SITE SPECIFIC
FINANCIAL VIABILITY ASSESSMENT

REVIEW

Former Friend's School Mount Pleasant Road, Saffron Walden, Essex, CB11 3EB

On behalf of:
The Planning Inspectorate

Date: 8th **August 2022**

Prepared by: Alex Vaughan Jones
Sarah Bolitho
Sophia Rees

geraldeve.com

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Former Friend's School Mount Pleasant Road, Saffron Walden, Essex, CB11 3EB

The Planning Inspectorate

Financial Viability Assessment - Review

RICS MANDATORY REQUIREMENTS

Requirement	**This assessment has been produced having regard to and abiding to the requirements of RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019).**
	In preparing this viability assessment review, we confirm that we have acted with reasonableness, impartiality and without interference. We have also complied with the requirements of PS2 Ethics, competency, objectivity, and disclosures in the RICS Valuation – Global Standards 2017 in connection with valuation reports.
	This document sets out our terms of engagement for undertaking this viability assessment. We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict-of-Interest Professional Statement of January 2018), Other than, if necessary, where stated in the report circumstances which fall under Informed Consent (as per the Conflict-of-Interest Professional Statement).
	We confirm that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.
	We confirm that this viability assessment has been prepared in the full knowledge that it may be made publicly at some point in the future. Where we believe there to be information, which is commercially sensitive, that we have relied upon in arriving at our opinion we have stated so in our report. We request that permission is sort by the instructing/applicant prior to being made public to ensure commercially sensitive or personal information does not infringe other statutory regulatory requirements.
	We confirm that we have not undertaken an area-wide viability assessment concerning existing and future policies against which the scheme will in due course be considered. We have confirmed with the instructing party that no conflict exists in undertaking the viability assessment, we have also highlighted where we have previously provided advice relating the site in question. Should this position change, we will immediately notify the parties involved. We understand that if any of the parties identified in this report consider there to be a conflict that we would immediately stand down from the instruction.
	Throughout this viability assessment we have set out a full justification of the evidence and have also supported our opinions where they differ from the applicant's advisor with a reasoned justification. We note in due course the emphasis within the RICS Professional Statement on conduct and reporting in Financial Viability in Planning the need to see to resolve differences of opinion wherever possible
	In determining Benchmark Land Value we have followed NPG (Viability) (2019) setting out this in detail within the Benchmark Land Value section.
	We make a clear distinction in our report between preparation/review of a viability assessment and subsequent negotiations. Such negotiations may be identified as part of an addendum documents and may relate to S106 agreements.
	Sensitivity analysis and accompanying explanation and interpretation of the results is undertaken for the purposes of a viability assessment. This enables the reader to consider the impact on the result of changes to key variables in the appraisal having regard to the risk and return of the proposed scheme.
	We confirm we have advocated transparent and appropriate engagement between the Applicant and Council's viability advisors.
	This report includes a non-technical summary at the commencement of the report which includes all key figures and issues relating to the assessment.

	We confirm this report has been formally reviewed and signed off by the individuals who have carried out the assessment and confirm that this FVA Review has been prepared in accordance with the need for objectivity, impartiality and without interference. Subject to the completion of any discussion and resolution or note of differences, we will be retained to then subsequently advise upon and negotiate the Section 106 Agreement.
	All contributors to this report have been considered competent and are aware of the RICS requirements and as such understand they must comply with the mandatory requirements.
	We were provided an adequate time to produce this report, proportionate to the scale of the project and degree of complexity of the project.

Sign off

Produced by	Reviewed by
[redacted]	[redacted]
Sarah Bolitho MRICS, Associate	**Alexander Vaughan Jones** MRICS, Partner
	For and on behalf of Gerald Eve LLP

NOTE: This report has been produced in accordance with National Planning Policy Framework (2019) and Planning Policy Guidance (as amended). Gerald Eve LLP can confirm that the report has been produced by suitably qualified Practitioners of the Royal Institution of the Chartered Surveyors (RICS) and that the report has been produced in accordance with RICS Practitioner guidance on viability in planning matters.

The contents of this report are specific to the circumstance of the Proposed Scheme and date of publication; and it together with any further information supplied shall not be copied, reproduced, or distributed to any third parties for any purpose other than determining the application for which it is intended. Furthermore, the information is being supplied to **the client** on the express understanding that it shall be used only to assist in the financial assessment in relation to the Application. The information contained within this report is believed to be correct as at the date of publication, but Gerald Eve LLP give notice that:

I. all statements contained within this report are made without acceptance of any liability in negligence or otherwise by Gerald Eve LLP. The information contained in this report has not been independently verified by Gerald Eve LLP.
II. none of the statements contained within this report are to be relied upon as statements or representations of fact or warranty whatsoever without referring to Gerald Eve LLP in the first instance and taking appropriate legal advice.
III. references to national and local government legislation and regulations should be verified with Gerald Eve LLP and legal opinion sought as appropriate.
IV. Gerald Eve LLP do not accept any liability, nor should any of the statements or representations be relied upon, in respect of intending lenders or otherwise providing or raising finance to which this report as a whole or in part may be referred to.
V. Any estimates of values or similar, other than specifically referred to otherwise, are subject to and for the purposes of discussion and are therefore only draft and excluded from the provisions of the RICS Valuation – Professional Standards 2014; and
VI. Information in this report should not be relied upon or used as evidence in relation to other viability assessments without the agreement of Gerald Eve LLP.

CONTENTS

Appendices

EXECUTIVE SUMMARY (NON-TECHNICAL)

Instruction	i. Gerald Eve LLP ('GE') has been instructed by The Planning Inspectorate ('PINS') to undertake a Financial Viability Review ('FVR') of a Financial Viability Assessment ('FVA'), submitted by Savills ('the Advisor') on behalf of Chase New Homes Ltd ('the Applicant'), to determine whether the appropriate level of planning obligations, including Section 106 contributions and affordable housing have been proposed.
Site	ii. The Site is located in Saffron Walden within the planning district of Uttlesford. The site is located on Mount Pleasant Road and Debden Road and measures some 8.25 acres (3.33 ha) of the former Friend's School consisting of the main building built in the 1700s with accompanying modern buildings such as the swimming pool and pottery. The Site is host to further amenity land which measures a total of 14 acre (5.7 ha), however, this is not included within the application area and therefore is not relevant to this assessment.
Proposed Scheme	iii. The proposed Scheme will provide 96 new homes, provided within the conversion of the existing buildings into 62 dwellings and a further 34 new build apartment and cottages. The proposed scheme does not provide any affordable housing and no Section 106 contributions
Approach	iv. GE has had regard to documents and cost reports provided by the Applicant in undertaking this assessment as well as acceptable assumptions based upon other viability assessments undertaken in the Borough and the wider area. Conclusions may require consideration following any adjustment to the Scheme or the provision of additional information supporting the application. These are set out in the summary of inputs table below.
	v. This report has been prepared having regard to relevant planning policy applicable to the Site at the date of writing and generally accepted principles of undertaking (site specific) FVAs. It has also been written adhering to the RICS Guidance note Financial Viability in Planning (2021) (the "RICS GN") and the RICS Professional Statement on Conduct and Reporting in viability that supports the RICS GN (2019) (the "RICS Professional Statement").
Purpose	vi. The purpose of this FVA review is to demonstrate the viability of the Scheme including proposed amount of affordable housing on-site, considering specific site circumstances. There is a planning policy requirement within Uttlesford District Council that on individual sites, a minimum of 40% of homes should be affordable, subject to viability assessment. The proposed scheme does not offer any affordable housing and as such is not in accordance with the local policy.
Method	vii. GE has considered the Scheme against the minimum return at which it is considered a reasonable landowner would be willing to sell their land, known as the Benchmark Land Value (BLV).
Sensitivity	viii. The outcome of the RLV is further justified through sensitivity testing of key inputs which demonstrate how value and cost changes affect viability.
Applicant Viability Conclusions	ix. Savills ('the Advisor') has produced the FVA on behalf of the Applicant which forms part of the planning application. The Advisor's assessment concludes that the application results in the affordable housing requirement of 40% not being achievable, subject to viability, as their

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	assessment suggests the scheme is unviable without any affordable housing provision. The Advisor has concluded this based upon a GDV of £37,445,000, total costs of £31,204,164, a BLV of £5,100,000 and a profit return on residential sales of 16.67% on GDV (20% Profit on Cost). The Advisor has suggested that a premium at 17.5% to provide a reasonable landowners incentive would be justifiable, however, have chosen not to apply this within their BLV calculation.
Review Viability Conclusions	x. GE has robustly tested the proposed Scheme and concludes that following the submission of the updated Jan 2022 FVA by the Applicant, the Proposed Scheme is unable to provide any affordable housing or section 106 provisions whilst having regard to viability.
Concluding comments	xi. In reaching this conclusion, GE have reviewed the FVA and supporting information, with the conclusions and adjustments summarised as follows: Following receipt of an updated GIA area schedule from the Applicant, we note that these areas do not accord with the plans available associated with the application. We therefore query the robustness of the areas adopted within the Advisor's FVA and supporting information, including the subsequent GIA schedule provided. The construction costs have been reviewed by V&S and are considered overall to be reasonable, including the contingency allowances applied to both the conversion and new build elements. The sales values have been reviewed and the comparable evidence has been updated. The sales values are considered to be reasonable. As there is limited evidence for conversion units and given their unique characteristics, we have adjusted the value of these units through sensitivity testing. Following receipt of the Advisor's Argus appraisal, we have reviewed the Scheme programme and cash flow. We have removed the pre-construction period of six months and have assumed that following a one month purchase period, demolition could commence, over a four a month period. Following discussions with V&S, we consider the 30-month construction period applied by Savills to be reasonable. For clarity, this is inclusive of 4-month demolition period. The Advisor's appraisal assumed that sales would occur over the construction period. We have adjusted this so that sales align with the practical completion of each block. We have maintained the Advisor's off-plan sales rate (100%) for the new build units (excluding those within the main building), however, adjusted to assume receipts at practical completion. We have also assumed that the conversion units (excluding the main building) can all be sold at practical completion of the blocks. For the main building, containing the largest number of units, we have assumed 50% off-plan, with the remainder of the units selling over a 10-month sales period. Adjustments have also been made to the following inputs: • Finance rate adjusted from 6.0% to 6.5%; • Residential Marketing fee to 1% of GDV from £250/unit • EUV of £5.0m, adjusted from £5.1m. Note that at the date of the Glenny's report (December 2021), the GE Specialist Team would agree with the Advisor's EUV of £5.1m.

