



Financial Viability Appraisal

Address: 16-18 Oatlands Drive, Weybridge,
Surrey, KT13 9JL

LPA: Elmbridge BC

Planning ref:

Client: The Ridge (Oatlands) LLP

Date: 12th December 2022



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Executive Summary

This report provides a Financial Viability Appraisal (FVA) of proposed development at 16-18 Oatlands Drive, Weybridge, KT13 9JL. The process involves utilising Market Comparison and Residual Methods following RICS Guidance Valuation of Development Property (2019), Assessing Viability in Planning under the NPPF Framework (2021), and National Planning Policy Guidance on Viability (NPGV 2019).

Following NPGV para 008, wherever possible this FVA utilises assumptions used in the underlying local plan evidence base. Where changes have been made, these are fully supported by market evidence demonstrating current local circumstances.

The key outputs of this FVA are summarised in the below table:

GDV	£17,665,000.02
Costs exc land and profit	£11,614,368.80
Finance	£1,198,802.72
Return	£3,533,000.00
BLV	£4,100,000.00
RLV	£1,318,828.50
RLV-BLV	(£2,781,171.50)
Target profit	20.00%
Actual profit	4.26%

Target developer return includes a risk-adjusted rate for market residential (20%). Sensitivity analysis demonstrates this is the minimum return necessary to offset a high-risk environment. This is broadly policy and precedent compliant.

Benchmark Land Value (BLV) is assessed via the EUV+ method in line with national policy. No premium has been added in this instance.

As such, this FVA demonstrates that, on a 100% open market basis, the resulting actual return to the developer following all costs including land value detracted from gross development value would be significantly below target return. Therefore, the development cannot viably provide additional s106 contributions.

Full appraisal inputs and evidence are found in the Schedules, referred to throughout.

Introduction

S106 Management is instructed by The Ridge (Oatlands) LLP to produce a Financial Viability Appraisal (FVA) to determine the level of Affordable Housing contribution that should be expected from a proposed development at 16-18 Oatlands Drive, Weybridge, KT13 9JL.

Elmbridge Borough Council seeks an Affordable Housing contribution in accordance with Core Policy CS21 (adopted July 2011).

The existing site comprises 16-18 Oatlands Drive: 2 large, detached houses with a combined GIA of 597.2m².

This FVA is to be viewed in conjunction with a new application. The proposed development seeks to demolish the 2 houses and erect 2 blocks containing 33 apartments. The development will provide a combined GIA of 2,752.2m² of residential accommodation.

Location Plan





S106 Management

S106 Management is a viability consultancy established in 2011 by Robin Furby, retired solicitor and developer. Formed initially to capitalise on 35 years of specialist experience in planning law, viability assessment and development, the company has expanded over the last 10 years and now benefits from the expertise of chartered surveyors, town planners, solicitors, architects and an extensive network of planning professionals.

With over a decade of experience in creating expert financial viability appraisals, advising on complex planning obligations, and negotiating with LPAs, **S106 Management** has often been at the forefront of new statutory procedures, making one of the first Commons De-registration Applications, and one of the first S106BA viability review applications. The company is now one of the most effective viability consultancies in the UK, combining expertise from all corners of the industry.

S106 Management have worked with clients on more than 1,000 developments, facilitating over 20,000 homes across the UK. Our viability reports have been successfully used at pre-application discussions with Planning Officers and Affordable Housing Officers, supporting planning applications, written appeals, and planning appeal hearings.

Planning Policy

By virtue of section 38 (6) of the 'Planning and Compulsory Purchase Act', planning applications must be determined in accordance with the adopted plan of the Local Authority, unless material considerations indicate otherwise.

Therefore, our starting point is CS21 of the Elmbridge Core Strategy (adopted July 2011):

CS21 - Affordable housing

The Council will aim to deliver at least 1150 affordable homes between 2011-2026.

In the event that overall housing targets are exceeded, the target for affordable housing delivery will rise proportionately.

The Council will require provision of affordable housing in accordance with the following, where viable:

- 40% of the gross number of dwellings on sites of 15 dwellings or more
- 30% of the gross number of dwellings on sites of 6 – 14 dwellings
- 20% of the gross number of dwellings on sites of 5 dwellings
- A financial contribution equivalent to the cost of 20% of the gross number of dwellings on sites of 1 – 4 dwellings.

Where exceptionally development is proposed on a greenfield site⁽⁴⁴⁾, at least 50% of the gross number of dwellings should be affordable on any site of 15 dwellings or more.

A target of at least 50% will apply to public land, regardless of the number of dwellings proposed.⁽⁴⁵⁾

On-site provision will be expected for sites of 5 or more dwellings. Only in exceptional circumstances will an alternative to on-site provision be appropriate.

