Cheshunt Sports Village Theobalds Lane Cheshunt Hertfordshire EN8 8RU

Updated Proof of Evidence, Paul Maidment Savills

savills

Contents

1. Introduction 1
2. Considering This Appeal 2
3. Methodology 4
4. Argus Appraisal Summary Results. 8
5. Description of the Argus Appraisals 9
6. Conclusion 13

1. Introduction

1.1 My name is Paul Maidment I have 34 years' experience in various aspects of the property industry, within both the private and public sectors.

1.2 I have worked for Savills for over 15 years being based in the west end of London for 8 years and in Chelmsford for the last 7 years. I work within the Development and Viability department, specialising in providing development advice from inception of the opportunity to delivery on site, providing Toolkit Viability Assessments for a range of developments, both residential and mixed use.

1.3 Prior to joining Savills I was Business Development Manager for Two London Registered Providers (RP's), providing Affordable and Special Needs housing for customers that rented the accommodation through nominations from the respective Local Authorities.

1.4 I have been working with LW Developments on this project since 2018 when I provided the Toolkit Viability Assessment which supported a revised planning application. The Toolkit Viability Assessment was assessed by the Council's specialist consultant Mr Wade who confirmed and agreed that he had no objection to the submission, further the officers raised no objections to the proposal on the grounds of financial viability.

1.5 The revised scheme was for the redevelopment of the existing football ground to provide a 2,000 capacity stadium, new football facilities for Cheshunt FC, including changing rooms, classrooms and club house, a community block having various use classes, along with 163 residential units

1.6 Savills appraised the following submission for LW Developments:

145,539 sq ft NIA of Residential Accommodation comprising one and two bedroom apartments that are located in the four corners of the stadium and within the south and east blocks. Three and four bedroom houses are provided on the vacant land to the east of the stadium;
25,833 sq ft of replacement facilities for Cheshunt Football Club which is located in the north block;
34,464 sq ft of lettable commercial space that is located in the west block; and
2,000 capacity stadium and pitch.

1.7 When preparing the submission of the Toolkit, we were supported and provided with specialist advise from the following consultants:

- Schedule and Plans from Bryant & Moore Architects;
- Costs from Madlins;
- Residential Values from Lanes New Homes;
- Commercial Values from Paul Wallace Commercial.

1.8 Following submission of initial proofs of evidence in this appeal a meeting was held between the Council's viability expert and myself. At that meeting an error in relation to the costing of the scheme was uncovered. As a consequence, this Proof of Evidence has been updated with the errors rectified.

2. Considering This Appeal

2.1. Reasons for Refusal

2.2. In respect of Viability, the Council reasons for refusal cites policies PO1 and H2, claiming the following:

In the absence of any inclusion of affordable housing and contributions to community facilities that would mitigate the impacts of the development, the development fails to deliver a balanced package of planning obligations contrary to Policies PO1 and H2 of the Broxbourne Local Plan 2018 – 2033

2.3. Policy PO1 requires the provision of planning obligations. It contains a caveat noting that contributions will be sought where *“financially viable”*. The policy’s supporting text clarifies that where planning obligations would render a development financially unviable, an open-book viability assessment is required, which will be considered by an independent specialist appointed by the Council. Savills completed the assessment in August 2018, with input from Paul Wallace Commercial, Lanes and Madlins on matters relating to sales values and construction costs. This was agreed with the Council’s specialist, Mr Wade, who confirmed that he had no objections to the viability assessment a copy of his report can be found attached in **Appendix 2**.

2.4. Policy H2 requires the provision of affordable housing on all proposals for 10 or more dwellings, or where sites are over 0.5Ha in area. This would include the appeal site. However, part VII of the policy clarifies that applications which fall short of the level of provision normally expected will *“be acceptable where they are accompanied by a full economic appraisal of the development costs and anticipated values”*. As with Policy PO1, the supporting text clarifies that viability assessments must be subject to an independent assessment by an independent consultant, to be appointed by the Council.

2.5. The council considers that the works to re provide the Football Club are disproportionate to the scale of the club at the expense of the delivery of any affordable housing. I comment on that allegation below.