Standardised inputs	xii.	Where possible the report applies standardised inputs and has regard, where appropriate, to the specifics of the site and proposed development. Standardised evidence means it is resourced from primary, secondary, or tertiary data sources.
Total GDV	xiii.	The Advisor estimates the total GDV to be £37,445,000. GE have applied this assumption having undertaken extensive market research in the area to confirm the information relied up on by Savills as well as conducting our own analysis.
Total Cost[1]	xiv.	GE estimate the total development cost to be £28,771,858 (excluding land value). The build costs have been assessed independently by Veale & Sanders Quantity Surveyors (**see Appendix 2**). The sum agreed between Stace and Veale and Sanders and adopted by GE is £24,807,807.
Existing Use Value (EUV)	xv.	GE's Specialist Valuation team have undertaken a review of the EUV valuation prepared by Glenny and conclude they agree with the EUV of £5.1m at the valuation date (Dec 21). However, adjustment is required to present day, in part due to increased build costs and in part due to economic conditions. Therefore, GE's Specialist Team conclude an opinion of EUV at present day of £5.0m.
Premium	xvi.	GE believe a premium is appropriate in addition to the EUV, however, have followed the approach of the Advisor in the first instance not to apply said premium. We have provided sensitivity to demonstrate the impact of a premium upon scheme viability. This is set out at Sensitivity 3 Scenario in Section 11 of this report.
Benchmark land Value (BLV)	xvii.	GE conclude that a realistic Benchmark Land Value (BLV) for the site to be released for development equates to £5.0m based upon EUV methodology.
Return	xviii.	GE recognises that the risk profile associated with delivering a residential scheme of this nature must have regard to the level of risk identified with the various elements of the Scheme. The Advisor has applied a profit return of 20.0% on Cost, or 16.67% on GDV. GE considers that the Advisor's assumption is within a reasonable range and therefore have applied this within the appraisal.
Outcome Variance	xix.	GE conclude that based on the adjustments outlined above, the Scheme is showing a deficit position of c. £2.15m. This outcome appears to vary from that of the Applicant and therefore we have had regard to the differences in assumptions and undertaken several sensitivity/ scenarios to review this difference to better understand the deliverability of the proposed Scheme.
Sensitivity	xx.	GE have conducted sensitivity analysis on the build costs and scheme values which shows how sensitive the viability is to variations in assumptions, as well as adjusting the sales value of the conversion units.

[1] Excluding land and profit

Sensitivity testing outcomes	xxi.	The Proposed Scheme appears to demonstrate a deficit position against the BLV. Our sensitivity analysis indicates that significant change to both the GDV and construction costs and contingency would be required to result in a viable position and therefore the Scheme's deliverability. Our Sensitivity 2 Scenario set out in Section 11 of this report shows that costs would have to remain the same, contingency would have to be lowered to 5% on all costs and revenue would have to increase by 2.5% for the scheme to become viable against the EUV.
Deliverability	xxii.	GE understand that this Site is available for redevelopment and consider that, having regard to reasonable input variance, it has a realistic prospect of development being commenced in the next 5 years.
FVA Review	xxiii.	This FVA review should not be considered a financial certainty – it is an assessment of the Scheme having regard to the best available evidence at the time of the review.
Commercial sensitivity	xxiv.	It is anticipated this report will be published and contains no confidential information which has not been reasonably identified and addressed (aggregated) to enable the report to be shared.
	xxv.	GE consider that all inputs into our appraisal have been reasonably justified. GE have clearly set out supporting and reasonable justification for all inputs considered and have undertaken appropriate sensitivity to demonstrate the impact of variance.

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Summary of Appraisal Inputs

The Proposed Scheme – GIA		
Use	**GIA (sqm)**	**GIA (sqft)**
Residential	10,590	113,990

The Proposed Scheme by Unit Type				
Private Residential Type	**Number**	**Unit Type**	**Storeys**	**Beds**
Lime	4	Semi Detached/Terraced Town House	3	4
Oak	5	Semi Detached/Terraced Town House	3	4
Ash	7	Terraced	2	3
New Build Flats	16	Studio,1 ,2 and 3 bed flats	2-3	Studio - 3
Conversion Flats	62	Studio,1 ,2 and 3 bed flats	2-3	Studio - 3
Total	96			

The Proposed Scheme by Block					
Private Residential Block	**Flats**	**Houses**	**Total**	**NIA (sqm)**	**NIA (sqft)**
School conversion	52		52	3,809	41,000
Croydon conversion	4		4	253	2,723
New flats adjacent to Croydon	6		6	328	3,531
School new flats	12		12	770	8,284
Junior new houses		9	9	1,453	15,635
Assembly Hall conversion	2	4	6	642	6,910

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New houses replacing gym building		7	7	683	7,346
Residential Total	**76**	**20**	**96**	**7.937**	**85,440**

Cost	**The Advisor**		**GE**		
	Total		**Total**		**Comments**
CIL	Not applied – Uttlesford yet to adopt CIL charging schedule		Applied		PINS to confirm current CIL position
S106	None applied. For information purposes the Advisor has provided an appraisal which includes S106 contributions of £5,000 per unit (total of £480,000)		Applied, subject to confirmation from the PINS		PINS to confirm S106 contribution
Cost	**The Advisor**		**GE**		
Build cost	£23.8m		Applied		Cost review undertaken by V&S considers that the Stace cost plan is reasonable.
Contingency	10% build contingency included within cost plan for the conversion element and 5% for the new build element.		Applied		V&S consider the contingencies applied within the Stace cost plan to be reasonable.
Professional Fees	7.5% (as included within Stace cost plan)		Applied		We consider this low compared to the standard range applied however for the purposes of this report we agree with the Advisors assumptions.
Cost	**The Advisor**		**GE**		
	Rate / %	**Total**	**Rate / %**	**Total**	**Comments**
Residential Sales Agent Fees	1.5%		1.5%		Applied
Residential Sales Legal Fee	£1,000/unit		£1,000/unit		Applied
Marketing	£250/unit		1.0%		We have adjusted the marketing fee to 1.0% as we consider £250/ unit to be very low.
Finance	6.00%		6.5%		We have adjusted the finance rate to 6.5%, please see Appendix 5 for further information.
Profit Target	Profit on Cost – 20.00% Profit on GDV – 16.67%		Profit on Cost – 20.00% Profit on GDV – 16.67%		Applied

Assumption	Advisor			GE			Comments
	Sq ft	**£**	**£/sqft**	**Sq ft**	**£**	**£/sqft**	
Private Residential (96 units)	85,430	£37.4m	£444	85,430	£37.4m	£444	Reviewed and acceptable.
Ground Rents	Not included			Applied			Ground rents not included in accordance with government guidance
Car Parking	Scheme includes provision of 189 car parking spaces. No separate value attributed to the spaces.			Applied			We consider this appropriate given the value applied to the units and the location outside of London.
Total GDV		**£37.4m**			**Agreed**		

BLV and Return	Advisor (Savills)	GE
	£	**£**
EUV	£5,100,000	£5,000,000
Premium	17.5%, however not applied to BLV calculation	Applied
BLV	£5,100,000	£5,000,000
Surplus/Deficit	-£732,760	-£2,152,429

Programme

	The Advisor				GE			
	Start	**End**	**Months**	**Off plan**	**Start**	**End**	**Months**	**Off plan**
Purchase	October 2020	November 2020	1		July 2022	July 2022	1	
Pre-con	November 2020	March 2021	6		Aug 2022	Nov 2022	0	
Construction	April 2021	Sept 2023	30		Dec 2022	May 2025	30	
Sales	Aug 2022	Feb 2024	19	c.20%	Feb 2025	Nov 2025	10	50%
Total			**41**				**41**	