The target tenure mix of affordable housing and housing types and sizes shall be in accordance with those identified in the most up to date SHMA or SPD.⁽⁴⁶⁾

CS21 suggests that developments of 15 dwellings or more should provide 40% of the gross number of units as affordable housing. For this development, it equates to 13.2 units.

The purpose of this FVA is to determine whether the development is capable of supporting such a contribution.

This policy has been informed by the 'Elmbridge Borough Council Local Development Framework Viability Study' (hereafter referred to as the FVS), completed on behalf of the council in May 2009. Where appropriate, the conclusions of the FVS are used to inform our report.

More up to date financial data is provided by the 'Elmbridge Borough Council CIL Viability Study' (November 2011) (hereafter referred to as the CIL Study) and detail from that document is used where possible to corroborate the assumptions set out later in our report.

PPG Viability para 008 states:

'How should a viability assessment be treated in decision making?

Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.'

This creates a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties, with the burden of proof relating to what changes have occurred since adoption of the local plan equally applicable to all parties.

As such, where appropriate the conclusions of the underlying local plan evidence base are used to inform our report and corroborate assumptions. Where we believe changes must be made these are fully evidenced.

Elmbridge Borough Council also adopted a new Developer Contributions SPD in July 2020.

National Guidance is a material consideration; therefore, we also consider the 'National Planning Policy Framework' (NPPF) (2021), and the 'National Planning Guidance for Viability' (NPGV) (May 2019).

National Guidance

National guidance on the delivery of Affordable Housing is provided by the NPPF, which replaced the previous advice in PPS3.

Paragraph 58 of the NPPF is of relevance:

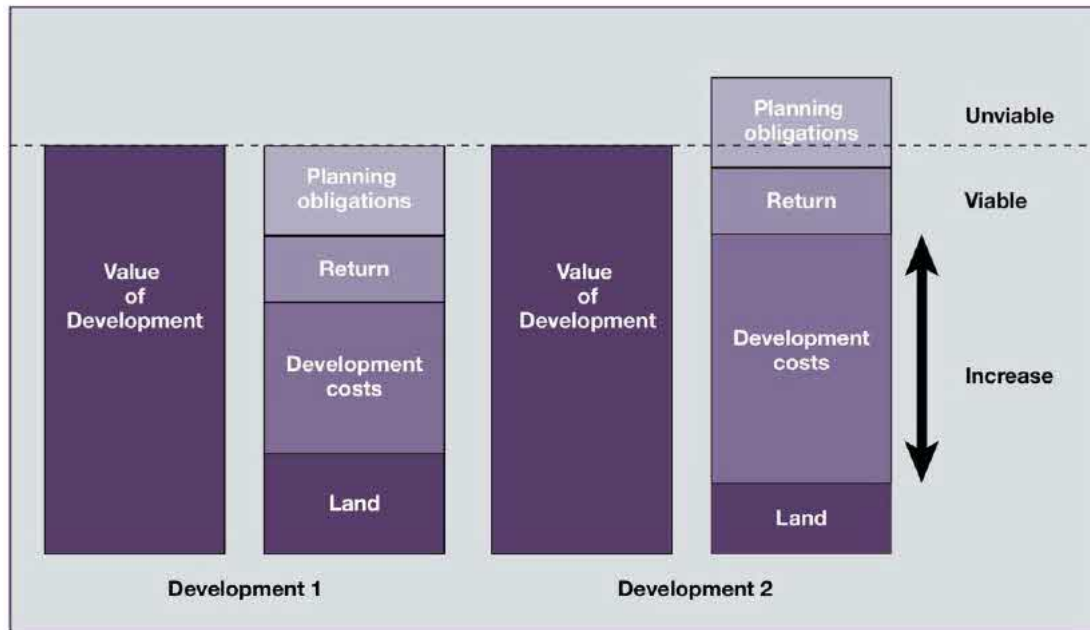
58. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. 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.

The recommended approach referred to above is set out in the NPGV (<https://www.gov.uk/guidance/viability>).

The standard approach to viability is explained at para. 10 of the NPGV:

'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 is summarised well in the below figure from RICS guidance:



Paragraphs 11-18 lay out the required approach to calculating gross development value (GDV), development costs, benchmark land value, landowner and developer return.

The concept of viability is well expressed by the NPGV, in particular para 12 which sets out the costs that should be included in any viability statement, and paras 13-17 which seek to ensure that the landowner should receive the Existing Use Value (EUV) of the site plus a premium, thus providing an incentive to the landowner to bring the site forward for development.

Our report has been written in accordance with the principles set out in both the NPPF, and the NPGV.

