	Semi
41	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,001	£ 145	£144,950	30/08/2018	Semi
43	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,001	£ 145	£144,950	28/09/2018	Semi
3	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,001	£ 147	£146,950	20/12/2018	Terrace
7	CERAMIA COURT	GOLDTHORPE	S63 9GR	1,001	£ 149	£148,950	30/11/2018	Terrace
				1,001	£ 146	£146,117		

- 4.7. A key consideration in the analysis is the issue of incentives. As discussed above, GDS have adopted the approach whereby 2.5% deduction is applied to all of the Land Registry data, to reflect what GDS perceive is an average allowance for the incentives.
- 4.8. On this we note the HM Land Registry Guidance “Practice guide 7: entry of price paid or value stated data in the register” states:

“5.1 Discounts and incentives:

Often developers offer discounts and incentives to prospective buyers. In this case we enter the net (lower) price paid in the register. If we are unable to identify the net price, we will request this. The reason for this is that entry of the pre-discount price may be misleading. Certain incentives, such as legal and moving costs, are not treated as a discount for price paid purposes.”

- 4.9. In other words, the Land Registry sales data already allows for some form of sales incentives incurred as part of the sale.
- 4.10. We have reviewed this in more detail and would make the following comments:
- The “UK Finance Disclosure Form (21 Feb 18) is what is used by the Land Registry when inputting the value of a new build property in their database. Section 7 of the form relates to incentives. For ease, the layout is as follows:

7. INCENTIVES

List the details of any incentives to be received by the purchaser either before or after completing the transaction
(continue on a separate sheet if necessary)

List full details of the value of all **financial** incentives to be received by the buyer(s):

Deposit paid by seller £

Guaranteed rental income

£ Total (£.....) per month for months)

Mortgage subsidies

£ Total (£.....) per month for months)

(including payment of mortgage interest, subsidies of interest rate and mortgage payment subsidies)

Stamp Duty Land
Tax / LBTT
payment

£

Cashbacks

£

Valuer fees

£

Legal fees

£

Other financial
incentives not listed*
(give details below)

£

* Please provide full details of other financial incentives

.....

Provide a list of all **non-financial**/in-kind incentives to be received by the buyer(s)

(e.g. white goods/kitchen appliances; furniture/furnishing; electrical equipment; garden furniture/landscaping; holidays; vehicles; buy-back guarantees; car-parking season tickets etc). **This is NOT an exhaustive list.**

Do not include any items provided as part of the standard specification of the property

.....

- The form therefore requires what are described as 'financial' incentives to be clearly listed in monetary terms. This allows a deduction to be made when the Land Registry inputs the price paid into their database. The form also requires a list of what are described as 'non-financial' or 'in-kind' incentives to be listed. Examples given include white goods/kitchen appliances, furniture/furnishing, electrical equipment, garden furniture landscaping, holidays, vehicles, buy-back guarantees, car-parking season tickets etc. However, there is no requirement to place a monetary cost to these items.

- In summary, the Land Registry guidance states that some incentives (such as legal and moving costs) are not treated as a discount from the price paid. However, equally it is clear that other discounts are already factored into the price paid.
- The requirement for incentives will depend on a variety of factors, including macro-economics, local purchaser demand, product etc. It is not the case that all sales will always require incentives, as this will depend upon purchaser demand.

4.11. In terms of evidence of incentives in March 2020 we undertook a viability assessment of a housing scheme (in Lincolnshire). The assessment was of Phase 2 of a development. As part of the process the house builder provided details of sales / exchanges that had taken place in Phase 1 of the development. The information provided included the gross sales price and the financial and non-financial incentives applied. 56 sales were provided, which show an average gross sales price of £205 per sq ft. Of the 56 sales 37 did not need any incentives to drive sales (66%). Of the remaining 19 sales the incentives provided included payment of legal costs, payment of Stamp Duty, turf to garden, carpet upgrade and furniture. The average 'cost' to the builder for these incentives was £1,387. On average this was equivalent to 0.66% of the gross sales price (for these 19 units). Across the whole sample of 56 dwellings the average incentive was £471 (0.22% of the gross sales price).

4.12. Furthermore, it is stressed that some of the incentives discussed above in the example scheme will be reflected in the Land Registry data already. This further reduces the need to make adjustments

4.13. The above evidence therefore shows that incentives can be below the 2.5% allowance suggested by GDS. It also shows that not all dwellings will require incentives to drive sales.

