PRINCIPAL REPORT AUGUST 2020

WHITE LAND STRATEGIES LTD
Viability Delivery Planning

EXECUTIVE SUMMARY
LAND AT TOP WIGHAY FARM, NOTTINGHAMSHIRE

FOR: NOTTINGHAM COUNTY COUNCIL
MARCH 2021

1.0 INTRODUCTION

This is an executive summary of the report prepared by White Land Strategies Ltd. WLSL has been instructed by Nottinghamshire County Council to undertake the viability appraisal of the Top Wighay Farm proposed development.

Planning permission is sought for Outline planning permission for up to 805 dwellings. The site extends to 36 ha (89.03 acres) gross.

2.0 NEED AND POLICY FRAMEWORK

2.1 NEED FOR A VIABILITY ASSESSMENT

The objectives of the viability assessment are to test the opportunity to deliver the necessary s106 and CIL contributions, and affordable housing provision given the anticipated reasonable values/costs, and cash flow.

The Policy Compliant position would be a 30% Affordable Housing scheme with associated S106 plus a CIL allowance.
This report was submitted as the policy compliant position is not viable to accommodate all three of the above elements and meet viability benchmarks.
The report set out the basis of assumptions and reported the viability outcome. The report proposed a reduction to the affordable housing contribution. S106 and CIL payments were retained in the appraisal.

In preparing this report particular regard has been given to policy and guidance within the following:

- **The Royal Institution of Chartered Surveyors (RICS):** Financial Viability in Planning RICS Guidance Note 1st edition (GN 94/2012) August 2012
- **Local Housing Delivery Group:** Viability Testing in Local Plans – Advice for planning practitioners. (LGA/HBF – Sir John Harman) June 2012

Section 106 Affordable Housing Requirements: Review and Appeal (the Guidance) DCLG (April 2013)
National Planning Policy Framework 2019

2.2 THE NPPF SETS OUT THE FOLLOWING BASIS:

The key purpose of viability assessments is to demonstrate what policy costs (i.e., affordable housing, other s106 obligations, CIL, etc.) the development can sustain, if any, and still be capable of delivery. The most important paragraphs being:

- *Para 34:* The Development Plan should set out the contributions expected from the development to include setting out the levels and types of affordable housing provision required, along with other infrastructure.
- *Para 57:* Where contributions are assumed to be viable and it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs.

Planning Practice Guidance (PPG) on viability

The PPG states, "Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it.

This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return…" "…In plan making and decision making viability helps to strike a balance between the aspirations of developers, landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permissions."

The PPG also provides guidance as to the measure and the benchmark test the assessment is to be measured against. The recommended approach is either an agreed land value and the measure is whether a reasonable profit allowance is met or to fix profit at an NPPF agreed rate and measure whether a reasonable residual land value equals or exceeds an agreed Benchmark Land Value (BLV).

2.3 FORMAT OF MODEL ADOPTED

The Appraisal is a residual valuation model using Argus Developer v8.10.4 adopting estimate costs from engineering studies commissioned and supplemented with NPPF compliant standard assumptions.

3.0 APPRAISAL ASSUMPTIONS

3.1 LAND VALUE:

Land price in this case is a residual with associated stamp duty and other land purchase related fees. Profit is fixed at a rate equivalent to benchmark viability assessments for large scheme with upfront infrastructure demands.

The viability target measure is the land value. The BLV was assumed to be a target set at the usual CIL test rate of £100,000 / gross acre. This was compromised under review to £90,000 / gross acre.

3.2 SALES VALUES

The accommodation schedule is an indicative unit mix to derive a basis for calculating the GDV and for a comparative basis for the sales value analysis.

Pricing is based on a housing market assessment using comparable house price data for Nottinghamshire, the postcode areas NG15, NG16 & NG18, Gedling, Hucknall and the Linby Market, taking into account the sales prices for the comparable new build housing sites.

A sales value of £240 psft was considered a reasonable average value for the unit mix proposed. Affordable Values were agreed in discussion with the Council's advisor based on ana greed tenure mix at £132.50 psft, 55% of Open Market value.

3.3 PROFIT

Profit is a blended rate adopting NPPF compliant rates. Open market units are assumed at 20% profit on Open Market Gross Development Value (GDV). Affordable housing profit is assumed at the lower rate of 6% of Affordable Housing GDV.

3.4 BUILD COSTS

The BCIS (Building Cost Information Service) is a standard baseline to use when undertaking viability assessments. When conducting viability assessments, the only industry standard benchmark available is the BCIS build cost.

The BCIS build cost 'Estate Housing Generally' new build (rebased to Gedling current day based on 5 year rate) was blended between median and lower quartile in discussion with the Council's viability advisor to equate to £1056 psm (£98.10 psf).

