Valuation Office Agency

DVS Property Specialists for the Public Sector

Viability Review Report
Former Abattoir site
Beara Head
Great Torrington
Devon

Report for:
Helen Smith
Torridge District Council

Prepared by:
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Case Number: 1794804

Client Reference:
1/0511/2021/OUTM

Date: 19 October 2022

DVS Property Specialists for the Public Sector

Contents

1.0 Executive Summary

1.1 Proposed Development Details.

This report provides an independent review of a viability assessment in connection with:

Proposed Development	Hybrid application consisting of a full application for 59 dwellings and an Outline application for up to 141 dwellings with up to 1,500sqm commercial space (B1, B2 or B8). (Affecting a public right of way)
Subject of Assessment:	Former Abattoir site, Beara Head, Great Torrington Devon EX38 7AJ
Planning Application Reference:	1/0511/2021/OUTM
Applicant / Developer:	Clayewater Homes
Applicant's Viability Advisor:	S106 Management

1.2 Instruction

In connection with the above application Torridge District Council require an independent review of the viability conclusion provided by the applicant in terms of the extent to which the accompanying appraisal is fair and reasonable and whether the assumptions made can be relied upon to determine the viability of the scheme.

A site-specific viability assessment review has been undertaken, the inputs adopted herein are unique to this site and scheme and may not be applicable to other viability assessments undertaken or reviewed by DVS.

1.3 Viability Conclusion

It is my considered and independent opinion that:

The above scheme assessed with regards to full planning policy requirement (comprising vacant building credit adjusted 24% affordable housing (48 units), and s106 contributions of £2,102,765) is not financially viable.

It is my independent conclusion that a reduced policy scheme comprising of no on-site affordable housing, together with other section 106 contributions totalling £1,224,183 is financially viable in current market circumstances.

It is notable that in their latest assessment, the applicants conclude that the development scheme as proposed is not financially viable and is in substantial financial deficit even with no s106 contribution whatsoever. In the light of this, your Authority may wish to consider the deliverability of the scheme as part of its deliberations.

1.4 Non-Technical Summary of Viability Assessment Inputs

Policy Compliant Inputs	Agent	DVS Viability Review	Agreed (Y/N)
Assessment Date	6 April 2022 (update 1/6/2022)	19 October 2022	
Scheme Gross Internal Area	18,697 m²	18,697 m²	Y
Site Area	9.36 ha	9.36 ha	Y
Development Period	42 months	42 months	Y
Gross Development Value	£49,487,550	£51,707,950	N
Comprising:			
Market Housing GDV	£42,665,000	£44,647,000	N
Affordable Housing GDV	£5,049,500	£5,287,900	N
Other GDV	£1,773,050	£1,773,050	Y
Planning Policy / S.106 Total	£0	£2,102,765	N
Construction Cost (inc. external works and infrastructure costs)	£39,780,185	£35,519,787	N
Professional Fees %	8% (provisional)	7%	N
Contingency %	5%	5%	Y
Finance Interest and Sum	7% / £1,876,357	6.75% / £1,419,201	N
Sales / Agency / Marketing Fees	2.5%	2.5%	Y
Commercial letting fee / legal letting fee	10% / 0%	10% / 5%	N
Legal Fees	£600 per market residential unit and 1.75% commercial GDV	£600 per market unit and £400 per affordable unit, 0.5% commercial GDV	N
Land Acquiring Costs	SDLT +1.5%	SDLT +1.5%	Y
Profit Target %	17.5% market residential, 6% affordable, 15% commercial (provisional)	17.5% market residential, 6% affordable, 15% commercial	Y
Benchmark Land Value	£4,750,000	£3,000,000	N
EUV	£4,750,000	£2,000,000	N
Premium	£0	£200,000	N
Residual Figure (Land Value)	£0 plus deficit -£11,830,814	£0 plus deficit -£1,110,881814	N

Viability Conclusion Full Policy Scheme	Not viable	Not viable	N
Deliverable Scheme	No commentary	Yes	N

A site-specific viability assessment review has been undertaken, the inputs adopted herein are unique to this site and scheme and may not be applicable to other viability assessments undertaken or reviewed by DVS.

2.0 Instruction and Terms

2.1 The Client is Torridge District Council.

2.2 The Subject of the Assessment is the former Abattoir site, Beara Head, Torrington Devon EX38 7AJ

2.3 The date of viability assessment is 19 October 2022. Please note that values change over time and that a viability assessment provided on a particular date may not be valid at a later date.

2.4 Instructions to proceed with the assessment were received on 20 April 2022, and further requested information was provided on 20 May 2022. An initial (stage 1) report was issued on 13 June 2022. Since this report was issued, the pplicants have submitted further representations dated 1 August 2022. It is understood that Torridge District Council require an independent opinion on the viability information provided by Messrs S106 Management, in terms of the extent to which the accompanying appraisals are fair and reasonable and whether the assumptions made are acceptable and can be relied upon to determine the viability of the scheme. Specifically, DVS have been appointed to:

> Assess the Viability Assessment submitted on behalf of the planning applicant / developer, taking in to account the planning proposals as supplied by you or available from your authority's planning website.
>
> Advise Torridge District Council in writing on those areas of the applicant's Viability Assessment which are agreed and those which are considered unsupported or incorrect, including stating the basis for this opinion, together with evidence. If DVS considers that the applicant's appraisal input and viability conclusion is incorrect, this report will advise on the cumulative viability impact of the changes and in particular whether any additional affordable housing and / or s106 contributions might be provided without adversely affecting the overall viability of the development.

2.5 Conflict of Interest Statement - In accordance with the requirements of RICS Professional Standards, DVS has checked that no conflict of interest arises before accepting this instruction. It is confirmed that DVS are unaware of any previous conflicting material involvement and is satisfied that no conflict of interest exists.

2.6 Inspection - The subject site has been externally inspected as far as accessible on 22 April 2022 by the author. This was partial inspection for valuation purposes and does not constitute a building survey.

2.7 DVS/ VOA Terms of Engagement were issued on 11 April 2022. A redacted version will be attached in my subsequent, redacted report provided for publication.