- 4.14. In summary, it is debatable as to what (if any) discount is necessary from the Land Registry data to reflect incentives. This will depend on a variety of factors, including the level of pricing applied and demand in a specific location. Our conclusion based on the above discussion is that an average 2.5% allowance is in excess of expectations. For the purposes of the modelling, we accept that some 'non financial' incentives should be factored into the assessment, but consider it reasonable to assume that this would only apply to 50% of the sales. We also consider an allowance of 1% of the sales value to be reasonable for these 'non financial' incentives (with the 'financial' incentives already inherently factored into the Land Registry data).
- 4.15. As part of our analysis we have compared similar house types at Avant Homes Bella View scheme to that proposed at the subject scheme, as follows:

Type	Bella View gross (£psf)	Bella View less 1% incentives (£psf)	GDS suggested value (£psf)
Detached – circa 850 sq ft	£199	£197	n/a
Detached – circa 950 sq ft	n/a	n/a	£193
Detached – circa 1,100 sq ft	£183-£186	£181-£184	£189
Detached – circa 1,150 sq ft	£171	£169	£188
Semi / terrace – circa 625 sq ft	£170	£168	n/a
Semi / terrace – circa 700-750 sq ft	£166	£164	£181
Semi / terrace – circa 850 sq ft	£166	£164	n/a
Semi / terrace – circa 950 sq ft	n/a	n/a	£187
Semi / terrace – circa 1,000 sq ft	£146	£145	£163

4.16. As part of our analysis, we have considered the following key principles:

- For houses of the same size and number of bedrooms, detached dwellings will typically command the highest rates per sq m, semi-detached the next highest and terraced the lowest.
- For same sized house types, for example a semi-detached dwelling of 80 sq m, if the house has 2 bedrooms it will command a lower rate per sq m than if the house had 3 bedrooms.
- Assuming a particular dwelling type (for example a 4 bed detached), the smaller the dwelling the higher the price per sq m and vice versa.
- Inflationary factors over time.

4.17. The allowances applied by GDS are therefore generally above the equivalent net values from Bella View (which is to be expected as a larger proportion of the evidence dates from 2018, and therefore inflation since this time is a factor).

4.18. In addition, we have undertaken a similar exercise for Gleeson Homes' Barnburgh View scheme. We note the following transactions as shown on the Land Registry:

Gleeson Homes – Barnburgh View

	Address		Pcode	sq ft	£ psf	Price	Date	Type
4	PICKHILLS GROVE	GOLDTHORPE	S63 9FP	775	£ 183	£141,495	03/05/2019	Detached
53	PICKHILLS GROVE	GOLDTHORPE	S63 9FN	807	£ 175	£140,995	13/12/2018	Detached
29	WEST MOOR CROFT	GOLDTHORPE	S63 9FJ	1,044	£ 170	£176,995	14/06/2019	Detached
55	PICKHILLS GROVE	GOLDTHORPE	S63 9FN	646	£ 153	£98,995	20/12/2018	Semi
2	PICKHILLS GROVE	GOLDTHORPE	S63 9FP	646	£ 161	£103,995	20/12/2018	Semi
				646	£ 157	£101,495		
11	WEST MOOR CROFT	GOLDTHORPE	S63 9FJ	764	£ 162	£123,995	20/12/2018	Semi
25	WEST MOOR CROFT	GOLDTHORPE	S63 9FJ	764	£ 154	£117,795	12/02/2019	Semi
57	PICKHILLS GROVE	GOLDTHORPE	S63 9FN	764	£ 161	£122,995	20/12/2018	Semi
49	PICKHILLS GROVE	GOLDTHORPE	S63 9FN	775	£ 157	£121,995	30/11/2018	Semi
51	PICKHILLS GROVE	GOLDTHORPE	S63 9FN	775	£ 165	£127,995	30/11/2018	Semi
6	PICKHILLS GROVE	GOLDTHORPE	S63 9FP	775	£ 165	£127,995	28/09/2018	Semi
				770	£ 161	£123,795		
27	WEST MOOR CROFT	GOLDTHORPE	S63 9FJ	807	£ 161	£129,995	29/03/2019	Semi
24	PICKHILLS GROVE	GOLDTHORPE	S63 9FP	807	£ 160	£128,995	18/06/2018	Semi
				807	£ 160	£129,495		
25	PICKHILLS GROVE	GOLDTHORPE	S63 9FN	1,066	£ 143	£151,995	07/09/2018	Semi
27	PICKHILLS GROVE	GOLDTHORPE	S63 9FN	1,066	£ 143	£151,995	29/06/2018	Semi
				1,066	£ 143	£151,995		

