



JohnsonMowat
Planning & Development Consultants

BELLWAY HOMES

**LAND TO THE SOUTH OF LEE LANE,
ROYSTON,
BARNSELY**

**FULL APPLICATION FOR THE RESIDENTIAL DEVELOPMENT OF 250
DWELLINGS WITH ASSOCIATED ACCESS, PARKING, ENGINEERING,
LANDSCAPING AND ANCILLARY WORKS (LPA REF 2019/0239)**

**PRELIMINARY VIABILITY APPRAISAL REPORT
(INCLUDES 10% AFFORDABLE HOUSING
BUT NO OTHER S106 COSTS)**

SEPTEMBER 2019



Bellway Homes
Land to the South of Lee Lane, Royston, Barnsley

Viability Appraisal

Date: 18 September 2019

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LIMITATIONS

The assessments and interpretation have been made in line with legislation and guidelines in force at the time of writing, representing best practice at that time.

All of the comments and opinions contained in this report, including any conclusions, are based on the information obtained by Johnson Mowat Planning Ltd during our investigations.

There may be other conditions prevailing on the site which have not been disclosed by this investigation and which have not been taken into account by this report. Responsibility cannot be accepted for conditions not revealed by the investigation.

Any diagram or opinion of the possible configuration of the findings is conjectural and given for guidance only and confirmation of intermediate ground conditions should be considered if deemed necessary.

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- b) the date on which the final report is delivered.

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1.0 INTRODUCTION

- 1.1 This Viability Appraisal Report has been produced on behalf of Bellway Homes. This report supports a full planning application submission for the residential development of 250 dwellings with associated access, parking, engineering, landscaping and ancillary works at land south of Lee Lane, Royston (LPA Ref 2019/0239). The application was submitted in February 2019.
- 1.2 The site falls within part of the mixed use allocation MU5 – land off Lee Lane, Royston in the Barnsley Local Plan (adopted January 2019).
- 1.3 Paragraph 67 of the National Planning Policy Framework, February 2019 (the Framework) is clear that housing needs are to be met by the Local Plan and requires a supply of ‘specific deliverable’ sites to provide five years’ worth of housing land.
- 1.4 The enclosed Viability Appraisal (see Appendix 1) has been undertaken jointly by Sophie Bagley (MRICS) and Mark Johnson (MRICS, MRTPI). The Appraisal has been undertaken using a financial computer package recognised by the RICS. Johnson Mowat hold Professional Indemnity Insurance up to and including £10,000,000.
- 1.5 Johnson Mowat accept that this report will be used by both the Client and the Council to consider the viability of this proposal and its ability to deliver planning gain, such as affordable housing, within recognised land value and acceptable developer returns on investment. We understand a copy of this report may be given to and assessed by agents acting on behalf of the authority.
- 1.6 The format of the assessment falls in line with appraisal of viability as sought in the PPG May 2019. We have no objection to this report being placed on the public file.



2.0 BACKGROUND

- 2.1 As stated above this Viability Appraisal accompanies a full application for 250 dwellings which has been submitted to Barnsley Council (LPA Ref 2019/0239).
- 2.2 The site forms part of allocation MU5- land off Lee Lane, Royston in the Barnsley Local Plan which was adopted in January 2019. The application site extends to 9.1 hectares or 22.49 acres.
- 2.3 At the time the Local Plan was adopted, the Allocation had an expectation of:-
- 10% Affordable Housing as set out in the adopted Local Plan Policy H7 Policy in the adopted Local Plan. This was changed from the previous Core Strategy Policy CSP15 which sought 15%;
 - Education required in the old SPD on schemes over 20 dwellings and where there was insufficient capacity in local schools. This was calculated at 20 pupils per 100 homes for primary school pupils (£7,024 per place) and 17 pupils per 100 homes for secondary school pupils (£10,200 per place).
 - POS 15% requirement on site under the old SPD plus either or a contribution to equipped play areas, informal open space and formal recreation.
- 2.4 In more recent months, post validation, the Local Planning Authority has sought contributions on a larger scale from SPD's not tested in the Local Plan Examination. Further the Local Planning Authority are investigating a potential Royston Relief Road which may have cost implications.