1. INTRODUCTION

Instructions	1.1.	Gerald Eve LLP ('GE') has been instructed to undertake a Financial Viability Review ('FVR') of a Financial Viability Assessment ('FVA'), submitted on behalf of Chase New Homes ('the Applicant') that has been prepared by Savills ('the Advisor') in relation to a planning application proposing 96 dwellings. This assessment will look to justify the proposed level of planning obligations including S106 contributions and affordable housing proposed.
	1.2.	Our instructions are to review the FVA and verify whether the Scheme offers the maximum reasonable level of affordable housing, whilst having regard to UDC Planning Policy and Section 106. The Uttlesford Local Plan (2005) Policy H9 sets a target of 40% affordable housing on appropriate allocated and windfall sites. A site size threshold of 0.5 hectares or of 15 dwellings applies. UDC currently does not have an adopted CIL policy. We have requested confirmation of the estimated S106 contributions from PINS.
Site	1.3.	The Site is located in Saffron Walden within the planning district of Uttlesford. The site is located on Mount Pleasant Road and Debden Road and measures some 8.25 acres (3.33 ha) of the former Friend's School consisting of the main building built in the 1700s with accompanying modern buildings such as the swimming pool and pottery. The site is host to further amenity land which measures a total of 14 acre (5.7 ha), however, this is not included within the application area.
The Scheme	1.4.	The Applicant has submitted a planning application (Ref: **S62A/22/0000002)** proposing; *'Conversion of buildings and demolition of buildings to allow redevelopment to provide 96 dwellings, swimming pool and changing facilities, associated recreation facilities, access and landscaping.'*
Confirmation of Terms of Engagement	1.5.	Our instruction is to undertake an objective, impartial assessment of the Applicant's FVA report, supported by Veale & Sanders, to determine if the proposed development can viably afford to deliver housing/ affordable housing and whether the offer presented represents the maximum reasonable amount, in line with policy requirements. The report therefore represents an FVA Review.
Relevant guidance and policy	1.6.	This review has been prepared having regard to the NPPF (Updated 2021); National Planning Guidance ("NPG"); Uttlesford Local Plan (2005) the RICS Guidance Note: Financial Viability in Planning 2012 ("the RICS GN"), the RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England (July 2021), conduct and reporting Practice Statement 2019 ("the RICS PS"); and generally accepted principles of undertaking (site specific) FVAs.
Conflict of interest declaration	1.7.	We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict-of-Interest Professional Statement of January 2018); and that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.
Transparency and confidentiality	1.8.	We confirm that this viability assessment has been prepared in the full knowledge that it may be made publicly available at some point in the future. Where we are of the view that there is information, which is commercially sensitive, that we have relied upon in arriving at our opinion, we have stated so in our report. We request that permission is sort by the instructing/applicant prior to being made public to ensure commercially sensitive or personal information does not infringe other statutory regulatory requirements.
Confirmation of relationship to area-wide assessment	1.9.	We confirm that we have not undertaken an area-wide viability assessment concerning existing and future policies against which the scheme will in due course be assessed against.

Timeframe	1.10.	GE has had enough time to complete this instruction and where necessary, has exchanged with the Advisor in the process of reaching our conclusions.
Supporting information	1.11.	We note that the Applicant has instructed the following consultants to provide information applied within the FVA: • Savills (conducting the FVA) • Stace (Cost Consultant) • Savills (Revenue Advisors); and • Glennys (Existing Use Valuation)
Information reliance	1.12.	We have not undertaken a measurement of the Applicant's planning application drawings and have relied upon the information contained in the FVA and associated planning documentation. Whilst we have relied on the information that has been provided, we have also had regard to our own market knowledge and research and experience. Furthermore, in completing this exercise GE and Veale & Sanders (V&S) engaged with the Advisor and sought clarification where necessary. These clarifications are set out in the table below.
Clarifications	1.13.	**Table 1: Further Information Requested by GE**

Clarification/Request	Received
Update on GIA Areas	15/07/2022
Savills Live Argus Appraisals	15/07/2022
Updated Unit Plans	20/07/2022
Clarification on estimated S106 contributions	TBC

Professional judgment	1.14.	As outlined in the RICS GN, in undertaking this exercise, GE is formulating an appropriate judgement based upon information provided by the Applicant as to the viability of the Scheme and the maximum S106 contributions, including affordable housing that can be justified having regard to viability.
Viability Model	1.15.	A financial appraisal has been compiled using an industry standard licensed Argus development appraisal to assess the viability of the Scheme. These are explained further within the report and results are provided via a present-day appraisal.
Sensitivity	1.16.	A risk analysis has been provided to test the sensitivity and robustness of the residual land value having regard to changes in the inputs. This is in accordance with RICS Guidance Viability in Planning (2021) and normal practice when undertaking financial viability assessments in respect of schemes of this scale and programme.

2. REQUIREMENT FOR THE FVA REVIEW

Economic climate and influencing factors	2.1.	This report has been prepared as of August 2022 in the context of the prevailing economic climate and reflects the market and proposed development now. Should these circumstances change, it may be necessary to revise and update the inputs to the financial appraisal, and therefore resulting outturns, prior to the application being determined by UBC.
NPPF Paragraph 58	2.2.	Paragraph 58 of the National Planning Policy Framework states: *Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable.* *It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.* *The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force.* *All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance [NPG], including summarized inputs, and should be made publicly available.*
Reasons for an FVA	2.3.	Paragraph 007 of the NPG indicates: *Such circumstances could include, for example 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.*
Advisor's justification	2.4.	We have reviewed the Advisor's report and it does not appear to include a statement as to whether it is in accordance with the RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019). This is a requirement of practice for RICS members and firms and is regulated by RICS. We are therefore unable to confirm that the report has regard to the 14 mandatory requirements.
Site Specific reasons for an FVA	2.5.	The Applicant has proposed a scheme which offers does not include any affordable housing, below the minimum target required by Uttlesford District Policy of 40%.

3. SITE BACKGROUND – LOCATION

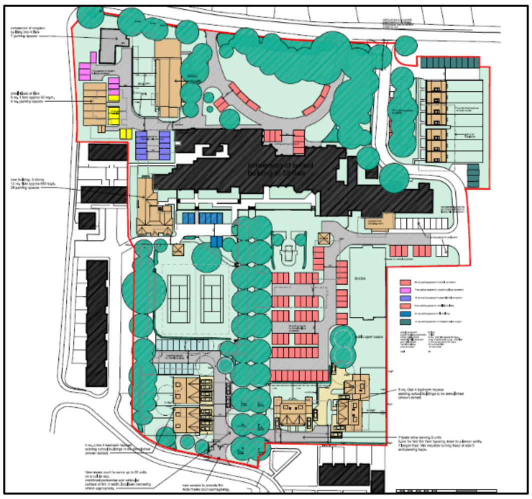

Figure 1: Location Map – Source: Edozo **Figure 2: Site Plan – Source: FVA Appendix 1**

Location	3.1.	The Site is located in the town of Saffron Walden, 12 miles south of Cambridge and is within the jurisdiction of Uttlesford District Council.
	3.2.	The Site measures an area of approximately 8.25 acres (3.3 ha) and is located to the south of Saffron Walden high street the surrounding uses are mainly residential.
Connectivity	3.3.	The site has access to the M11 via the A11, the M11 provides access to both London and Cambridge. The nearest rail station is Audley End located 3 miles from the site, which provides services to Cambridge, Birmingham and London.

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Existing Use	3.4.	The Site currently comprises a school building with outbuildings and amenity land. The main school building was built in the 1700's. and the further buildings consist of; • Swimming pool • Pottery • The Croydon building • Assembly Hall • Six other buildings
	3.5.	There is a discrepancy between the GIA provided in the FVA and the plans associated with the planning application. Following a request, we received an updated schedule of accommodation from the Applicant, which noted that part of the main building that had been omitted from the existing building GIA schedule. We have included the measured GIA (as included within the EUV report prepared by Glenny) and the revised area below. However, we note that the updated area schedule provided is still not in accordance with the latest plans available on the planning application website and therefore we request further clarification on the correct area.

Table 2: Schedule of Existing Accommodation

Building	Area (GIA)	
	SqM	Sqft
Swimming Pool & Sport Hall - Ground Floor	1,221.3	13,146
Swimming Pool & Sport Hall - First Floor	140.1	1,508
Swimming Pool & Sport Hall - Second Floor	28.7	309
Main School - Ground Floor	2,303.6	24,796
Main School - First Floor	353.3	3,802
Main School - Landing between First and Second Floor	48.4	521
Main School - First Floor	1,692.2	18,215
Main School - Second Floor	851.8	9,169
Main School - Second Floor	119.9	1,291
Main School - Third Floor	27.1	292
Croydon Building - Ground Floor	235.5	2,535
Croydon Building - First Floor	159.5	1,717
Assembly Hall - Ground Floor	648.8	6,984
Pottery Building - Ground Floor	269.3	2,899
Building 1 - Ground Floor	143.3	1,542
Building 1 - First Floor	144.0	1,550
Building 2 - Ground Floor	412.6	4,441
Building 2 - First Floor	416.5	4,483
Building 3 - Ground Floor	276.4	2,975
Building 3 - First Floor	276.6	2,977
Building 4 - Ground Floor	228.3	2,457
Building 5 - Ground Floor	252.4	2,717
Building 6 - Ground Floor	165.6	1,783
Total	10,596	114,054
Total including GIA omission	10,754	115,755

Source: Glennys Report

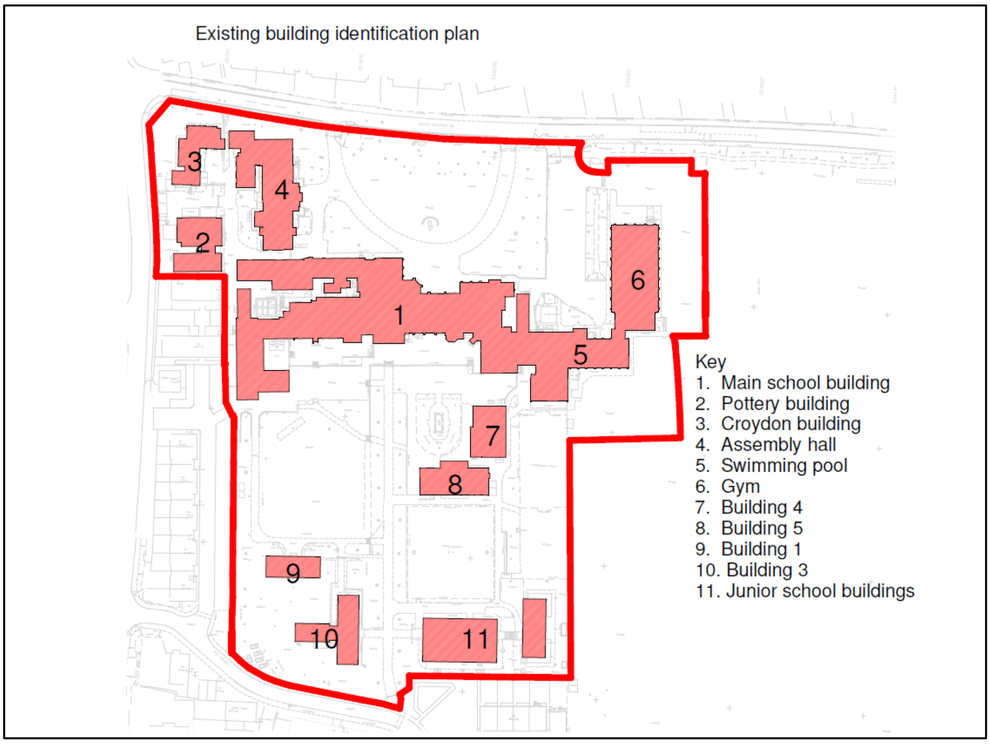
Existing buildings layout	3.6.	The below plan shows the layout of the existing buildings on the Site:
	3.7.	