4.19. As part of our analysis we have again compared this to the proposed scheme at the subject site, as follows:

Type	Barnburgh View gross (£psf)	Barnburgh View less 1% incentives (£psf)	GDS suggested value (£psf)
Detached – circa 800 sq ft	£175	£173	n/a
Detached – circa 1,050 sq ft	£170	£168	£189
Semi – circa 750 sq ft	£161	£159	£181
Semi – circa 800 sq ft	£160	£158	£181
Semi – circa 1,000 sq ft	£143	£142	£163

- 4.20. Again. The allowances applied by GDS are therefore generally above the equivalent net values from Barnburgh View (which is to be expected as a larger proportion of the evidence dates from 2018, and therefore inflation since this time is a factor).
- 4.21. Finally, we have also considered the Keepmoat Homes Willow Heights development around 2.5 miles north of the subject scheme. We have recently (Sept 2020) undertaken an assessment of the forthcoming Phase 3 of this development. The values put forward by the housebuilder in their modelling (which we subsequently accepted) remain confidential, however we are able to confirm that the values put forward are broadly in keeping with GDS' suggested allowances.
- 4.22. Having considered all of the above, we conclude that the values put forward by GDS in their assessment are broadly reasonable for the purposes of viability testing and as such we have adopted the same in our appraisal.
- 4.23. For the affordable units (if applicable), we have adopted 50% of market value for the affordable rent and 67.5% of market value for shared ownership / intermediate.

Build costs

- 4.24. GDS' appraisal adopts basic construction costs equivalent to £91 per sq ft, plus £472,500 for garages (£7,500 per unit) and a further 17.25% for externals, as well as 3.86% as a contingency (when expressed as a percentage of plot construction costs, garages and externals). For abnormal costs BA use a total of £1,355,500 (as discussed in more details below).
- 4.25. As a 'sense check' of these figures we have considered both the Build Cost information Service ("BCIS"), a database regularly used for benchmarking development sites, as well as other schemes we have recently been involved with in Barnsley.
- 4.26. To give the BCIS data some context we note that between January 2015 and Jan 2020 there were 138 separate housing 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 109 houses, with an average of 18.96 houses per scheme submitted into the data. 68.84% of the sample comprised schemes consisting of 20 houses or less and only 6.52% of the sample (9 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. Furthermore, we understand that no volume house builder contributes to the database, therefore the efficiency savings that this type of builder is able to make with respect to both labour and material are not reflected in the figures.

- 4.27. It is generally accepted that volume house-builders are able to construct houses at a cheaper rate than smaller building firms (owing to their ability to bulk-buy materials and their ability to offer more regular work, therefore negotiate cheaper contracts with sub-contractors etc). The BCIS acknowledges this through a note on “Economies of Scale” it published on 25th Oct 2016, which states “pricing levels on building contracts tend to fall as the size of the project increases”.
- 4.28. As indicated above, the sample used in the elemental analysis does not include data from larger scale projects, it is mostly derived from schemes comprising 20 or less houses. As the cheaper volume house-builder costs are not reflected within this sample, the data can be regarded as being inherently high, at least when trying to determine the construction costs for a large scheme. For this reason, the BCIS is considered to be less reliable for larger developments. To account for this, the BCIS lower quartile figure is often deemed a more appropriate benchmark for larger scale projects. However, even the lower quartile can be regarded as being too high (at the Flaxley Rd, Selby appeal decision PINS ref 3149425 the Inspector agreed that for larger scale projects a figure below the lower quartile rate could be applied). The use of the BCIS for larger scale developments must therefore recognise the limitations in the data.
- 4.29. The current lower quartile ‘general’ new build development rate as shown on the BCIS, rebased to Barnsley, is as follows:

£/m2 study

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

Last updated: 10-Oct-2020 00:48

> Rebased to Barnsley (89; sample 34)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810.1 Estate housing							
Generally (5)	1,115	606	927	1,045	1,186	3,930	243

- 4.30. The rate of £927 per sq m (£86.12 per sq ft) is therefore considered to be appropriate for the purposes of the viability testing.
- 4.31. The BCIS excludes garages, therefore an additional allowance is considered appropriate here. An average rate of £7,500 per unit is considered reasonable and as such has been accepted in our appraisal.
- 4.32. With respect to externals, it is stressed that the BCIS excludes this and therefore needs to be allowed for separately in the appraisal. However, from our experience, what a specific developer constitutes as an external can vary from site to site (for example some include plot externals as part of the plot construction costs, whereas others categorise this as a separate external cost). In light of this, when analysing construction costs it is often useful to consider the combined plot construction and standard externals.