3.0 ECONOMIC ENVIRONMENT & POLICY ASPIRATIONS

Economic Environment

- 3.1 The Framework has recently been revised in July 2018 and further updated in February 2019. It sets out the Government's economic, environmental and social planning policies for England. Taken together, these policies articulate the Government's vision of sustainable development, which should be interpreted and applied locally to meet local aspirations.
- 3.2 The Framework emphasises the need to significantly increase the supply of housing and advises that local planning authorities should use an evidence base to ensure that their Local Plan meets the full requirements for market and affordable housing in the housing market area, including identifying key sites which are critical to the delivery of housing strategy over the plan period.

Planning conditions and obligations

- 3.3 Paragraph 56 of the Framework informs that LPA's should keep planning conditions and obligations to a minimum and these should only be imposed where necessary, any conditions should be agreed early in the process as to speed up the decision making process and not to negatively affect the viability and costs involved in the process.
- 3.4 Within the NPPF, advice on viability testing and agreeing outcomes is relatively limited. Paragraph 57 of the NPPF 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 the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available."*
- 3.5 The July 2018 Planning Policy Guidance (PPG) provides much more detail on viability appraisals and has been subsequently referenced in section 4.0 Methodology.

Affordable Housing Policy

- 3.6 Policy H7 of the Local Plan sets out that the Council will seek onsite provision of 10% affordable housing within Royston. The policy sets out that:-



“Housing developments of 15 or more dwellings will be expected to provide affordable housing.

*30% affordable housing will be expected in Penistone and Dodworth and Rural West, 20% in Darton and Barugh; **10%** in Bolton, Goldthorpe, Thurnscoe, Hoyland, Wombwell, Darfield, North Barnsley and **Royston**, South Barnsley and Worsbrough and Rural East.*

These percentages will be sought unless it can be demonstrated through a viability assessment that the required figure would render the scheme unviable.

The developer must show that arrangements have been put in place to keep the new homes affordable.” (JM bold and underlining)

3.7 Section 5 of the Local Plan sets out that:-

“The Council will seek contributions for various issues as set out in the policies of this draft Local Plan.

Where it can be demonstrated that these requirements would prevent the delivery of a viable scheme or not be consistent with the viability of the development, the precise level of provision will be negotiated, based on a viability assessment. Any viability assessment shall be carried out at the expense of the applicant, according to the principles set out below:

The applicant will raise any viability issues with the Council during the pre-application stage. If a third party appraisal is required the applicant, the Council and the third party consultant will meet to scope the details of the appraisal.

An “open book” approach is required, whereby development finances and their underlying assumptions are subject to appraisal in order to support a claim.

At the very least the applicant will need to provide evidence for the following items:

- *Projected Gross Development Value (GDV) (e.g. rents, prices, yields; discounted values)*

- *Construction costs and programme (e.g. £/m², unit size (m²), build period)*
- *Finance, fees and all other associated costs (e.g. rate of interest, fee rates, lump sums)*
- *Gross Profit margins (e.g. % on costs; % of GDV)*
- *Residual Land Value (i.e. the budget to buy the land) or Land Price (if already purchased)" (JM bold and underlining).*

Supplementary Planning Documents

3.8 The Council in May 2019 adopted a number of SPDs (some of which are relevant to the application). These include :-

- Financial contributions for schools;
- Barn conversions;
- Trees and hedgerows;
- Shop front design;
- Advertisements;
- House extensions and other domestic alterations;
- Residential amenity and the siting of buildings;
- Design of housing development;
- Open space provision on new housing developments;
- Removal of agricultural occupancy conditions;
- Mortar mixes for pointing historic buildings;
- Hot food takeaways;
- Hot food takeaways planning advice note;
- Walls and fences;
- Lawful development certificates;
- Affordable housing;
- Heritage impact statements; and
- Biodiversity and geodiversity.

3.9 Prior to their adoption, a consultation was held on the above SPDs in March 2019. The consultation also included 2 other SPDs Sustainable Travel and Planning Obligations SPD which the Council considered further consideration following comments on the consultation.