Figure 3: Site Plan – Source: The Applicant

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4. VIABILITY GUIDANCE, PLANNING CONTEXT

Viability Guidance	4.1.	Viability in planning has its locus in the National Planning Policy Framework (NPPF) originally published in March 2012 and revised in February 2019 which sets out the Government's planning policies for England and how these are expected to be applied. The NPPF recognises the place of viability testing, in both plan-making and decision-making.
	4.2.	Further guidance relating to interpreting the NPPF is set out in National Planning Guidance (NPG) which refers to viability both planning obligations (PPG 2016) and viability (NPG 2019 as amended) and indicates that planning viability assessments are recommended to reflect NPG, in determined appropriate planning obligations.
	4.3.	The NPG indicates that viability assessments are to be undertaken by suitably qualified practitioners. The Royal Institute of Chartered Surveyors (RICS) has published practitioner guidance in 2012 and 2021 regarding viability assessments in planning. The RICS also produced a Professional Statement (Sept 2019) which indicates mandatory guidance for qualified practitioners for when undertaking viability in planning. For further details see **Appendix 1.**
RICS Guidance Note	4.4.	At the time of writing this FVA, the RICS Guidance Note Financial Viability in Planning, originally published in 2012 and updated in 2019 (the 'RICS GN') is currently used by members as guidance for carrying out FVAs.
	4.5.	However, a new RICS guidance note has been published (on 31 March 2021) titled Assessing Viability in Planning under the NPPF 2019 for England, (the 'New RICS GN') which becomes effective on 1 July 2021. It has been updated to supersede the 2012 document and bring it in line with NPG.
	4.6.	**Assessing Viability in Planning under the National Planning Policy Framework 2019 for England:** The RICS GN supplements and gives added guidance to RICS members and other stakeholders in the planning process on undertaking and understanding financial viability assessments (FVAs) in both a plan-making and decision-taking context. This guidance note is based on the NPPF and PPG as at the date of publication.
	4.7.	The New RICS GN introduces viability in the context of the NPPF and NPG. It sets out the purpose, requirement, and process of an FVA at the plan-making and decision taking (Development management) stage. The new RICS GN is grounded in the statutory and regulatory planning regime that currently operates in the UK.
Planning Practice Guidance	4.8.	Paragraph 007 of the NPG indicates: In the Viability section of the NPG which has been recently updated following a consultation exercise earlier in the year, applicants are now required to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The NPG then sets out such circumstances which could include: *"...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." (Paragraph 007 Reference ID: 10-007-20180724)* Where viability assessments accompany applications the NPG at paragraph 008 (ID 008-20180724) requires these to be based upon and refer back to the viability assessment that informed the plan and provide evidence of what has changed. In these cases "the weight to be given to a viability assessment is a matter for the decision maker having regard to all the circumstances in the case…" Under standardised inputs to viability assessment the NPG states:

		"In plan making and decision-making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission." (Paragraph: 010 Reference ID: 10-010-20180724) The NPG sets out a broad description of how development value and costs are defined for the purposes of viability assessments. Whilst not explicitly stated, the implication is that values and costs are present day and up to date at the time of the assessment.
	4.9.	The PPG states: *"Planning obligations assist in mitigating the impact of unacceptable development to make it acceptable in planning terms. Planning obligations may only constitute a reason for granting planning permission if they meet the tests that they are necessary to make the development acceptable in planning terms, directly related to the development, and fairly and reasonably related in scale and kind."* (Paragraph 001 Ref ID 23-b-001-20161116) Furthermore, PPG indicates: "*Planning obligations should not be sought where they are clearly not necessary to make the development acceptable in planning terms; and planning obligations must be fully justified and evidenced. Where affordable housing contributions are being sought; planning obligations should not prevent development from going forward*." (Paragraph: 001 Ref ID 23-004-20150326) The PPG also indicates where local planning authorities are requiring affordable housing obligations or tariff style contributions to infrastructure: *"..they should be flexible in their requirements. Their policy should be clear that such planning obligations will take into account specific site circumstances."* (Paragraph: 006 Reference ID: 23b-006-20140306) The PPG (Paragraph: 007 Reference ID: 23b-007-20150326) recommends that on individual schemes, applicants should submit evidence on scheme viability where obligations are under consideration.
Local Planning Policy	4.10.	The Uttlesford Local Plan 2005: • Policy H9 of the Uttlesford Local Plan 2005 identifies target for affordable homes, which is for 40% of all new homes delivered across Uttlesford to be affordable.
Advisor's Viability Approach	4.11.	To assess the viability of the Proposed Scheme, the Advisor has prepared a residual of the Scheme which does not include any affordable housing or S106 contributions. This is tested against the BLV that they have determined as being £5.1m. The Advisor's assessment concludes that the Proposed Scheme, when tested on this basis, results in a deficit position.
	4.12.	As stated above, the Uttlesford Local Plan requires that developments of more than 11 units should deliver 40% affordable housing. Split 70% Affordable Rented tenure and 30% Shared Ownership. tenure.

Planning History	4.13.	We have provided below a summary of the planning history for the property which has been taken from the Uttlesford District planning portal;

Planning History			
Planning Ref.	**Date**	**Decision**	**Description**
UTT/19/1744/OP	19/03/2021	Refuse	Hybrid application consisting of full details for development of 30 dwellings utilising existing access, re-provision of swimming pool with new changing rooms, artificial grass pitches, sports pavilion, multi-use games area (MUGA), local equipped area for play (LEAP), local area for play (LAP), associated parking and demolition of gym building. The remainder is in outline for up to 70 dwellings with associated infrastructure, public open space, forest school and perimeter path.

Summary	4.14.	We assess the inputs to the Proposed Scheme appraisal within this report and undertake an assessment of a policy compliant scheme in line with current Guidance.
	4.15.	The NPPF has a clear presumption in favour of sustainable development and local planning authorities should take account of this when determining planning applications.
	4.16.	It is important that the approach taken to affordable housing and scheme viability does not compromise the ability to deliver the development on the Site.

5. PROPOSED SCHEME

The Scheme

5.1. The Applicant has submitted plans proposing 96 new homes through the conversion of the existing buildings and further new build units. There will be 62 conversion dwellings and 34 new build flats and houses.

Table 3: Residential Summary

Source: The Advisor

The Proposed Scheme - GIA		
Use	**GIA (sqm)**	**GIA (sqft)**
Residential	10,590	113,990

Accommodation Schedule

5.2. The Advisor includes a schedule of accommodation at Appendix 2 of the FVA, which we have adopted within our assessment. A breakdown of the proposed residential accommodation is provided in the table below**.** We have attached the updated GIA schedules received through clarifications at **Appendix 2.**

Table 4: Private Residential by Block Summary

Source: The Advisor

The Proposed Scheme by Block					
Private Residential Block	**Flats**	**Houses**	**Total**	**NIA (sqm)**	**NIA (sqft)**
School conversion	52		52	3,809	41,000
Croydon conversion	4		4	253	2,723
New flats adjacent to Croydon	6		6	328	3,531
School new flats	12		12	770	8,284
Junior new houses		9	9	1,453	15,635
Assembly Hall conversion	2	4	6	642	6,910
New houses replacing gym building		7	7	683	7,346
Residential Total	**76**	**20**	**96**	**7,937**	**85,430**

5.3. We set out below a summary of the types of units proposed within the Scheme:

Table 5: Private Residential Type Summary
Source: The Advisor

The Proposed Scheme by Unit Type				
Private Residential Type	**Number**	**Unit Type**	**Storeys**	**Beds**
Lime	4	Semi Detached/Terraced Town House	3	4
Oak	5	Semi Detached/Terraced Town House	3	4
Ash	7	Terraced	2	3
New Build Flats	18	Studio,1 ,2 and 3 bed flats	2-3	Studio - 3
Conversion Flats	62	Studio,1 ,2 and 3 bed flats	2-3	Studio - 3
Total	**96**			

The Ash

5.4. The Ash units are three bed terraced units located in the north west corner of the Site in replacement of the gym building. The units are proposed across two blocks, one of four units, and one of three units. The Ash are two storeys, the accommodation comprises of open plan living/kitchen with a separate living area. The second floor is host to three bedrooms, one of which is ensuite and one family bathroom.

The Lime

5.5. The Lime is a four bed, three storey semi-detached townhouse with built in garage. Located in the southwest of the Site. These units replace the existing school building number 10 on the existing building plan. The ground floor consists of the carport, w/c and open plan kitchen diner. The first floor consists of a family room, family bathroom and two bedrooms. The second floor is host to a further two bedrooms one of which is ensuite.

The Oak

5.6. The Oak are four bed, three storey both semi-detached and detached townhouses with an external garage located in the southeast corner of the site replacing the junior school building. The ground floor consists of an open plan kitchen diner with separate living room and w/c. The first floor comprises of three bedrooms, one of which is ensuite and a family bathroom. the second floor is host to a master bedroom with ensuite shower room.