- 4.33. Using our adjusted plot construction cost of £86.12 per sq ft, garages at £472,500 and externals at an additional cost of £1,957,721 (as per GDS' appraisal), overall this equates to a combined standard construction cost of £106.45 per sq ft. Typically for external costs, at least when applied to the BCIS rate, we would expect this to be in the order of 15%. If this approach is adopted the overall combined construction cost would reduce to £103.58 psf.
- 4.34. As a further check, we have subsequently reviewed 3 development schemes we have recently appraised across Barnsley, in the context of viability testing. In their own viability assessments, the various applicants involved submitted appraisals which included the following combined standard plot construction and externals:
- (i) March 2019 – scheme of 101 dwellings. Combined construction cost £96 psf
 - (ii) Feb 2020 – scheme of 70 dwellings. Combined construction cost of £101 psf
 - (iii) Apr 2020 – scheme of 82 dwellings. Combined construction cost of £111 psf
(please note these particular costs were not accepted in our review)
- 4.35. Based on the above, taking into account the specific circumstances of the subject site, we consider the external cost allowance put forward by GDS to be broadly reasonable. Overall, our construction costs (including plot build costs based on the latest BCIS date, garages and standard externals) equates to £106.45 per sq ft.
- 4.36. As for contingency allowance, BA's allowance equates to an additional 4.77% to our adjusted costs. By way of evidence, we have again reviewed the 3 local schemes discussed above paragraph 4.34. Across this sample, the contingency allowance (as adopted by the applicant's in their respective viability assessment) equates to around 3% of the plot construction, garages and external costs combined. We have subsequently applied a rate of 3% in our modelling.

4.37. In addition, BA have also included an itemised list of “abnormal costs”, to include the following:

Demolition & remediation	38,500
Tree works	7,000
Cut & fill	145,000
Haul road	20,000
Piling matt	6,500
Japanese knotweed	38,000
Surface water attenuation	232,000
Underbuild	21,000
Piling	165,000
Ring beam	115,000
Heave precaution	8,000
Gas membrane	60,000
Tree planting buffer	7,500
POS landscaping	67,500
Capping layer topsoil	22,000
Capping layer topsoil	48,000
Acoustic fencing	13,500
Knee rail to POS / Driveways	2,500
Land drains	12,500
Flag on edge retaining wall	4,000
Masonry retaining walls	229,000
Ecology	3,000
Archaeology	2,000
Road closure	2,000
PROW: permanent diversion provision	6,000
Electricity substation	80,000

4.38. The above totals £1,355,500.

- 4.39. We would comment that for some of the items referred to above it is debatable as to whether these constitute 'abnormal' costs per se. For example, for a scheme of this scale we would typically expect an electricity substation to be provided (and therefore these costs would already be covered by the standard external costs allowance). The same could be argued for the tree works, public open space landscaping, capping layer topsoil and potentially the 'cut and fill' works. Combined, these items equate to £369,500.
- 4.40. Notwithstanding this, in terms of the amount of abnormal costs, we would stress that these must be considered when determining the benchmark land value ("BLV"), with the general principle being that higher abnormal costs typically put a downward pressure on the BLV. This principle is supported through the July 2018 Planning Practice Guidance on viability, which states that any abnormal / infrastructure costs should be appropriately reflected in the Benchmark Land Value. This is also discussed below under the 'benchmark land value' section.
- 4.41. In this respect, if at a later date savings were found in the abnormal costs or additional costs were identified this will not necessarily impact on the overall viability outcome. This is because the benchmark land value would also need to be adjusted, which would largely offset any changes in the abnormals.
- 4.42. Having considered the above, we have accepted the abnormal costs as put forward by GDS in their assessment. **However, this is on the basis that the benchmark land value reflects the level of abnormal costs.**

Professional fees

- 4.43. GDS have allowed professional fees are equivalent to 9.53% of our adjusted construction costs (when expressed against the plot construction, garages and externals).
- 4.44. By way of evidence, we have again reviewed the 3 local schemes discussed above paragraph 4.34. This evidence suggests that a figure of 6% is appropriate for the purposes of viability testing.

