



***Independent Viability Experts***

FAO Ms Elaine Ward  
Senior Planning Officer (Inner Team)  
Barnsley Council

Sent by email only

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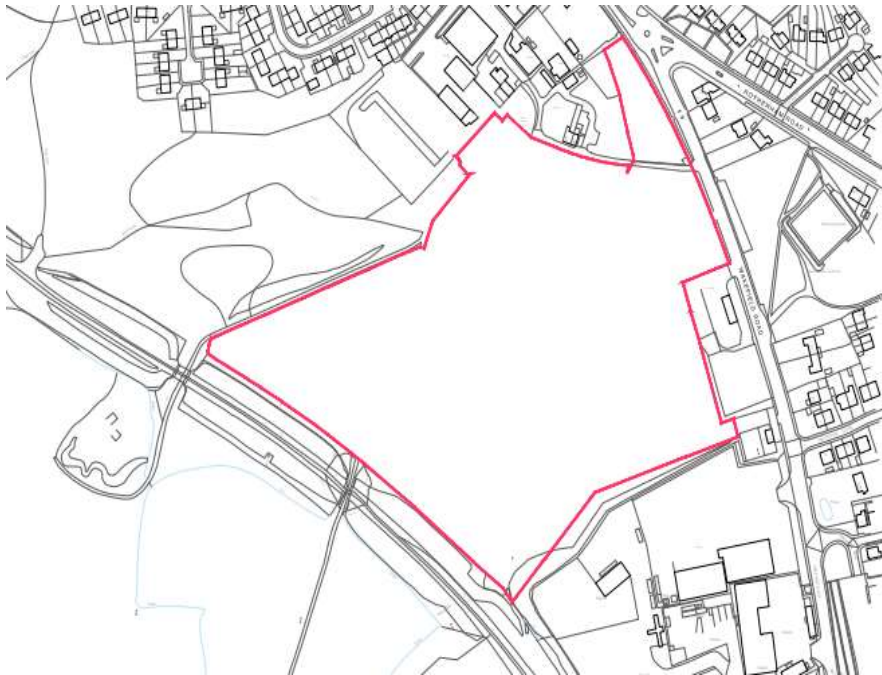
**Date: 17<sup>th</sup> March 2023**

Dear Ms Ward

**PROPERTY ADDRESS: Land off Wakefield Road Barnsley**

**INSTRUCTING BODY: Barnsley Council**

**APPLICANT: Gleeson Regeneration Limited/ Harworth Estates (Agricultural Land) Ltd/Kelly Ellis and Lorraine Joan Ellis**



Further to your instructions dated 27<sup>th</sup> February 2023, we are pleased to report as follows.

## 1. Property Overview

- 1.1. The property is located around 2.6 miles to the north of Barnsley town centre between the established suburbs of New Lodge and Smithies and around 1 mile south east of the village of Mapplewell. Main road access to the site is via the A633 and A61 which form a 'Y' junction adjacent to the north east corner of the site and connect Barnsley with Wakefield in the north and Rotherham in the south.
- 1.2. The property itself is situated on the south western side of the A61 (Wakefield Road), in an edge of settlement position, lying to the south of the New Lodge estate, comprising mainly social and ex-social housing dating from the mid 20<sup>th</sup> Century (although some new build took place in the 2010s). To the north east are older, average quality dwellings, primarily semi detached and two storey in nature. To the north and south are light industrial buildings with a car dealership along the eastern boundary and an electricity sub station. To the west is a former railway embankment, woodland, open fields and beyond that approximately 500m away, the River Dearne. The Smithies recreation play area is located on the opposite side of the A61 to the east.
- 1.3. The subject site is undulating grassland, with a slope from east to west. The site is formed of two distinct areas separated by a hedgerow valley which runs down the centre of the site. The northern portion of land has been used for grazing horses. A pond is located in part of the southern corner. To the south west of the site is a public right of way, separated from the site by a belt of trees.
- 1.4. According to the "Economic Viability Assessment" dated April 2022 (updated in Feb 2023) submitted by Jones Lang LaSalle ("JLL") on behalf of the applicant, the total area of the site extends to 19.18 acres (7.76 Ha), on a gross basis, and 13.65 acres (5.52 Ha) net developable area.

