



**Barnsley West
Strata**

Financial Viability Assessment
Executive Summary
November 2024

The strata logo consists of the word 'strata' in white lowercase letters, centered within a solid red square.

strata

The logo for Inspiring Built Environments features a vertical orange bar to the left of the text 'Inspiring Built Environments' in a grey sans-serif font.

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Viability
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EXECUTIVE SUMMARY

- Continuum have been instructed by Strata Homes (hereafter “the client”) to prepare a financial viability assessment (FVA) pursuant to the proposed development at Barnsley West (hereafter “the site”).
- The subject site is located in the administrative boundary of Barnsley Council. The subject site is allocated for mixed use development (housing and employment led) in Barnsley Councils Local Plan (2019) under policy MU1, Land South of Barugh Green Road. This FVA focuses on the housing element (with supporting neighbourhood facilities) that is being promoted by Strata but does take into consideration the shared funding of infrastructure with the employment promoter Sterling Capitol and other residential promoter.
- The subject site consists of 75.04 hectares (185.44 acres) of predominantly greenfield land and is located 2km west of Barnsley town centre, on land between the communities of Gawber, Higham, Pogmoor, Redbrook and Barugh Green and lies directly to the east of the M1 motorway, just north of junction 37. Strata’s application proposes the development of up to 1,560 dwellings, new primary school, amenity centre including shops and community facilities, and associated infrastructure works through a hybrid planning application (ref: 2021/1090).
- Policy H7 of the Local Plan sets out the approach to affordable housing. The policy states that housing development of 15 or more dwellings will be expected to provide affordable housing. The amount of affordable housing is set at different levels throughout the brough. The subject site sits within two affordable housing boundaries of 10% and 20%. Barnsley Council have therefore stated to Strata that the affordable housing requirement at the site is 16% based on the proportion of the site within each of the relevant housing market areas.
- The total S106 ask for the site is £23,369,905 which equates to £14,891 per unit. This is a very high S106 contribution ask per unit, with Continuum typically seeing asks at around £5,000 to £8,000 per unit in the Yorkshire market.
- Paragraph 7 of the PPG (2024) allows for viability to be assessed at decision taking stage if particular circumstances justify as such. Given the strategic site was never assessed during the Local Plan Viability Assessment, it is considered that the assessment of financial viability at the decision taking stage is justified.
- Sale values have been estimated based nearby new build comparables. Continuum’s estimated market value for the scheme equates to £267.78 per sq ft and takes into account the schemes specification, mix and type of units.
- Standard build costs have been adopted with reference to the Local Plan evidence base and utilised BCIS. Continuum have utilised the Estate Housing Generally BCIS figure which reflects houses of mixed heights. The BCIS Estate Housing Generally figure rebased to South Yorkshire (5-year position) equates to £1,242 per m2 which is £115.38 per sq ft. Continuum have then allowed for Part L and Future Homes standard uplift which equates to £3.74 per sq ft and £4.53 per sq ft respectively. Continuum’s base build cost equated to £123.65 per sq ft when including building regulations uplift. In terms of external works, Continuum have assessed the Edge infrastructure cost plan in order to ensure there is no double counting of standard external works costs. Continuum estimates that the Edge cost plan includes £12.98 per sq ft of external work costs which equates to 10.5% of Continuum’s base build cost. Continuum have therefore applied a standard external work cost at 7.5% which allows for roads, driveways, service connections, gardens and garages.