2.6. Within the evidence for completeness, I have re-provided the initial Argus Appraisal, in addition I have updated Argus Appraisals with today’s values and costs, with the stadium costs being updated aligned to provide a 2,000 capacity. Also versions including and excluding the Football club facilities and Ground Rents, which I do not consider should be included for the reasons I set out at section 5.4. below. I have also produced appraisals showing reduced CFC facilities. All the inputs within the Appraisals are supported by updated professional advice from the same experts, Lanes Exclusive Homes, Madlins and Paul Wallace, as the original application, as follows:

- Appendix 1. Argus Appraisal as Application August 2018;
- Appendix 2. DWW Assessors Report, in respect of the 2018 Application TVA;
- Appendix 3. Argus Appraisal 2018 Values and Costs, today’s date;
- Appendix 4. Updated Cost Plan provided by Madlins;

- Appendix 4a. Cheshunt FC Increased Costs justification by Madlins
- Appendix 5. Updated Residential Values by Lanes Exclusive Homes;
- Appendix 6. Updated Commercial Rents and Yields by Paul Wallace Commercial;
- Appendix 7. Argus Appraisal costs and values as today excluding Ground Rents;
- Appendix 8. Further advice from Lanes Exclusive Home in respect of Ground rents.
- Appendix 9. Colliers updated valuation for the Football Club;
- Appendix 10. Argus Appraisal as today's date, removing CFC costs;
- Appendix 11. Extract From the Local Plan 2018-2033 Policy CH7;
- Appendix 12. Argus Appraisal sensitivity check, reduced stadium costs;
- Appendix 13. Argus Appraisal sensitivity check assuming a Residual Methodology;

3. Methodology

3.1. Principle of Financial Viability Assessments

3.1.1. The consideration of viability under the Planning Practice Guidance (PPG) July 2018 is now a three-stage process whereby each stage must be fulfilled before the next one is assessed. We list these stages below:

Stage 1

3.1.2. Stage 1 is for the applicant to demonstrate whether one of the four circumstances has occurred:

(a) The site is of a wholly different type to those used in the Local Plan Viability Study, Including CIL Review (2018);

(b) Further information on infrastructure or site costs is required;

(c) Where a scheme is under a non-standard model (for example build for rent or housing for local people); and:

(d) Where there has been a recession or similar significant economic change.

3.1.3. The UK officially entered a recession on the 12 August 2020, with Office for National Statistics (ONS) data showing the biggest drop in Gross Domestic Product (GDP) since records began.. Despite recent improvements in the economy, we are mindful that there is still a great deal of uncertainty in the property market, primarily due to the COVID-19 pandemic. The uncertainty is also driven by the UK's withdrawal from the European Union. The effect this will have on inflation and the time for procurement of labour and materials is unknown. We therefore believe that point ‘d’ of stage one of the PPG has occurred. Consequently, Stage 1 is met

Stage 2

3.1.4. Stage 2 shows the process for consideration that is set out in the Viability PPG under the heading *“How should a viability assessment be treated in decision making?”* Of note, the evidence submitted should be based on what has changed since the viability study adopted under the Local Plan took place, in addition to assessing the scheme-specific economics.

3.1.5. It is relevant here that no such assessment was undertaken in relation to the Councils current Local Plan, which was examined and adopted under a previous version of the NPPF (March 2012). It is my assessment, therefore, that Stage 2 is met.

Stage 3

3.1.6. Stage 3 of the process is about how much weight should be given to the viability evidence presented and should be consistent with RICS guidance the NPPF and the PPG.

National Planning Policy Framework

3.1.7. Paragraphs 54 – 57 consider planning conditions and obligations. They require planning conditions and obligations to be kept to a minimum, and to only be used where necessary. They also require that planning obligations to be sought only where they meet all of the following tests:

(a) Necessary to make development acceptable in planning terms;

(b) Directly related to the development; and

(c) Fairly and reasonably related in scale and kind to the development.

3.1.8. Paragraph 57 states that, where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It also states that it is up to the applicant to justify the need for a viability assessment at the application stage, and that 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. The paragraph also refers to viability assessments at the plan-making stage, but as set out above, no such assessment was made with the Council's recently adopted plan.