BCIS costs include for contractor overheads and profits. BCIS costs do not include external garages costs or plot externals. These were added to this base build cost.

3.5 EXTERNALS COSTS

With regard to Externals costs an allowance of 15% has been applied to account for such works which is considered appropriate for the site location and setting.

3.6 INFRASTRUCTURE/ABNORMAL COSTS

Infrastructure costs have been assessed based on third party advisory reports for the site.

Infrastructure/Abnormals	Cost	Per Unit £
Off site highway works	£9,604,244	£11,931
ARC internal loop road	£4,373,497	£5,434
Drainage	£2,116,007	£2,628
Utility costs	£1,206,866	£1,499
Utility Gas mains	£5,847,207	£7,263
Total	**£23,147,821**	**£28,755**

3.7 SECTION 106 CONTRIBUTIONS AND CIL PAYMENTS

In terms of S106 costs these are assumed at £7,852,223. CIL is assessed at £553,391.

S106		
	£4,750,000	Education
	£436,209	Health
	£500,000	Highways/Bus
	£150,000	Toucan Crossing
	£150,000	Cycleways
	£1,000,000	Natural
	£2,500	Travel Plan

	£2,500	Monitoring
	£100,000	Indexation
	£7,091,209	**£8,089 per unit**

CIL

Payable on residential and commercial floorspace for the indicative mix equated to £6,188,401.

3.8 OTHER COSTS

- Contingency at 3.0%
- Professional Fees at 6.5%
- Marketing and disposal at 2.5% with legal fees at on a per unit charge.
- Finance interest rate at 6.5%

3.8 COMMERCIAL MARKET ASSUMPTIONS

The site assumes land sales for commercial uses for c16 acres at £275,000 per acre equating to a sales value input of £4,400,000. The Local Centre is acknowledged as a component in the masterplan but also that is has no strong commercial frontage. Nevertheless the Local Centre assumption is a sales receipt of £500,000.

The Commercial Revenue equates to £4,900,000.

3.9 GRANT FUNDING ASSUMPTIONS

The model incorporates successful grant funding from the LEP and Homes England, totalling £8,800,000 towards infrastructure. NCC have in fact pledged a further £1.5m of direct funding to the scheme. This is, in effect a further cost to the appraisal, and not a revenue line, and was not accounted for in the appraisal.

4.0 APPRAISAL ANALYSIS

4.1 POLICY COMPLIANT

The baseline appraisal is based on a wholly planning compliant scheme, i.e. full Affordable Housing contribution of 30%, with section 106 package and CIL based on open market space created.

The land residualises at a negative sum of -£4,163,655 which is -£13,066,655 below the benchmark target which demonstrates the costs of this development result in the scheme being deemed unviable.

The Policy Compliant approach is not viable.

Sensitivity scenarios were undertaken to measure the impact on viability at differing levels of affordable housing.

4.2 AGREED AFFORDABLE HOUSING SCHEME

Alternative scenarios were considered with the Council viability advisor. The agreed viable appraisal was a scheme of 17.6% affordable Housing.

Option	Profit Rate	Agreed Land Value	S106	CIL
17.6% Affordable Housing	17.6%	£8.000m	**£7,091,209**	**£6,188,401**

5.0 SUMMARY CONCLUSIONS

To conclude, it is clear that the viability of the development is suffering due to the combination of infrastructure, S106 and CIL in combination with the sales values expectations for the local area, whilst still aiming to meet the tests of the NPPF to achieve reasonable returns for the County Council as land owner, and the Planning Authority.

Specific summary points are as follows:

- Sales values adopted are based on comparable sales values and are in excess of local Zoopla / Rightmove reported values.
- The Applicant has compromised on submitted build costs and has agreed a scheme based on costs below the RICS Median BCIS build cost.
- The Benchmark Land Value (BLV) was based on £100,000 per gross acre, but compromised at £90,000 per gross acre
- Profit rates adopted are at benchmark levels and within the NPPF range of 15-20%.
- No profit is currently attached to the creation of serviced commercial plots.
- Fees and rates have been compromised and are at the low end of the benchmark viability assumption ranges.
- The scheme is in receipt of grant funding and this has been reflected in the modelling.
- NCC are exposed to a further £1.5m of costs which is not reflected in the model.

To conclude the findings are as follows:

- A 30% policy compliant scheme is not viable.
- The combined burden of costs in comparison to local sales vales has impacted on viability.
- The proposed level of affordable housing offered is 17.6% based on compromised assumptions, and a lower benchmark land value.
- S106 payments at **£7,091,209** and an estimated CIL of **£6,188,401** are assumed.