3.10 It should be noted that the weight JM consider for the SPDs is a matter for discussion.

National Policy

3.11 The 2019 Framework now provides a wider definition for affordable housing, with four types of tenure as follows:

- a) Affordable housing for rent,
- b) Starter homes,
- c) Discounted market sales housing,
- d) Other affordable routes to homes ownership.

The RICS Guidance Note: Financial Viability in Planning (2012)

3.12 The RICS Guidance Note is a comprehensive guide to assessing the best practice on agreeing viability in cases such as this application. It was produced by a Core Working Group of experts including representatives from private practice and the District Valuer with an extended working group including the Planning Inspectorate. It addresses the key points on viability as outlined in the NPPF.

Planning Practice Guidance – Viability (2018)

3.13 The July 2018 Guidance Note is intended to run alongside the 2018 Framework.

3.14 The PPG Note provides a useful reminder on all matters to be included in a developer's viability appraisal including:

- Accommodation Schedules
- Sales Values
- Build Costs (using BCIS as a starting point)
- Professional Fee
- Finance Cost
- Additional abnormals cost
- Developer profit

3.15 The Guidance Note does not however assist on fixing acceptable land values and merely re-iterates the point in the NPPF in that land will only come forward if it provides a comprehensive return to all parties.



DCLG Land Value Estimates for Policy Appraisal

- 3.16 In December 2015 the Department for Communities and Local Government (DCLG) provided land value estimations conducted by the Valuation Office Agency using a methodology consistent across all local authorities. Figures were provided as of 1st March 2015.
- 3.17 That paper provides the estimated value of a typical residential site by Local Authority following the grant of planning permission, per hectare. This document presents a starting point for acceptable land values. These figures do not take account of any policy requirements in new developments and are less reliable in this situation. Residential land values are considered in the following section.

4.0 METHODOLOGY

- 4.1 The approach taken in the Viability Appraisal follows standard practices adopted by Johnson Mowat when providing financial development appraisals on behalf of financial institutions. The system used for the assessment is the Argus Circle Developer software. This approach is recognised and accepted by those institutions and the RICS. The approach below adopts that advised by the May 2019 PPG Note on viability.
- 4.2 Paragraph 007 of the PPG indicates that planning applications that comply with contributions set out in an up-to-date plan should be deemed viable. The applicant must justify the need for a viability assessment if;
- Development is proposed on unallocated sites of wholly different type to those used in the viability assessment that informed that plan,
 - Further information on infrastructure or site cost is required,
 - Particular types of development are proposed which may significantly vary from the standard models of development scale,
 - Where a recession or similar economic changes have occurred since the plan was brought into force.
- 4.3 In this case, build costs and abnormal costs combine to make the site unable to match the policy aspiration.
- 4.4 Paragraph 008 of the PPG states that weight given to the viability assessment is at the discretion of the decision maker. The decision maker must take into account the plan and viability evidence underpinning the plan, as well as any transparency of presumptions behind these documents.
- 4.5 The inputs to the assessment are identified below.

Gross Development Value (GDV) and Developer Return

- 4.6 Paragraph 011 of the PPG states that the GDV is an assessment of the value of development. With relation to viability assessments it states that under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.



4.7 Paragraph 018 of the PPG states that for the purpose of plan making, an assumption of 15-20% of GDV may be considered suitable return to developers in order to establish the viability of plan policies. It is also outlined that a lower figure may be appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. As demonstrated in this appraisal this site carries a high number of abnormal costs and associated risks.