Planning Practice Guidance

3.1.9. The Government's Planning Practice Guidance (PPG) sets out key principles for viability in plan making and decision taking. This states that the role for viability assessments is primarily at the plan-making stage [1]. Where viability assessments are required at the decision-taking stage, the PPG repeats the guidance in the NPPF, that it is the responsibility of the Applicant to provide the necessary evidence and demonstrate whether particular circumstances justify the need for a viability assessment at the application stage[2].

3.1.10. Paragraph 010 describes the principles for carrying out a viability assessment. It states the following:

"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, land value, landowner premium, and developer return[3]."

3.1.11. Paragraph 011 considers the GDV evidence, the GDV input is the only major input where the PPG differentiates standardised input between plan making and decision taking.

3.1.12. Paragraph 011 states:

"For broad area- wide or site typology assessments at the plan making stage, average figures can be used, with adjustments to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data.

[1] PPG, Reference ID: 10-002-20190509.

[2] PPG, Reference ID: 10-007-20190509.

[3] PPG, Reference ID: 10-010-20180724.

“Generally costs include:

- *build costs based on appropriate data, for example that of the Building Cost Information Service*
- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

3.1.13. Paragraph 012 considers how costs should be defined for the purpose of a viability assessment. It includes reference to abnormal costs, site-specific costs, the cost of complying with policy requirements (such as CIL / s106 requirements), financing costs, professional costs and contingency costs[4] .

3.1.14. With regard to land value, 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 should incentivise a land owner to sell the land for development, while allowing for compliance with policy requirements (EUV+)[5]. Alternative use values (AUV) can also help to inform a benchmark land value, where the alternative use would comply with up to date development plan policies[6] .

3.1.15. Paragraph 018 states that an assumption of 15-20% of gross development value is considered a “*suitable return to developers*”[7] . Plan Makers may choose to apply alternative figures where there is evidence to support this, according to the type, scale and risk profile of the planned development. A lower figure may be more appropriate where there is less risk for a developer, for instance in relation to the delivery of affordable housing, where this guarantees an end sale at a known value.

3.1.16. In line with the NPPF, and local strategic planning guidance, site-specific financial viabilities are a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.

3.1.17. As such, viability appraisals can and should be used to analyse and justify planning obligations to ensure that Section 106 requirements do not make a scheme unviable.

3.1.18. The RICS define financial appraisals for planning purposes as:

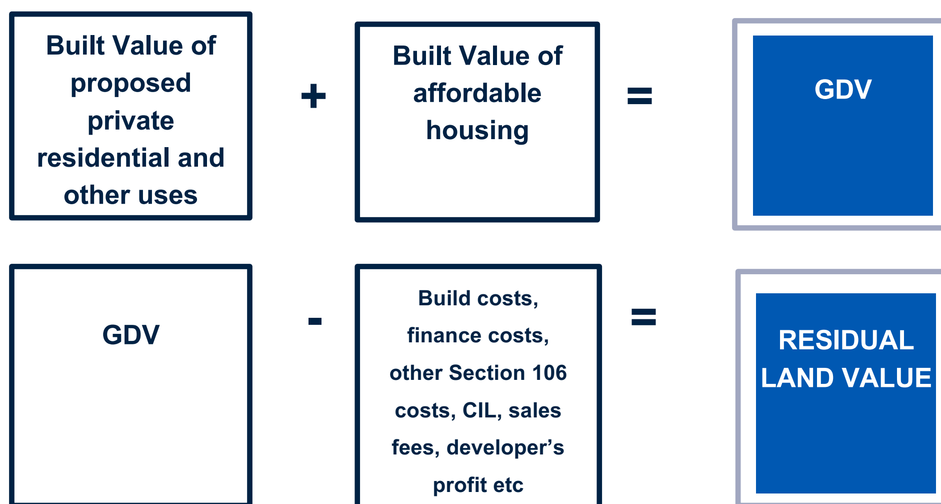
> *'An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to a developer in delivering a project'.*

3.1.19. The logic is that, if the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is unviable to pursue such a scheme, and the scheme is unlikely to proceed.