Viability

The relevance of viability is accepted in Core Policy CS21 which states:

Financial viability

Developers and landowners are expected to consider the overall cost of development, including the required planning obligations and any abnormal costs, prior to negotiating the sale or purchase of land or the acquisition or sale of an option. The affordable housing should be provided through private subsidy, and where economically justified, a public subsidy.

In the exceptional circumstances where it is considered that the delivery of affordable housing in accordance with the policy is unviable, this must be demonstrated through the submission of a financial appraisal alongside a planning application. The Council's 'Validation Checklist' will be updated to reflect this as a local requirement for validating planning applications. The Council will also require the applicant to pay for an independent review of the information submitted. If the Council is satisfied that affordable housing cannot be provided in accordance with the policy, it will seek to negotiate alternative provision.

This policy statement should be seen in the context of the NPPF, and indeed subsequent Government guidance.

There are several proprietary spreadsheets in use to justify viability. We use the Housing Corporation Economic Appraisal Tool (HCEAT), developed by GVA Grimley in partnership with the Housing Corporation (now HCA); it is one of the Toolkits commonly used when considering development viability.

Our report and its conclusions are based on the application of this tool.

The next section sets out the assumptions that have been made in the preparation of the HCEAT spreadsheet examining the viability of this site; the spreadsheet is shown in **Schedule 1** of this report. The comments below address the inputs to the spreadsheet sequentially and an electronic copy can be provided to the LPA on request.

Spreadsheet Inputs

Proposed Development - Input Sheet 1

The development is summarised by the table below (plans are shown at **Schedule 2** to this report):

Unit	Area m2	Type
Block A		
1	107.60	3-Bed
2	79.50	2-Bed
3	56.00	1-Bed
4	79.50	2-Bed
5	107.60	3-Bed
6	56.00	1-Bed
7	79.50	2-Bed
8	79.50	2-Bed
9	74.30	2-Bed
10	79.50	2-Bed
11	79.50	2-Bed
12	56.00	1-Bed
13	97.10	2-Bed
14	74.30	2-Bed
15	97.10	2-Bed
Block A Total	1203.00	

Unit	Area m2	Type
Block B		
1	81.40	2-Bed
2	90.50	2-Bed
3	90.50	2-Bed
4	94.10	2-Bed
5	79.50	2-Bed
6	81.40	2-Bed
7	79.50	2-Bed
8	79.50	2-Bed
9	81.40	2-Bed
10	79.50	2-Bed
11	79.50	2-Bed
12	98.90	2-Bed
13	79.50	2-Bed
14	79.50	2-Bed
15	81.40	2-Bed
16	97.10	2-Bed
17	98.90	2-Bed
18	97.10	2-Bed
Block B Total	1549.20	
Total GIA	2752.20	

The unit mix comprises 3 x 1-bedroom apartments, 28 x 2-bedroom apartments and 2 x 3-bedroom apartments.

Affordable Housing Values - Input Sheet 2

We approach this issue by firstly modelling a scheme with no Affordable Housing; if the Residual Value of this model exceeds the Benchmark Value of the site (as described below) then we produce further modelling to illustrate the maximum level of Affordable Housing that can viably be delivered by the development.

Open Market Housing Values - Input Sheet 2

The Zoopla data for the KT13 Postcode is set out below:

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£1,745,292	£555	4.4	£1,628,217
Semi-detached	£832,675	£506	3.4	£800,282
Terraced	£685,472	£517	3.1	£663,075
Flats	£448,089	£466	2.0	£405,395

The Zoopla data suggests that flats in KT13 might expect to achieve in the region of £5,014.16/m² based on an average 2 no. of beds. However, values in Elmbridge are exceptionally sensitive to small changes in geographical area. Further, the impact of the Covid-19 pandemic on homeowner preferences is not fully reflected in this data which is reported with a lag behind the current market.

Transactional Data

We have compared this data to relevant recent 'sold' transactions extrapolated from Rightmove (see **Schedule 3**). As noted, values in Elmbridge are extremely sensitive to small changes in search area; therefore, we have limited our transactional search to within 1 year and ¼ mile of the scheme.