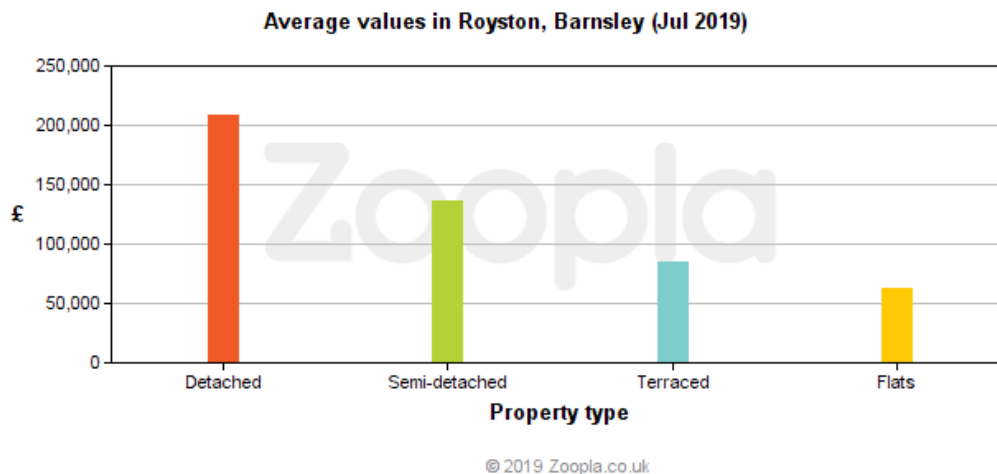
4.8 Johnson Mowat considers the GDV to be the most appropriate measurement of viability as opposed to the Internal Rate of Return (IRR). A rate of 17.5% GDV in relation to the market dwellings and 8% GDV in relation to the affordable homes has been sought to reflect both the level of risk on this site and the scale of developer involved. Anything below this return is unlikely to obtain funding in the current market.

Baseline Sales Values

4.9 Baseline Sales Values have been provided by the Developers. Our assessment below seeks to sense check their assumptions. We have analysed data from the Rightmove website in order to establish sales values within the locality of the site over the past year. The results below demonstrate sales values within Royston have generally averaged those values set out within the table below.

No Beds	Sample Size	Average Price Paid
2	18	£87,888.89
3	45	£126,443.30
4	12	£227,291.70
5	2	£187,500

4.10 In addition to the Rightmove data, Zoopla website provides the following analysis of the Royston area, replicated here for information (PTO).



Current Values

Property Type	Avg. Current Value	Avg. £ per sq ft.	Avg. # Beds	Avg. £ Paid (Last 12m)
Detached	£207,825	£247	3.5	£206,859
Semi-Detached	£136,689	£139	2.9	£120,833
Terraced	£84,113	£101	2.6	£84,956
Flats	£62,565	-	1.8	-

Current Asking Prices

	2 Bed	3 Bed	4 Bed	5 Bed
Dwellings	£96,873	£146,736	£271,679	£345,000

- 4.11 We accept there are some limitations in this market research as the sample consists of second hand stock which is not always reflective of the new build market. We have therefore sought to review comparable new build sales data to appraise benchmark values.
- 4.12 The closest and most comparable recent new build evidence has been gained from the Barratt Homes, Notton Wood View, Royston development situated around 150 meters to the north east of the application site. The development shares similar qualities with the Bellway Homes scheme in that it comprises a comparable specification of product situated very closely to the west of Royston.
- 4.13 The Barratt Homes website informs of asking prices ranging from £185,995 to £279,995 across a mix of 3 and 4 bed properties. It is acknowledged that these figures may reduce by up to 5% as housebuilders offer incentives to customers.



4.14 Incentives can range from payments towards customer deposits, payment for customers agency fees and complementary goods such as spec flooring and turfing. Applying a 5% incentive reduction the average sales value equates to between £176,695.25 and £265,995.25.

4.15 A range of sales values of between £155,000 and £300,000 have therefore been applied.

Affordable Housing Transfer Values

4.16 The appraisal makes an allowance for 10% affordable housing on site as required by Policy H7 of the Local Plan.

4.17 A transfer value of £100.35 per sq ft for the Tillman and £103.35 per sq ft for the Baker has been assumed for the purposes of this appraisal, circa 50% OMV as set out at Para 14.2 of the Barnsley Affordable Housing SPD.

Build Cost

4.18 An all-inclusive Build Cost of £101.68 per sqft has been applied in the methodology. This represents BCIS lower quartile plus an uplift of 10% for externals

Abnormal Costs

4.19 The build costs above do not include any abnormal items which are site specific. A full breakdown of abnormal costs can be found within the appraisal at Appendix 1.