3.1.20. The RICS revised Guidance, "Assessing viability in planning under the National Planning Policy Framework 2019 for England" was issued in March 2021. This guidance sets out best practice for the implementation of the current planning policy. The guidance indicates that viability assessments should normally use the Existing Use Value Plus Premium method to calculate a benchmark land value. However, for reasons set out in detail at paragraphs 5.4-5.8 below I do not consider that to be appropriate in this case.

3.2. Residual Land Valuation

3.2.1. The financial viability of development proposals is determined using the residual land valuation method. A summary of this valuation process can be seen below:



Land Value (RLV) is then compared to a site value benchmark. If the RLV is lower and/or not sufficiently higher than the benchmark the project is not technically viable

[4] PPG, Reference ID: 10-012-20180724.
[5] PPG, Reference ID: 10-012-20190509.
[6] PPG, Reference ID: 10-017-20190509.
[7] PPG, Reference ID: 10-018-20190509

4. Argus Appraisal Summary Results.

4.1 Inputs and results of the 4 Argus Appraisals.

Inputs	Appraisal as August 2018	Appraisal as Today's Date, Values & Costs Updated	Appraisal as Today's Date Values & Costs Updated, Less Ground Rents	Appraisal as Today's Date Land, Costs & GDV's Less G/Rents & CFC Costs
Benchmark Land Value	£1,418,051	£1,418,051	£1,418,051	£1,418,051
Interest	£5,1189,765	£5,536,850	£5,612,317	£3,977,852
Ground Rents	£690,000	£690,000.	Zero	Zero
Income Generating Commercial	34,464 sq ft, mix of A1, A3, B1, D1 & D2 £5,624,700.	34,464 sq ft, mix of A1, A3, B1, D1 & D2 £5,634,700	34,464 sq ft, mix of A1, A3, B1, D1 & D2 £6,569,700	34,464 sq ft, mix of A1, A3, B1, D1 & D2 £6,569,700
Residential (C3)	163 Residential Private Units £57,585,000	163 Residential Private Units £69,580,000	163 Residential Private Units £69,580,000	163 Residential Private Units £69,580,000
Affordable Housing	Zero	Zero	Zero	Zero
Cheshunt FC	Capital Receipt of £600,000	Capital Receipt of £640,000	Capital Receipt of £640,000	Removed as not Including CFC Facilities
Build Costs	£48,131,130	£55,441,279	£55,441,279	£48,944,097
Professional Fees	£3,850,490	£4,435,302	£4,435,302	£3,915,528
Section 106	£270,000	£270,000	£270,000	£270,000
Marketing	£131,500	£131,500	£131,500	£131,500
Sales Agent Fees 1.5%	£872,775	£872,775	£1,043,700	£1,043,700
Sales Legal Fees £1,000 per unit	164,000	164,000	164,000	163,000
Letting Fees 15%	£65,912	£78,836	£78,836	£78,836
Letting Legal Fees 5%	£21,971	£26,279	£26,279	£26,279
Profit on Cost/GDV Generated	6.48% POC 6.09% GDV	11.56% POC 10.38% GDV	10.44% POC 9.45% GDV	25.24% POC 20.15% GDV

5. Description of the Options and Argus Appraisals

5.1. As below we breakdown the changes to the Argus Appraisal from the base model of August 2018. Within the base appraisal the costs included for the stadium are for a larger capacity (5,000) being a mix of Seated and Standing. The principle was to initially build out the 2,000 option, in line with the current requirements of the Football Club, with the balance of the costs put into an escrow account, allowing for the enhancement of the ground up to 5,000 capacity, when they achieved a higher status, within the Football pyramid. Should this ambition not be achieved, within an agreed timeline, the balance was to be refunded to the council.

5.2. All of the Argus Appraisals are written based off the Application Appraisal of August 2018, there have been no changes to the base inputs, construction or sales timing, percentage of professional fees, sales fees or cost. At the application stage the Council were content to agree all of these inputs.

5.3. The Argus Appraisals are written on a Fixed Land basis, with the measure of viability driven by profit on cost/GDV. The benchmark land value within the application appraisal of 2018 was included at £1,418,051, this land price agreed between the Council and the Applicant, prior to August 2018. Within this Proof, further appraisals 2, 3 and 4 are written including the fixed land value of £1,418,051.