Car parking

5.7. The scheme proposes 189 parking spaces. It is not specified how many of these spaces are residential disabled spaces. The breakdown of car parking spaces allocated to each block is set out below:

Car parking breakdown

5.8. **Table 6: Parking Summary**

Source: The Advisor

Block	No of parking spaces
Main School Conversion	88
Croydon Building Conversion	7
New Flats Adjacent to Croydon	6
School New Flats	24
Junior School New Build	22
Assembly Hall Conversion	10
New Houses Replacing Gym Building	14
Unallocated Parking	18
TOTAL	**189**

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6. GROSS DEVELOPMENT VALUE

Market Value

6.1. The Advisor has assessed the value of the Scheme (as per their FVA report Section 7) and has provided comparable evidence to support a GDV of £37.4m.

Private Residential Sales Values

6.2. As stated above, the Advisor has applied a GDV of £37.4m, equating to £444 psf. A market evidence report is provided at Appendix 7 of the Advisor's FVA and has regard to achieved and asking prices for comparable new build schemes in the vicinity of the Site.

6.3. The Advisor has provided their GDV analysis on a per unit basis in their pricing report (FVA Appendix 7), which has been applied on a per block basis in their appraisal. The proposed capital value per unit type based on an average of £444 psf provided by the Advisor are as follows:

Table 7: Summary of Capital Values per block Assumed by Savills
Source: The Advisor

Block	Units	Gross Sales	£/sqft
Croydon Building New Build	6	£1,620,000	£458.66
Junior School New Build	9	£6,485,000	£414.83
Gym Building New Build	7	£3,325,000	£452.63
Main Building New Build	12	£3,685,000	£444.83
Main Building Conversion	52	£18,082,500	£441.04
Croydon Building Conversion	4	£1,222,500	£448.79
Assembly Hall Conversion	6	£3,025,000	£437.83
Total Market Unit GDV (Applicant)	**96**	**£37,445,000**	**£444/sqft**

GE's Approach and Values

6.4. As part of the due diligence process, we have reviewed the comparable evidence set out in the Applicant's FVA report to ensure the values adopted provide an accurate estimation as to what we would expect the Scheme to achieve. We have also carried out our own comparable research into new build schemes nearby. See GE's private sales evidence in the table below showing both capital values and rates per square foot.

Conversion Sales Values

6.5. We would typically expect to see some pricing consideration regarding the new build and conversion units, however, we comment that the pricing point of conversion units depends on the specification and characteristics.

Table 8: Capital value per unit - GE comparable schemes
Source: Land Registry

Comparable Schemes	Average Flat Cap Value	Average 3 bed terraced house Cap Value	Average 4 bed townhouse Cap Value
Mortimers Gate	£475,154	£410,000	£540,245
Saffron View	£491,211	£481,000	£581,600
Hill House (1 and 2 bed apartments)	£346,818	-	-
Crocus Fields	£605,541	£489,938	£721,143
Average	**£479,681**	**£461,356**	**£586,581**

Table 9: Comparable scheme average values - GE comparable evidence
Source: Land Registry

Comparable Schemes	Average Flat £/sqft	Average 3 bed terraced house £/sqft	Average 4 bed townhouse £/sqft
Mortimers Gate	£352	£339	£363
Saffron View	£396	£394	£401
Hill House (1 and 2 bed apartments)	£444	-	-
Crocus Fields	£462	£456	£461
Average	**£421**	**£396**	**£410**

Assessment of Values and Comparable Evidence

6.6. Considering the analysis above and in **Appendix 3,** we have adopted the Advisor's residential sales values as these accord with the evidence base on a £/sqft per unit type basis. We note the pricing differential between unit types proposed, which we deem to be appropriate. We also consider that sensitivity testing for the conversion units is appropriate, given the relative lack of evidence compared to new build.

Sales Rates

6.7. The Applicant has proposed an off-plan sales rate of c. 20% of the total units. This is comprised of 100% of the new build properties, excluding those within the main building. The Advisor has assumed that the remaining units would sell on a monthly basis during the construction period.

6.8. GE have reviewed the sales rates applied by the Advisor and have adjusted so that sales align with the practical completion of each block. We have maintained the Advisor's off-plan sales rate (100%) for the new build units (excluding those within the main building), however, adjusted to assume receipts at practical completion. We have also assumed that the conversion units (excluding the main building) can all be sold at practical completion of the blocks. For the main building, containing the largest number of units, we have assumed 50% off-plan, with the remainder of units selling over a 10-month period.

Affordable Housing

6.9. No affordable housing has been proposed.

Car parking

6.10. No value has been attributed to the 189 car parking spaces provided on site. We consider this a reasonable assumption given the location of the Scheme and the value applied to the proposed units.

Residential GDV Summary	6.11. We set out a summary of the total Proposed Development Residential GDV below:

Table 10: Summary of Proposed Development Residential GDV
Source: The Advisor and GE

Type	Advisor Residential GDV	GE Residential GDV
Private Residential	£37,445,000	Agreed
Total	**£37,445,000**	**Agreed**

Summary of Assumptions	6.12. We have assessed all the assumptions in the Advisor's appraisal and their associated justification within the FVA. We consider that the sales values applied by the Advisor are reasonable.

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7. CONSTRUCTION COSTS

Construction Costs	7.1. The Advisor has provided a cost plan prepared by Stace dated Nov 2021. The cost plan total amounts to £24,807,807 including preliminaries, OH&P and external works. This figure is split into conversion and new build works with an allowance for demolition and is inclusive of a contingency allowance of 10% for conversion works and 5% for new build works. The pricing base date is not stated; however, an allowance has been included for 'Construction Inflation Q2 2020 to Nov 2021'.
	7.2. GE have requested the support of a qualified quantity surveyor – Veale and Sanders (V&S) – to assess the costs proposed by Stace.
Build Cost Areas	7.3. The cost estimate provided by Stace is based on the Net Sales Area ('NSA'). We understand from V&S that this fairly typical of a house builder. V&S have subsequently been provided with existing and proposed Gross Internal Area ('GIA') schedules to use for their assessment and also the plans accessed from the planning application website.
	7.4. V&S's report is attached at **Appendix 4** and covers the following areas: • Reviewing overall scope / content / areas / mix etc. • Comparing overall pricing with benchmark data from BCIS and historic projects; and • Identification of abnormal costs/potential cost savings.
Inflation	7.5. V&S state that the Stace report does not contain a base date however does include an allowance for Construction Inflation Q2 2020 to Nov 2021.
	7.6. As the Advisor's FVA is dated January 2022 and the date of the cost plan is Q4 2021, we have also discussed with V&S the potential cost uplift to the present day. The potential uplift ranges from 5.7% to 7.3%, depending on the base date adopted. For clarity, we have not applied this further cost increase within this assessment.
Demolition	7.7. Stace have adopted a blanket rate of £44/m^2 (including indexation) for each of the buildings to be demolished. V&S find this estimate to be reasonable and have following receipt of the latest plans have had sight of the latest GIA areas.
Conversion	7.8. Stace have costed the conversion elements of the scheme at £12,523,460. These have been reviewed by V&S and are considered reasonable. We have applied these costs in our appraisal. The conversion costs have been split out by Stace as follows;

Table 11: Conversion Costs

Source: Stace and V&S

Block	Advisor Current Cost	GE Current Cost
Croydon Building	£644,516	Agreed
Assembly Hall Building	£1,630,939	Agreed
Main Building	£9,689,731	Agreed
Swimming Pool	£558,274	Agreed

Externals	7.9. An externals rate of £28,500 per plot has been applied by Stace. V&S have interrogated this allowance and find the assumption initially high however once the shortfall in an externals allowance in the conversion works costings is considered the costs are deemed reasonable.
Contingency	7.1(The Stace cost plan applies a contingency allowance of 10% to conversion elements and 5% to new build. V&S have reviewed the contingency allowances provided by Stace and comment that 10% contingency may be regarded slightly high however given the complexities of the conversion elements, is deemed reasonable. The contingency allowance at 5% for the new build is in line with normal expectations.

Total Build Costs

7.11 V&S have confirmed that the total construction and demolition costs of **£24,807,807** provided by Stace are appropriate for the purposes of viability and as such we have adopted this cost. We have provided a breakdown of both the Advisors costs and our applied costs below.

Table 12: Build Cost Input Comparator

Source: Stace and V&S

Input	Advisor Current Cost	GE Current Cost
Demolition	£1,310,133	Applied
Conversion	£12,523,460	Applied
New Build	£9,955,933	Applied
Landscaping	£1,018,221	Applied
Total	**£24,807,807**	**Applied**

Professional Fees

7.12 Stace have allowed for professional fees of 7.5% of the construction costs which has been adopted by the Advisor.

7.13 GE consider that professional fees generally range between 8%-12% depending on the complexity of the project. Having regard to the size and location of the Scheme, we consider that 7.5% is below the typical range, however, is reasonable for a scheme of the nature and have applied this figure within our appraisal.

Marketing, Letting and Disposal fees

7.14 The Advisor states in the FVA that they have allowed for the following fees associated with the sale of the Scheme:

Table 13: Summary of Residential Marketing and Disposal Fees

Source: The Advisor and GE

Cost	Advisor	GE
Residential Sales Fee	1.5%	Applied
Sales Legal Fee	£1,000/unit	Applied
Residential Marketing	£250/unit	1% (on private units)

Agents and Legal Fees

7.15 The Advisor has applied 1.5% sales agents fee and £1,000 per unit sales legal fee. We agree with the level of sales agents fee, however, would typically expect sales legal fees to be applied at 0.5%. However, to progress discussions we have accepted the advisors £1,000/unit approach. The Advisor's approach equates to a total of £96,000 for sales legal fee, 0.5% would equate to £187,225.