1.5. In terms of planning history:

- The site is allocated in the Local Plan (ref HS17 Land west of Wakefield Road) with an indicative delivery of 250 dwellings. In the allocation there is a requirement “... for the improvement, protection and maintenance” of the nearby East Gawber Hall Colliery Farmhouse, which is a Scheduled Ancient Monument, as well as for the undertaking of an archaeological assessment.
  
  - Outline planning permission was granted on 24<sup>th</sup> June 2019 (ref **2017/1451**) for the construction of up to 232 dwellings. As part of the permission a S106 agreement was entered into, requiring 10% affordable housing, an education contribution equivalent to £4,985.47 per dwellings (index linked), a heritage contribution of £109,200 (index linked), and an offsite formal recreation contribution (at different rates between £528.06 and £1,088.70 per dwelling dependent on the number of bedrooms).
- 1.6. The current application (ref **2022/0633**) is a reserved matters application for 202 x 2, 3 and 4 bedroom detached and semi detached houses. The proposed dwellings are all 2 storey.
- 1.7. As part of the planning application process, acting on behalf of the applicant, JLL submitted an initial viability appraisal in April 2022 (based on 202 dwellings). This concluded that “...the scheme is unable to deliver 10% affordable housing, and all planning gain whilst meeting the BLV threshold”.

- 1.8. In Aug 2022, acting upon the instruction of the Council, we undertook a viability review of the scheme. We agreed with the applicant that the full planning policies could not be viably provided. However, we did find that either (i) 10% onsite affordable housing plus S106 contributions totalling £1,007,900 or (ii) 5.45% onsite affordable housing plus S106 contributions totalling £1,307,900 could be viably provided. The key differences between JLL's assessment and our findings related to assumptions for contingency allowance, Part L Building Regulations changes and finance.
- 1.9. Since this time the scheme has been subject to amendments. JLL have subsequently provided an addendum update (dated Feb 2023) and is based on the following mix of dwellings, now showing a total of 225 units:

Name	Type	Beds	Total units	Per unit (sq ft)	Total (sq ft)
Cork	Semi	2	58	651	37,758
Kerry	Semi	2	30	671	20,130
Mayfield	Semi	2	17	671	11,407
Glin	Semi	3	53	904	47,912
Cranford	Semi	3	3	904	2,712
Neale	Semi	3	11	904	9,944
Strade	Semi	3	7	904	6,328
Clifden	Semi	3	19	984	18,696
Milford	Detached	3	13	919	11,947
Carlow	Detached	4	2	1,048	2,096
Longford	Detached	4	9	1,066	9,594
Broadale	Detached	4	3	1,167	3,501
	<b>Total</b>		<b>225</b>		<b>182,025</b>

## **2. Scope of Assessment and General Assumptions**

- 2.1. JLL's updated appraisal dated Feb 23 (based on the revised scheme of 225 dwellings) concludes that the scheme is unable to deliver the full 10% affordable housing requirement and all of the S106 policy contributions. We have been instructed by the Council to provide an independent viability assessment of the scheme as follows:
- Scenario 1: based on JLL's revised mix of 225 dwellings
  - Scenario 2: a mix proposed by the Council, which is based on a total of 232 dwellings (being a mix of 27% 2 beds, 45% 3 beds and 28% 4 beds).
- 2.2. For each scenario we have been instructed to consider the appropriate level of planning policy contributions that can be viably delivered.
- 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 CBRE 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 CP Viability Ltd is not currently providing ongoing advice to Barnsley Council in area-wide financial viability assessments to help formulate policy.
- 2.7. 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.
- 2.8. We have assessed the viability of the scheme as at 17<sup>th</sup> March 2023.
- 2.9. We have relied on the information provided to us by the instructing body and the applicant and in particular information publicly available through the Council's planning portal website.
- 2.10. We have not met either of the Instructing Body or the applicant and subsequently have not partaken in any negotiations regarding the scheme.