3.0 Guidance and Status of Valuer

3.1 Authoritative Requirements

The DVS viability assessment review will be prepared in accordance with the following statutory and other authoritative mandatory requirements:

The '**National Planning Policy Framework'**, which states that all viability assessments should reflect the recommended approach in **the 'National Planning Practice Guidance on Viability'**. This document is recognised as the 'authoritative requirement' by the Royal Institution of Chartered Surveyors (RICS).

RICS Professional Statement **'Financial viability in planning: conduct and reporting'** (effective from 1 September 2019) which provides the mandatory requirements for the conduct and reporting of valuations in the viability assessment and has been written to reflect the requirements of the PPG.

RICS Professional Standards PS1 and PS2 of the '**RICS Valuation – Global Standards'**.

3.2 Professional Guidance

Regard will be made to applicable RICS Guidance Notes, principally the best practice guidance as set out in RICS GN **'Assessing viability in planning under the National Planning Policy Framework 2019 for England'** (effective 1 July 2021).

Other RICS guidance notes will be referenced in the report and include RICS GN '**Valuation of Development Property'** and RICS GN **'Comparable Evidence in Real Estate Valuation'.**

Valuation advice (see Note 1) will be prepared in accordance with the professional standards of the of the '**RICS Valuation – Global Standards'** and the **'UK National Supplement'**, which taken together are commonly known as the RICS Red Book. Compliance with the RICS Professional Standards and Valuation Practice Statements (VPS) gives assurance also of compliance with the International Valuations Standards (IVS).

(Note 1) Whilst professional opinions may be expressed in relation to the appraisal inputs adopted, this consultancy advice is to assist you with your decision making for planning purposes and is not formal valuation advice such as for acquisition or disposal purposes. It is, however, understood that our review assessment and conclusion may be used by you as part of a negotiation.

The RICS Red Book professional standards are applicable to our undertaking of your case instruction, with PS1 and PS 2 mandatory. While compliance with the technical and performance standards at VPS1 to VPS 5 are not mandatory (as per PS 1 para 5.4) in the context of your instruction, they are considered best practice and have been applied to the extent not precluded by your specific requirement.

3.3 RICS 'Financial Viability in Planning Conduct and Reporting'

In accordance with the above RICS Professional Statement it is confirmed that:

a) In carrying out this viability assessment review the valuer has acted with objectivity, impartiality, without interference and with reference to all appropriate sources of information.

b) The professional fee for this report is not performance related and contingent fees are not applicable.

c) DVS are not currently engaged in advising this local planning authority in relation to area wide viability assessments in connection with the formulation of future policy.

d) The appointed valuer, W Robert J Gill BSc MRICS is not currently engaged in advising this local planning authority in relation to area wide viability assessments in connection with the formulation of future policy.

e) Neither the appointed valuer, nor DVS advised this local planning authority in connection with the area wide viability assessments which supports the existing planning policy.

f) The DVS viability review assessment has been carried out with due diligence and in accordance with section 4 of this professional statement

g) The signatory and all other contributors to this report, as referred to herein, has complied with RICS requirements.

3.4 Most Effective and Efficient Development

It is a mandatory requirement of the **RICS 'Financial viability in planning: conduct and reporting'** Professional Statement for the member or member firm to assess the viability of the most effective and most efficient development.

The applicant's advisor has assessed the viability based on private sales to individual owner occupier or investors. Having considered the size and location of the development, the applicant's proposal is considered to be reasonable. The DVS valuer has assessed the viability based upon the same scheme assumptions and passes no comment on whether this is the most effective and most efficient development. The impact on viability of different scheme e.g. build to rent has not been appraised, however should this be pursued another viability assessment may be necessary.

3.5 Signatory

a) It is confirmed that the viability assessment has been carried out by W Robert J Gill BSc MRICS, Registered Valuer, acting in the capacity of an external valuer, who has the appropriate knowledge, skills and understanding necessary to undertake the viability assessment competently and is in a position to provide an objective and unbiased review.

b) As part of the DVS Quality Control procedure, this report and the appraisal has been formally reviewed by Pete McGuigan MRICS, Registered Valuer, who

also has the appropriate knowledge, skills and understanding necessary to complete this task.

c) DVS has provided viability assessment reviews for Torridge District Council for more than 2 years.

3.6 Bases of Value

The bases of value referred to herein are defined in the Terms of Engagement and are sourced as follows:

Benchmark Land Value is defined at Paragraph 014 of the NPPG.
Existing Use Value is defined at Paragraph 015 of the NPPG.
Market Value is defined at VPS 4 of 'RICS Valuation – Global Standards'
Market Rent is defined at VPS 4 of 'RICS Valuation – Global Standards'
Gross Development Value is defined in the Glossary of the RICS GN **'Valuation of Development Property'** (February 2020).

4.0 Assumptions, and Limitations

4.1 Special Assumptions

As stated in the terms the following special assumptions have been agreed and will be applied:

That your council's planning policy, or emerging policy, for affordable housing is up to date.
There are no abnormal development costs in addition to those which the applicant has identified, and (for cases with no sq. review) the applicant's abnormal costs, where supported, are to be relied upon to determine the viability of the scheme, unless otherwise stated in our report.
That the development as proposed is complete on the date of assessment in the market conditions prevailing on the date.

4.2 General Assumptions

The site has been inspected on a partial basis. The below assumptions are subject to the statement regarding the limitations on the extent of our investigations, survey restrictions and assumptions, as expressed in the terms of engagement.

a) Tenure - A report on Title has not been provided. The review assessment assumes that the site is held Freehold with vacant possession.

b) Easements / Title restrictions - A report on Title has not been provided. The advice is provided on the basis the title is available on an unencumbered freehold or long leasehold basis with the benefit of vacant possession. It is assumed the title is unencumbered and will not occasion any extraordinary costs over and above those identified by the applicant and considered as part of abnormal costs.

c) Access / highways - It is assumed the site is readily accessible by public highway and will not occasion any extraordinary costs over and above those identified by the applicant and considered as part of abnormal costs.

d) Mains Services - It is assumed the site is or can be connected to all mains services will not occasion any extraordinary costs over and above those identified by the applicant and considered as part of abnormal costs.

e) Mineral Stability - This assessment has been made in accordance with the terms of the agreement in which you have instructed the Agency to assume that the property is not affected by any mining subsidence, and that the site is stable and would not occasion any extraordinary costs with regard to Mining Subsidence. I refer you to the DVS Terms of Engagement for additional commentary around ground stability assumptions.

f) Environmental Factors Observed and/or Identified - It is assumed the site will not occasion any extraordinary costs relating to environmental factors over and above those identified by the applicant and considered as part of abnormal costs.

g) Flood Risk - DVS have referred to the Government's Flood map for planning tool which indicates that the proposed development is in flood zone 1. This means it has a low probability of flooding from rivers and the sea.

h) Asbestos - It is assumed any asbestos present will not occasion any extraordinary costs over and above those identified by the applicant and considered as part of abnormal costs.