Marketing

7.16 The Advisor has adopted £250/unit for marketing costs, which equates to £24,000 or 0.06% of GDV. The Advisor reserves the right to reconsider this area once further information has been received as referenced at s.8.1.4 of the FVA. Generally, on marketing fees we would apply between 1-2% as a standard assumption, on top of sales fees. We have therefore adopted 1 % on private residential income in our appraisal.

Land Acquisition fees

7.17 The Advisor has applied a sales agent fee at 1.0% and a £20,000 legal fee applied, we would typically expect to see a 0.5% legal fee applied, however, we have adopted the Advisors approach. The Advisor has applied stamp duty at 4.76%, we have also applied this the prevailing stamp duty rate at 4.66%.

Finance costs

7.18 The Advisor has included a finance rate of 6.0% within their appraisal, GE considers this rate to be too low when considering more recent changes to UK interest rates, as such we have sought to apply a higher rate of 6.5%. Further evidence on the approach and reasoning behind this is at **Appendix 5.**

7.19 **Table 14: Summary of Finance Rates**

Source: The Advisor and GE

Description	Advisor	GE
Finance rate	6.0%	6.5%

Finance Costs

7.20 The Advisor has applied a credit rate of 0.010%. We have not applied this.

Planning obligations

7.21 The Applicant has not accounted for any planning obligation costs within their appraisal. We have applied this approach, however, have requested confirmation from PINS.

Programme

7.22 We note the Advisors appraisal starts in October 2020, we have assumed this is an error and makes no material changes to the scheme.

7.23 The Advisor has allowed for a total programme of 41 months for the Scheme outlined below, including a 6-month lead in (pre-construction) period, with the purchase of the site having been six months earlier. There are no costs apportioned between the October 2020 site purchase and the commencement of demolition, with demolition included within the main construction period rather than the pre-construction period.

Table 15: Advisor Development Programme

Source: The Advisor

Phase	Start	Practical Completion	Months	Off plan
Purchase	Oct 2020		1	
Pre-con	Nov 2020	Feb 2024	6	-
Construction			30	
Sales			19	
Total (allowing overlapping)			**41**	**20% off plan (overall)**

GE Construction Programme

7.24 Following review of the Advisor's construction programme, we consider that the six month pre-construction period should be removed. The construction period of 30 months includes a four month demolition period which we are of the view could commence following the initial purchase period. We have discussed the 30 month construction programme applied by the Advisor with Veale & Sanders and consider that this is reasonable.

Sales Timings

7.25 At s.8.2 of the FVA, the Advisor states they have allowed for a 17 month sales period, however, from reviewing the Advisor's Argus appraisal, the sales period applied is 19 months. As shown in the table above, the sales period is assumed to commence in October 2020, at the same time as the construction period.

Off Plan Sales

7.26 The Advisor has adopted an overall off plan sales rate of c.20%. This is comprised of 100% off plan sales for the following units:

- The new build units replacing the gym
- The new build units replacing the junior school
- The new build units replacing the Croydon building

7.27 The Advisor has assumed that the remaining units within the Scheme (all conversion units and new build units within the main building) sell at a rate of 4 – 5 units a month, with no off-plan sales assumed. The majority of these sales occur during construction.

7.28 Given the quantum of proposed new build houses (20 in total) and the location of the Scheme, we consider it reasonable to assume that these could sell 100% off plan, however, we have moved the monetary receipt to accord with practical completion. We have adjusted the remaining blocks so that sales align with the practical completion of each block. We have assumed that all of the conversion units (excluding the main building) could be sold at practical completion of the block. We have assumed 50% off-plan sales for the main building, with the largest quantum of units, with the remainder selling over 10 months.

Summary of costs

7.29 We confirm that most inputs into the Advisor's appraisal have been reasonably justified. Where GE have disagreed with the costs, we have clearly set out the differences with supporting and reasonable justification. Where inputs are agreed, this has also been clearly stated.

Table 16: Summary of Scheme Cost Assumptions
Source: The Advisor and GE

Cost	Advisor	GE
Build cost	£24.8m	Applied
Professional fees	7.5%	Applied
Benchmark Land Value	£5.1m	£5.0m
Marketing	£250/unit	1%
Sales Agents Fee	1.5%	Applied
Sales Legal Fee	£1,000 / unit	Applied
Finance	6%	6.5%
Programme (Total)	Purchase: 1 month Pre-construction: 6 months Construction: 30 months Sales: 19 months (100% off plan for new build and c. 20% off plan for conversion)	Purchase: 1 month Pre-construction: Removed Construction: Applied Sales: 10 months, moved to PC

8. BENCHMARK LAND VALUE (BLV)

Basis	8.1. NPG expects that viability is determine regarding a Benchmark Land Value (BLV) which reflects the aggregate of the site's EUV (component 1) and a premium for incentivising the landowner to release the land for development (component 2), or an alternative use value ('**AUV'**), having regard to policy. Therefore, in accordance with NPG, this section looks to establish the BLV for this Site.
	8.2. As set out below there are two primary elements to consider when considering Benchmark Land Value (BLV): • Existing Use Value (EUV) plus a premium; and or • Alternative Use Value (AUV).
Existing Use	8.3. In this instance the Site comprises a school of 115,757 sq ft (GIA). We understand that the school's use falls within Use Class F1 (Learning & Non-Residential).
Existing Use Value (EUV) (Component 1)	8.4. NPG indicates that EUV is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value.
	8.5. The Advisor's has adopted an EUV of the Site based on a Red Book Valuation undertaken by Glenny LLP, as follows:
	8.6. **Table 17: Summary of Advisor's EUV** *Source: The Advisor*

Source	EUV
Glenny LLP	£5,100,000

GE review of EUV	8.7. The GE Specialist Valuation team have reviewed the report prepared by Glenny attached at Appendix 6 of the Applicants FVA. Principally, the GE Specialist Team consider that the overall approach adopted by Glenny is appropriate and agree with the EUV. However, the valuation date for the Glenny report is December 2021 and it is considered that the current estimate of EUV would require a discount. This is partly to reflect the increased build costs required to put the school back into repair and part due to the change in economic market conditions over the last six months, affecting interest rates and the debt markets. A copy of the GE EUV advice is at **Appendix 6**.
GE EUV Summary	8.8. Based upon GE's review of the Advisor's EUV, we are of the opinion that the **EUV of the Site is £5.0m**. For clarity, we are aligned with the Advisor's opinion of EUV at the valuation date, however, consider this requires a discount to present day.
Premium	8.9. NPG indicates that 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+).
	8.10. The NPG at paragraph 16 states that establishing a reasonable premium will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration.
Advisor Premium	8.11. The Advisor has provided a premium of 17.5%, they have not provided any evidence for this. A premium of 17.5% equates to £892,500. The Advisor has chosen not to apply a premium to the EUV of £5,100,000.

GE Premium	8.12.	GE believe that a premium is appropriate, however, have agreed with the Advisor that in the first instance. We have, however, provided sensitivity analysis to demonstrate the impact of a premium upon scheme viability. Please refer to Sensitivity 3 Scenario in Section 11 of this report.
Local Plan Viability BLV	8.13.	The Uttlesford Plan Viability Study 2018 sets a BLV of for development land however it does not distinguish between brownfield and greenfield sites.
GE Premium Evidence	8.14.	We have undertaken a research exercise to cross check the above assumed premium. We have researched agreed BLV's from comparable schemes; • The Old Cement Works, Saffron Walden • Essex County Hospital, Chelmsford
The Old Cement Works	8.15.	Located 0.8 miles from the Site, this scheme achieved planning for 35 units after successfully being granted permission at Appeal (main issue being viability). The site is a flat rectangular shape with access to Thaxted Road. The site was previously host to a cement works, substantial demolition was not required however site preparations were required. The scheme was granted permission in July 2021 with a reduced affordable provision commitment (20% rather than 40%).
Essex County Hospital	8.16.	Planning permission was granted in January for the redevelopment of the former Essex County Hospital was sought to provide 120 homes. This involves the residential conversion of Main Hospital Building, Nurses Home, Kitchen Store, G.U. Medicine Building and North East Block to provide 70 apartments and houses, and demolition of additional outbuildings and replacement with 50 new apartments and houses, only 3% of which would be affordable. Associated enabling works including public open space, landscaping, parking, and access were also proposed.
GE Premium Evidence	8.17.	Below we have set out the BLV comparable evidence on a per acre basis. We have included the Advisors BLV as proposed in their FVA, for clarity this does not include a premium.
BLV Comparator	8.18.	The Advisor refers to the gross area being 8.25 acres in s2.1 of their report and 8 acres in s1.3 of their report. We have applied 8.25 gross acres until further confirmation is received. The below shows that the BLV proposed by the Advisor is far below that achieved by comparable schemes when compared on a per acre basis.

8.19. **Table 18: BLV Bases Results Summary**

Source: GE and Land Registry

	The Advisors BLV	The Old Cement Works	Essex County Hospital
Units	96	35	120
Acres (Gross)	8.25	3.32	4.2
Advisor's BLV	£5,100,00	£3,143,170	£5,800,000
Per Acre	£618,182	£946,738	£1,380,952

BLV abnormals	8.20.	NPG indicates that BLV should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees. In establishing BLV, GE have had regard to the Existing Use of the property which has regard to the current condition of the buildings on the Site.
BLV Summary	8.21.	In arriving at the BLV, we have had regard to the methodology and approach in determining BLV set out in this Section. We have also had regard to the NPPF, NPG, Affordable Housing and Viability SPG, the RICS GN and mandatory requirements of the RICS Practice Statement in respect of reporting and conduct. We summarise our establishment of the Site's BLV below.