5.4. The Fixed Land route moves away from the NPPF and RICS Guidance methodology when preparing a Financial Viability Assessment. The standard approach is a EUV+ adopted methodology, as advised within 3.2.1 of the Proof.

5.5. The Fixed Land route was adopted in this case as prior to the August 2018 planning application the Council and the Appellant had agreed the relevant figure.

5.6. Further, it is my professional opinion that where a local authority agree a price for a parcel of land that is being traded for the purpose of development, it has the effect of creating an agreed Benchmark Land Value, which should be used in any matter moving forward. It is common practice that would have been signed off as representing value for money by an RICS Chartered Surveyor.

5.7. Whilst it could be that an EUV+ approach undertaken following the agreement on land purchase price, transposed into a lower or indeed high figure. It is not reasonable to assume that this number should be deemed as being the real value of the land, which in turn translates to the purchase price. If this produced a higher figure to that which had been included in a Toolkit Viability Assessment, the Local Authority would not necessarily be achieving Best Value for the land. Further, it would be equally unreasonable if it resulted in a lower figure as this would create an element of double counting for the Developer.

5.8. Within the RICS Guidance (at paragraph 5.15) it is clear that the actual price paid is not an applicable methodology for a Benchmark Land Value calculation. However, the figure used here is not a “price paid” in any sense. It represents an agreed Benchmark Land Value between the Council and the applicant and so I confirm that the approach taken here conforms with the requirements of the RICS Guidance, the NPPF and the PPG.

5.9. Base Argus Appraisal as of August 2018, and description of changes, to include a stadium with a capacity of 2,000. are included as follows:

1. Base Appraisal, the application, as August 2018 (appraisal 1), profit level, 6.48% POC, 6.09% on GDV, as can be found in **Appendix 1**;

2. Base Argus Appraisal including updated costs, with the amendment to the stadium costs and values to today's, as professional advice, (Appraisal 2) including fixed land at £1,418,051 and Ground Rents, this increases the profit levels to 11.56% POC, 10.36% GDV as can be found in **Appendix 3**;

3. Base Argus Appraisal, including updated costs, included amendments to the stadium costs and values to today's, as professional advice and the removal of Ground Rents of the leasehold flats (Appraisal 3), including a fixed land value of £1,418,051 this reduces the profit level to, 10.44% POC, 9.45% on GDV, as can be found in **Appendix 7**;

4. As Appraisal 3, with the removal of any Ground Rental income, the government published a press release on 21st December 2017 entitled, "*Crackdown on unfair leasehold practices"*, proposing that ground rents on new long leases for both houses and flats are set at zero. It is not clear when this will become law because the legislative timetable has been tied up with Brexit negotiations and the current Covid 19 pandemic. Some estimate it will take more than a year for it to get onto the statute books. There is no announcement about making the new measures retrospective but this has been debated in the Commons and intervention on existing leases cannot be ruled out.

   Most leasehold new build scheme that are being marketed today are offered with Peppercorn Ground Rents, this is vital from a mortgage lenders point of view and the Governments Help to Buy Scheme, as this will only be supported if the property is subject to a Peppercorn Ground Rent, within **Appendix 8**, further advice from Lanes Exclusive Homes.

5. The function of Appraisal 4 is to consider the major income generating aspect of the proposal (Residential and Commercial) as a standalone position, removing all CFC facilities, stadium and pitch costs, in particular by:-.

   - Including the removal of all CFC costs, (Appraisal 4) this drives a profit as follows, 25.24% POC, 20.15% GDV, a copy of which can be found in **Appendix 10**;

   Within this appraisal the following costs and income have been removed:

   - Enhanced value of £640,000.
   - Stadium Cost of £1,227,400;
   - Pitch Cost of £306,090;
   - Clubhouse costs of £4,728,174;
   - Road & site Works £622,515.

   In consequence, the total amount of costs removed in this appraisal is £7,263,695

   In removing £7,263,695 of CFC costs, so delivering only income generating space (i.e. the residential and commercial elements of the scheme), the profit generated in this Appraisal only is only marginally above the upper range as included within the NPPF and RICS Guidance. That is to say, 21.3% POC, 17.5% on GDV compared to 25% POC and 20% on GDV.

