



**Strata / Barnsley Road, Denby Dale,
Huddersfield**

Financial Viability Assessment

May 2023



Inspiring Built
Environments

Viability
Development Management
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EXECUTIVE SUMMARY

- Continuum have been instructed on behalf of Strata (the “client”) to prepare a financial viability appraisal in support of the proposed application at Barnsley Road, Denby Dale, Huddersfield, HD8 8TS.
- In accordance with the instruction, Continuum have independently assessed the proposed development to determine whether a policy compliant provision of affordable housing, in accordance with Policy LP11 of the Kirklees Metropolitan Brough Council (KMBC) Local Plan (2019), could viably be achieved.
- The site is currently in agricultural use as an arable field. It measures circa. 2.31 gross hectares (5.71 acres) and is located to the south of Denby Dale, Huddersfield and currently comprises grazing land. The subject site is located within KMBC.
- The proposed scheme is for the erection of 27 no. dwellings and the provision of open space, and associated works.
- Strata purchased the site based on the allocation and an indicative capacity of 72 dwellings and net developable area of 2.07 hectares (5.11 acres). Following the purchase of the site and discussions with KMBC, Natural England have designated the adjacent woodland (Tanner Wood) as Ancient Woodland. Due to this new designation, KMBC’s policy requires a larger strip of land to the east of the site to be retained as a stand-off from the adjacent woodland. This has meant the subject site has a lower net developable area of circa. 1.49 hectares (3.68 acres) and has also led to the subject site being able to only accommodate 37.5% of the allocation’s dwelling amount.
- Policy LP11 of the Local Plan (2019) sets out KMBC’s approach to affordable housing. The policy establishes a target of 20% of new residential dwellings to be delivered as affordable within the Borough for schemes that deliver 10 or more units or have a total site area in excess of 0.4 hectares.
- Policy LP11 of the Local Plan is supported by the Local Plan Viability Assessment prepared by Cushman & Wakefield (CW) in 2015 to 2019. This assessment takes into account assumptions made within this document.
- Continuum have been provided with the following other S106 contributions from Strata which they have estimated based on pre-application feedback from KMBC for the subject site:

Description	S106 Contribution
Education	£65,778
Travel	£27,720
Biodiversity Net Gain (BNG)	£118,440
Total	£211,938

- Paragraph 7 of the PPG (2019) allows for viability to be assessed at the decision taking stage if particular circumstances justify as such. Continuum consider the abnormal costs at the site which are in advance of those adopted in the viability testing to inform the Local Plan, demonstrate particular circumstances for assessing viability at the decision taking stage. Another particular circumstance is the significant change by KMBC in terms of housing capacity and net developable area at the site.
- In order to establish the Gross Development Value (GDV) for the proposed scheme, Continuum have estimated sales values based on comparable new build estate housing developments in proximity of the subject site, making any adjustments for differences in specification and location where required.
- Affordable housing values have been adopted based on KMBC’s recent affordable housing transfer values.
- Standard build costs have been adopted with reference to the BCIS average price study rebased to KMBC as per guidance contained within the PPG on Viability (2019). Uplifts to the BCIS figure have been included to account for external work costs and Part L Building Regulations. The approach to standard build costs is

supported by CW Local Plan Viability Assessment and the Align Property Partners Viability Assessment on KMBC's Affordable Housing & Housing Mix SPD. The standard build costs adopted reflect the scale and nature of the proposed scheme.

- Standardised assumptions such as contingency, professional fees, finance rate, site acquisition costs and sale disposal fees are supported by relevant appeal decisions and Kirklees Local Plan Viability Assessment. These costs reflect the scale and nature of the proposed scheme.
- A profit margin of 20% of GDV has been adopted in regard of the market units, this assumption falls within the range which is considered suitable in the PPG on Viability (2019). A lower profit margin of 6% has been adopted for the affordable housing which reflects the guaranteed final sale. The following assumptions are the same profit level adopted by CW in the Local Plan Viability Assessment.
- Abnormal costs are based on the estimated actual costs the Applicant expects to incur. It is understood that the total abnormal costs for the site are £1,898,452 which equates to £332,594 per gross acre. These costs have been included within the appraisal.
- The Benchmark Land Value (BLV) has been established following the Alternative Use Value (AUV) methodology as per the PPG on Viability (2019). Any developer or landowner acting reasonably would seek to purchase a site based on its planning allocation density within a suitable tolerance. This is supported by the PPG, which states that landowners and site purchasers should take into consideration the Local Plan (& its cost of policies) and the underpinning Local Plan Viability Assessment when agreeing land transactions. Strata also undertook full planning due diligence when purchasing the site and had a pre-application consultation with KMBC in relation to the site. At this stage, Natural England had not designated Tanner Wood as Ancient Woodland and Strata had not been provided with any reason as to why they would not be able to build out the site to the same density as the allocation in the Plan. Continuum would therefore argue that the BLV should be informed by the AUV of the site based on its allocation that is policy compliant, as this is the basis any reasonable developer and landowner would assess the site. This AUV assessment would also equate to the minimum price any reasonable landowner would expect for the site based on its allocation in the Plan. The AUV assessment has been estimated at £1,575,785 (£682,158 per gross hectare / £276,066 per gross acre). This AUV assessment takes into account abnormal costs and is the minimum price a landowner would expect for their site based on its allocation in the Plan.
- Section 10 of this report demonstrates that the proposed scheme does not generate a Residual Land Value (RLV) equivalent or higher than the BLV adopted for the site on a 100% market basis. Due to this, it can be argued that the scheme cannot viably support any affordable housing or other S106 contributions.
- The following table gives a summary of the findings of the viability appraisal undertaken by Continuum:

	Appraisal (100% Market)
S106 Contributions	£211,938
GDV	£14,905,000
Profit (on GDV)	20%
Residual Land Value	£1,221,347
Benchmark Land Value	£1,575,785
Viability Challenge	Yes

- A sensitivity analysis (section 11) has been undertaken as per the RICS professional statement on viability (2019), the analysis considers increases and decreases in both cost and value and the impact on the RLV. The build costs assumptions in this assessment are to be considered conservative given the volatility of the market and the sensitivity shows that there would be a greater viability challenge should build costs increase. Recent research undertaken by leading residential forecasters predict that sales values will decrease in 2023, should sales values decrease the viability of the scheme will be further compromised.

Based on current forecasts, in 2023, there is a real threat that cost inflation will outstrip value inflation, which means that the potential for the scheme to produce a RLV higher than the BLV estimated is minimal.

- In line with national planning guidance and adopted development plan policies, it has been demonstrated that the proposed scheme at Denby Dale is unviable should the scheme be required to provide any affordable housing in compliance with Policy LP11 of the adopted KMBC Local Plan (2019) or other S106 contributions. What the appraisals produced show, is that with KMBC now imposing a reduced net developable area than the site's allocation (due to a larger strip of stand-off land), the scheme's output RLV reduces considerably, affecting the viability of the site. If Strata were able to build out the scheme at the same density as the allocation, then the scheme would be able to contribute towards its full planning obligations (incl. affordable housing).

1. INSTRUCTIONS

Continuum have been instructed by Strata Homes (hereafter “the client”) to prepare a financial viability assessment (FVA) pursuant to the proposed development at Barnsley Road, Denby Dale, Huddersfield, HD8 8TS (hereafter “the site”).

Continuum are a practice of property professionals specialising in viability in planning advising upon viability cases for both the public and private sector. This enables the provision of an informed and rounded approach that seeks to strike a balance between developer return, landowner return, and planning policy.

The proposed development comprises the erection of 27 no. units, provision of open space and associated works, with a proposed mix of 4 & 5 bedroom units.

Continuum have been instructed to determine the appropriate amount of affordable housing and section 106 obligations payments that are able to be provided to achieve a balance between the Kirklees Metropolitan Borough Council’s (hereafter “KMBC”) policy requirements and landowner and developer returns.

This financial viability assessment (FVA) has two tasks:

1. Assess in terms of legislation and professional practice guidelines whether the proposed development can achieve the aspirational return to the developer and landowner whilst providing policy compliance, using values and costs in our appraisal that are fair and evidenced; and
2. To advise the client, following evaluation, what the maximum achievable provision of affordable housing and S106 obligations that can be delivered as part of the planning permission at the site.

This FVA has been produced with reference to adopted national planning guidance following the stipulations as set out in the NPPF (2021) and the PPG on Viability (2019).

This FVA does not constitute a formal valuation, as such, the guidance included in this report is exempt from regulations set out in the RICS Valuation Professional Standards (the Red Book) (2021).