4.20 Of the items included within the appraisal, the largest figures are attributable to the following site specific items:-

- Extra over stone under roads and paths;
- Foul pumping station and rising main;
- Surface pumping station and rising main;
- Excavation into rock;
- Extra over surface water storage;
- Off site surface water rising main;
- Surface water rising main and headwall;
- Culvert to new site entrance;
- Ecology (bird/bat boxes etc);
- Clearing of existing watercourse;

- Maintain bridleway/PROW access;
- Diversions of mains electric
- Diversions of BT;
- Electric substation;
- Demolition and remediation;
- Removal of surplus topsoil;
- Ground modelling;
- Strip of land for offsite drainage;
- Extra over trench fill and foundations;
- Extra over underbuild; and
- Retaining walls.

4.21 It should be noted that the total cost identified in each of the schedules does not include a contingency. Therefore, in line with good practice, a 3% contingency has been added to each abnormal item and a 4% contingency is attached to the basic build cost. These figures have been included within the appraisal summary sheet.

Finance Costs

4.22 We have adopted a standard finance cost of 6.5%.

Marketing and Sales

4.23 We have adopted a standard marketing & sales cost of 3.5%.

Professional Costs

4.24 Johnson Mowat operate with a range of Professional fees between 6% and 10%. On greenfield sites, such as this, we use 6%. On more complex brownfield sites 10% is considered appropriate.

Residual Land Value

4.25 The current use of the land (subject of the appraisal) is urban fringe land used as paddock land for grazing of horses.

4.26 A comparable price has been provided by Wilbys Chartered Surveyor's for the recent sale of paddock land. The range of values for paddock land (EUV) is £8,713 to £14,603 per acre, with the average being £11,000 per acre.



- 4.27 However the site is an allocated housing site and the value is therefore higher than paddock land.
- 4.28 The Council produced a Local Plan Viability Study (SD22) (December 2016) which supported the Local Plan submission. This tested the viability of the Local Plan policies alongside the Council's then adopted SPD's. It should be noted that at the time this was produced when the Council were looking to adopt a Community Infrastructure Levy charge for new development.
- 4.29 At para 3.29 of the document, the supporting table sets out that North Barnsley is expected to return £448,000 per hectare in relation to landowner return. This works out at £181,299.45 per acre.
- 4.30 The viability appraisal produced at Appendix 1 produce a residual land value of circa £190,000 per acre. This appraisal at Appendix 1 contains no S106 costs at this stage. It does include 10% affordable housing.

5.0 VIABILITY APPRAISAL

- 5.1 The Framework and Planning Practice Guidance requires that landowners are appropriately incentivised to release land for development, it is considered that this should underpin the approach to assessing Benchmark Land Value. There have been a number of guidance documents and appeal decisions which address the issue of appropriate land values.
- 5.2 The viability appraisal attached at Appendix 1 informs of appraisal using the following key inputs:-
- Sales value average £189.45 including market and 10% affordable homes;
 - Build cost of £101.68 per ft²;
 - Abnormals including contingency;
 - Developer return of 17.19% of GDV (blended 17.5% Market and 8% Affordable); and
 - No S106 other than 10% affordable housing.
- 5.3 From the outputs at Appendix 1 it is our opinion that the residual land value of £191,251 per acre.
- 5.4 It is recommended that the Council's viability assessor considers and responds to this report and that a meeting be sought to agree a suitable S106 contribution.
- 5.5 Please note the financial appraisal at Appendix 1 in relation to the developer return of GDV within the software programme cannot ability to show separate GDV rates of 17.5% for marker and 8% for affordable. It should therefore be noted that the 17.19% is a blended rate.



6.0 SUMMARY & CONCLUSION

- 6.1 The development has been appraised in accordance with RICS guidance and has used recognised BCIS costs. In addition, this viability appraisal has been produced using standard, widely accepted costs such as: marketing, finance, professional fees and a reasonable developer return. In addition, the appraisal includes 'abnormal costs' those being costs particular to this development which sit outside BCIS standard costs.
- 6.2 The current policy aspirations of achieving 10% on-site affordable housing and full contributions are placing a burden on the delivery of the site. The Local Authority are therefore invited to consider this report and accompanying financial appraisal as part of this submission.