5.0 Proposed Development

5.1 Location / Situation

The property is located immediately to the North of the market town of Great Torrington, Devon. It is within the post code BA14 8HW, with principal vehicular access off the made up and adopted public highway to the Northern boundary of the site.

5.2 Description

The property comprises previously commercially developed land (former meat factory and Peninsula Proteins). The site is secured against public access however it is apparent that various commercial buildings remain on the site and are indicated by the applicant as extending to 4884 square metres gross internal area. Limited access is available to the site, and it has not been possible to verify this figure. Whilst within approximately 500 metres from the built area of Great Torrington, the site is bound by agricultural and common land, with public highway to the North, and a small development of residential cottages to the West.

5.3 Site Area

It is understood that the gross site area extends to 9.36 ha (23.13 acres) or thereabouts.

5.4 Schedule of Accommodation/ Scheme Floor Areas

DVS make no comment about the density, design, efficiency, merit or otherwise, of the suggested scheme. The accommodation details have been taken from schedules of accommodation (source: planning application documents) and the S106 Management report, and are summarised below:

House type	Number	Unit m²	Total m²
2-storey 2-bed	29	58	1682
2-storey 2-bed	26	58	1508
2-storey 3-bed	19	77.1	1464.9
2-storey 3-bed	17	77.1	1310.7
2-storey 3-bed	25	79.4	1985
2.5-storey 3-bed	22	102.8	2261.6
2-storey 4-bed	22	100.8	2217.6
2-storey 4-bed	15	113.8	1707
2-storey 4-bed	25	122.4	3060
Total:	**200**		**17,196.8**
Commercial element			**1,500**

Measurements stated are in accordance with the RICS Professional Statement **'RICS Property Measurement' (2nd Edition)** and, where relevant, **the RICS Code of Measuring Practice (6th Edition).**

As agreed in the terms, any office and/or residential property present has been reported upon using a measurement standard other than IPMS, and specifically Gross Internal Area has been used. Such a measurement is an agreed departure from 'RICS Property Measurement (2nd Edition)'.

I understand that you requested this variation because this measurement standard is how the applicant has presented their data, is common and accepted practice in the construction/ residential industry, and it has been both necessary and expedient to analyse the comparable data on a like with like basis.

5.5 Planning

The property lies to the North of Great Torrington and is a previously commercially developed site. Prior to the current application, It has been the subject of planning applications in recent years as detailed below. The extant and established use is understood to be industrial.

It is contended that the proposed scheme is not financially viable in current market circumstances when providing current planning policy required contributions.

5.6 Policy Requirements for the Scheme

The North Devon and Torridge local plan 2018 sets out (in policy ST18) the expected affordable planning contribution of 30% on-site units. It is understood that this provision should comprise a mix of 75% units for social rent, and 25% shared ownership.

In regard to claimed vacant building credit, I understand that your Council has requested justification to support the position and that it will apply in this case. I note that the applicants calculate this as reducing the policy required number of affordable units from 60 dwellings to 16.8 (8.4%). This calculation is based on a claimed existing floorspace of 4,884 m² against a proposed residential floorspace of 17,197 m². The resulting credit of 28% appears to have been erroneously applied as a proportion of the policy requirement of 60 units rather than a deduction from the 60 units.

There is no supporting information/evidence to demonstrate that the level of floorspace indicated is accurate, including plans and measurements of the existing buildings. In the light of this, I have for the purposes of my assessment assumed that the claimed 4,884 m² is correct. I disagree with the calculation carried out for the applicants however. In my assessment, I have assumed a credit based on 4,884 m² existing, less 1,500 m² proposed commercial space; net therefore 3,384 m², being a proportion of 19.68% of the proposed 17,197 m² residential floorspace. Applying this as a discount against 60 units yields an adjusted and rounded requirement of say 48 units of affordable housing, or 24% of the whole residential scheme.

I have assumed for the purposes of this report that this revised calculation is correct and accepted by your Authority. My assessment will need to be revised if your Authority concludes that a different credit (or none at all) will apply.

It is understood that the following additional s106 contributions are sought:

SEN education provision	£93,468
Primary Education	£956,287
Secondary Education	£665,259
Education land provision	£88,000
Education: Early years	£50,000
NHS CCG	£0
Biodiversity Net Gain/POS contribution	£0
Built facilities contribution	£249,751.42
Total (rounded):	**£2,102,765**

It is understood that further clarification is being sought in regard to potential NHS and biodiversity net gain/public open space contributions. Planning policy requirements should be factual and agreed between the LPA and the applicant. If the review assessment adopts an incorrect figure and/ or a (significantly) different figure is later agreed the viability conclusion should be referred back to DVS.

5.7 Planning Status

I am aware that 2 relevant planning applications have been made on the subject site in recent years, and these are tabulated as follows:

1/1165/2017/OUTM 11/2017 Approved 13/09/2018	Outline application for erection of up to 143 dwellings, 1040 square metres of commercial freehold land for B1, B2 and B8 employment and public open space
1/1051/2021/REM Dated 6 September 2021 and yet to be determined	Reserved matters application for appearance, landscaping, layout & scale pursuant to outline application 1/1165/2017/OUTM - Erection of up to 143 dwellings, 1040 square metres of commercial freehold land for B1, B2 and B8 employment and public open space

I note that in regard to the outline permission, a section 106 agreement was entered into confirming provision of 40% affordable housing, together with other financial contributions.

6.0 Summary of Applicant's Viability Assessment

6.1 Report Reference

DVS refer to the Financial Viability Assessment prepared by Messrs S106 Management dated 6 April 2022 titled 'Financial Viability Appraisal', and the appraisal(s) therein. This has been re-considered in the light of an updated addendum assessment dated 1 August 2022.