Appendix 1 confirms that this review is in accordance with the requirements set out within the RICS Professional Statement: Financial Viability in Planning (2019). The FVA has been prepared with reference to the RICS guidance note: Assessing viability in planning under the National Planning Policy Framework 2019 for England (2021).

2. CONFIDENTIALITY

This FVA is confidential to the Client and their advisors. It has been prepared in accordance with Continuum's terms of engagement.

This FVA has been prepared on the basis that it will be made publicly available should our client require it to be as under Continuum's terms of engagement.

No party other than the client is entitled to rely on this report for any purpose whatsoever and Continuum accept no responsibility or liability to any other party other than the Client in respect of the contents of this report. This report must not, save as expressly provided for in our terms of engagement, be recited or referred to in any document, or copied or made available (in whole or in part) to any other person without our express prior written consent.

This FVA should not be disclosed to any third parties under either the Freedom of Information Act 2000 (sections 41 and 43 (2)) or under the Environmental Information Regulations.

3. SITE CONTEXT

The site is currently in agricultural use as an arable field. It measures circa. 2.31 gross hectares (5.71 acres) and is located to the south of Denby Dale, Huddersfield and currently comprises grazing land with well demarcated boundaries on the periphery of a heavily residential area. The site is adjacent to a wooded area (Haley Well Beck and Tanner Wood) running along the eastern boundary with residential dwellings to the north, scrubland and further dwellings to the west and the A635 Barnsley Road to the south. Due to the existing facilities and services this is a logical extension to the urban area of Denby Dale and supports the continued housing and economic growth of Huddersfield.

The site is situated to the north of Barnsley Road circa 0.5 miles south of Denby Dale village centre within the Metropolitan Borough of Kirklees in West Yorkshire. It is 10 miles (17 km) to the southeast of Huddersfield and 9 miles (14 km) northwest of Barnsley. The nearest train station is in Denby Dale, approximately 1.1 miles from the site providing services to Huddersfield northbound and Sheffield via Barnsley southbound.

The address is allocated for residential development in KMBC's Local Plan under reference HS136. The allocation assumes the developable area of the site is 2.07 hectares (5.11 acres) and that it has an indicative capacity of 72 no. dwellings.

The subject site has an estimated net developable area of circa. 1.49 hectares (3.68 acres) and therefore has a gross to net ratio of 64.5%.

Strata purchased the site based on the allocation and an indicative capacity of 72 dwellings and a net developable area of 2.07 hectares (5.11 acres). Before Strata bought the site, they undertook planning due diligence through pre-application submission made to KMBC in July 2021. The pre-application response was received in September 2021 and in relation to trees concluded that:

"Tree Preservation Order DD2/51 affects the adjacent woodland area that is located to the east of this site. There are no issues with the general principle of the proposed development, however any future development must not unduly impact on the adjacent woodland."

A full planning application (ref: 2021/94552) was then submitted in December 2021 which had the same net developable area as the Local Plan allocation.

In March 2022 the Woodland Trust's comments were received which stated that Tanner Wood was an ancient woodland (this was not argued during the creation of the Local Plan and site allocations). In May 2022 Natural England confirmed that they had no object to the proposal and KMBC's planning officers then queried the Woodland Trust's suggestions with Natural England. Following this, in August 2022 Natural England confirmed that they had carried out an assessment and now concluded that Tanner Wood would be designated as Ancient Woodland. Due to this, in November 2022, Strata withdrew the previous planning application in order to allow them to consider the new status of the woodland and to allow them to draw up a revised scheme which takes into account the required 15m buffer zone from the Ancient Woodland. This has meant the subject site has a lower net developable area of circa. 1.49 hectares (3.68 acres) and has also led to the subject site being able to only accommodate 37.5% of the allocation's dwelling amount.

4. PROPOSED DEVELOPMENT

The development proposes the erection of 27 no. dwellings and the provision of open space, and associated works. The proposed schedule of accommodation is set out in the following table:

Description	Units	Area sq ft	Total Area
Copenhagen	4	1,350	5,400
Florence M42	3	1,773	5,319
Valencia	4	1,986	7,944
Naples	11	2,109	23,199
Sienna	5	2,296	11,480
Total/Avg.	27	1,976	53,342

A proposed site layout is included at **Appendix 2** which provides further detail as to the proposed scheme.

As stated in section 3 of this report, the proposed development unit numbers have reduced considerably from the allocation and only accounts for 37.5% from the site's allocation indicative capacity.

5. PLANNING CONTEXT

5.1. ADOPTED PLANNING POLICY

The Kirklees Development Plan consists of the Kirklees Local Plan, adopted in 2019, and, in applicable areas, the Holme Valley Neighbourhood Development Plan.

The site is allocated under reference HS136 for residential development. The capacity set out in the Local Plan for the site is 72 no. units. The allocation stated that the whole gross area of the site (2.07 hectares) could be developed out and therefore the allocation had a net developable area the same as the gross area (2.07 hectares). The allocation stated that “*third party land required to achieve sufficient visibility splays*”. Following the purchase of the site and discussions with KMBC, Natural England have designated the adjacent woodland (Tanner Wood) as Ancient Woodland. Due to this new designation, KMBC’s policy requires a larger strip of land to the east of the site to be retained as a stand-off from the adjacent woodland. This has meant the subject site has a lower net developable area of circa. 1.49 hectares (3.68 acres) and has also led to the subject site being able to only accommodate 37.5% of the allocation’s dwelling amount.

Policy LP11 of the Local Plan (2019) sets out KMBC’s approach to affordable housing. The policy establishes a target of 20% of new residential dwellings to be delivered as affordable within the Borough for schemes that deliver 10 or more units or have a total site area in excess of 0.4 hectares. The Local Plan needs to plan for a mix of size, type and tenure of housing to ensure identified needs are met including those of different groups in the community (including families with children, older people, people with disabilities, service families and people wishing to build their own homes).

5.2. REQUIRED S106 CONTRIBUTIONS

Continuum have been provided with the following other S106 contributions from Strata which they have estimated based on pre-application feedback for the subject site:

Description	S106 Contribution
Education	£65,778
Travel	£27,720
Biodiversity Net Gain (BNG)	£118,440
Total	£211,938

5.3. CIL

As the government has stated an intention to replace the CIL process with a nationally set infrastructure levy, KMBC has decided not to adopt CIL at this stage. This was discussed by the cabinet on the 19th of January 2021.

6. APPROACH TO VIABILITY

The approach used for assessing viability within the FVA is in compliance with national planning policy:

- National Planning Practice Framework (NPPF) (2021); and
- National Planning Practice Guidance (PPG) on Viability (2014) (updated 2019).

The PPG (2019) sets out the standard approach to assessing viability at both the plan and decision-making stage, seeking to ‘*strike a balance*’ between the aspirations of developer returns, landowner returns and benefits in the public interest through policy compliance.

Guidance prepared by Royal Institution of Chartered Surveyors (RICS) has also been taken in account in the preparation of this report with particular reference to the following documents:

- RICS Professional Statement: Financial Viability in Planning – Conduct and Reporting (2019); and
- RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England (2021).

The Professional Statement sets out mandatory requirements to be followed by RICS professionals with regard to conduct and reporting in relation to FVAs for planning in England. The Guidance Note sets out best practice of how FVAs should be undertaken and how to follow the PPG (2019). These documents supersede the RICS 2012 Guidance on viability. **Appendix 1** confirms that this review is in accordance with the requirements set out within the RICS Professional Statement: Financial Viability in Planning (2019).

6.1. NATIONAL PLANNING GUIDANCE

The approach to viability significantly changed following the publication of the NPPF in February 2019 and the updating of the PPG relating to viability in September 2019. Weight to be given to the viability assessment is now a matter for the decision maker and should be based upon the recency of the development plan and the supporting viability evidence, alongside the transparency and justification of the evidence submitted as the basis of the viability assessment.

Viability is defined at both the plan making and decision taking stage by the PPG (2019) as a process of ‘striking a balance’ between the aspirations of both developer and landowner returns and the aims of the planning system to secure maximum benefits in the public interest. Following this guidance, Continuum have ensured to effectively demonstrate a balance between the three components of viability in the submitted FVA.

The PPG (2019) states that to determine land value for the purposes of viability in planning, a benchmark land value (BLV) should be established using the existing use value plus (EUV+) a premium methodology. EUV is an assessment of the value of the site in its existing form irrespective of hope value. The plus represents a premium to provide an incentive for a reasonable landowner to release their land for development; any premium shall reflect the implications of abnormal costs and adopted planning policy.