APPENDIX 1 – FINANCIAL APPRAISAL

Lee Lane, Royston
10% Affordable Housing

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Shoemaker	15	11,250	206.67	155,000	2,325,000
Turner	60	53,820	200.67	180,000	10,800,000
Thespian	14	12,894	211.73	195,000	2,730,000
Sawyer	17	18,564	201.47	220,000	3,740,000
Farrier	26	30,446	196.41	230,000	5,980,000
Wainwright	10	12,230	196.24	240,000	2,400,000
Cutler	13	17,355	194.76	260,000	3,380,000
Philosopher	18	27,126	192.44	290,000	5,220,000
Goldsmith	27	40,824	191.80	290,000	7,830,000
Lorimer	25	38,750	193.55	300,000	7,500,000
Baker (Rent)	13	11,388	103.35	90,535	1,176,950
Baker (S/O)	3	2,628	103.35	90,535	271,604
Tillman (Rent)	7	7,182	100.35	102,959	720,714
Tillman (S/O)	<u>2</u>	<u>2,052</u>	100.35	102,959	<u>205,918</u>
Totals	250	286,509			54,280,186

NET REALISATION

54,280,186

OUTLAY

ACQUISITION COSTS

Residualised Price	4,434,928	
Residualised Price (Negative land)	-303,914	
		4,131,014
Stamp Duty	211,246	
Legal Fee	0.75% 33,262	
		244,508

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Detached Single Garages	45 un	8,000	360,000
	ft²	Build Rate ft²	Cost
Shoemaker	11,250	101.68	1,143,900
Turner	53,820	101.68	5,472,418
Thespian	12,894	101.68	1,311,062
Sawyer	18,564	101.68	1,887,588
Farrier	30,446	101.68	3,095,749
Wainwright	12,230	101.68	1,243,546
Cutler	17,355	101.68	1,764,656
Philosopher	27,126	101.68	2,758,172
Goldsmith	40,824	101.68	4,150,984
Lorimer	38,750	101.68	3,940,100
Baker (Rent)	11,388	101.68	1,157,932
Baker (S/O)	2,628	101.68	267,215
Tillman (Rent)	7,182	101.68	730,266
Tillman (S/O)	<u>2,052</u>	101.68	<u>208,647</u>
Totals	286,509		29,132,235 29,492,235

Contingency	4.00%	1,179,689
Contingency on Abnormals	3.00%	138,735
E/O stone under roads & paths		105,795
Foul Pumping Station& Rising Main		270,000
Surface Pumping Station& Rising Mai		119,500
Excavating Into Rock		154,321
E/O Surface Water Storage		1,290,100
Off Site SW Rising Main		25,000
SW Rising Main & Headwall		25,000
Culvert to New Site Entrance		20,000
Ecology (Bird/Bat Boxes etc)		15,000
Clearing of Existing Watercourse		20,000
Maintain Bridleway / PROW Access		20,000

APPRAISAL SUMMARY**GNEC**

Lee Lane, Royston

10% Affordable Housing

Mains Electric		323,085	
BT		20,000	
Electric Substation		35,000	
Other Services		50,000	
Demolition & Remediation		75,000	
Cart Off Surplus Topsoil		286,944	
Ground Modelling		44,000	
Strip of Land for Off Site Drainage		283,500	
E/O Trench Fill Foundations		842,134	
E/O Underbuild		152,055	
Retaining Walls		448,077	
			5,942,936

PROFESSIONAL FEES

Professional Fees	6.00%	1,627,691	
			1,627,691

DISPOSAL FEES

Sales & Marketing	3.50%	1,816,675	
			1,816,675

FINANCE

Debit Rate 6.50%, Credit Rate 0.00% (Nominal)			
Total Finance Cost			1,693,417

TOTAL COSTS**44,948,476****PROFIT****9,331,709****Performance Measures**

Profit on Cost%	20.76%
Profit on GDV%	17.19%
Profit on NDV%	17.19%
IRR	23.33%
Profit Erosion (finance rate 6.500)	2 yrs 11 mths
Land Cost pAcre	191,251