- 2.11. In accordance with the RICS “Assessing viability in planning under the National Planning Policy Framework 2019 for England (Guidance Note 1<sup>st</sup> 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).
- 2.12. In undertaking our appraisals, we have utilised the ARGUS Developer toolkit. This is an industry approved cash-flow model, designed specifically for residual appraisals.
- 2.13. 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. JLL’s appraisal – summary**

- 3.1. JLL’s “Addendum - Economic Viability Assessment” dated February 2023 assessment tests a policy compliant scheme with 10% affordable housing (23 units) and planning policy contributions of £1,766,104. This results in a residual land value of £204,945, significantly below their (previous) opinion of the benchmark land value of £1,918,000
- 3.2. To summarise JLL’s appraisal we have categorised the costs provided under what we consider to be the most common sections of a viability appraisal. For example, all costs which we believe relate to the basic construction of a dwelling (including a contractor’s margin or developer’s overhead) have been allocated under “Plot costs”, other as “abnormals”. This categorisation approach allows us to undertake a comparison between the subject scheme and other developments we have assessed.

### Gross Development Value (Revenue)

Type	No.	Av £ per sq ft	Total
Market housing	202	£208	£34,664,853
Affordable rent	18	£129	£1,512,000
Intermediate	5	£172	£560,000
<b>Total</b>	<b>225</b>		<b>£36,736,853</b>

### Gross Development Cost (Outgoings)

Type	Notes	Total
Plot costs (& externals)	£107.61 per sq ft (182,025 sq ft GIA)	£19,587,710
B Regs Pt L/S changes	£5,310 per dwelling	£1,194,856
Contingency	4.00% of build costs	£831,316
Abnormal works costs	Various (£269,712 per net acre)	£3,678,850
Professional fees	5.66% of build costs	£1,175,263
Planning Policy	£7,849 per dwelling	£1,766,104
Marketing and sales	2.50% of GDV	£866,625
Sales legal fees	£750 per dwelling	£168,750
Finance	6% debit	£145,545
Developer's profit	20% on MV / 8.7% on AH	£7,113,330
Acquisition costs	Agent, legals	£3,074
<b>Total</b>		<b>£36,531,423</b>

- 3.3. Based on the above assumptions, the scheme produces a residual land value of £204,945. This compares to the (previously assessed) benchmark land value of £1,918,000. JLL conclude that: "This FVA has demonstrated that the full planning obligations identified by the Council cannot viably be offered on a residential development of this nature."

#### 4. CP Viability's appraisal

##### Gross Development Value (Revenue)

4.1. JLL's appraisal includes the following average values:

- 2b semi 651-671 sq ft                      £215.66 per sq ft (£216 to £222 previously)
- 3b semi 904–984 sq ft                      £204.30 per sq ft (£190 to £207 previously)
- 3b detached 919 sq ft                      £204.30 per sq ft (Not previously included)
- 4b detached 1,048-1,167 sq ft        £198.97 per sq ft (£188 to £209 previously)

4.2. No new evidence is presented in their latest report, but by way of evidence to support their previously adopted values JLL referred to the following:

- Rightmove advertised for sale or SSTC within the local market.
- New Build developments including Stonegarth (Bellway Homes), Honeywell Grange (Miller Homes), Maple Tree Park (Avant Homes), Lavender Fold (Harron Homes), Oakland Gardens (Persimmon), Lundwood (Gleeson), The Hawthorns (Kier Living) and Notton Wood View (Barratt Homes).
- Second hand comparable evidence within 1 mile of the subject site.

4.3. In our August 2022 assessment, having reviewed the local market, we concluded that JLL had captured the relevant transactional evidence from new build housing estates within the general locality. Furthermore, the values that were summarised in Appendix C of their previous report were consistent with our analysis of the Land Registry data. We therefore found this evidence to be a good record of new build transactions within the locality and used this within our Aug 22 appraisal.