<i>Sold Flats within 1 Year ¼ Mile</i>					
Address	Type	Sale Date	Area m2	£/m2	Price
8, Albany Court, Oatlands Drive, Weybridge, Surrey KT13 9JF	Top-floor flat	17.06.2022	95	£5,552.63	£527,500
16, Wellington Close, Walton-on-Thames, Surrey KT12 1AX	2-bedroom apartment, residents parking, private balcony	17.06.2022	72.1	£3,980.58	£287,000
Oakhill Gardens, Flat 15, Oatlands Drive, Weybridge, Surrey KT13 9JP	Spacious 2-bedroom apartment, private balcony, communal gardens, underground parking, far reaching views	17.06.2022	84.54	£4,613.20	£390,000
6, Chaseley Court, Oatlands Drive, Weybridge, Surrey KT13 9JH	Top-floor flat	05.05.2022	67	£5,820.90	£390,000
Oakhill Gardens, Flat 2, Oatlands Drive, Weybridge, Surrey KT13 9JP	Spacious 2-bedroom apartment, private balcony and communal gardens	01.03.2022	86.8	£4,632.3	£30,500
Flat 4, Beckworth Place, 50, Oatlands Drive, Weybridge, Surrey KT13 9DF	Mid-floor flat	22.02.2022	113	£4,247.79	£480,000
13, New Zealand Avenue, Walton-on-thames, Surrey KT12 1PX	Modern 2-bedroom maisonette, private rear garden with out-building, separate garage	10.02.2022	72	£5,111.11	£38,000
Flat 3, Beckworth Place, 50, Oatlands Drive, Weybridge, Surrey KT13 9DF	Mid-floor flat	16.12.2021	110	£4,636.36	£510,000
			Avg. £/m2 value	£4,729.88	

The average achieved prices extrapolated from Rightmove are lower than the average suggested by Zoopla. This is due to the fact that Zoopla data is compiled from across the KT13 postcode, while Rightmove focus more centrally on the area immediately surrounding the subject site.

There is also evidence of the commonly seen 'quantum' inverse correlation between unit area and £/m2 value, meaning we would expect the smaller units to achieve higher £/m2 values than the larger.

We have also studied second-hand properties which are currently on the market within ½ mile of the subject site and new build units within 3 miles:

<i>Flats For Sale within ½ Mile</i>					
Address	Type	SSTC/For Sale?	Area m2	£/m2	Price
The Heart, Walton-On-Thames, KT12	2-bedroom purpose built apartment, communal gardens, private balcony, allocated underground parking	For Sale	76.5	£4,901.96	£375,000
Swan Walk, Shepperton, TW17	2-bedroom apartment, gated river-side development, private balcony, allocated parking and guest parking	For Sale	64	£778.13	£485,000
The Heart, Walton-on-Thames, Surrey, KT12 1GE	2-bedroom top floor apartment, private balcony, communal grounds, secure underground parking	For Sale	74.2	£5,323.45	£395,000
Gothic House, Ashley Road, Walton-on-Thames, KT12	2-bedroom ground floor apartment, garage and residents parking	Sold STC	75	£4,466.67	£335,000
Bridge Street, Walton-on-Thames	1-bedroom purpose built apartment, private gated development, allocated parking and communal gardens	For Sale	47	£5,319.15	£250,000
The Heart, Walton-On-Thames, KT12	2-bedroom purpose built apartment, private balcony, underground parking	For Sale	78	£4,935.90	£385,000
Bridge Street, Walton-on-Thames, KT12	Modern 2-bedroom purpose built apartment, private allocated parking	For Sale	64.1	£6,239.47	£399,950
The Heart, Walton-On-Thames	Modern 2-bedroom purpose-built apartment, communal gardens, underground parking	For Sale	80	£5,312.50	£425,000
Treglos Court, Oatlands Drive, Weybridge, KT13	3-bedroom apartment, private balcony, underground parking, far reaching views	For Sale	108.7	£5,519.78	£600,000
			Avg. £/m2	£5,468.09	

<i>New Build Flats For Sale within 3 Miles</i>					
Address	Type	SSTC/For Sale?	Area m2	£/m2	Price
St Georges Heights, Claremont Lane, Esher	New build 2-bedroom apartment, luxury gated development, secure underground parking, landscaped communal gardens	For Sale	80	£8,749.38	£699,950
30 Queens Road, Weybridge, Surrey, KT13	New build 3-bedroom apartment, private balcony and roof terrace secure underground parking	For Sale	125	£6,760.00	£845,000
London Square, Stompond Lane, Walton On Thames, KT12	New build 1-bedroom apartment, allocated parking, pprox. Area	Reserved	48	£7,500.00	£360,000
Landmark Court, 30 Queens Road, Weybridge, Surrey, KT13	New build 2-bedroom apartment, underground secure parking, two private roof terraces	For Sale	100.8	£6,944.44	£700,000
Baker Street, Weybridge, Surrey, KT13	New build 2-bedroom apartment, allocated parking	For Sale	60.4	£6,374.17	£385,000
Churchfield Road, Walton-On-Thames, Surrey, KT12	Newly converted 1-bedroom apartment	Sold STC	33.7	£6,661.72	£224,500
Queens Road, Weybridge, Surrey, KT13	New build 3-bedroom penthouse apartment, communal gardens, private wrap around terrace, three allocated parking spaces	Under Offer	140.2	£8,915.83	£1,250,000
			Avg £/m2	£7,591.31	

The units for sale at **St Georges Heights (£699,950)**, **London Square (£360,000)** and **Queens Road (£1.25m)** are clear outliers. If we remove these from the new build data set, the average asking price is reduced to **£6,734.92/m2**.