S106 / Other Council Policy Requirements

- 4.45. We have not been advised by the Council directly of the specific planning policy requirements which will apply to the subject scheme. However, from the GDS report, we believe that the following will apply:

- 10% on site affordable dwellings	
- Education contribution	£704,000
- Greenspace	£185,651
Total	£889,651

Marketing / legal costs

- 4.46. GDS has allowed the equivalent of 3.25% of revenue for sales and marketing costs; in addition, they have included sales legal costs for all dwelling tenures at £81,200 (£700 per dwelling).

- 4.47. By way of evidence, we have again reviewed the 3 local schemes discussed above paragraph 4.34. This shows an average rate of around 2.5% on revenue. We have subsequently applied this reduced rate to our appraisal, plus £700 per unit for the legal costs.

Finance

- 4.48. GDS has allowed a debit rate of 6.5% in their appraisal. However, the identified evidence suggests a figure in the region of 6% is more appropriate for a scheme if this scale. We have subsequently applied this to our appraisal.
- 4.49. To calculate the finance costs, we have inputted our appraisal data into the ARGUS Development Appraisal Toolkit, which is an industry approved discounted cash flow model (appended to this report).

Developer's profit

- 4.50. GDS have adopted developer's profit as the "target" (I.e. measure of viability) in their appraisal. They have then compared the profit outcome against their expected market return of 20% on revenue on the dwellings overall, irrespective of tenure.
- 4.51. 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.
- 4.52. In our experience, and for a scheme of this size, 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 for market value dwellings. For affordable units, where the risks are reduced (as the dwellings are transferred in bulk to a pre-identified Registered Provider) we tend to see separate profit margins in the region of 6% to 8%.

4.53. Whilst within the context of viability testing, we note that the recent Planning Practice Guidance ('PPG') from July 2018 refers to a broad range of 15% to 20% on revenue.

4.54. By way of other evidence, we have again referred to the sample of 3 other similar scale schemes we have appraised recently in Barnsley (discussed above in paragraph 4.34). With respect to the market value units the examples refer to 'target' profits of 20% on revenue (broadly in line with GDS' allowance). However, we do note that in each case the actual developer return demonstrated by the applicant's in their respective appraisals did fluctuate below 20% (and was deemed deliverable). In other words, whilst the initial aspiration was for 20%, with the appraisals returning figures lower than this the respective applicant's concluded that the schemes could still be brought forward even through the profit fell below 20% (as low as 18.75% on revenue). This is consistent with the guidance, which suggests developer profit can fluctuate and is not set at a fixed rate.

4.55. Having considered this, and also recognising the RICS's mandatory requirement for sensitivity testing, we consider it appropriate to run 2 scenarios as follows, testing different levels of developer profit:

- | | | |
|------------|---|---|
| Scenario 1 | - | 20% market value profit on revenue, 6% for affordable |
| Scenario 2 | - | 17.5% market value profit on revenue, 6% for affordable |

Benchmark Land Value

- 4.56. The Benchmark Land Value (“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.
- 4.57. The approach we have adopted 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 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.
- 4.58. The most recent guidance is detailed within the National Planning Policy Framework (‘NPPF’) and Planning Practice Guidance (‘PPG’), as published on 24th July 2018 (and updated in September 2019). One area which the PPG deals with is in relation to assessing BLV, stating the following:
- 4.58.1. 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.
- 4.58.2. The EUV should disregard any hope value.

- 4.58.3. Benchmark land value should reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.
- 4.58.4. Benchmark land value should be informed by market evidence including current uses, costs and values wherever possible.
- 4.58.5. 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.
- 4.58.6. Under no circumstances will the price paid for land be a relevant justification for failing to accord with the relevant policies in the plan.
- 4.58.7. 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.
- 4.59. 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.
- 4.60. The starting point for any assessment of the benchmark land value should be to consider the existing use value plus premium approach as outlined in the guidance.

- 4.61. To arrive at a benchmark land value, GDS first assess the existing use value of the site. This is based on paddock land for grazing horses and they arrive at a rate of £10,795 per acre. GDS then apply a premium uplift equivalent to 15 times the EUV to arrive at a benchmark land value (which equates to just over £162,000 per gross acre). GDS also go on to consider an alternative use value as land for commercial development; however we do not consider this approach to be relevant to this scheme as we consider it unlikely that this type of scheme would come forward in this location.
- 4.62. To establish the existing use value we agree that it is appropriate to consider agricultural land values. For this use, we note the current evidence in South Yorkshire:
- Sour Lane, Fishlake – Grade 3, 4.56 acres, asking £4,386 per acre
Hatfield Woodhouse – Grade 2, 4.99 acres, asking £8,016 per acre
Aston – Grade 3, 4.76 acres, asking £8,403 per acre
Aston – Grade 3, 15.17 acres, asking £6,592 per acre
- 4.63. The general ‘tone’ of values therefore changes dependent on the grading of the land. However, in the case of the subject property this is not, in our view, desirable agricultural land or paddock land. Instead, we consider this be essentially amenity land. We therefore anticipate that the lower end of the agricultural land value range is more applicable to the subject site.
- 4.64. Having considered this, we are of the view that an underlying existing use value in the region of £6,000 per acre is reasonable for this type of land.
- 4.65. In terms of the premium uplift, as per the guidance it is appropriate to apply to reflect the level of associated abnormal costs with developing the site in the benchmark land value. This is achieved by varying the premium uplift.