Table 19: BLV Bases Results Summary

Source: The Advisor and GE

Basis	Advisor's Value	GE Value
Existing Use Value	£5,100,000	£5,000,000
Premium	Not Applied	Not Applied
BLV	£5,100,000	£5,000,000

8.22. We have arrived at an opinion of BLV at which a reasonable landowner would be willing to sell for development by:

- Applying a reasonable valuation judgement.
- Informed by the relevant available facts.
- Regard to the obligations and considerations related to the Site.
- With a realistic understanding of the local area and the operation of the market.
- Reflect all policy requirements.
- Delivering a reasonable return to the landowner.
- Having regard to the specifics of the site and use.

Our opinion assumes the Site is free of any encumbrances, or restrictions on title which would adversely affect the value.

Applied BLV

8.23. Taking all the above into account, we have adopted a BLV for viability testing in planning of:

£5,000,000
(Five Million Pounds)

8.24. It is reasonable to conclude that the landowner will not be willing to sell their land for a deficit in comparison with other options, including mothballing or change of use. Therefore, we accept that the site may transact at a value more than our determined BLV, but we have not applied purchase price in determining BLV.

9. RETURN TO THE DEVELOPER

Return	9.1.	A significant factor in undertaking viability assessments for development purposes is the level of return which a developer might reasonably require from undertaking the development and in turn on what basis the Scheme could be funded and financed. This will depend on several factors including the size of the development, the perceived risks involved, the degree of competition between funding and finance institutions for the Scheme, the state of the market in terms of demand for and lot size of the completed development and the anticipated timescales for development and for receiving a return.
	9.2.	Development profit is usually necessary to attain investment to implement and deliver any given project. The level of profit is essentially the reward to the developer for the time, expertise and risk involved in carrying out the process of development.
	9.3.	The NPG (paragraph 018 (Ref 10-018-20120724)) indicates that for the purpose of plan making an assumption of 15-20% of Gross Development Value (GDV) may be considered a suitable return to developers in order to establish the viability of plan polices. This is not a direct guidance for Scheme specific applications and that specific development returns need to account for type, scale, and risk profile of the planned development. Furthermore, it is recognized that lower returns are considered more appropriate for affordable housing where risk to receipt of income are lower and alternative figures may also be appropriate for other types of development.
	9.4.	In terms of being satisfied of Scheme viability, it is usual for any project proposal to be accompanied by a cashflow model – a residual appraisal or a Discounted Cash Flow (DCF) appraisal that shows both the expenditure and receipts and the time frame across which these will take place. In development the appraisals will inform investors with a projected viability, Internal Rate of Return (IRR) or Net Present Value (NPV). The rate of return (the target profit or Discount Rate) that the investor will apply to their investment in the project, and thereby informing the Scheme's viability, will depend to a great extent on the way in which the landowner agrees with the assumptions within the appraisal.
	9.5.	It is, however, more common for standard development opportunities to be considered on a return on gross revenue (GDV) basis as indicated in both the NPG (2018) and the GLA SPG. GE note the GLA SPG indicates both targets can be considered and/or cross referenced. NPG (2018) indicates that potential risk to development is accounted for in the assumed return for developers and it regarded as the role the developers, not plan makers or decision makers, to mitigate these risks, not for obligations to maintain them.
	9.6.	Determination of an appropriate target rate of return can depend on several factors, but it is predicated on the risk associated with developing out the proposed Site. The more risk involved, the higher return the developer will require.
Advisor's return on GDV	9.7.	The Advisor has allowed for a profit on GDV of 16.67% on the private residential sales, an equivalent of 20% profit on Cost.
	9.8.	We have considered the following factors, which are specific to the Scheme when assessing an appropriate target return: • The Scheme comprises both new build units and the conversion of a former school; • Ongoing uncertainty following the COVID –19 outbreak; • Continued cost inflation.
Advisor's return on GDV	9.9.	We consider that the Advisor's assumption is within a reasonable range and therefore have applied this within the appraisal.

10. PLANNING OBLIGATIONS (NOTIONAL)

Community Infrastructure Levy	10.1. The Government has introduced a Community Infrastructure Levy "CIL" to be paid by developers to help fund infrastructure required to support the development of its area. CIL is a charge that can be applied by planning authorities on new development to fund required infrastructure within their area. Statutory provision for CIL was introduced in the Planning Act 2008. The ability to charge CIL came into force 6 April 2010 through the Community Infrastructure Levy Regulations 2010.
	10.2. The CIL charge has been calculated according to the amount of net additional floorspace a new development would create. The amount to be paid would be calculated when planning permission is granted and is paid when development starts unless the charging authority adopts a payment policy.
	10.3. Uttlesford are yet to implement a CIL charging schedule. No CIL has been applied by the Advisor, we have adopted this approach.
S106	10.4. No S106 contribution has been assumed in the Applicant's appraisal, however, the Advisor has provided a sensitivity which reflects a £5,000/unit provision which reduces the RLV to £3.9m.
	10.5. We have not included a contribution towards S106, however, we have requested confirmation of the estimated S106 contribution from PINS.
Affordable housing	10.6. NPG states that Local Authorities should seek the maximum reasonable amount of affordable housing when negotiating residential Schemes. In achieving this, Local Planning Authorities should consider economic viability together with the individual circumstances of the Site and Scheme. It follows it is necessary for a developer to seek to obtain a planning permission capable of implementation that provides a return reflecting the risks associated with the overall investment. This will determine what is reasonable in respect of affordable housing levels as well as potential planning obligation payments.
	10.7. The proposed development does not offer any affordable housing provision.
Package	10.8. We have not been advised whether the Council or PINS have reviewed the proposed planning obligations or confirmed their acceptance of these figures. We have for the purposes of this report adopted the approach taken by the Applicant but reserve the right to amend if updates are provided. This will influence the viability of the Scheme.

11. FINANCIAL APPRAISAL REVIEW

Package

11.1. GE has been provided with the Advisor's financial appraisal and have made the appropriate adjustments considered within the previous sections to determine the financial appraisal output. GE applied the inputs as set out within the previous sections to determine the financial appraisal output. (See **Appendix 7).**

11.2. GE sets out in the following table a summary of the Advisor's position and GE's position to compare on a like for like basis.

11.3. **Table 20: Scheme – Appraisal Summary- Present Day**
Source: The Advisor and GE

Appraisal Output	Advisor	GE	Difference
Total GDV	£37,445,000	Applied	-
Construction Costs	£23,498,674	Applied	-
Return (Profit on GDV)	16.67%	Applied	-
RLV	£4,367,240	£2,847,571	-£1,519,669
BLV	£5,100,000	£5,000,000	-£100,000
Surplus/Deficit	**Deficit- £732,760**	**Deficit - £2,152,429**	**-£1,419,669**

Initial Viability Conclusion

11.4. The output of our viability assessment indicates that the proposed scheme generates a residual value which is below that of the BLV.

11.5. In the next section GE have undertaken several sensitivity tests and scenarios to assess this overall conclusion and the robustness of applied assumptions.

12. SENSITIVITY AND SCENARIO ANALYSIS

RICS

12.1. The RICS requires that all FVAs and subsequent reviews must provide a sensitivity analysis of the results and an accompanying explanation and interpretation of respective calculations on viability, having regard to risks and an appropriate return(s). This is to:

- Allow the applicant, decision- and plan-maker to consider how changes in inputs to a financial appraisal affect viability, and;
- Understand the extent of these results to arrive at an appropriate conclusion on the viability of the application scheme (or of an area-wide assessment).

This also forms part of an exercise to 'stand back' and apply a viability judgement to the outcome of a report.

Sensitivity – present day

12.2. A sensitivity analysis is a simplistic (but widely used) approach for testing viability and the robustness of the Scheme. Uncertainties can be identified in respect of the inputs and their effects can then be looked at in terms of the development return and then the level of planning payment. In short, this is a straightforward deterministic approach from which a judgement needs to be made as to the appropriateness of the outcome. Benchmarks can be used as performance measures. A prudent developer will also consider the sensitivities of a development and assess the risks of the project.

Advisor's sensitivity analysis

12.3. We note the Advisor has provided sensitivity analysis as part of the FVA report.

GE sensitivity testing

12.4. To assess the robustness of the viability of the proposals, it is necessary to consider the pricing and cost inputs to the financial model.

Value/cost variance

12.5. GE has looked at a variation of ±5% to ±10% to the private residential sales values together with construction costs while keeping the BLV the same.

12.6.

Table 21: Sensitivity 1 – Impact of variance in Sales Values and Costs upon Residual Land Value

		Sales Rate/ ft2				
		-10%	**-5%**	**0%**	**+5%**	**+10%**
Construction Gross % Increase	**-10%**	£2,439,969	£3,648,788	£4,857,611	£6,066,432	£7,275,252
	-5%	£1,434,948	£2,643,770	£3,852,589	£5,061,413	£6,270,234
	0%	£429,929	£1,638,749	£2,847,571	£4,056,390	£5,265,214
	+5%	-£727,134	£633,731	£1,842,549	£3,051,373	£4,260,192
	+10%	-£1,998,233	-£472,805	£837,532	£2,046,349	£3,255,174

Source: GE

12.7. This sensitivity analysis on costs and values shows that small movements have a significant impact on the outcome of the residual land value and consequent deficit/ surplus against the BLV. For example, were costs to decrease by 5.00% and values increase by 5% the scheme would achieve a RLV above that of the EUV (£5.0m) but would only achieve an RLV in excess of an EUV plus approach (£6.0m) if costs decreased by 10% and sales increased by 5%.