The average £/m2 values from the data sets above are summarised below:

	Zoopla	Sold	For Sale	NB For Sale
Avg £/m2 Values - Flats	£5,014	£4,730	£5,468	£7,591 / £6,734
	Sold	For Sale	NB For Sale	As Proposed
Avg. GIA m2 - Flats	87.55	74.16	84.01	83.4

Average asking prices are inflated when compared to wider achieved values and the dataset supplied by Zoopla, suggesting asking prices are unlikely to be achieved. Consultation with local agents suggests prices are often being discounted 5-10% in the current market.

8 Albany Court, Oatlands Drive (Sold) This top-floor new build apartment is located on the same street as the subject site and is of similar size to some of the proposed units at 95m. It sold for £527,500 (£5,552.63/m²), this will provide a good benchmark to base the new build units on.

The Heart, Walton-On-Thames (For Sale) This modern 'luxury' 2-bedroom apartment is located within ½ mile of the subject site and is of similar size to some of the proposed dwellings at 80m². It offers communal gardens and underground parking, currently it is on the market for £425,000 (£5,312.5/m²).

We have valued the smallest apartment at £410,000 (£7,321/m²) and adjusted the values for the larger units to match the inverse correlation identified previously:

Unit	Area	Type	£/m ²	Price
Block A				
1	107.60	3-Bed	£5,576	£600,000
2	79.50	2-Bed	£6,667	£530,000
3	56.00	1-Bed	£7,321	£410,000
4	79.50	2-Bed	£6,667	£530,000
5	107.60	3-Bed	£5,576	£600,000
6	56.00	1-Bed	£7,321	£410,000
7	79.50	2-Bed	£6,667	£530,000
8	79.50	2-Bed	£6,667	£530,000
9	74.30	2-Bed	£7,066	£525,000
10	79.50	2-Bed	£6,667	£530,000
11	79.50	2-Bed	£6,667	£530,000
12	56.00	1-Bed	£7,321	£410,000
13	97.10	2-Bed	£5,922	£575,000
14	74.30	2-Bed	£7,066	£525,000
15	97.10	2-Bed	£5,922	£575,000
Block A Total	1203.00			£7,810,000

Unit	Area	Type	£/m2	Price
Block B				
1	81.40	2-Bed	£6,511	£530,000
2	90.50	2-Bed	£6,354	£575,000
3	90.50	2-Bed	£6,354	£575,000
4	94.10	2-Bed	£6,111	£575,000
5	79.50	2-Bed	£6,667	£530,000
6	81.40	2-Bed	£6,511	£530,000
7	79.50	2-Bed	£6,667	£530,000
8	79.50	2-Bed	£6,667	£530,000
9	81.40	2-Bed	£6,511	£530,000
10	79.50	2-Bed	£6,667	£530,000
11	79.50	2-Bed	£6,667	£530,000
12	98.90	2-Bed	£5,814	£575,000
13	79.50	2-Bed	£6,667	£530,000
14	79.50	2-Bed	£6,667	£530,000
15	81.40	2-Bed	£6,511	£530,000
16	97.10	2-Bed	£5,922	£575,000
17	98.90	2-Bed	£5,814	£575,000
18	97.10	2-Bed	£5,922	£575,000
Block B Total	1549.20			£9,855,000
Total	2752.20		£6,418.501562	£17,665,000

The proposed valuation above has been reached following extensive market research, consideration of comparable characteristics in recent transactions, new build and external amenity premiums and advice from local agents and therefore should be considered robust. The figures represent the very top end of what can be achieved in today's market and considering current trends should be considered optimistic.

For the sake of clarity, we have run with the average £/m2 value of £6,418.50/m2 to produce a GDV of £17,665,000.

Freehold Ground Rent

The capital value of the Freehold Ground Rents from the project is therefore included at zero for the purposes of this viability appraisal. The Leasehold Reform (Ground Rent) Bill received Royal Assent on 8 February 2022 meaning it is now an Act of Parliament (law).

The Act limits ground rent to a 'peppercorn rent'.

The rationale behind the limit is to prevent leaseholders becoming trapped by rapidly escalating ground rents and in turn create fairer, more transparent ownership for leaseholders.

The Act also prohibits administration charges for peppercorn rents as an anti-avoidance measure.

As such all viability assessors are currently including ground rent at either a zero or nominal rate as this income will not be realised.