- 4.4. For the purposes of this update assessment, we have initially reviewed Land Registry new build sales data for the S71 postcode area in which the subject site is located, updating the search for data carried out for our August 2022 assessment. This reveals only 7 more sales between October and December 2021, all of which took place at Keepmoat Homes Kestrel Gardens 93 (2/3/4 bed) dwelling scheme, off Carlton Road, just over two thirds of a mile to the east. These were all for semi detached dwellings of between 840 sq ft (2 storey) and 1,033 sq ft (3 storey) and showed sale prices of between £206 (3 storey) and £248 per sq ft. There have been no other new build sales in the S71 postcode area recorded on the Land Registry since December 2021.
- 4.5. In our August 2022 assessment, we had focused initially on the applicant company's Lundwood scheme. Whilst the sales took place in 2018, this scheme is only around 1.5 miles from the subject site (in a straight line) and provided the same product type. This therefore is considered to be a good comparable.
- 4.6. To get a sense of house price inflation since Lundwood was first marketed, we looked for sales which originally sold when the scheme was completed (in 2017/2018) and whether there have been any re-sales since this time. We have again adopted this approach for the purpose of this update and note the following:
- 5 Ellwood Way: detached 775 sq ft. Sold as a new build originally in Feb 2017 for £110,995. Sold again Jun 22 for £165,000 (£213 per sq ft). We would, however, expect a new build to attract a premium over this, as the purchaser would benefit from the full 10 year builders warranty, the latest specifications / Building Regulations and the prestige of being the first to live in the property. Within this context, we note for a slightly larger detached (919 sq ft) JLL allow £204.30 per sq ft. However, we would also expect larger dwellings to attract a lower rate per sq ft, which has to also be factored into the assessment.

- 20 Priory Park Close: semi 657 sq ft. Sold as a new build originally in Jun 2018 for £95,995. Sold again in Jul 2022 for £127,500 (£194 per sq ft). We note for a similar semi (651 sq ft) JLL allow around £216 per sq ft.
  
  - 12 Ellwood Way: semi 807 sq ft. Sold as a new build originally in Apr 2017 for £113,245. Sold again in May 2022 for £165,000 (£204 per sq ft). We note for a larger semi (904 sq ft) JLL allow around £204 per sq ft. As indicated above, when considering a specific dwelling type (like a 3 bed semi) the larger the property the lower the rate per sq ft, for reasons of quantum. This needs to be factored into the analysis.
  
  - 8 Ellwood Way: semi 646 sq ft. Sold as a new build originally in May 2017 for £91,995. Sold again in Apr 2022 for £137,500 (£213 per sq ft). We note for a similar semi (651 sq ft) JLL allow around £216 per sq ft.
- 4.7. By way of additional evidence, and to get a sense of values within the wider locality for the Gleeson product (which is a lower value product and therefore not directly comparable to schemes by housebuilders such as Barratt Homes and Avant Homes), we have also considered current asking prices within Gleeson and other schemes. We note the following:

### **St Michaels Avenue (Met Homes), Monk Bretton, Barnsley S71 2SD**

- Less than 1.25 miles to the east of the subject site
- Development by Met Homes Barnsley (BMBC company)
- 35 dwellings (19 for private sale)
- 4 x 2 storey 3 bed semi of 1,048 sq ft with an asking price of £180,000 (£172 per sq ft), 2 of which are currently sold subject to contract. For the largest semi type at the subject scheme JLL allow £204 per sq ft.

4.8. JLL's adopted values therefore compare favourably to the St Michael's Avenue scheme (although an uplift is expected).

4.9. In terms of the prevalent market conditions, at the current time the market is experiencing uncertainty and volatility. Since Aug 2022 the residential market has experienced an adjustment, which appears to have been accelerated by the government's 'mini-budget' announcement on 23<sup>rd</sup> Sept 2022. The Bank of England base rate has recently been increased to 4%, compared to 0.5% at the start of 2022. The knock-on effect of this and the government's announcement is that mortgage providers have significantly increased the cost of mortgage products, with rates pushing out towards 5% (compared to sub 2.5% as at Jan 22). The increase in monthly repayments, combined with the ongoing cost of living / energy crisis, has meant a greater pressure on affordability.