- 4.66. In our experience, the level of premium uplift can fluctuate typically from 5 to 20 plus times the EUV. Please note, the lower end of the range typically reflects factors such as; large scheme, sites in low value areas, sites with high infrastructure / abnormal costs. The higher end of the range reflects smaller sites, sites in higher value areas, sites with low infrastructure / abnormal costs.
- 4.67. In the case of the subject property, given the scale of the development, but also the level of abnormal / infrastructure costs, together with the planning policy requirements, we consider a multiple equivalent to 10 – 15 times the existing use value to be reasonable. This equates to £60,000 to £90,000 per acre.
- 4.68. As a 'sense check' we have considered the benchmark land values agreed elsewhere. We note that benchmark land values in the region of circa £90,000 per acre have been agreed elsewhere, suggesting the upper end of our range is more appropriate.
- 4.69. Having considered all of above, and assuming abnormal costs totalling £1,355,500, we consider a benchmark land value equivalent to £915,000 to be appropriate (circa £90,000 per acre).

5. Appraisal results and conclusions

- 5.1. As stated above, for the purposes of our review we have run 2 scenarios, as follows:

Scenario 1	-	20% market value profit on revenue, 6% for affordable
Scenario 2	-	17.5% market value profit on revenue, 6% for affordable

- 5.2. For our Scenario 1 appraisal we have initially run a full policy compliant scheme (10% on-site affordable housing and full S106 costs totalling £889,651). This returns a residual land value below our benchmark land value of £915,000 and can therefore be regarded as being unviable.
- 5.3. On an iterative basis we have adjusted the level of planning policy provision to establish at what point (if any) the scheme becomes viable. This resulting appraisal (attached as Scenario 1) shows that the scenario is viable if the affordable housing provision is set at zero and the overall S106 'pot' of contributions is reduced to £650,000.
- 5.4. For our Scenario 1 appraisal we have initially run a full policy compliant scheme (10% on-site affordable housing and full S106 costs totalling £889,651). Again, though, this returns a residual land value below our benchmark land value of £915,000 and can therefore be regarded as being unviable. Please see attached our appraisal (Scenario 2) which shows a viable outcome with 6 onsite affordable dwellings (5.17%), provided as 4 affordable rent and 2 shared ownership, plus the full S106 provision of £889,651.
- 5.5. We therefore conclude that, in agreement with the applicant, the scheme is unable to viably support the full planning policies. However, our modelling shows that between 0% and 5.17% affordable housing can be provided, together with between £650,000 and £889,651 S106 contributions (dependent on what assumptions are made with respect to developer profit).
- 5.6. For illustrative purposes, the key differences between the respective appraisals are:

Input	GDS appraisal	CPV appraisal
Plot construction costs	£91 psf	£86.12 psf
Contingency	3.86%	3%
Professional fees	9.04%	6%
Marketing / disposal	3.25%	2.5%
Debit interest	£963,460	£366,587 to £420,876
Benchmark land value	£1,650,000	£915,000

- 5.7. It is important to stress that the Council is the decision maker when assessing viability. Paragraph 008 of the Planning Practice Guidance on viability states:

“The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessments.”

- 5.8. In other words, the Council has to weigh up how the viability evidence is used to inform its final decision, taking into account all also factors (including planning policy requirements).
- 5.9. Notwithstanding this, based on our assessment we are of the view that it would be reasonable to seek a compromise position between our Scenario 1 and Scenario 2 outcomes. This could be nil onsite affordable housing plus the full S106 contributions of £889,651. Alternatively, if onsite affordable housing is the preference for the Council this could be sought, with a reduction in the S106 contributions.

5.10. 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

Yours sincerely

A handwritten signature in blue ink, appearing to read 'D. Newham', with a stylized flourish at the end.

David Newham MRICS
Director
CP Viability Ltd