Timing - Input Sheet 2

This FVA is to be read in conjunction with a detailed planning application which we expect to be granted within 3 months. There will be a 3-month period following this to produce building regs. drawings and obtain all fixed price quotations.

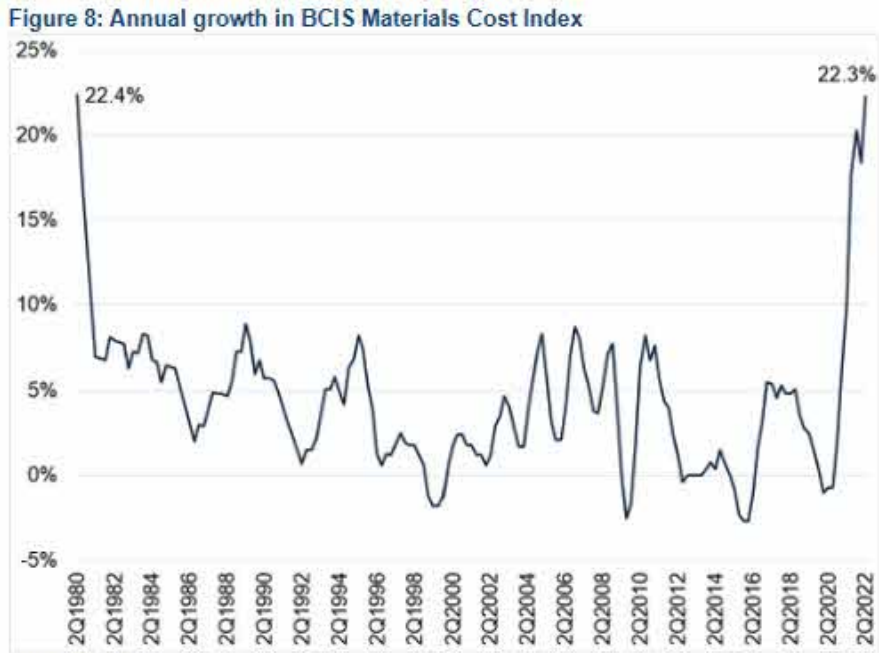
Construction is projected over a 24-month period with sales expected between months 20 and 28.

The 6-month period before commencement of build has not been included in our calculations.

Construction Costs - Input Sheet 2

Build cost inflation has been considerable in 2021/22 rising 9.1% in a year and 50-60% on some costs such as steel. The industry is currently reporting widespread inflation due to increased demand post-pandemic, Brexit-related import costs, the ongoing conflict in Ukraine and labour shortages, and widespread materials shortages leading to surges in pricing (particularly timber, steel and concrete). RICS released further advice in August 2022:

- *Tender prices in 2Q2022 rose by 3.4% compared with the previous quarter, and by 9.1% on an annual basis. Although the economic uncertainty will make contractors keen to tender, it also increases their risk of delivery. With labour site rates rising faster than wage awards and continued supply issues for some materials, tenders are likely to rise faster than basic costs over most of the forecast period. Tender prices are forecast to rise by 20% in the five years to 2Q2027.*
- *Materials prices rose by 8.0% in 2Q2022 compared with the previous quarter, and by 22.3% compared with a year earlier. Some materials prices are easing, and this will continue if supply chains receive no further shocks.*
- *Wage awards over the next year will come under pressure from rising inflation. Some of the 2% and 3% increases already agreed for early 2023 may be renegotiated. The average wage awards over the forecast period will be around 3% per annum. With labour shortages expected for a while yet, site rates are expected to see higher increases and there are reports of firms making discretionary cost of living payments. Both of these will affect the market conditions element of the TPI.*
- *The BCIS General Building Cost Index rose by 5.4% in 2Q2022 compared with 1Q2022, and by 14% compared with 2Q2021. Costs will rise by 16% over the forecast period (2Q2022 to 2Q2027).*
- *Total new work output increased by 3.3% in 2Q2022 compared with the previous quarter and by 3.4% compared with a year earlier. New construction output will rise by 16% over the forecast period (2026 compared with 2021).*



Source: BCIS

Taking the above into consideration, we have obtained a QS cost plan, which has been provided by David Parker MRICS. The full report can be seen in **Schedule 4**. The headline figures are summarised below for ease of reference.