- 4.10. By way of an example as to the impact this has on affordability, for a sale price of £200,000, with a 15% deposit this would mean a mortgage of £170,000. In the summer 2022 mortgages were available at around 2.5%. Assuming a 25 year mortgage period, this equates to a monthly repayment of £769. As at the time of writing, mortgages have increased to around 5%. On the same criteria this would mean a mortgage repayment of £1,005 per calendar month. Furthermore, additional rises in interest rates are expected in the coming weeks in an attempt to temper inflation. If mortgage rates increase to say 6%, the monthly repayment would be £1,108.
- 4.11. This level of increase in mortgage costs will inevitably impact on purchaser affordability, which in turn will reduce demand. The 'knock-on' effect is a reduction in property prices.
- 4.12. In light of these market conditions, and whilst these are nothing but early predictions, some commentators are predicting that values could fall in 2023 (albeit compared to the 'peak' that appears to have been around August / September 2022 before the Government's mini-budget and when our previous review was undertaken).
- 4.13. From a valuation perspective, there is subsequently uncertainty as to how values will perform going forward. Current signs are that values will start to fall (as asking prices are reduced to try and drive sales). However, this has yet to manifest itself through clear transactional data, although we are noticing asking prices being reduced across the marketplace.
- 4.14. Having considered the identified evidence and also taking into account the current market conditions, we see little justification for amending the values put forward by JLL in their updated appraisal. We have subsequently adopted the same in our appraisal.

4.15. Likewise, the allowances for the affordable units are deemed to be reasonable and have been accepted.

Build costs

4.16. JLL adopt the following build costs:

- Plot and external works costs      £107.61 per sq ft
- Part L / S Building Regs              £5,310 per unit
- Contingency                                4.00% of the above
- Abnormals                                 £3,678,850 (£269,712 per net acre)

4.17. JLL make no comment in their addendum report on the specific source of the figures adopted, although they state that they have: “not updated any figures to accommodate recent changes in market conditions, namely sales revenues or build costs.” They had referred to the Build Cost Information Service (“BCIS”) database in their previous report. This is a database regularly used in the construction industry, providing average build price rates for different types of accommodation in different locations.

4.18. We agree that it is appropriate to benchmark these costs against the BCIS data (and this was the approach adopted in our Aug 22 review). Please note, the BCIS rates include preliminaries and a contractor’s overhead, but they exclude external works, contingency and abnormals (and therefore these need to be allowed for separately).

4.19. We have reviewed the latest BCIS figures in Barnsley and note the following:

£/m2 study

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

**Last updated:** 11-Mar-2023 05:56

> Rebased to Barnsley ( 87; sample 34 )

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m <sup>2</sup> gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
<b>810.1 Estate housing</b>							
Generally (5)	1,246	680	1,059	1,206	1,395	2,551	227
Single storey (5)	1,398	860	1,208	1,393	1,582	2,551	49
2-storey (5)	1,202	680	1,049	1,165	1,314	2,214	175

4.20. In our Aug 22 assessment we considered the “generally” lower quartile figure to be the most appropriate to apply to the subject scheme. This is shown above as £1,059 per sq m (£98.38 per sq ft).

4.21. Previously, a 10% uplift was deemed appropriate to cover standard external works. This equates to an overall plot cost / external cost combined of £108.22 per sq ft. JLL’s suggested allowance of £107.61 per sq ft is therefore deemed to be reasonable and in line with broad expectations. We have subsequently accepted this in our appraisal.

4.22. For the Part L & S changes, as stated above, JLL allow £5,310 per dwelling to cover these costs. Previously, we suggested that a rate of £2,500 per dwelling was appropriate to cover these requirements. However, since this time we have agreed (on other schemes) £4,000 per dwelling. We subsequently deem JLL’s allowance to be above expectations and have adjusted the figure in our appraisal.