6.2. THE VIABILITY CHALLENGE

Paragraph 7 of the PPG (2019) sets out “*particular circumstances*” that could allow for viability to be assessed at the decision taking stage. The PPG includes a number of examples of “*particular circumstances*” such as:

“where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.” (para. 007).

6.2.1. ABNORMAL COSTS

Following detailed site investigation work, Strata have estimated that the proposed scheme will be subject to abnormal costs which will impact upon the financial viability of the proposed development. In addition, part of the site is unable to be developed due to ecological protection orders due to the Ancient Woodland. With this considered, this will require abnormal costs associated with buffers and separation distances between the development and the non-buildable woodland area.

The Local Plan Viability Assessment for KMBC was produced by Cushman & Wakefield (CW) in 2015 to 2019. In this assessment they did not include any abnormal costs. Overall, the site has a number of abnormal costs that will have a negative impact on the viability of the proposed scheme. Given the number of site specific abnormal costs, it is considered it is appropriate for viability to be assessed at the decision taking stage based on paragraph 7 of the PPG on Viability (2019).

6.2.2. DEVELOPABLE AREA

The site is allocated in the Local Plan (2019) for residential development. The indicative capacity is 72 no. units and a net developable area of 2.07 hectares (5.11 acres). This is evidently substantially in advance of the 27 no. units and net developable area of 1.49 hectare (3,68 acres) that are being proposed as part of this application. Paragraph 7 of the PPG on Viability (2019) states that if development is proposed on sites that are wholly different in type from those use in the viability assessment to inform the Plan that it is appropriate for viability to be assessed at the decision taking stage. Continuum believe due to the significant change by the LPA in terms of housing capacity at the site, this would warrant viability to be assessed at the decision taking stage.

7. BENCHMARK LAND VALUE

Continuum have followed guidance contained within the PPG on Viability (2019) and believe the best way to assess the BLV of the site is based on the Alternative Use Value of the allocation of the site, as this reflects the minimum price a landowner would expect for their site based on the Plan.

7.1. LOCAL PLAN VIABILITY ASSESSMENT

The Local Plan Viability Assessment was produced by CW in 2015 to 2019. In CW latest 2019 assessment they estimated the BLV based on the EUV+ methodology and assumed different BLVs for different value areas. For Value Area 1 where the site is located, CW estimated a BLV of £1,093,040 per ha which equates to £442,347 per acre and they state presents a premium of circa. 28 times for greenfield sites.

7.2. EXISTING USE VALUE PLUS

The PPG states that the BLV can be estimated using the existing use value plus (EUV+) premium methodology. The EUV+ methodology requires the following inputs:

- Estimation of the existing use value of a site;
- Allowance for a premium to landowners;
- Reflection of abnormal costs, site specific costs and professional fees associated; and
- Transactional data based on schemes that are fully compliant with the up-to-date development plan policies can be used as a cross check.

Continuum however believe that an AUV assessment at the subject site better reflects the unique planning position of the site in terms of its allocation and imposed reduced densities. Continuum have therefore currently not undertaken an EUV+ assessment of the site but retain the right to undertake one if requested.

7.3. ALTERNATIVE USE VALUE

The PPG at para. 17 explains that the BLV can be estimated based on the Alternative Use Value (AUV) which is the:

“value of land for uses other than its existing use.”

The PPG explains that the AUV should be limited to those uses which would fully comply with up-to-date development plan policies, including requirements for affordable housing that was set out in the plan. The AUV assessment includes the premium to the landowner and therefore no premium is applied on top of the AUV.

The subject site is unique in terms of the planning position at the site. The site was allocated under reference HS136 for residential development, with an indicative capacity set out in the Local Plan for 72 no. units. The allocation stated that the whole gross area of the site (2.07 hectares) could be developed out and therefore the allocation had a net developable area the same as the gross area (2.07 hectares). Strata therefore purchased the site based on its allocation in the Local Plan, its supporting Local Plan Viability Assessment by CW and the subsequent pre-application advice that was received from the Council. This is supported by the PPG which states that:

“It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan. Landowners and site purchasers should consider this when agreeing land transactions.” (para. 2).

And;

“It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land.” (para. 6).

Strata when purchasing the site did so on the basis of the allocation and the indicative capacity of being able to deliver 72 dwellings on 2.07 net hectares of land. Strata when purchasing the site, took into account the full cost of policy compliance and the assumptions supporting the Local Plan in the Local Plan Viability Assessment by CW. At this stage, Natural England had not designated Tanner Wood as Ancient Woodland and Strata had not been provided with any reason as to why they would not be able to build out the site to the same density as the allocation in the Plan.

Continuum would therefore argue that the BLV should be informed by the AUV of the site based on its allocation that is policy compliant, as this is the basis any reasonable developer and landowner would assess the site.

Continuum have therefore undertaken a policy compliant residual appraisal of the allocation’s 72-unit scheme. Continuum have assumed the unit mix based on CW’s assumptions in their Local Plan Viability Assessment (2015 version) and based the mix on scheme 4 (88 units) which assumed the following scheme mix:

Beds	CW % Mix	CW NSA (sq ft)	No. of Units	Total NSA (sq ft)
2	25%	753	18	13,554
3	40%	969	29	28,101
4	25%	1,259	18	22,662
5	10%	1,507	7	10,549

Continuum have estimated the Gross Development Value (GDV) of the policy compliant scheme as outlined in section 8 of this report and Continuum have then applied the same assumptions in terms of standard inputs and costs as outlined in section 9 of this report. Continuum have assumed abnormal costs at the same rate per net acre of £515,633 and applied this to the higher net acreage of the site allocation. For the S106 contributions, Continuum have pro-rated these on a per unit basis.

The Residual Land Value (RLV) estimated for the policy compliant allocation equates to £1,575,785 (£682,158 per gross hectare / £276,066 per gross acre). This AUV assessment accounts for policy compliance and abnormal costs. Continuum would argue that this is the AUV for the site and the minimum price a landowner would expect for their site based on its allocation in the Plan.

Argus Developer, a widely used industry standard appraisal tool has been used to undertake the AUV appraisal included at **Appendix 3**.

7.4. MARKET EVIDENCE

Paragraph 4 of the PPG on Viability (2019) allows for market evidence to be provided as a cross-check to support the establishment of BLV for the purposes of viability assessment. Continuum have engaged with land agents in addition to house builders to understand the tone of market values for residential land in vicinity of the site. It is understood from relevant discussions and information provided that market values support the assessment made by Continuum is in line with market evidence. Should more information be required in this regard, it can be provided on request.

7.5. BENCHMARK LAND VALUE ASSESSMENT

Continuum have estimated the BLV of the site based on the AUV of the site’s allocation in the Plan. Continuum believe this is the minimum price a landowner would expect for their site when taking into account the cost of

policy compliance, the Local Plan, the evidence underpinning the viability of the Local Plan and abnormal costs at the site. The estimated BLV is therefore £1,575,785 (£682,158 per gross hectare / £276,066 per gross acre).

8. GROSS DEVELOPMENT VALUE

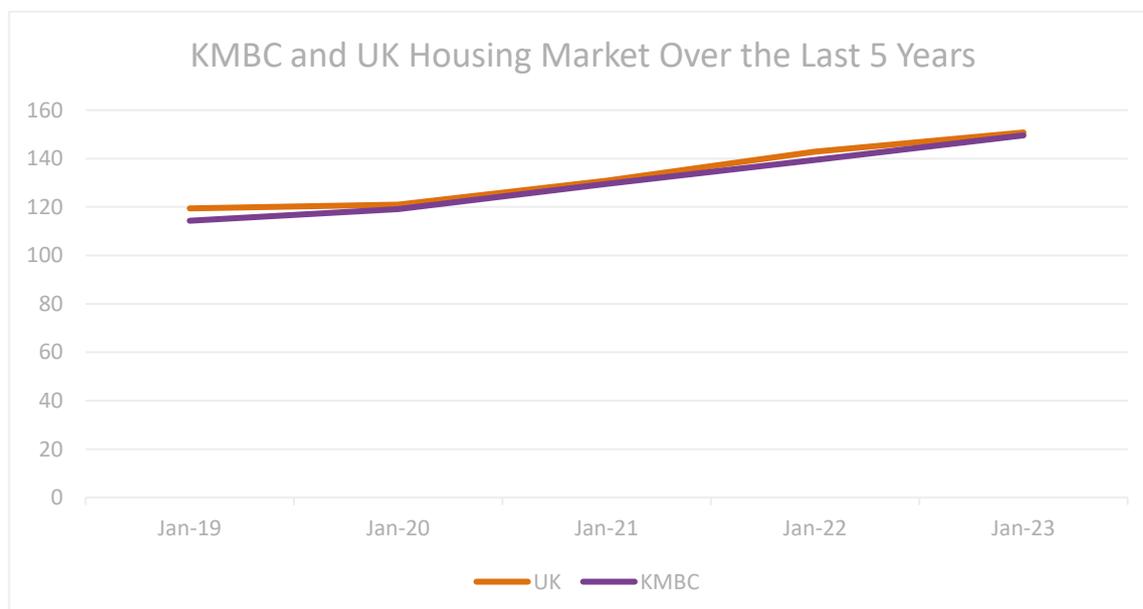
Following the guidance contained in the PPG (2019), the Gross Development Value (GDV) has been assessed based on the estimated total sales value. For clarity, there is no grant funding nor external sources of income that will contribute to the calculation of GDV.