6.2 Summary of Applicant's Appraisal

In summary S106 Management's appraisals have been produced using HCA software and follows established residual methodology. This is where the Gross Development Value less the Total Development Costs Less Profit, equals the Residual Land Value, and the Residual Land Value is then compared to the Benchmark Land Value as defined in the Planning Practice Guidance, to establish viability.

The applicant outlines in their latest submission the following:

> The proposed scheme with no affordable housing provision or other s106 contributions produces a Residual Land Value of £0 and a financial deficit of -£2,944,527.
> The Benchmark Land Value is £4,750,000 based upon an assessment of EUV without a premium.
> As a residual below their opinion of Benchmark Land Value arises, the applicant seeks to demonstrate that a scheme with no affordable housing or other s106 contribution is unviable.

To review the reasonableness of this conclusion, the reasonableness of the applicant's appraisal inputs is considered in the next sections.

7.0 Development Period/ Programme

7.1 The development period adopted by the applicant's advisor is 42 months comprising:

3 months for site purchase
3 months pre-construction/ site preparation
30 months for construction
18 months for sales starting at month 24

For the purposes of finance calculation, S106 Management have disregarded the purchase and pre-construction/site preparation period.

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7.2 This sales rate is considered optimistic. The development period adopted for the DVS viability review is also 42 months, however comprising:

1 month for site purchase
3 months pre-construction / site preparation

34 months for construction
30 months for sales starting at month 12

8.0 Gross Development Value (GDV)

In the case of a wholly open market scheme including 200 residential units and 1,500 m² commercial space, S106 Management has adopted a GDV of £55,368,050.

This comprises:

Market Housing GDV	£42,665,000
Affordable Housing GDV	£5,049,500
Commercial	£1,773,050
Total GDV	£49,487,550

I have reviewed the GDV proposed with regards to RICS Guidance Notes '**Assessing viability in planning under the National Planning Policy Framework 2019 for England'** and '**Comparable Evidence in Real Estate'** and my conclusions are set out below.

8.1 Market Value of Private Dwellings

The VOA database contains details of sales of residential properties including accommodation details, age of property number of bedrooms, reception rooms, age, floor areas and so forth as well as transactional information such as new build sales, part exchange shared ownership or connected party sales etc. We also have access to Energy Performance Certificates which enables further analysis. I have also considered sales information about current and forthcoming schemes. All of this enables me to confirm or dispute the applicant's evidence.

Following my original investigations and research, the applicant's evidence and analysis was considered fair at the date of the initial assessment, and Market Values proposed were accepted as suitable for determining scheme viability. Whilst provisionally agreed, it is noted that our original assessment was dated June 2022, and therefore some 4 months ago in an improved market. In the light of this, and the quality of product reflective of a revised build cost assessment (detailed below), I have sought to index the previously agreed values by reference to the Land Registry index for the Torridge location. I have then cross checked the result against latest sales information. My revised assessment is summarised as follows:

House type	Property Type	Type	GIA	June 2022 suggested value	Indexed current value
Batherm / Creedy	Terraced	2-storey 2-bed	58	£210,000	£220,000
Culm / Exe	Terraced	2-storey 3-bedroom	77.1	£255,000	£267,000
Lowman	semi-detached	2-storey 3-bedroom	79.4	£260,000	£272,000
Somer	Terraced	2.5-storey 3 bed	102.8	£310,000	£324,000

Taw	detached	2-storey 4-bedroom	100.8	£310,000	£324,000
Halberton	detached	2-storey 4-bedroom	113.8	£315,000	£330,000
Lyner	detached	2-storey 4-bedroom	122.4	£320,000	£335,000

In the case of a 24% affordable housing provision scheme, my gross development value in respect of 152 open market dwellings is **£44,647,000**, and therefore some 4.4% higher than the applicants.

8.2 Market Value of Affordable Housing Dwellings

Your Council has requested justification to support the position put forward by the applicants in respect of vacant building credit. As discussed above, and subject to your consideration, I calculate an appropriate credit adjusted level adjustment from 30% policy required proportion of affordable housing to 24%, or 48 units. If this assumption is incorrect, it will be necessary to re-assess the scheme.

I have assumed a split of 75% social rented and 25% shared ownership units. I have considered evidence from other schemes in the District and have carried out investment valuations. I am of the view that a fair proportion of current private market value in respect of affordable rent tenure units equates on average to circa 40%. In respect of shared ownership units, I have assumed a rent on unsold equity of 2.75%, and a 40% equity sale. This analysis results in a proportion of private unit market value of circa 65%.

In the case of a 24% affordable scheme, my valuation of 48 affordable units, split as 36 for social rent (25 no. 2 bed, 8 no. 3 bed, and 3 no. 4 bed), and 12 shared ownership (9 no. 2 bed, 2 no. 3 bed, and 1 no. 4 bed) is **£5,287,900**.

It is understood that the applicants accept this assessment methodology, however on the basis of an earlier assessment of market unit value, their overall assessment on a like for like basis is **£5,049,500.**

My latest re-assessment is therefore some 4.5% higher than that of the applicants.

8.3 Market Value of Commercial Element

The proposed scheme includes an element of new B2, commercial space extending to a total of 1,500 m² GIA. In their assessment, S106 Management has indicated a rental value rate of £100 per m² resulting in a current market rental value of £150,000; and applied an investment yield of 8%. This calculates a capital value of £1,875,000, from which purchaser's costs have been deducted resulting in an assessment of **£1,773,050.**

Having regard to recently achieved rental values in respect of industrial and office units in the District, I am of the opinion that S106 Management has fairly stated the achievable rental value of £150,000.

I also agree that an 8% investment yield is appropriate in this case, and is consistent with evidence available to me, both of market transactions and other recent settlements in the region. The indicative capital value is therefore agreed in the sum of **£1,773,050**.

8.4 Other Revenue e.g. Grant Funding

In the absence of any evidence to the contrary, I have assumed that no grant funding to cross subsidise the affordable housing element of the scheme will be available. Should a Registered Provider become involved in this scheme at any point and obtain such funding, this would be a material factor and may alter my conclusions.