6. Further delivering the development without “enhanced” facilities and football stadium would be contradictory to Policy CH7 of Local Plan-2018-2033 (see **Appendix 11**), which states:

   Cheshunt Football Club will be developed as a mixed sporting, community, commercial and residential development comprising:

   1. *Enhanced facilities and football stadium;*
   2. *A development of approximately 4,000 square metres net floor space for community, business, leisure and ancillary retail uses;*
   3. *Approximately 165 new homes.*

   The site will be developed in accordance with a comprehensive masterplan. Incremental development of the area resisted.

   For more detail on the scheme’s response to that policy see the evidence of Mr Waller.

7. To provide a sensitivity check, we have provided a further Appraisal, first including £4,000,000 to Appraisal 4 for delivery of CFC works (Appraisal 5), this level is circa 55% of the total costs as advised by Madlins. These results do not appear in the base table within section 5.

   - Including the addition of £4,000,000, drives a profit as follows, 14.93%% POC, 12.99% on GDV, a copy of which can be found in **Appendix 12.**

   This proves that including circa 55% of the true costs, the scheme remains unviable and could not include any contribution towards affordable housing.

8. To provide a further sensitivity check, I have undertaken a Residual Argus Appraisal to understand what level of profit needs to be included on the income generating elements of the project, to drive a residual land value of £1,418,051, in change the calculation methodology within this appraisal, there is a slight difference as it won’t calculate to the pound, the residual value is showing **£1,412,496**, a difference of £5,555, to confirm we have included no profit level on any of the CFC facilities.

   - In providing a Residual Appraisal to understand the level of profit require on the income generating element of the project, excluding any profit from the CFC facilities, (Appraisal 6), this produces a scheme profit of, 13.97% POC, 12.26% on GDV. Calculated against the scheme including the costs of CFC facilities but no profit, this breaks back to a profit of 10.66 POC, 9.63 on GDV, please find a copy of this appraisal in **Appendix 13**.

   At 13.97% POC, 12.26% on GDV for the income generating element of the project, this is below the minimum level of return/Profit of 15% on GDV, as advised in both the NPPF and RICS guidance. So under standard measurements of viability, the scheme falls short of being viable.

5.10. In speaking to Savills Valuation Department who are on the panel for many of the development funding institutions for secured lending purposes, they confirm that with their secure Lending Valuations, they normally report a minimum Profit level of 20% on POC, 16.78% on cost for residential schemes and 15% POC, 13.04 on GDV on commercial. These figures are only acceptable where the developer has some level of pre agreement with end users of commercial space which is not the case here.

5.11. Further, in assessing what constitutes an acceptable level of return in the current market, we have consulted with specialist colleagues within the Loan Security Valuation and Capital Markets departments of Savills and they suggest a range between 20% - 25% POC, 16.75 – 20% on GDV on a development with planning permission, very much in line with the NPPF and RICS Guidance.

5.12. Mr Wade suggests in his Rebuttal in 3.9:

> *"It is clear that that at the time of the original FVA the Developer was willing to accept a profit on cost of 6.48% (6.09% on GDV) and in subsequent discussions between the Council and the Developer, it was indicated that they still wished to proceed, even if the profit on cost fell to 3.6% (see committee report dated November 2020). The particular circumstances of this development involve LW Developments stating an altruistic desire to redevelop the Cheshunt Football Club of which Dean Williamson is Chairman using profit from a major residential development to fund their ambitions. The profit to be realised from the development, would not therefore be expected to meet the 15-20% of GDV, which may be considered a suitable return to developer's in order to establish the viability of plan policies."*

5.13. The original FVA was submitted in August 2018, nearly 3 years ago and included a larger stadium as confirmed by Mr Wade in 5.1 of his Rebuttal. Given that the revised proposal involves reduced costs for the stadium it is apparent that this would drive a greater profit level and so anything which was accepted at an earlier stage is simply irrelevant for the purposes of this Appeal.

5.14. Further as shown in Appraisal 6, a POC of 13.97% on cost (12.26% on GDV) is generated when considering only the income generating elements of the scheme. This translates to a POC of 10.66%, (9.63% on GDV) for the scheme, including the cost of CFC facilities but excluding any profit. Consequently, it is apparent that the profit generated from the income generating elements of the scheme in fact are below the minimum levels as advised in the guidance. It is my opinion that the scheme comes in under the standard measurements of viability.