For the purpose of this assessment of financial viability, comparable market evidence attained from existing new build development sites has been used to inform the adopted sales values; the values have been adjusted to take into account variations in use, form, scale and location.

Continuum have also assessed the values of the scheme based on the approaches set out in the RICS guidance note, comparable evidence in real estate valuation (2019).

8.1. MARKET OVERVIEW

Land Registry House Price Index has been analysed to understand how the housing market in KMBC has performed since 2019 and compares this against the national average. The graph below tracks the changes in House Price Index every February of the year (latest data):



KMBC housing market has followed the same trajectory as the UK average, where the market saw large increases in house price growth between 2020 to 2022, due to pent up demand, weak growth in 2019, stamp duty holiday and the “race for space” due to changes in working practices.

However, in Q4 2022, the housing market has started to slow down, due to the rise in interest rates and the uncertainty in the mortgage market caused by the scrapped mini budget which led to average 5-year fixed mortgage rates to be over 6%. Since Truss resigned as Prime Minister, the mortgage market has settled but there is still uncertainty, with the Bank of England interest rates rising again in May 2023 to 4.5% due to high inflation, which is expected to increase the cost of mortgages. The current average 5-year fixed mortgage is now at circa. 4.78% (Uswitch).

The most recent Zoopla UK House Price Index Report (May 2023) has stated that house price growth “*slows but the worse of the month-on-month falls are now behind us*”.

Zoopla have state that the average quart-on-quarter price fall was up to -0.7% across all regions and countries of the UK and they now predict a low negative annual growth by the summer and end the year at -1%.

Different organisations currently predict that the housing market values will decrease in 2023. The table below outlines these predictions:

Organisation	2023 Prediction	Date of Prediction
Zoopla	-1% (UK Average)	May 2023
Rightmove	-2% (UK Average)	April 2023
Knight Frank	-5% (UK Average)	March 2023
Savills	-5% (Midlands/North Average)	January 2023

The 2023 property price predictions have changed over the last few months, with leading commentators expecting the market to be more resilient than first anticipated and a lower reduction in values over this year. However, 2023 will still be a challenging year for the housing market, with sale values expected to decrease. Therefore, this will have an effect on the viability of projects, with values decreasing, while there is a cost inflation crisis still occurring.

8.2. COMPARABLE TRANSACTIONAL DATA

To assess appropriate sales values for the proposed scheme, sales data has been sourced from nearby comparable developments using Rightmove and Land Registry data.

8.2.1. NEW BUILD ASKING PRICE DATA

Continuum have assessed new build asking price comparables in Denby Dale. There are currently two developments which have properties for sale. The first scheme is the Willows by Yorkshire Countryside Properties. This scheme is located adjacent to the west of the subject site. The scheme has 34 stone crafted houses and consists of 1-to-5-bedroom properties. The Willow has the following properties for sale:

Plot	Name	Type	beds	NSA sq ft	Unit £	£/ sq ft	Net £/ sq ft	Notes
1	Valley Cottages	End Terrace	1	472	£156,000	£330.51	£313.98	
2	Valley Cottages	Mid Terrace	1	472	£152,000	£322.03	£305.93	
3	Valley Cottages	Mid Terrace	1	472	£152,000	£322.03	£305.93	
14	Fell	End Terrace	3	1,068	£380,000	£355.81	£338.01	2.5 storey
15	Fell	Mid Terrace	3	1,068	£370,000	£346.44	£329.12	2.5 storey
13	Paddock	Detached	4	1,570	£565,000	£359.87	£341.88	Integral garage
21	Ridge	Detached	3	1,131	£415,000	£366.93	£348.59	Integral garage
22	Nook	Semi	3	1,254	£425,000	£338.92	£321.97	3 storeys with lower ground floor
23	Nook	Semi	3	1,254	£415,000	£330.94	£314.39	3 storeys with lower ground floor

32	Barrow	Mid Terrace	2	764	£235,000	£307.59	£292.21	
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Continuum have adjusted the sale value to a net asking price value by applying a 5% discount. This is due to current properties selling for under the market price as well as the allowance for some incentives being offered due to the weakening residential market.

Although the above properties are comparable in terms of location, the above comparables are considerably smaller than Strata’s proposed units and Continuum would expect larger properties to have a lower sale value per sq ft than smaller units. Continuum would also expect 2.5 storey properties to have a lower price per sq ft than 2 storey properties. The most comparable unit is the Paddock which has a net asking price of £341.88 per sq ft for a 2-storey detached unit with a garage. This is a good comparable to base the Strata units on.

The other asking price scheme is Spring House located off Leak Hall Crescent and 1.3 miles from the subject site. The comparable is a large 5 bed detached unit (2,550 per sq ft) with integral double garage, that is over 3 storeys with a lower ground floor. The house is built to a high specification with natural stone and is on the market for £745,000 (£292.16 per sq ft). The net asking price when applying a 5% discount would be £277.55 per sq ft. This unit is comparable with the large Siena and Naples units at the subject site in terms of size but is slightly different in terms of being a 3-storey unit instead of a 2.5 storey unit. Continuum would argue the comparable is of slightly higher quality and part of a smaller development which would lead to a higher value per sq ft.

8.2.2. NEW BUILD ACHIEVED SALES DATA

Continuum have assessed new build achieved sales since May 2022 in Denby Dale. The only achieved comparables are the Spring House’s other units that were sold in 2022. Continuum believe these units were over 3 storeys with a lower ground floor. The table below outlines the achieved values:

No.	Address	Type	NSA sq ft	Unit £	£/ sq ft	Date
1	SPRINGHEAD GARDENS	Detached	2,874	£702,250	£244.35	29/07/2022
4	SPRINGHEAD GARDENS	Detached	2,616	£650,000	£248.50	04/05/2022
5	SPRINGHEAD GARDENS	Detached	2,530	£631,500	£249.65	07/07/2022

The above units are comparable with the large Siena and Naples units at the subject site in terms of size but is slightly different in terms of being a 3-storey unit instead of a 2.5 storey unit. Continuum would argue the comparable is of slightly higher quality and part of a smaller development which would lead to a higher value per sq ft.

8.3. MARKET SALES VALUES

Based on the above comparable and research, Continuum have adopted the following sale values for the proposed development, taking into account the location and scale of the scheme, as well as sizes and types of units:

Name	Units	Unit Sq ft	Total Sq ft	Unit £	£/ sq ft	Total £	Justification
Copenhagen	4	1,350	5,400	£460,000	£340.74	£1,840,000	Based on Paddock unit net asking price
Florence	3	1,773	5,319	£510,000	£287.65	£1,530,000	Reduction to Paddock unit net asking price due to being a 2.5 storey unit. Higher value than 3 storey large Spring House development units.
Valencia	4	1,986	7,944	£600,000	£302.11	£2,400,000	Based on Paddock unit net asking price with discount to factor in large size and based on Spring House unit with a premium to account for small size and being a two storey unit.
Naples	11	2,109	23,199	£560,000	£265.53	£6,160,000	Based on Spring House development units but taken into account lower specification than Spring House development.
Siena	5	2,296	11,480	£595,000	£259.15	£2,975,000	Based on Spring House development units but taken into account lower specification than Spring House development.
Total/Avg.	27	1,976	53,342	£552,037	£279.42	£14,905,000	

For the AUV appraisal, Continuum have estimated the following market sale values (excludes the affordable units):

Beds	Market Unit	NSA sq ft	Total NSA Sq ft	Unit £	£/ sq ft	Total £	Justification
2	14	753	10,542	£222,000	£294.82	£3,108,000	Based on Barrow
3	23	969	22,287	£300,000	£309.60	£6,900,000	Based on midpoint between Barrow and 3 bed properties at Willow scheme
4	14	1,259	17,626	£440,000	£349.48	£6,160,000	Based on Paddock
5	6	1,507	9,042	£527,000	£349.70	£3,162,000	Based on Paddock
Total / Avg.	57	1,044	59,497	£339,123	£324.89	£19,330,000	