There is no allowance for tax reliefs in the applicant's assessment. Tax relief may not be applicable on this site, however there are substantial abnormal costs. If tax reliefs are applicable this may substantially improve the viability of the scheme. You may wish to seek additional guidance in this regard from a tax expert.

8.5 Total GDV

My total for GDV is **£51,707,950.** The applicant's assessment is **£49,487,550.** My assessment is therefore approximately 4.3% higher than the applicant's.

The impact on viability of higher and lower values of up to 5% are reflected upon as part of the sensitivity tests under section 12 of this report.

9.0 Total Development Costs

9.1 Summary of Unagreed Costs

The following cost inputs have not been accepted as reasonable:

(i) Construction, external works, infrastructure and abnormal costs
(ii) Professional fees
(iii) Finance debit/credit rates

Construction costs:

The original construction costs adopted by S106 Management in its appraisals was based on Royal Institution of Chartered Surveyors Build Cost Information Service (BCIS) data. Whilst this methodology is considered reasonable in the context of a necessarily hypothecated development scheme, considerable recent build cost inflation has led to a comprehensive re-assessment, including advice from a Quantity Surveyor.

The total revised build cost is indicated as being £40,180,185, comprising:

Residential build cost	£31,797,800
Commercial build cost	£1,995,485
Externals/infrastructure	£5,986,900
Total:	**£39,780,185**

It is noted that the above assessment includes £400,000 in respect of NHBC warranty costs. These projected costs are separately stated in my assessment.

The assessment has been reviewed by DVS in-house Quantity Surveyor Lee Jackson MRICS. In the light of available information and evidence, he concludes the following costs:

Goss construction cost including external works	£32,571,414
Abnormal site costs	£2,948,373
Total:	**£35,519,787**

His narrative is as follows:

Introduction

In my opinion the information provided was sufficient for overview review at high level but not for the submission of planning and the accuracy of cost necessary. The Applicants is marked as 'Budget Estimate'

Review

I have used Median for Estate Houses Generally in Torrington, 4Q22 based on costs over the last 5 years from BCIS
I have allowed 22.6% for External works, which is reasonable for this type of scheme. I would expect between 20 to 25%
The GIA is 18,697m2 for housing and 1,500m2 for Commercial (unspecified type of building & use)
Abnormal costs appeared on balance to be likely, but could not be tested as no drawings showing the extent of the works were provided
I have applied 12.5% Preliminaries and 4% Main Contractor Overhead & Profit

Results

Proposed Residential Development				
Meat Factory, Great Torrington	**BCIS**		Valuation Office Agency	
DV Order of Cost Estimate	**Median**			
CRAC No: 1794804	**TORRINGTON**			
	changes from DVS tab		**4Q22**	
SUMMARY				
	GIFA	18,697	m2	
Description	**Submitted Costs**	**DVS**	**Difference**	**% Difference**
Build Cost				
Development including external works	£38,741,700	£32,571,414	-£6,170,286	-16%
Abnormals	£750,000	£2,948,373	£2,198,373	293%
Estimated Construction Cost at 4Q2022	**£ 39,491,700**	**£ 35,519,787**	**-£ 3,971,913**	**-10%**
Build Cost including CSH, External Works, Prelims, OH&P per m²				
Abnormals Cost including Prelims, OH&P per m2				
	£2,112.19	**£1,899.76**	**m2**	

Conclusion

The information for the proposed scheme, suggests that the scheme is ***10% in variance in terms of the costs provided against my review, with my***

***assessment being the lower**. Ideally for an accurate cost review more defined and detailed information is required.*

It is noted that the foregoing QS conclusion is based on an assessment provided with source data from David Wilson Homes, and therefore at the premium product end of the volume housebuilder market. In the light of this, it is reasonable to assume premium completed value, and this lends further support to the indexed values detailed in this report.

The impact on viability of higher and lower costs of up to 5% are reflected upon as part of the sensitivity tests.

Professional fees:

S106 Management originally adopted a rate of 10% on build costs in respect of professional fees. Whilst reflective of the area wide study, this allowance was considered high in my recent experience, particularly with regard to the scale and nature of the proposed development. In their latest re-assessment, the applicants have provisionally reduced this to 8%, and cited a recent DVS assessment in the District, which is not recognised. Given the scale of the proposed scheme, in-house QS advice, and other recent evidence of similar scale schemes in the District and wider region suggests that 7% of costs is a more reasonable allowance (exclusive of separately stated NHBC warranty costs), and this is maintained in my re-assessment.

Finance debit/credit rates:

The applicants have included a finance debt rate of 7% inclusive of fees in their appraisal. Despite recent increases in base rate, I am of the view that this rate remains high in my recent experience and have used a revised fees inclusive debit rate of 6.75% in my assessment. S106 Management has also not included a finance credit rate on positive balances in their assessment, whereas I have included a rate of 2% in my assessments as is good practise.

9.2 Summary Agreed Cost Inputs

The following cost inputs have been accepted as reasonable and adopted by DVS in the review assessment.

Cost	Agent	Comments
Contingency	5%	DVS confirm that 5% is typical for a previously developed (or brownfield) site.
Marketing and agency costs	2.5%	This assessment is considered reasonable and adopted in my assessment.

Cost	Agent	Comments
Legal fees residential sales		The applicants have provisionally adopted £600 per market unit, and this is considered reasonable. In addition, and in common with recent assessments, I have included £400 per affordable unit in respect of legal transfer costs in my assessment.

Commercial letting fees	10%	This allowance is considered reasonable. In addition, I have included commercial letting legal fees of 5% as is standard practise.
Land acquisition fees	1.5%	Typically, 1.3% -1.75% of (DVS opinion) of the land value.
Stamp Duty Land Tax		at the prevailing (commercial) rate of (DVS opinion) of the land value.

10.0 Developer's Profit

10.1 S106 Management originally included developers return at a rate of 20% of market unit GDV and 17.5% in respect of the commercial element in their assessment. In my most recent experience, developers target return has been set at a range of 17.5% to 20% of market GDV. The most recent government guidance also suggests an industry norm of between 15% and 20% on market GDV. An appropriate target rate of developers' return has been considered against this guidance, recent experience in the region, current market circumstances, and in the light of site-specific factors.