- The total abnormal costs for the site have been estimated by Edge through a cost plan exercise as well as by Strata's in-house QS. When discounting the standard external works costs in the Edge cost plan, the total abnormal costs estimated for the scheme equates to £89,547,186 which is £1,193,248 per ha.
- Standardised assumptions such as contingency, professional fees, sales disposal fees and finance rate have been adopted in the appraisal and are consistent with the Local Plan evidence base.
- The Benchmark Land Value (BLV) has been established following the existing use value plus (EUV+) a premium methodology as per the PPG on Viability (2024). The total BLV established equates to £16.5m which is £214,538 per ha / £86,822 per acre. This BLV is lower than CPV's Local Plan Viability Assessment BLV for the site location and typology and reflects the abnormal costs at the site.
- Continuum would argue that for large strategic sites, the best profit measure is typically an ungeared IRR. Based on other large strategic schemes, Continuum would argue that the target ungeared IRR for the scheme should be 15%. In terms of the more simplistic profit on GDV, Continuum would argue that the profit margin should be at 20% on GDV and that part of the profit margin (5%) should be realised at the end of each phase, instead of all of the profit margin crystallised at the end of the project.
- Continuum's appraisal assessment of the strategic scheme has sought to answer two different questions. The first, is whether the scheme could viably support any affordable housing. The second, is whether the scheme is viable based on Barnsley Council's infrastructure and S106 contribution timings. Continuum would add that the second element of infrastructure and S106 timing could have an impact on the delivery of affordable housing and with large strategic sites, there is usually competing infrastructure requirement interests.
- Continuum have undertaken two appraisal scenarios in order to assess the viability of the scheme in relation to its S106 obligations including affordable housing. Both appraisal scenarios are based on a 100% market scheme. The first scenario is an 100% market scheme with all of Barnsley's S106 contributions and delivery timings. The second scenario is an 100% market scheme with Strata's contribution and delivery timings offer. Continuum's appraisals are based on the RICS recommended residual method and the appraisal has been produced using Argus Developer software. The residual method is based on subtracting all costs (including BLV) from the total revenue (GDV). The output of the appraisal is therefore the residual profit, with the BLV set as a fixed input in the appraisal.
- Section 11 of this report demonstrates that the proposed scheme does not generate a profit margin that is higher than the estimated target profit margin when tested on the basis of a 100% market housing scheme with full or part S106 contributions. The following table summarises the findings of the viability appraisals undertaken by Continuum:

Input / Output	S1: Profit on GDV Appraisal	S1: Ungeared IRR Appraisal	S2: Profit on GDV Appraisal	S2: Ungeared IRR Appraisal
GDV	£532,112,500	£532,112,500	£532,112,500	£532,112,500
Grant & Rebate	£20,396,398	£20,396,398	£20,396,398	£20,396,398
Costs (excl. finance, BLV and S106)	£431,174,080	£431,174,080	£431,174,079	£431,174,079
BLV	£16,100,000	£16,100,000	£16,100,000	£16,100,000
S106	£23,369,907	£23,369,907	£11,550,000	£11,550,000
Finance	£259,559,084	£0	£67,411,313	£0
Profit Amount	-£177,694,173	£81,864,911	£26,273,506	£93,684,819

Profit %	-33.39% on GDV (incl. profit)	5.58% Ungeared IRR	4.94% on GDV	9.06% Ungeared IRR
Viable	No	No	No	No

- As can be seen from the table above, both scenarios are unviable. The outputs of the appraisals mean that the scheme cannot viably support any affordable housing or the S106 costs. However, based on a commercial decision, Strata are willing to proceed on the basis of the scenario 2 appraisals in terms of S106 contribution of the primary school and proposed infrastructure / S106 delivery timings. Strata are willing to undertake this commercial decision due to anticipation that through market making, the scheme's performance should improve over the lifetime of the project.
- A sensitivity analysis (section 12) has been undertaken as per the RICS professional statement on viability (2021), the analysis considers increases in sale values and decreases in base build costs and the impact this has on the residual profit margin. Overall, the sensitivity supports the conclusion that the scheme cannot viably support its S106 contributions including affordable housing.
- In line with national planning guidance and relevant RICS guidance it has been demonstrated that the proposed scheme cannot bear a contribution towards affordable housing or other S106 contributions. Whilst the profit margin is lower than the target profit margin, it is understood that the Client is committed to delivering the scheme.
- The assessment made in this report has been done so objectively and impartially and is considered to robustly justify the viability challenge pursuant to, and the maximum planning obligations contribution that can be borne by the proposed subject scheme.