8.4. AFFORDABLE SALES VALUES

For the AUV appraisal, Continuum have estimated the affordable sale values based on the current Kirklees Affordable Housing Transfer Values which are as follows:

- Social/Affordable Rent - £861 per m2 / £79.99 per sq ft
- Intermediate - £1,292 per m2 / £120.03 per sq ft

As per KMBC affordable housing tenure mix policy, 55% of the affordable units would be affordable rent and 45% intermediate. Based on this, Continuum have assumed the following affordable values for the AUV appraisal:

Type	AH Units	NSA sq ft	Total NSA Sq ft	Unit £	£/ sq ft	Total £
2 bed AR	4	753	3,012	£60,232	£79.99	£240,926
3 bed AR	4	969	3,876	£77,509	£79.99	£310,037
3 bed Int.	2	969	1,938	£116,309	£120.03	£232,618
4 bed Int.	4	1,259	5,036	£151,117	£120.03	£604,470
5 bed Int.	1	1,507	1,507	£180,885	£120.03	£180,885
Total / Avg.	15	1,025	15,369	£104,596	£102.08	£1,568,935

9. BUILD COSTS

The PPG (2019) states that build costs should be based on evidence which is reflective of local market conditions. Where possible costs shall be identified at the plan making stage and where applicable plan makers should identify where they are unable to assume costs and state where further viability assessment may be needed to support a planning application. Standard build costs should be based on appropriate data, which can include the BCIS database. The PPG (2019) states that appraisals should include abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites.

9.1. STANDARD BASE BUILD COSTS

The standard base build costs estimated for the scheme include the following:

- Base build
- Standard external works
- Garages
- Part L uplift

Continuum have first looked back at Kirklees recent Local Plan Viability Assessment produced by CW to understand the baseline. In 2019, C&W assumed for schemes less than 50 units that the BCIS median general estate housing figure rebased to Yorkshire & Humberside should be used as the base build costs, with an additional 10% for external works. In 2019 this equated to a standard build cost of £110.98 per sq ft (though it appeared this was based on a 2018 assessment date). If this methodology was applied to current BCIS levels, the standard build cost based on the Local Plan Viability Assessment methodology would be £134.49 per sq ft. As Part L Building Regulations had not been introduced, this methodology does not account for Part L uplift.

In August 2022, Align Property Partners produced a Viability Assessment on the Kirklees Affordable Housing & Housing Mix SPD. In this assessment standard build costs were estimated at £121.98 per sq ft and include the following:

- Base build estimated using BCIS adjusted to account for discount achieved by national house builders which equated to £103.15 per sq ft
- External works at 10%
- Part L uplift at 7.5%

Align state that:

“We anticipate a smaller development may anticipate higher construction costs due to not benefiting from the economies of scale that will apply to larger sites. However, we tend to see savings in other areas of the development. For the purpose of this work, across all we have deemed it appropriate hypothetical schemes. to use a flat rate.”

It is clear from the above that Align would expect smaller schemes to have a lower standard build costs than what has been assumed in the August 2022 assessment.

Continuum have therefore taken the above assessments of standard build costs into consideration, as well as the scale and nature of the proposed scheme (especially it being a small scheme compared to a large site that would benefit from economies of scale).

Continuum have assessed the base build costs also with reference to BCIS. Continuum have utilised the lower quartile BCIS generally estate housing figure (5-year position). This is a more optimistic cost assessment than that undertaken by CW and Continuum feel best reflects the costs to small and medium housebuilders who would most likely deliver a scheme of this size. Continuum have then applied the Align methodology in order to estimate the total standard build costs of 10% external works and 7.5% Part L uplift.

Continuum would highlight that many Local Plan Viability Assessments at surrounding Local Authorities adopt higher external works percentages of around 15%, for example:

- Leeds Economic Viability Study (2018); and
- Barnsley Local Plan Viability Testing (2019).

However, Continuum feel that when taking into account the Part L uplift and external works percentage in conjunction, the total standard build cost is at a level Continuum would expect in the marketplace for a small scheme of this nature.

The standard build costs assumed are as follows:

Item	Cost (sq ft)	Description
Base Build	£106.65	BCIS LQ @ Q2 2023 for estate housing generally (5 year) rebased to Yorkshire & Humberside
Plus External Works	£117.32	Plus 10% for external works
Plus Part L	£126.12	Plus 7.5% for Part L uplift as not currently accounted for in BCIS

Continuum's total standard build cost is therefore £126.12 per sq ft. This cost reflects the nature of the site and scheme, which would usually be delivered by a small to medium sized housebuilder.

9.2. ABNORMAL COSTS

Abnormal costs are defined as costs that the developer perceives to be in addition to 'normal' costs that are to be incurred in the delivery of a development. These costs will be treated over and above standard build costs.

Abnormal costs for the subject site have been estimated by Strata based on detailed site investigations and design development. Continuum have been provided with a schedule of abnormal costs that has been relied upon for the purposes of this assessment:

Description	Cost
Abnormal Substructure	£140,667
Abnormal LSW	£174,538
E/O Drainage incl. (SW Attenuation)	£926,105
Services (E.O. Std allowance)	£155,000
POS Works	£85,704
Retaining Walls	£246,438
E/O Stepped Gardens	£75,000
Engineered Embankment	£95,000
Total	£1,898,452

The total abnormal costs of £1,898,452 equates to £332,594 per gross acre and £515,633 per net acre. A further breakdown of the abnormal costs can be found at **Appendix 4**.

Continuum have taken into account the adopted abnormal costs when establishing the BLV as per the PPG on Viability (2019).

9.3. PROFIT MARGIN

Paragraph 18 of the PPG (2019) sets out range of between 15-20% which is considered as a suitable return to assume as a profit margin for the process of plan making.

Continuum have adopted the following profit margins which are supported by the Local Plan Viability Assessment undertaken by CW:

- Market – 20% of GDV
- Affordable – 6% of GDV

The profit margin adopted by Continuum reflects the site-specific, macro-economic, and political risks associated with the sale of the proposed units. In terms of the macro-economic and political risks, the uncertainty caused by the previous Truss Government and raising inflation, has seen large uncertainty in the residential market and wider economy. Since the new Sunak Government, there has been some stabilisation in the market, however many leading market commentators are predicting modest sale reductions this year in the UK, as outlined in section 8 of this report. This has therefore increased the risk of achieving the estimated values at section 8 and is why the higher 20% on GDV market profit margin is adopted.

A reduced profit margin for affordable housing has been adopted due to the guaranteed final sale to an RP, which reduces the sale risk to the developer. This is the same profit level as CW in the Local Plan Viability Assessment.

9.4. S106 CONTRIBUTIONS

As stated at section 5 of this report, the 27-unit scheme is subject to the following S106 contributions which have been estimated by Strata based on pre-application feedback:

Description	S106 Contribution
Education	£65,778
Travel	£27,720
Biodiversity Net Gain (BNG)	£118,440
Total	£211,938

9.5. DEVELOPMENT PROFILE

The following development profile has been assumed in the appraisals:

Period	29 Units (100% Market)	AUV Appraisal (72 units with 30% Affordable Housing)
Total Development	26 months	41 months
Pre-construction	6 months	6 months
Build	19 months	34 months
Sale Period	14 months starting 6 months into construction (market sale rate of 2 units a month)	29 months starting 6 months into construction (market sale rate of 2 units a month)

9.6. STANDARDISED INPUTS

Description	Input/ Assumption	Comment
Professional Fees	8% of total costs	This is an industry standard assumption for a small scheme of this scale and nature and is at the same level adopted by CW in their Local Plan Viability Assessment. Professional fees have been split at 5% for pre-construction fees and 3% for construction fees.
Contingency	3% of standard build costs 5% of abnormal costs	These are industry standard assumptions. The 3% standard build cost contingency is consisted with CW and Continuum have adopted a higher 5% contingency of the abnormal costs due to the higher construction risk in relation to abnormals as well as to cover the current cost inflation risk in the marketplace.
Finance Rate	7.5%	Blended average rate incl. of arrangement and exit fees, and the cost of borrowing through the development period. Assumed for a 100% debt funded scheme. Currently the cost of finance has been increasing each month, especially with the raises in Bank of England interest rate which now sits at 4.5%. The adopted finance rate also reflects the cost to a scheme of this scale and nature which would normally be delivered by a small to medium housebuilder. 7.5% is a conservative assumption and reflects weighted average cost of capital to housebuilders who would use a range of sources to fund development.
Sales & Marketing	3% of market GDV	Industry standard assumption and supported by CW.
Legal	£750 per unit	Industry standard assumption.
Land Acquisition	Agent Fee – 1% Legal Fee – 0.5% SDLT – Prevailing Rate	All applied to residual land value as an industry standard assumption.