10.2 In the light of my most recent experience of development proposals of this nature, I have rather adopted 17.5% of market residential GDV in my assessment as a reasonable target profit level. Similarly, in the light of my most recent experience, I consider that the target profit level of 17.5% in respect of commercial property is excessive, and I have rather adopted an allowance of 15% in my assessment. In respect of affordable units, I have adopted a target profit level of 6% as is widely adopted and reflecting reduced risk on the basis of a forward sale to a Registered Provider. It is understood that these rates are provisionally accepted and use by the applicant in their latest assessment.

10.3 To accord with the RICS Guidance Note **'Assessing viability in planning under the National Planning Policy Framework 2019',** I can report that the profit level I have adopted of 17.5% market GDV, 6% of affordable GDV, and 15% of commercial GDV is equivalent to 18.81% of Total Development Costs on the assumption of a planning policy compliant scheme.

11.0 Benchmark Land Value (BLV)

11.1 Applicant's BLV

The applicant's surveyor originally adopted a Benchmark Land Value of £7,020,000. In their latest assessment, this has been reduced to £4,750,000. This comprises their opinion of EUV at £4,750,000 with no premium.

The evidence has been considered and the revised EUV is not considered to be reasonably assessed.

In forming my opinion of BLV I have followed the five-step process, which is detailed in RICS GN '**Assessing viability in planning under the National Planning Policy Framework 2019 for England'** (effective 1 July 2021).

11.2 Existing Use Value (EUV)

Step one is to undertake a valuation to determine EUV. The existing use of the site is as industrial/employment land with a range of buildings in poor condition.

The Applicant's EUV is £4,750,000, and is principally based upon an assessment of value for existing industrial use. Given the scale and nature of the site, I do not consider this revised assessment to be realistic.

My EUV is £2,000,000 and has been approached by consideration of the lawful extant use of the land, reflecting considerable scale, and supported by potential refurbishment and re-use of the existing buildings.

11.3 Alternative Use Value (AUV)

Step two is the assessment, where appropriate, of the AUV. There is an alternative use applicable to this site by virtue of an outline consent for the development of up to 143 houses and 1,040 square metres of commercial space. It is however noted that this is not immediately implementable, as there is an outstanding and underdetermined reserved matters application. Notwithstanding this, I have assessed the indicative residual land value of the outline consented scheme by assessing gross completed value including 40% required affordable housing, and deducting costs of build, infrastructure and external works, contingency, fees, s106 costs (indexed costs indicated in a signed section 106 agreement), sales marketing and legal costs, finance and profit. I have applied these to the smaller outline consented scheme. The resulting residual amount available for land purchase, and therefore indicative alternate use value is circa £3,000,000.

11.4 Cross Sector Collaboration Evidence of BLV and Premium

The RICS GN explains that Step three is to assess a premium above EUV based on the evidence set out in PPG paragraph 016, which is '*the best available evidence informed by cross sector collaboration.* which can *include benchmark land values from other viability assessments' comparisons with existing premiums above EUV'.*

Such premiums, reflecting an incentive for a land owner to release land for alternative development, often ranges from nominal to the region of 30%. In this case, I am of the view that the continuation of the lawful existing use is potentially anachronistic in the context of the site location, scale and condition, and therefore that the potential demand may be limited. In the light of this, I have concluded that a more modest premium of say £200,000 (10% of EUV) would represent a fair incentive in this case.

11.5 Residual Land Value

Step four is to determine the residual value of the site or typology, assuming actual or emerging policy requirements, and this assessment of land value can be cross checked against the EUV+ and/or AUV.

Adopting the inputs described herein this report, the residual land value of the proposed scheme with the indicated policy requirements is £0.

11.6 Adjusted Land Transaction Evidence

Step five is to cross-check the EUV+ approach to the determination of the BLV of the site by reference to (adjusted) land transaction evidence and can also include other BLV of compliant schemes (or adjusted if not compliant).

Due to the heterogeneity of development sites and consequent difficulty in direct comparison as recognised by the RICS, I do not consider that such evidence is

useful in this case. My assessment is based on established and recommended determinants of BLV in development viability testing.

11.7 Purchase Price

The NPPG on viability encourages the reporting of the purchase price to improve transparency and accountability, however it discourages the use of a purchase price as a barrier to viability, stating "*the price paid for land is not a relevant justification for failing to accord with relevant policies in the plan.* And *under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan".*

The PPG does not, however, invalidate the use and application of a purchase price, or a price secured under agreement, where the price enables the development to meet the policies in the plan.

I understand that the applicant has not disclosed the price secured for the site.

11.8 Benchmark Land Value Conclusion

The reasonableness of the applicant's £4,750,000 Benchmark Land Value has been considered against:

The EUV of £2,000,000
Alternative use value £3,000,000
Appropriate premium above the EUV of £200,000 (10% of EUV)
The Residual Land Value of the planning compliant scheme £0
Benchmark Land Values (BLV) adopted in the local plan study for this typology considered not applicable
BLV adopted and agreed between DVS and an applicant's advisor is not considered applicable
Market evidence is not considered applicable
The purchase price is not applicable

It is my balanced and professional opinion having considered all of the above approaches that an appropriate BLV remains as £3,000,000. This comprises an AUV based on an extant outline planning consent.

12.0 DVS Viability Assessment

12.1 DVS Viability Appraisal 1 Policy Compliant Scheme

My viability review assessment has been produced using a bespoke Microsoft Excel software-based appraisal tool.
Appraisal 1 can be found at **Appendix (i)** reflects the combined policy requirements of 24% on-site Affordable housing (48 units) and s106 contributions totalling £2,102,765.

Based on the inputs I have outlined above the residual output presented as the amount available for land which is then compared to the valuer's opinion of the BLV to determine the viability of the scheme. My viability appraisal generates a residual land value of £0 together with a financial deficit of -£1,335,412. This is appreciably below of the BLV of £3,000,000.

It is my independent conclusion therefore that a planning policy compliant scheme is not financially viable.

12.2 DVS Viability Appraisal 2 Reduced Policy Scheme

Given this finding of a lack of financial viability against an assessed BLV, I have sought to test the indicative level of s106 contribution that could be financially supported by the proposed scheme. My appraisal summary sheet in this regard is attached at appendix (ii) to this report. It shows that with the assumptions as stated above, a scheme providing no on-site affordable housing and a general sum of £1,224,183 in respect of a financial s106 contribution generates a residual land value of £3,000,000, equating to the BLV.