Work Required	Cost £
Demolitions	£60,000
Foundations	£494,300
Frame	£280,000
External Walls	£479,400
Roofs	£497,200
Upper Floors	£493,100
Staircases and Lifts	£183,000
Windows and Doors	£20,400
Internal Partitions	£375,500
Internal Doors	£202,800
Joinery	£606,200
Floor Finishes	£83,000
Wall Finishes	£80,300
Ceiling Finishes	£20,300
Decorations	£15,500
Sanitary Installation	£34,500
Plumbing Installation	£683,700
Electrical Installation	£363,000
Acoustic Testing	£9,800
Underground Drainage	£69,000
Main Contractor Preliminaries/Scaffolding to Perimeter	£820,000
Main Contractors Profits and OH 10%	£689,700
Total	£7,580,100
NIA	2752.2
GIA	3376
£/m2	£2,245.290284

External/Abnormal Works

The cost plan provided by David Parker MRICS includes a separate allowance for External and Abnormal works. These are summarised below:

Work Required	Cost £
Undercroft Parking	£560,000
External Works	£185,100
Incoming Services	£16,500
NBC	£27,000
Main Contractors Preliminaries	£110,000
Main Contractors Profit and OH 10%	£99,900
Total	£1,098,500

The HCEAT has been run with a corresponding figure.

Fees - Input Sheet 2

10% for fees is the default value of the HCEAT Spreadsheet and the commonly accepted industry standard allowance. This is confirmed as an appropriate assumption by the Elmbridge CIL viability study.

Contingency - Input Sheet 2

With inflation at a 40-year high of 10.1% as of October 2022 and further increases forecast, we run contingency at a minimum of 8%.

Section 106 Payments - Input Sheet 2

We have calculated the CIL payment as below:

	LPA CIL
Adopted Charging Schedule (£/m2)	£125
Following indexation (£/m2)	£194
Total proposed GIA (m2)	2,752
Existing GIA (m2)	597
Retained GIA (m2)	
Lost GIA (m2)	597
Applicable GIA (m2)	2,155
CIL (total)	£417,760

This is subject to confirmation by the charging authority.

The HCEAT has been run with the corresponding figure.

Site Aquisition Costs - Input Sheet 2

The EUV is £4,100,000 as explained below. We have included acquisition costs of £530,000 which includes £528,750 in SDLT.

Finance Costs - Input Sheet 2

Given the macro-economic context, lenders have become increasingly risk adverse and therefore funding is becoming harder to acquire. The Bank of England raised the base rate to 3% in November 2022, with further rate rises currently suggested throughout 2022 to combat the previously noted 10+% inflation. Therefore, a minimum interest figure of 8% is appropriate, and has been used in the spreadsheet. In reality finance deals are now significantly exceeding this level, but as an all-in rate 8% accommodates all fees and is applied to all costs.

Marketing Costs - Input Sheet 2

We have adopted a marketing cost of 3% and legal fees of £1,000 per unit.

Developer Profit - Input Sheet 2

The NPGV contains the following advice at paragraph 18:

How should a return to developers be defined for the purpose of viability assessment?

'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. 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. Alternative figures may also be appropriate for different development types'.

As previously noted, Paragraph 008 of the NPGV provides a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties. The Elmbridge CIL Viability Study, produced by Dixon Searle Partnership LLP in November 2011, at Para. 2.7.1 identifies 20% gross development value as an appropriate assumption. This aligns with national policy and precedent.

Taking into account the risk profile of the development we have adopted the assumption adopted in the CIL Viability Assessment as appropriate (20%). This is supported by our sensitivity analysis, which further demonstrates the relative risk profile of the development (see below).

The HCEAT appraisal has been run accordingly.

Benchmark Land Value

The NPGV provides a standard methodology for determining Benchmark Land Value (BLV). Paragraph 15 requires that the EUV of the site should be identified:

'Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).'

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'

The existing site comprises 16-18 Oatlands Drive, 2 large, detached houses with a combined GIA of 597.2m².

In order to obtain an accurate value for the existing properties, we have turned to the sold data which has been extrapolated from Rightmove.