5.15. Mr Wade within 5.3 also suggests that the proposal for the stadium goes beyond what is required to progress up 3 stages in the Football League, suggesting the proposal is disproportionate. By this I assume he is referring to the level of the proposal and the costs to construct. This is not for me to comment as I am not an expert in this matter, however the appellants response to this allegation is covered in Mr Williamson's evidence. I am content that when assessing the viability of the application scheme the development is not viable.

5.16. Mr Wade within 5.6 concludes that the costs as provided by Madlins are overstated as they are not in line either BCIS Inflation Costs or General Build Cost index, further the TPI index. In my experience BCIS is only a guide, based on historic transactions, and does not represent a true picture of current market conditions. Whilst I am not qualified to comment on costs specifically I would refer to the evidence provided by Mr Clark of Madlins. He has provided a robust cost plan and an elemental breakdown within Appendix 4 of this Proof which explains the rationale behind the cost increases on this scheme. I am happy that the costs plan provided represents a proper basis for assessment of the viability of the scheme.

6. Conclusion

6.1. Under standard methods to assess viability, guidance provided by both the NPPF and the RICS Guidance, a profit level of 15 to 20% on GDV (17.60% to 25% on cost) should be assumed as reasonable. According to SPF (finance experts) advice for funding purposes, most lending institutions require a minimum of 16.67% on GDV and 20% on cost, rising dependant on the complexity and risk of the project. It is for the decision taker (in this case the Inspector) to use judgment and experience to make consideration to the risk and acceptable level of profit that would deem the project fundable, so able to be delivered. In the case of the appeal scheme, it is larger mixed-use development, which carries a greater risk. In consequence, my view is that the lower profit range of the guidance would be insufficient. In my judgment something in the range of between 21.3% POC, 17.5% on GDV to 25% POC 20% on GDV, would be required.

6.2. I refer the Inspector to my Appraisal 3. As I explain above, this is an updated position of the Application Appraisal, updating all costs and values to today's date, including all CFC facilities and removing Ground Rents. In delivering a scheme in line with Policy CH7, this shows a profit of only 10.44% POC, 9.45% on GDV.

6.3. In delivering a profit of 10.44% POC, 9.45% on GDV, the project falls short under standard measurements of viability and compared to the guidance included in the NPPF and RICS Viability Guidance, so would be unable to deliver any level of affordable housing.

6.4. Next, I refer the Inspector to Appraisal 4 which removes all CFC costs. Removing those costs produces a profit of 25.24% POC and 20.15% GDV. The profit levels are marginally above the upper levels quoted in the NPPF and RICS Viability Guidance, so in financial terms that kind of scheme would have the ability to provide a limited quantum of affordable housing.

6.5. However, those figures relate to a scheme that does not include **any** enhanced facilities and football stadium at all, so does not meet the requirements of policy CH7.

6.6. Further within Appraisal 5, in including £4,000,000 for CFC facilities, which is less than 50% of the costs advised by Madlins, the scheme remains unviable

6.7. To understand what level of profit would need to be included to drive a Residual Value in line with the agreed land price, we have carried out a Residual based appraisal. In providing a Residual Appraisal to understand the level of profit required on the income generating element of the project, excluding any profit from the CFC facilities, this shows a scheme profit of, 13.97% POC, 12.26% on GDV. Calculated against the scheme including the costs of CFC facilities but no profit, this breaks back to a profit of 10.66 POC, 9.63 on GDV.

6.8. In consequence, my conclusion is that the appeal scheme cannot viably make any provision for affordable scheme at the same time as supporting the enhancement of the CFC facilities which is required by the allocation policy.

6.9. The Appellants and the Council have agreed to an open book viability assessment on completion of the development. If this shows an increased level of profit above the level shown in Appraisal 3 this will be shared with the Council towards planning obligations. This is the basis of ongoing s106 discussions between the Appellant and the Council.

Paul Maidment
Associate Director

+44 (0) 1245 293280
+44 (0) 7870 999159
pmaidment@savills.com

savills