It is my independent conclusion therefore that a reduced policy scheme comprising of no on-site affordable housing, together with other section 106 contributions totalling £1,224,183 is financially viable in current market circumstances.

13.0 Sensitivity Analysis

13.1 Further to mandatory requirements within the RICS Professional Statement **'Financial viability in planning: conduct and reporting'**, sensitivity tests are included to support the robustness of the viability conclusion described above.

13.2 I have varied two of the most sensitive appraisal inputs relating to sales revenue and base construction costs. I have adjusted these in upward and downward steps of 2.5% from the base appraisal assumption, and the output is the financial surplus/deficit with a BLV of £3,000,000 included.

13.3 **Sensitivity Test 1 – Appraisal 1 –** Policy Compliant **Scheme** Results

	Sales: revenue				
Construction cost:	5.000%	2.500%	0.000%	-2.500%	-5.000%
-5.000%	-£1,058,687	-£2,351,386	-£3,644,084	-£4,936,783	-£6,229,482
-2.500%	-£1,872,972	-£3,165,671	-£4,458,370	-£5,751,068	-£7,043,767
0.000%	-£2,687,257	-£3,979,956	**-£5,272,655**	-£6,565,354	-£7,858,052
2.500%	-£3,501,543	-£4,794,242	-£6,086,940	-£7,379,639	-£8,672,338
5.000%	-£4,315,828	-£5,608,527	-£6,901,226	-£8,193,924	-£9,486,623

13.4 The base conclusion (surplus or deficit) is shown in bold at the centre of the results table (white cell). The green cells indicate the combination of factors that would give way to a viable scheme, and the yellow cells what would give way to an unviable scheme.

13.5 As can be seen from the Appraisal 1 sensitivity matrix, all of the 25 iterations give way to an unviable scheme. This matrix supports my conclusion that the scheme as proposed cannot viably support planning policy required contributions.

13.6 Further analysis suggests that in order for the scheme to be marginally financially viable with the stated BLV and target developer profit, construction costs would need to decrease by circa 10%, combined with an increase in gross development

value of circa 5%. This combination of market movement is considered unlikely in the short term.

13.7 If your council requires any additional or specific testing for future reports please let me know.

14.0 Recommendations

Summary of key issues and recommendations.

14.1 Viability Conclusion

Following the above testing work It is my considered conclusion that the proposed development is unable to support the full (as adjusted by vacant building credit) planning policy requirements.

It is my independent conclusion that a reduced policy scheme comprising of no on-site affordable housing, together with other section 106 contributions totalling £1,224,183 is financially viable in current market circumstances.

14.2 Viability Review

Further to my conclusion above and the advice that your Council's full planning policy requirements will not be met; a review clause might be appropriate as a condition of the permission, in line with paragraph 009 of the PPG Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project. DVS can advise further on this should you so require.

The council may consider it appropriate to make it a pre commencement condition that viability is reviewed if construction does not start within a prescribed period of time.

14.3 Commentary

It is notable that in their latest assessment, the applicants conclude that the development scheme as proposed is not financially viable and is in substantial financial deficit even with no s106 contribution whatsoever. In the light of this, your Authority may wish to consider the deliverability of the scheme as part of its deliberations.

In addition, it is noted that in the applicant's view the value of the site in existing or immediately available alternate use is considerably higher than the indicated residual land value for the site arising from the scheme as proposed.

We have necessarily confined our assessment to the scheme as proposed. An alternative residential led scheme could prove to be more financially viable, subject to necessary testing.

15.0 Engagement

15.1 The DVS valuer has not conducted any material discussions or negotiations with the applicant or any of their other advisors.

15.2 Should the applicant continue to disagree with the conclusions of our revised assessment; we would recommend that they provide further information to justify their position. Upon receipt of further information and with your further instruction, DVS would be willing to review the new information and reassess the schemes viability. There would be an additional charge for this service as detailed in our terms of engagement.

15.3 If any of the assumptions stated herein this report and/or in the attached appraisal are factually incorrect the matter should be referred back to DVS as a re-appraisal may be necessary.

15.4 Following any new information and discussions a further stage report may then be produced, however if the conclusion is unchanged, a redacted version of this report including refence to the discussions will be provided.

16.0 Disclosure / Publication

16.1 **This review report is not for publication.**

16.2 The report has been produced for Torridge District Council only. DVS permit that this report may be shared with the applicant and their advisors as named third parties only.

16.3 The report should only be used for the stated purpose and for the sole use of your organisation and your professional advisers and solely for the purposes of the instruction to which it relates. Our report may not, without our specific written consent, be used or relied upon by any third party, permitted or otherwise, even if that third party pays all or part of our fees, directly or indirectly, or is permitted to see a copy of our report. No responsibility whatsoever is accepted to any third party (named or otherwise) who may seek to rely on the content of the report.

16.3 Planning Practice Guidance for viability promotes increased transparency and accountability, and for the publication of viability reports. However, it has been agreed that your authority, the applicant and their advisors will neither publish nor reproduce the whole or any part of this initial assessment report, nor make reference to it, in any way in any publication. It is intended that a final report will later be prepared, detailing the agreed viability position or alternatively where the initial review report is accepted, a redacted version will be produced, void of personal and confidential data, and made available for public consumption.

16.4 As stated in the terms, none of the VOA employees individually has a contract with you or owes you a duty of care or personal responsibility. It is agreed that you will not bring any claim against any such individuals personally in connection with our services.

16.5 This report is considered Exempt Information within the terms of paragraph 9 of Schedule 12A to the Local Government Act 1972 (section 1 and Part 1 of Schedule 1 to the Local Government (Access to Information Act 1985) as amended by the Local Government (access to Information) (Variation) Order 2006 and your council is expected to treat it accordingly.

The DVS valuer assume that all parties will restrict this report's circulation as appropriate, given the confidential and personal data provided herein.

If the parties do not wish to discuss or contest this report, a redacted version suitable for publication can be issued following your formal request.

I trust that the above report is satisfactory for your purposes, however, should you require clarification of any point do not hesitate to contact me further.