<i>Sold Detached Houses within 1 Year 1/2 Mile</i>					
Address	Type	Sale Date	Area m2	£/m2	Price
179, Silverdale Avenue, Walton-on-Thames, Surrey KT12 1EL	Detached house	19.05.2022	421	£8,318.54	£3500,000
89, Silverdale Avenue, Walton-on-Thames, Surrey KT12 1EJ	Large 5-bedroom detached house, spacious front and rear gardens, garage and driveway parking, private gym	29.04.2022	657	£5,356.71	£3,519,300
Chusan, 6, The Mount, Weybridge, Surrey KT13 9LT	Detached 4-bedroom house, integral double garage and driveway parking, spacious rear garden	04.04.2022	237	£6,830.60	£1,625,000
Willows, 50, Ashley Road, Walton-on-Thames, Surrey KT12 1HS	Detached house	18.03.2022	139	£9,892.09	£1,375,000
12, Cricket Way, Weybridge, Surrey KT13 9LP	Modern 4-bedroom detached house, secluded rear garden, garage and driveway parking	11.03.2022	179	£8,379.89	£1,500,000
32, Manor Road, Walton-on-Thames, Surrey KT12 2PF	3-bedroom detached house, enclosed rear garden	31.01.2022	88.3	£7,847.77	£630,000
1, Cricket Way, Weybridge, Surrey KT13 9LP	4-bedroom detached house in need of modernisation, front and spacious rear garden, driveway and integral garage	15.12.2021	195.5	£7,365.55	£1,395,000
14, Dale Road, Walton-on-Thames, Surrey KT12 2PY	2-bedroom detached bungalow, off street parking, enclosed rear garden	26.11.2021	86	£7,441.86	£640,000
22, Ashley Road, Walton-on-Thames, Surrey KT12 1HS	5-bedroom detached house, spacious rear garden, driveway parking and integral garage	25.11.2021	22.5	£5,339.45	£1,155,000
			Avg £/m2	£6,870.82	

The average achieved £/m2 value is £6,870.82, and once run against the areas of the existing properties, 597.2m2, a value of £4,103,253.70 is produced. Rounded down to £4,100,000.

We adopt this as our EUV.

Paragraph 16 requires that a premium should be added to the EUV (EUV +) to incentivise the landowner to bring the site forward for development:

'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

*Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. **Market evidence can include benchmark land values from other viability assessments.** Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

We have not applied a landowner premium in this instance; however, we reserve the right to revisit this if necessary.

Paragraph 17 allows the BLV to be determined by an alternative Use Value (AUV):

'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.

Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. 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.'

We have not assessed an AUV in detail as this is not required.

The standard approach to viability is to compare the BLV of the development site with the Residual Value calculated by the (HCEAT) viability spreadsheet. It is only if the Residual Value of the development exceeds the Market Value (Benchmark), that it will be viable for a contribution to be made towards Affordable Housing.

HCEAT Spreadsheet Conclusions Spreadsheet Summary

The full spreadsheet appears at **Schedule 1**, and the key conclusions are set out in the summary section. They are also repeated for convenience below:

Sales	£17,665,000.02
<i>Less Costs</i>	
Construction Costs (Resi)	£7,580,100.00
Commercial Costs (Build & Fees)	£0.00
Other Site Costs	£3,471,318.80
Marketing	£562,950.00
Finance Costs	£198,802.72
Developer Return	£3,533,000.00
Residual Site Value	£1,38,828.50
Benchmark Land Value	£4,100,000.00
Result	(£2,781,171.50)

To determine the viability of the provision of Affordable Housing, the Benchmark Value of the site as stated above (£4,100,000), is deducted from the Residual Value calculated by the HCEAT spreadsheet. If the result is negative, as it is in this case (**£2,781,171.50**), the development cannot viably provide a contribution towards Affordable Housing.

Conclusion

The following table has been compiled using data from the HCEAT spreadsheet to reveal the return that the developers will earn from this project:

Spreadsheet Residual Value	£ 1,318,828.50
Plus Target Developer Return	£3,533,000.00
Less Benchmark Value	£4,100,000.00
Actual Profit	£751,828.51
Percentage actual profit	4.26%

This presents a return of 4.26% which is clearly lower than the 20% target identified previously.

Any contribution towards Affordable Housing would further reduce this level.

This report demonstrates that the scheme can be considered policy compliant without the provision of any Affordable Homes or S106 contributions towards Affordable Housing.

Sensitivity Matrix

Following RICS guidance we have provided a sensitivity analysis of the assumptions in this report, demonstrating the impact on developer profit of +/-5-10% changes in build costs and sales values. This is particularly important given current material valuation uncertainty resulting from the Covid-19 pandemic and Brexit. As advised by RICS build costs, and in particular materials costs, have already been subject to considerable fluctuation which is not reflected in the current BCIS average data. Further, the negative trend already identified in recent flatted sales values due to changing homeowner preferences may be further compounded following the end of the current stamp duty holiday.

Sensitivity testing conclusions are included below.

Testing the variance associated with changes in sales and build costs of +/- 5-10% results in the below matrix:

Developer profit %		Sales values				
		-10%	-5%	0%	5%	10%
Build Costs	-10%	-1.45%	3.55%	8.55%	13.55%	18.55%
	-5%	-3.60%	1.40%	6.40%	11.40%	16.40%
	0%	-5.74%	-0.74%	4.26%	9.26%	14.26%
	5%	-7.89%	-2.89%	2.11%	7.11%	12.11%
	10%	-10.03%	-5.03%	-0.03%	4.97%	9.97%

This demonstrates that the maximum profit likely to be achieved is below the 20% target with no supra profit likely.