- 4.23. As for the contingency allowance, the guidance indicates that it is important that this is balanced against the need to deliver planning policy. As contingency is a cost which may never be realised, it is important that this is not overstated in viability testing and is not a key reason why a scheme cannot deliver planning policies. JLL's allowance equates to 4.00% of their combined build and external works costs. In our view, a contingency equivalent to 3% of the standard plot costs and externals is a reasonable sum to use in the viability testing. In the case of the subject site this still equates to a significant capital sum, being just under £615,000. We have subsequently applied 3% to our modelling.
- 4.24. With regard to abnormal works costs, JLL have allowed £3,678,850 in their appraisal (an increase from their previous figure by £342,040 or 7.55%), although this is not itemised as in the previous report. JLL do comment however that: "There has been an increase in the abnormal cost estimates."
- 4.25. We would stress that we are not Quantity Surveyors and are unable to provide a detailed review of these abnormal costings without third party input (which would have time / cost implications). However, 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.

- 4.26. In practical terms, it is not necessarily 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. 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.
- 4.27. 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).
- 4.28. Having considered these factors, for the purposes of the modelling we have run our appraisal on the basis of the adjusted abnormal costs of £3,678,850, albeit on the basis that this is balanced with appropriate level for the benchmark land value, as per the requirements of the Planning Practice Guidance.

#### Professional fees

- 4.29. JLL has allowed for professional fees equivalent to 5.74% of the combined build/external works costs and Part L Building Regulations changes.

4.30. This is in keeping with our expectations for a scheme of this nature and has been accepted in our appraisal.

S106 / Other Council Policy Requirements

4.31. For Scenario 1 (225 dwellings) the Council have confirmed the following S106 contributions:

Education	-	£1,121,731 (index linked)
Heritage	-	£109,200 (index linked)
Offsite recreation	-	£195,654

4.32. The total capital payment therefore equates to £1,426,566.

4.33. For Scenario 2 (232 dwellings), we calculate the contributions to be as follows:

Education	-	£1,156,629 (index linked)
Heritage	-	£109,200 (index linked)
Offsite recreation	-	£216,830

4.34. The total capital payment therefore equates to £1,482,659.

4.35. For affordable housing, there is a requirement for 10% onsite affordable housing.

Marketing / legal costs

4.36. To cover sales and marketing, JLL have allowed 2.5% of the market dwelling revenue. In addition, sales legal fees of £750 per dwelling have been adopted.

4.37. This is in keeping with our expectations for a scheme of this nature and has been accepted in our appraisal.

#### Finance

4.38. We note the applicant has allowed for finance costs at a 6% debit rate. We consider this to be appropriate and have adopted the same in our appraisal.

4.39. 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

4.40. 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. In their addendum report, JLL show a reduced profit level of £7,113,330, which is a blended rate of 19.36% on revenue.

4.41. 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 the 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%.

4.42. In our Aug 22 review we consider a profit equivalent to 20% on revenue to be appropriate for the market value units, reduced to 6% for any affordable. We retain our view that this is a reasonable allowance and have adopted this in our updated appraisal modelling.

#### Benchmark land value

4.43. 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.

4.44. 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.

4.45. Viability assessors are provided some guidance through the National Planning Policy Framework (‘NPPF’) and Planning Practice Guidance (‘PPG’), as published on 24<sup>th</sup> July 2018. One area which the PPG deals with is in relation to assessing BLV, stating the following:

- 4.45.1. 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.
- 4.45.2. The EUV should disregard any hope value.
- 4.45.3. Benchmark land value should reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.
- 4.45.4. Benchmark land value should be informed by market evidence including current uses, costs and values wherever possible.
- 4.45.5. 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.
- 4.45.6. Under no circumstances will the price paid for land be a relevant justification for failing to accord with the relevant policies in the plan.