Yours sincerely

[redacted]

W Robert J Gill BSc MRICS
Principal Surveyor
RICS Registered Valuer
DVS
Date: 19 October 2022

Reviewed by:

[redacted]

Pete McGuigan MRICS
RICS Registered Valuer
Principal Surveyor
DVS
Date: 19 October 2022

17.0 Appendices

(i) Appraisal 1
(ii) Appraisal 2
(iii) Redacted terms of engagement

Appendix 1 – Planning Policy compliant scheme appraisal summary

Property **Former Abattoir site, Beara Head, Torrington Devon EX38 7AJ**
Ref: **1794804**
Client **Torridge District Council**
WITHOUT PREJUDICE
Appraisal by **DVS** Property Specialists for the Public Sector
Appraisal Date **Planning policy required appraisal** **19 October 2022**

Receipts:				**No. Units**	**Total GIA**			
				200	**m2**			
	Private Residential	76%		152	14,051	£44,647,000	**£44,647,000**	
	Affordable Housing	24%						
		social rent	75%	36	2,369	£3,443,200		
		shared ownership	25%	12	777	£1,844,700		
				48	3146	£5,287,900	**£5,287,900**	
	Commercial	rental value	£150,000					
		investment yield	8 %			£1,875,000		
		less purchsers costs				£101,950	**£1,773,050**	
TOTAL DEVELOPMENT VALUE								**£51,707,950**
Development Costs								
Acquistion Costs								
	Residual Land Value	9.36 gross hectares	£320,513 per gross ha			£3,000,000		
		23.13 gross acres	£129,709.76 per gross acre					
	Stamp Duty		nil, 2% and 5% tranches			£139,500		
	Agents and Legal Fees		1.50%			£45,000		**£3,184,500**
Construction Costs:								
			GIA	rate £/m				
	Gross build cost (residential and commercial) including external works		18,697	1,742		£32,571,414	£32,571,414	**£32,571,414**
	Abnormal site costs/Infrastructure:					£2,948,373		
			NHBC			£400,000	£3,348,373	**£3,348,373**
Contingency					5%	£1,795,989		**£1,795,989**
Professional Fees:					7%	£2,514,385		**£2,514,385**
Planning Contributions								
	Education: SEN provision					£93,468.00		
	Education: Primary					£956,287.00		
	Education: Secondary					£665,259.00		
	Education: land provision					£88,000.00		
	Education: Early years					£50,000.00		
	Biodiversity net gain/POS					£0.00		
	NHS CCG					£0.00		
	Built facilities contribution					£249,751.42	£2,102,765.42	**£2,102,765**
Disposal costs:								
	Marketing				1.00%		£446,470	
	Agency (housing and commercial)				1.50%		£696,301	
	legal costs market unit sales			£600 per unit			£91,200	
	legal sales fee affordable			£400 per unit			£19,200	
	legal sales fee commercial				0.50%		£8,865	
	Commercial letting fee			of rent	10.00%		£15,000	
	Commercial leeting legal fee			of rent	5.00%		£7,500	**£1,284,536**
Finance:	Interest	credit rate 2.00%		debit rate 6.75%			£1,782,186	**£1,782,186**
Profit:	market residential		on GDV		17.50%		£7,813,225	
	affordable		on GDV		6.00%		£317,274	
	Commercial		on GDV		15.00%		£265,958	**£8,396,457**
TOTAL DEVELOPMENT COSTS								**£56,980,605**
PROFIT								
	Surplus/Deficit							**-£5,272,655**

Appendix 2 – Reduced policy scheme appraisal summary

Property	**Former Abattoir site, Beara Head, Torrington Devon EX38 7AJ**		
Ref:	**1794804**		
Client	**Torridge District Council**	Appraisal	**Reduced planning policy appraisal**
	WITHOUT PREJUDICE	Date	**19 October 2022**
Appraisal by	**DVS** Property Specialists for the Public Sector		

Receipts:

				No. Units	Total GIA			
				200	m2			
Private Residential	100%			200	17,197	£56,093,000	**£56,093,000**	
Affordable Housing	0%							
	social rent		#DIV/0!	0	0	£0		
	shared ownership		#DIV/0!	0	0	£0		
				0	0	£0	**£0**	
Commercial	rental value	£150,000						
	investment yield	8 %				£1,875,000		
	less purchsers costs					£101,950	**£1,773,050**	
TOTAL DEVELOPMENT VALUE								**£57,866,050**

Development Costs

Acquistion Costs							
Residual Land Value	9.36 gross hectares	£320,513 per gross ha			£3,000,000		
	23.13 gross acres	£129,709.76 per gross acre					
Stamp Duty		nil, 2% and 5% tranches			£139,500		
Agents and Legal Fees		1.50%			£45,000		**£3,184,500**
Construction Costs:							
		GIA	rate £/m				
Gross build cost (residential and commercial) including external works		18,697	1,742		£32,571,414	£32,571,414	**£32,571,414**
Abnormal site costs/Infrastructure:					£2,948,373		
		NHBC			£400,000	£3,348,373	**£3,348,373**
Contingency			5%		£1,795,989		**£1,795,989**
Professional Fees:			7%		£2,514,385		**£2,514,385**
Planning Contributions							
	Total available non-ascribed financial contribution				£1,224,182.96	£1,224,182.96	**£1,224,183**
Disposal costs:							
	Marketing		1.00%			£560,930	
	Agency (housing and commercial)		1.50%			£867,991	
	legal costs market unit sales		£600 per unit			£120,000	
	legal sales fee affordable		£400 per unit			£0	
	legal sales fee commercial		0.50%			£8,865	
	Commercial letting fee		10.00%	of rent		£15,000	
	Commercial leeting legal fee		5.00%	of rent		£7,500	**£1,580,286**
Finance:	Interest	credit rate 2.00%	debit rate 6.75%			£1,564,687	**£1,564,687**
Profit:	market residential	on GDV	17.50%			£9,816,275	
	affordable	on GDV	6.00%			£0	
	Commercial	on GDV	15.00%			£265,958	**£10,082,233**
TOTAL DEVELOPMENT COSTS							**£57,866,050**

PROFIT

Surplus/Deficit	**£0**

Appendix 3 – Redacted terms of engagement