10. APPRAISAL OUPUTS

The output of the appraisal undertaken is the Residual Land Value (RLV) once all development costs (including profit margin) have been deducted from the total revenue generated (Gross Development Value).

Continuum have first assessed the viability of the scheme by undertaking a 100% market housing appraisal without any affordable housing. Continuum have then assessed the output RLV from this appraisal against the estimated BLV for the subject site in order to understand whether the proposed scheme can contribute towards any planning obligations including affordable housing. If the outcome is the scheme is viable at 100% market housing, then Continuum would seek to undertake further appraisals to understand what the level of affordable housing the scheme could viably provide.

The output RLV of the 100% market housing appraisal for the 27-unit scheme is £1,221,347 which equates to £528,722 per gross hectare / £213,971 per gross acre. This RLV is significantly below the BLV estimated at section 7 of this report and is based on the AUV of the allocation scheme density. The viability deficit outputted is £354,438.

What the appraisal shows, is that with Natural England now designating Tanner Wood as Ancient Woodland and the site now having a reduced net developable area than the site's allocation (due to a larger strip of stand-off land), the scheme's output RLV reduces considerably, affecting the viability of the site. If Strata were able to build out the scheme at the same density as the allocation, then the scheme would be able to contribute towards its full planning obligations (incl. affordable housing).

Argus Developer, a widely used industry standard appraisal tool has been used to undertake the appraisal found at **Appendix 5**.

11. SENSITIVITY ANALYSIS

As required by the RICS Professional Statement: Financial Viability: Conduct and Reporting (2019), Continuum have undertaken a sensitivity analysis of the appraisal (**Appendix 5**). The scheme has been tested using a step-up and step-down assessment of sales values to understand the impacts upon the viability of the scheme and the output RLV. Continuum have also tested the standard build costs using the same approach. In the sensitivity analysis Continuum have increased values and standard build costs in steps of 2% as well as decreased values and standard build costs in steps of 2%. The output of the sensitivity analysis is the RLV. The table below outlines the results:

Construction: Rate /ft ²					
Sales: Rate /ft ²	-5.000%	-2.500%	0.000%	+2.500%	5.000%
-5.000%	£1,087,157	£958,933	£830,709	£702,485	£574,261
-2.500%	£1,282,476	£1,154,252	£1,026,028	£897,804	£769,580
0.000%	£1,477,795	£1,349,571	£1,221,347	£1,093,123	£964,899
+2.500%	£1,673,024	£1,544,891	£1,416,667	£1,288,443	£1,160,219
+5.000%	£1,868,228	£1,740,122	£1,611,986	£1,483,762	£1,355,538

The sensitivity analysis shows all but four scenarios produce a lower RLV than the estimated BLV established within section 7. The four scenarios that outputs a higher RLV on a 100% market scheme are three 5% increase in values scenarios (0% to -5% in costs) and one 2.5% increase in values scenario with 5% decrease in cost.

Continuum have explored further the likelihood of the development to produce an outcome that would be viable over the next year. In terms of sale values increasing, as shown in Continuum's research in section 8.1, the majority of leading commentators on housing values in the UK estimate that there will be a reduction in sale values in 2023, though this is now a modest decrease of around 1 to 2%. This means the likelihood over the next year of values increasing is very low and that actually there is a strong chance values could decrease by around 1 to 2% in 2023.

When looking at costs, there has been high-cost inflation over the coming years which has led to large increases in build costs. This is driven by supply side issues as well as the increase in wages due to the wider macro cost inflation situation. BCIS General Build Cost Index currently expects there to be a 5.3% increase in build costs in 2023 and BCIS All Tender Price Index shows a lower increase of 2.9%.

Based on the above current forecasts, in 2023, there is a real threat that cost inflation will outstrip value inflation, which means that the potential for the scheme to produce a RLV higher than the BLV estimated is minimal given current forecasted economic conditions over this year.

12. CONCLUSIONS

It is the conclusion of this report that there is viability challenge pursuant to the proposed scheme at Denby Dale should the scheme be required to provide 20% affordable housing in compliance with Policy LP11 of the adopted KMBC Local Plan (2019).

Paragraph 7 of the PPG (2019) allows for viability to be assessed at the decision taking stage if particular circumstances justify as such. Continuum consider the abnormal costs at the site which are in advance of those adopted in the viability testing to inform the Local Plan, demonstrate particular circumstances for assessing viability at the decision taking stage. Another particular circumstance is the significant change by KMBC in terms of housing capacity and net developable area at the site.

Any developer or landowner acting reasonably would seek to purchase a site based on its planning allocation density within a suitable tolerance. This is supported by the PPG on Viability, which states that landowners and site purchasers should take into consideration the Local Plan (& its cost of policies) and the underpinning Local Plan Viability Assessment when agreeing land transactions. Strata also undertook full planning due diligence when purchasing the site and had a pre-application consultation with KMBC in relation to the site. At this stage, Natural England had not designated Tanner Wood as Ancient Woodland and Strata had not been provided with any reason as to why they would not be able to build out the site to the same density as the allocation in the Plan.

Continuum would therefore argue that the Benchmark Land Value (BLV) should be informed by the Alternative Use Value (AUV) of the site based on its allocation that is policy compliant, as this is the basis any reasonable developer and landowner would assess the site. This AUV assessment would also equate to the minimum price any reasonable landowner would expect for the site based on its allocation in the Plan.

It has been demonstrated through this assessment that a 100% market housing scheme providing £211,938 of other S106 contributions has a viability challenge. This is because the output RLV is less than Continuum's estimated BLV.

What the appraisal shows, is that with Natural England now designating Tanner Wood as Ancient Woodland and the site now having a reduced net developable area than the site's allocation (due to a larger strip of stand-off land), the scheme's output RLV reduces considerably, affecting the viability of the site. If Strata were able to build out the scheme at the same density as the allocation, then the scheme would be able to contribute towards its full planning obligations (incl. affordable housing).

The assessment made in this report has been done so objectively and impartially and is considered to robustly justify the viability challenge pursuant to, and the maximum planning obligations contribution that can be borne by the proposed scheme at Denby Dale.

APPENDICIES

Appendix 1 – RICS Professional Statement

This report has been prepared in accordance with the RICS Professional Statement: Financial viability in planning: conduct and reporting, 1st Edition published May 2019. The aim of the RICS Professional Statement (section 1.2) is to:

- Set out mandatory requirements on conduct and reporting in relation to FVAs for planning in England;
- Recognises the importance of impartiality, objectivity and transparency when reporting on such matters;
- Support and complement the government’s reforms to the planning process announced in July 2018 and subsequent updates, which include an overhaul of the NPPF and PPG on viability and related matters.

The RICS Professional Statement explains that:

“The primary policy and guidance on assessing viability in a planning context is provided in the NPPF 2019 and the PPG 2019. These have sought to change the emphasis on how viability should be approached in the planning system and the weight that should be given to viability assessments at the plan-making and development management stages.” (section 1.4).

This report has been set out in accordance with the government guidance on assessing viability in a planning which is provided in the NPPF (2019) and PPG (2019).

Sections 2.1 to 2.14 of the RICS Professional Statement set out the fourteen mandatory reporting and process requirements for all FVAs prepared on behalf of, or by applicants, reviewers, decisionmakers and plan-makers. Continuum confirm that this Financial Viability Assessment has been carried out in accordance with sections 2.1 to 2.14. The mandatory reporting requirements are set out under the headings below and expanded on where relevant in this Financial Viability Assessment report.

Section 2.1: Objectivity, Impartiality and Reasonableness Statement

Continuum confirm that this Financial Viability Assessment has been carried out by a suitably qualified practitioner who has acted with:

- with objectivity;
- impartially;
- without interference and;
- with reference to all appropriate available sources of information.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

Continuum were instructed by Strata to prepare a financial viability assessment in respect of the proposed development at Land north of Barnsley Road, Denby Dale.

Continuum can confirm that there is an absence of conflict of interest.

Section 2.3: A No Contingent Fee Statement

Continuum can confirm that they have no performance-related or contingent fees agreed with the Client.

Section 2.4: Transparency of Information

The PPG (2019) states that

“Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.” (para. 21).

Continuum can confirm that this viability assessment has been prepared on the basis that it will be made publicly available should our Client require it to be as under our terms of engagement.