- 4.45.7. 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.
- 4.46. 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.
- 4.47. In their previous assessment, they followed the guidance and looked to establish an existing use value. For this, a rate of £10,000 per gross acre was applied, to reflect agricultural land values. This was considered to be broadly reasonable and was accepted in our appraisal.
- 4.48. As for the premium uplift, JLL indicated that around 10 times the existing use value was considered to be reasonable, which we had previously accepted.
- 4.49. However, the abnormal costs have increased since the previous testing was undertaken. As per the requirements of the Planning Practice Guidance: Viability, increasing abnormal costs should be appropriately reflected in the corresponding benchmark land value (i.e. as abnormal costs increase, there should be a downward pressure on the benchmark land value). As the existing use value is a fixed sum, the only 'flex' is therefore in the level of premium uplift.

4.50. Having considered this, in our view it is reasonable to assume that the benchmark land value should be lower than previously applied to the modelling, to account for the increase in the associated abnormal development costs. We consider an adjustment in the premium uplift from 10 times the existing use value to 9 times the existing use value to be sufficient to account for this adjustment. This results in a benchmark land value equivalent to £90,000 per gross acre, which equates to £1,725,746.

## 5. Appraisal results and conclusions

5.1. As indicated above, we have undertaken the following scenarios testing:

- Scenario 1: based on JLL's revised mix of 225 dwellings
- Scenario 2: a mix proposed by the Council, which is based on a total of 232 dwellings (being a mix of 27% 2 beds, 45% 3 beds and 28% 4 beds).

5.2. We have first tested our Scenario 1, based on 225 dwellings (and the mix suggested by the JLL). We have initially run a full policy compliant scheme (10% on-site affordable housing plus S106 contributions totalling £1,426,566. However, this generates a residual land value below our adjusted benchmark land value of £1,725,746. On this basis, this scenario is shown to be unviable with the full planning policies applied.

5.3. However, the scheme becomes viable if the level of the S106 contributions is reduced. Please see attached our Scenario 1 appraisal. This shows that this scenario is viable with 10% onsite affordable housing, plus a reduced S106 contribution of £717,000 (please note this is marked in the appraisal as an 'education' payment, although in reality it would be at the discretion of the Council to decide which policies this money would be allocated to).

- 5.4. Alternatively, for Scenario 1, if the onsite affordable housing was removed, we calculate that the overall S106 contribution that could be viably made would increase to circa £1.27million.
- 5.5. As requested by the Council, we have also run our Scenario 2, which is based on 232 dwellings and a mix as suggested by the Council. Again, with the full planning policies applied this is shown to be unviable. However, please see attached our Scenario 2 appraisal. This shows that this scenario is viable with 10% onsite affordable housing, plus a reduced S106 contribution of £1,070,000 (please note again that this is marked in the appraisal as an 'education' payment, although in reality it would be at the discretion of the Council to decide which policies this money would be allocated to).
- 5.6. Alternatively, for Scenario 2, if the total S106 contribution of £1,482,659 is applied the level of affordable housing would adjust to around 5% (dependent on the level of indexation associated with the education and heritage payment).
- 5.7. In summary, we concur with the applicant that the full planning policies are not viable. However, contrary to the findings of JLL, we conclude that for both Scenario 1 (225 dwellings) and Scenario 2 (232 dwellings) the scheme can provide a significant contribution to planning policies. For Scenario 1, with 10% onsite affordable, the S106 contribution would need to be reduced to £717,000 (or with nil affordable housing £1.27million). For Scenario 2, the viability outcome is stronger, as with 10% affordable housing, the S106 contribution would be £1.07million (or with the full S106 asks of £1,482,659 an onsite affordable housing provision of circa 5%).
- 5.8. For illustrative purposes, the key differences between our Scenario 1 appraisal and JLL's assessment are as follows:

Input	JLL appraisal	CPV Sc1 appraisal
Part L Building Regs	£1,194,856	£900,000
Contingency	£831,316	£587,631
Developer profit	£7,113,330	£7,057,291
Benchmark land value	£1,918,000	£1,725,746

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 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.

Yours sincerely



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 Director  
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