Section 2.5: Confirmation Where the Practitioner is Acting on Area-Wide and Scheme-Specific FVAs

Continuum only act for the private sector, in the Yorkshire market on matters pertaining to financial viability in planning and are not currently acting on area wide or scheme specific FVA's within the Yorkshire market.

Section 2.6: Justification of Evidence

In this FVA, Continuum have provided a detail evidence base to support the inputs assumed in the appraisal. Continuum have relied on standard industry inputs as well as inputs specific to the Client. Continuum have also adopted inputs recommended by the government national guidance PPG on Viability (2019) as well as the RICS Guidance, Financial Viability in Planning: Conduct and Reporting (2019).

Section 2.7 Benchmark Land Value

Continuum have assessed Benchmark Land Value in accordance with the requirements of section 2.7 of the RICS Professional Statement. The RICS Professional Statement is clear that when estimating the Benchmark Land Value, practitioners must follow the PPG on Viability (2019). The PPG defines Benchmark Land Value as:

“To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called ‘existing use value plus’ (EUV+).” (para. 13).

And;

“Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees...*
- *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan.”* (para. 14).

Section 2.8: FVA Origination, Reviews and Negotiations

This document is an FVA. It is clear from the RICS Professional Statement that negotiations occur subsequent to submission of this document.

Section 2.9: Sensitivity Analysis

Continuum have undertaken a sensitivity analysis of certain inputs where it is assessed whether the position could be improved. This can be found in section 11 of this report.

Section 2.10: Engagement

Continuum can confirm that they advocated, and will advocate reasonable, transparent, and appropriate engagement between the parties at all stages of the viability process.

Section 2.11: Non-technical Summaries

The executive summary of this report has been provided as a non-technical summary, which outlines the key figures and issues that support the conclusion of the FVA.

Section 2.12: Author(s) Sign-off

This report has been produced by Chris Gardner MRICS in May 2023.

Chris has extensive experience within financial viability in planning advising private sector clients when submitted FVA's and also reviewing FVA's on behalf of Local Authorities. He has also supported Clients on matters pertaining to viability in planning in planning appeals and in Local Plan examination.

Section 2.13: Inputs to Reports Supplied by Other Contributors

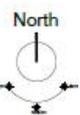
Continuum can confirm that all contributions to this report relating to assessments of viability comply with the mandatory requirements as set out in the RICS Professional Statement.

Section 2.14: Timeframes for Carrying out Assessments

Continuum can confirm that adequate time has been allowed to produce this FVA having regards to the scale and complexities of this particular project.

Appendix 2 – Site Layout Plan

BARNESLEY ROAD, DENBY DALE | PLANNING LAYOUT



Appendix 3 – AUV Appraisal

Barnsley Road, Denby Dale
AUV - 72 Unit Scheme
20% Affordable Scheme

Development Appraisal
Trebbi
22 May 2023

APPRAISAL SUMMARY

TREBBI

Barnsley Road, Denby Dale
AUV - 72 Unit Scheme
20% Affordable Scheme

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Market Houses	57	59,497	324.89	339,123	19,330,000
Affordable Houses	15	15,369	102.08	104,596	1,568,935
Totals	72	74,866			20,898,935

NET REALISATION 20,898,935

OUTLAY

ACQUISITION COSTS

Residualised Price			1,575,785		
Stamp Duty			68,289		1,575,785
Effective Stamp Duty Rate		4.33%			
Agent Fee		1.00%	15,758		
Legal Fee		0.50%	7,879		
					91,926

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost	
Market Houses	59,497	126.12	7,503,762	
Affordable Houses	15,369	126.12	1,938,338	
Totals	74,866 ft²		9,442,100	
Standard Contingency		3.00%	283,263	
				9,725,363

Other Construction

Abnormal Substructure			195,423	
Abnormal LSW			242,479	
O/O Drainage incl (SW Attenuation)			1,288,802	
Services (E.O. Std allowance)			215,336	
Retaining Walls			342,367	
Pos Works			119,065	
O/O Stepped Gardens			104,195	
Engineered Embankment			131,980	
Abnormals Contingency		5.00%	131,872	
				2,789,319

Section 106 Costs

Section 106 Costs			565,168	
				565,168

PROFESSIONAL FEES

Pre-Construction Professional Fees		5.00%	603,977	
Construction Professional Fees		3.00%	362,386	
				966,364

DISPOSAL FEES

Sales Agent Fee		3.00%	579,900	
Sales Legal Fee	72 un	750.00 /un	54,000	
				633,900

FINANCE

Debit Rate 7.500%, Credit Rate 0.000% (Nominal)				
Land			309,916	
Construction			300,846	
Total Finance Cost				610,762

TOTAL COSTS 16,938,587

PROFIT

3,960,348

Performance Measures

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APPRAISAL SUMMARY**TREBBI**

Barnsley Road, Denby Dale

AUV - 72 Unit Scheme

20% Affordable Scheme

Profit on Cost%	23.38%
Profit on GDV%	18.95%
Profit on NDV%	18.95%
IRR% (without Interest)	34.65%
Profit Erosion (finance rate 7.500)	2 yrs 10 mths

Appendix 4 – Abnormal Cost Breakdown

Abnormal Substructure	£
Heave precautions	£23,023
Piling Total	£36,762
Pile mat total	£15,726
Ring beam total	£47,535
Facings	£17,621
TOTAL	£140,667

Abnormal LSW	£
Site clearance topsoil to stay onsite	£10,723
Abnormal Site Boundary Fences	£6,669
Abnormal Site Boundary Walls	£31,237
Abnormal Shared Drives	£16,641
Abnormal Lighting Bollards to shared drives	£3,750
Cut	£21,990
Fill	£83,529
TOTAL	£174,538

E/O Drainage incl (SW Attenuation)	£
Drainage/MH	£458,716
Flow control	£20,000
Tank - Quote needs updating	£266,339
Headwall	£9,875
Pump Station	£135,000
Rising Main	£24,025
Pressure test Rising main	£2,700
Land Drainage	£9,450
TOTAL	£926,105

Services (E.O. Std allowance)	£
Diversion	£100,000
Substation	£35,000
Civils - Sub station	£20,000
TOTAL	£155,000

POS Works	£
Laying out	£30,390
LAP	£35,000
M'ce Comm Sum	£314
Landscaping	£20,000
TOTAL	£85,704

Retaining Walls	£
Retaining walls Substructures	£148,439
Gabion	£97,999
TOTAL	£246,438

E/O Stepped Gardens	£
E/O Stepped Gardens	£75,000
TOTAL	£75,000

Engineered Embankment	£
Engineered Embankment	£95,000
TOTAL	£95,000

Appendix 5 – 100% Market Appraisal

Barnsley Road, Denby Dale
27 Unit Scheme
100% Market Scheme

Development Appraisal
Trebbs
22 May 2023

APPRAISAL SUMMARY

TREBBI

Barnsley Road, Denby Dale
27 Unit Scheme
100% Market Scheme

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Market Houses	27	53,342	279.42	552,037	14,905,000

NET REALISATION 14,905,000

OUTLAY

ACQUISITION COSTS

Residualised Price			1,221,347		
Stamp Duty			50,567		1,221,347
Effective Stamp Duty Rate		4.14%			
Agent Fee		1.00%	12,213		
Legal Fee		0.50%	6,107		
					68,888

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost	
Market Houses	53,342	126.12	6,727,493	
Standard Contingency		3.00%	201,825	
				6,929,318

Other Construction

Abnormal Substructure			140,667	
Abnormal LSW			174,538	
O/O Drainage incl (SW Attenuation)			926,105	
Services (E.O. Std allowance)			155,000	
Retaining Walls			246,438	
Pos Works			85,704	
O/O Stepped Gardens			75,000	
Engineered Embankment			95,000	
Abnormals Contingency		5.00%	94,923	
				1,993,375

Section 106 Costs

Section 106 Costs			211,938	
				211,938

PROFESSIONAL FEES

Pre-Construction Professional Fees		5.00%	431,297	
Construction Professional Fees		3.00%	258,778	
				690,076

DISPOSAL FEES

Sales Agent Fee		3.00%	447,150	
Sales Legal Fee	27 un	750.00 /un	20,250	
				467,400

FINANCE

Debit Rate 7.500%, Credit Rate 0.000% (Nominal)				
Land			162,080	
Construction			179,579	
Total Finance Cost				341,659

TOTAL COSTS 11,924,000

PROFIT

2,981,000

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%

APPRAISAL SUMMARY

TREBBI

Barnsley Road, Denby Dale

27 Unit Scheme

100% Market Scheme

IRR% (without Interest) 50.10%

Profit Erosion (finance rate 7.500) 3 yrs

DETAILED CASH FLOW

TREBBI

Barnsley Road, Denby Dale
27 Unit Scheme
100% Market Scheme

Detailed Cash flow Phase 1

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	001:Jan 2023	002:Feb 2023	003:Mar 2023	004:Apr 2023	005:May 2023	006:Jun 2023	007:Jul 2023	008:Aug 2023	009:Sep 2023	010:Oct 2023
Monthly B/F	0	(1,619,765)	(1,809,009)	(2,042,637)	(2,302,791)	(2,571,230)	(2,829,733)	(3,081,877)	(3,429,109)	(3,854,007)
Revenue										
Sale - Market Houses	0	0	0	0	0	0	0	0	0	0
Disposal Costs										
Sales Agent Fee	0	0	0	0	0	0	0	0	0	0
Sales Legal Fee	0	0	0	0	0	0	0	0	0	0
Acquisition Costs										
Residualised Price	(1,221,347)	0	0	0	0	0	0	0	0	0
Stamp Duty	(50,587)	0	0	0	0	0	0	0	0	0
Agent Fee	(12,213)	0	0	0	0	0	0	0	0	0
Legal Fee	(8,107)	0	0	0	0	0	0	0	0	0
Construction Costs										
Con. - Market Houses	0	0	0	0	0	0	(66,815)	(151,388)	(226,669)	(292,658)
Abnormal Substructure	0	0	0	0	0	0	(3,041)	(7,190)	(10,568)	(13,175)
Abnormal LSW	0	0	0	0	0	0	(2,576)	(5,993)	(8,921)	(11,358)
E/O Drainage incl (SW Attenuation)	(20,022)	(47,338)	(89,576)	(86,738)	(98,822)	(105,828)	(107,758)	(104,610)	(96,385)	(83,082)
Services (E.O. Std allowance)	(11,274)	(26,162)	(34,252)	(35,543)	(30,037)	(17,732)	0	0	0	0
Retaining Walls	(5,328)	(12,597)	(18,514)	(23,081)	(26,297)	(28,161)	(28,675)	(27,837)	(25,648)	(22,108)
Pos Works	0	0	0	0	0	0	(1,285)	(2,943)	(4,380)	(5,577)
E/O Stepped Gardens	0	0	0	0	0	0	(745)	(1,688)	(2,527)	(3,263)
Engineered Embankment	(8,910)	(16,035)	(20,993)	(21,785)	(18,410)	(10,868)	0	0	0	0
Abnormals Contingency	(2,177)	(5,107)	(7,167)	(8,357)	(8,678)	(8,129)	(7,203)	(7,513)	(7,421)	(6,928)
Section 106 Costs	(211,938)	0	0	0	0	0	0	0	0	0
Standard Contingency	0	0	0	0	0	0	(2,004)	(4,542)	(6,800)	(8,780)
Professional Fees										
Pre-Construction Professional Fees	(71,883)	(71,883)	(71,883)	(71,883)	(71,883)	(71,883)	0	0	0	0
Construction Professional Fees	0	0	0	0	0	0	(14,377)	(14,377)	(14,377)	(14,377)
Net Cash Flow Before Finance	(1,619,765)	(179,120)	(222,385)	(247,387)	(254,126)	(242,602)	(234,459)	(328,081)	(403,696)	(461,306)
Debit Rate 7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
Credit Rate 0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Finance Costs (All Sets)	0	(10,124)	(11,243)	(12,768)	(14,313)	(15,901)	(17,688)	(19,151)	(21,202)	(24,088)
Net Cash Flow After Finance	(1,619,765)	(189,244)	(233,628)	(260,154)	(268,439)	(258,503)	(252,144)	(347,232)	(424,898)	(485,393)
Cumulative Net Cash Flow Monthly	(1,619,765)	(1,809,009)	(2,042,637)	(2,302,791)	(2,571,230)	(2,829,733)	(3,081,877)	(3,429,109)	(3,854,007)	(4,339,400)

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ARGUS Developer Version: 8.20.003

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Report Date: 22/05/2023

DETAILED CASH FLOW

TREBBI

Barnsley Road, Denby Dale
27 Unit Scheme
100% Market Scheme

Detailed Cash flow Phase 1

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011:Nov 2023 (4,339,400)	012:Dec 2023 (4,867,280)	013:Jan 2024 (5,419,888)	014:Feb 2024 (4,925,051)	015:Mar 2024 (4,457,220)	016:Apr 2024 (4,005,327)	017:May 2024 (3,558,686)	018:Jun 2024 (3,105,638)	019:Jul 2024 (2,634,905)	020:Aug 2024 (2,133,401)	021:Sep 2024 (1,596,793)	022:Oct 2024 (1,014,434)
0	0	1,064,643	1,064,643	1,064,643	1,064,643	1,064,643	1,064,643	1,064,643	1,064,643	1,064,643	1,064,643
0	0	(31,939)	(31,939)	(31,939)	(31,939)	(31,939)	(31,939)	(31,939)	(31,939)	(31,939)	(31,939)
0	0	(1,446)	(1,446)	(1,446)	(1,446)	(1,446)	(1,446)	(1,446)	(1,446)	(1,446)	(1,446)
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
(349,355)	(396,760)	(434,873)	(463,694)	(483,223)	(493,459)	(494,404)	(486,057)	(468,417)	(441,486)	(405,262)	(359,747)
(15,010)	(16,074)	(16,367)	(15,889)	(14,640)	(12,619)	(9,828)	(6,265)	0	0	0	0
(13,306)	(14,763)	(15,731)	(16,209)	(16,196)	(15,694)	(14,702)	(13,220)	(11,248)	(8,786)	(5,834)	0
(64,702)	(41,245)	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
(17,217)	(10,975)	0	0	0	0	0	0	0	0	0	0
(6,534)	(7,249)	(7,724)	(7,959)	(7,953)	(7,706)	(7,219)	(6,491)	(5,523)	(4,314)	(2,865)	0
(3,895)	(4,423)	(4,848)	(5,169)	(5,387)	(5,501)	(5,512)	(5,419)	(5,222)	(4,922)	(4,518)	(4,011)
0	0	0	0	0	0	0	0	0	0	0	0
(6,033)	(4,737)	(2,234)	(2,261)	(2,209)	(2,076)	(1,863)	(1,570)	(1,100)	(901)	(661)	(201)
0	0	0	0	0	0	0	0	0	0	0	0
(10,481)	(11,903)	(13,046)	(13,911)	(14,497)	(14,804)	(14,832)	(14,582)	(14,053)	(13,245)	(12,158)	(10,792)
0	0	0	0	0	0	0	0	0	0	0	0
(14,377)	(14,377)	(14,377)	(14,377)	(14,377)	(14,377)	(14,377)	(14,377)	(14,377)	(14,377)	(14,377)	(14,377)
(500,909)	(522,506)	522,057	491,788	472,776	465,020	468,521	483,278	511,318	543,227	585,583	642,130
7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(26,971)	(30,101)	(27,220)	(23,957)	(20,884)	(18,379)	(15,473)	(12,545)	(9,814)	(6,618)	(3,223)	0
(527,880)	(552,608)	494,837	467,831	451,892	446,641	453,048	470,733	501,504	536,609	582,359	642,130
(4,867,280)	(5,419,888)	(4,925,051)	(4,457,220)	(4,005,327)	(3,558,686)	(3,105,638)	(2,634,905)	(2,133,401)	(1,596,793)	(1,014,434)	(372,303)

DETAILED CASH FLOW

TREBBI

Barnsley Road, Denby Dale
27 Unit Scheme
100% Market Scheme

Detailed Cash flow Phase 1

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023:Nov 2024 (372,303)	024:Dec 2024 326,920	025:Jan 2025 1,092,917	026:Feb 2025 1,949,743
1,064,643	1,064,643	1,064,643	1,064,643
(31,939)	(31,939)	(31,939)	(31,939)
(1,446)	(1,446)	(1,446)	(1,446)
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
(304,939)	(240,840)	(167,448)	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
(3,400)	(2,685)	(1,867)	0
0	0	0	0
(170)	(134)	(93)	0
0	0	0	0
(9,148)	(7,225)	(5,023)	0
0	0	0	0
(14,377)	(14,377)	0	0
699,224	765,997	856,826	1,031,257
7.500%	7.500%	7.500%	7.500%
0.000%	0.000%	0.000%	0.000%
0	0	0	0
699,224	765,997	856,826	1,031,257
326,920	1,092,917	1,949,743	2,981,000