Adjusted Sales Values for Conversion Units	12.8.	The Scheme proposes 20 conversion units. As discussed, we consider the sales values applied by the Advisor to be reasonable, however, we do acknowledge that there is limited available evidence for conversion units. Furthermore, the value of conversion units varies depending on the individual characteristics of the units. Therefore, we have run a sensitivity adjusting the value of these units both upwards by 10% and downwards by 10%.

12.9. **Table 22: Sensitivity 2– Impact of variance in conversion sales values upon Residual Land Value**

	Conversion £/sqft Rate Increase 10%	Conversion £/sqft Rate Increase 5%	Current GE RLV	Conversion £/sqft Rate Decrease 5%	Conversion £/sqft Rate Decrease 10%
Residual Land Value	£4,285,636	£3,429,514	£2,847,571	£2,160,488	£1,540,339

12.10. The above analysis shows that even with a 10% increase in the sales value of the conversion units, the RLV is still below the BLV of £5.0m. Please see Appendix 8 for the above scenario appraisal.

Scenario Test

12.11. We have provided another scenario to explore whether the scheme would become viable if the contingency was lowered to 5% on all costs. This results in a RLV of £3.80m. A copy of this appraisal can be found at **Appendix 9**. As shown by the below table the scheme would only become viable against the EUV of £5.0m if total costs remain the same, the contingency is lowered to 5% on all costs and sales revenue is increased by 2.5%.

Table 23: Sensitivity 3– Impact of variance in contingency, costs and revenue upon Residual Land Value

		Sales Rate/ ft2				
		-5%	**-2.5%**	**0%**	**+2.5%**	**+5%**
Construction Gross % Increase	**-5%**	£3,305,179	£4,513,993	£5,722,823	£6,931,643	£8,140,461
	-2.5%	£2,348,228	£3,557,047	£4,765,861	£5,974,692	£7,183,512
	0%	£1,391,275	£2,600,097	£3,808,916	£5,017,740	£6,226,560
	+2.5%	£434,323	£1,643,143	£2,851,966	£4,060,784	£5,269,609
	+5%	-£661,436	£686,192	£1,895,010	£3,103,834	£4,312,653

Source: GE

If we add a premium to the EUV of 20% to make the BLV £6.0m this shows that the scheme would only achieve a viable position over this BLV with a lower contingency of 5% on all costs, increased sales revenue of 5% and costs remained the same.

12.12. Sensitivity 2 also feeds into our sensitivity analysis of adjustments to achieve a viable position against a policy compliant BLV (EUV plus a landowner premium).

12.13. As discussed in section 7 of this report we believe a premium would be applicable in this location, however, we have adopted the Advisor's assumption in the first instance. If we were to apply a landowner premium of 20% to the EUV of £5.0m in compliance with NPG the BLV would equate to £6.0m (£727,272 per gross acre). This is arguably still low in comparison to other comparable agreed BLV's as shown in Table 18 of section 7.

	12.14. For the scheme to become viable against a BLV comprising of both EUV and a premium (£6m) all costs would have to remain the same, contingency would have to be reduced to 5% and sales revenue would have to increase by 5%. This would result in an RLV of £6.25m.
Sensitivity 3	12.15. We have also tested the viability of the scheme if the finance rate were to be kept at the Advisors rate of 6%, this produced an RLV of £3,005,618, well below the EUV of £5.0m.

13. CONCLUDING STATEMENT

Instruction	13.1.	Gerald Eve LLP ('GE') has been instructed by PINS to undertake a Financial Viability Assessment Review ('FVR') with associated information in connection with the proposed development at the Site in Uttlesford. The FVA has been produced by Savills ('the Advisor') on behalf of Chase New Homes Ltd ('the Applicant'), the Applicant.
	13.2.	GE's instructions are to undertake an assessment of the FVA in accordance with the RICS Financial Viability in Planning mandatory guidance (2019) to verify whether the Scheme reflects the maximum reasonable level of affordable housing contribution, to assist in determination of the planning application against adopted planning policies and guidance.
	13.3.	We agree with a most of the Advisor's inputs. Where we differ is primarily on cashflow. There is little variation between the standardised outputs.
	13.4.	We deem the applied residential sales adopted by the Advisor to be broadly reasonable and having gathered our own comparable data and therefore have applied the Advisor's applied GDV for the Scheme.
	13.5.	In accordance with NPG (2019), in arriving at an opinion of a reasonable BLV, GE has applied a valuation judgement; informed by the relevant available facts, a realistic understanding of the local area and of the operation of the market. GE have adopted the BLV of c.£5,000,000 for the purposes of assessing viability in planning. We have adopted the Advisor's assumption of not applying a premium, however, a premium should be applied to the EUV.
Areas of disagreement	13.6.	We have adjusted the finance rates to 7% (Savills have applied 6%). Please refer to Appendix 5 for further information.
	13.7.	We have adjusted the marketing fee to 1% (Savills have applied £250/unit). We consider that the Advisor's assumption to be too low, however, we note they reserve the right to amend this assumption pending further information.
	13.8.	We have adjusted the sales programme to align with practical completion of the blocks, as the Advisor has assumed sales during the construction period. This adjustment has an impact on the overall finance cost for the Scheme.
	13.9.	We have applied a BLV of £5,000,000, compared to the Savills BLV of £5,100,000. We have relied upon the advice provided by Gerald Eve's specialist team, report attached at Appendix 6.
	13.10.	The construction costs have been provided by Stace on behalf of the Applicant as part of the FVA. Veale and Sanders ('V&S') have undertaken an independent review as part of this report and are in agreement with Stace on these costs.
Conclusion	13.11.	Based on our appraisal, we can confirm that in line with the Advisor's conclusions, this proposed scheme is not viable and produces a Residual Land Value which is below the target BLV.
	13.12.	However, through sensitivity testing we note that changes in cost and value inputs result in the scheme achieving the BLV, exclusive of the landowner premium. To achieve a RLV in excess of the BLV the costs of the scheme would need to decrease by 5.00% and values increase by 5% the scheme to achieve a RLV above that of the EUV (£5.0m). However, whilst the resultant RLV would be in excess of the BLV without a premium, the RLV would be in deficit of the BLV if a reasonable premium is applied.

Appendices

Appendix 1.

RICS professional statement

RICS professional standards and guidance, England

Financial viability in planning: conduct and reporting

1st edition, May 2019

rics.org/guidance

Financial viability in planning: conduct and reporting

RICS professional statement

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RICS professional standards and guidance

RICS professional statement

Definition and scope

RICS professional statements set out the requirements of practice for RICS members and for firms that are regulated by RICS. A professional statement is a professional or personal standard for the purposes of *RICS Rules of Conduct*.

Mandatory vs good practice provisions

Sections within professional statements that use the word 'must' set mandatory professional, behavioural, competence and/or technical requirements, from which members must not depart.

Sections within professional statements that use the word 'should' constitute areas of good practice. RICS recognises that there may be exceptional circumstances in which it is appropriate for a member to depart from these provisions – in such situations RICS may require the member to justify their decisions and actions.

Application of these provisions in legal or disciplinary proceedings

In regulatory or disciplinary proceedings, RICS will take into account relevant professional statements in deciding whether a member acted professionally, appropriately and with reasonable competence. It is also likely that during any legal proceedings a judge, adjudicator or equivalent will take RICS professional requirements into account.

RICS recognises that there may be legislative requirements or regional, national or international standards that have precedence over an RICS professional statement.

Document status defined

The following table shows the categories of RICS professional content and their definitions.

Publications status

Type of document	Definition
RICS Rules of Conduct for Members and *RICS Rules of Conduct for Firms*	These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.
International standard	High-level standard developed in collaboration with other relevant bodies.
RICS professional statement (PS)	Mandatory requirements for RICS members and RICS-regulated firms.
RICS guidance note (GN)	A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.
RICS code of practice (CoP)	A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.
RICS jurisdiction guide (JG)	This provides relevant local market information associated with an RICS international standard or RICS professional statement. This will include local legislation, associations and professional bodies as well as any other useful information that will help a user understand the local requirements connected with the standard or statement. This is not guidance or best practice material, but rather information to support adoption and implementation of the standard or statement locally.

Chair's statement

In 2012 RICS published its guidance note *Financial viability in planning* (1st edition), which provided advice on applying the government's planning policy on viability, introduced through the National Planning Policy Framework (NPPF) 2012.

The 2012 guidance note has been widely referred to in financial viability assessment (FVA) submissions, section 106 agreements, supplementary planning guidance (SPG), planning appeals and High Court decisions as a document that sets out accepted good practice for RICS members.

The emergence in 2014 of the national Planning Practice Guidance provided more detail about the application of the NPPF. In July 2018 a revised NPPF and Planning Practice Guidance (PPG) were issued. The NPPF was further updated in February 2019 and the PPG updated in May 2019. This followed the earlier decision in *Parkhurst Road Ltd v Secretary of State for Communities and Local Government & Anor* [2018] EWHC 991.

This professional statement has therefore been informed by the NPPF, PPG and a High Court decision, as well as practitioner experience. It aims to:

- provide consistency regarding the application of policy and guidance and
- assist the practitioner in individual cases.

Where planning obligations and other costs are introduced during the planning process, ascertaining the viability of a development involves a number of valuation judgements in both the inputs and outcomes of an appraisal of a scheme. In arriving at these judgements, it is a question of whether they are rational, realistic and reasonable in the circumstances. Parties may of course reasonably disagree. The 2012 guidance note encouraged practitioners to seek to resolve these differences of opinion, where possible, in the context of viability being a matter of evidence, valuation and exercising judgement.

The PPG 2019 also emphasises the need for:

- evidence-based judgement
- collaboration
- transparency and
- a consistent, standardised approach.

All these themes were central to preparing this professional statement, which sets out mandatory requirements that inform the practitioner on what must be included within reports and how the process must be conducted. This is to demonstrate how a reasonable, objective and impartial outcome, without interference, should be arrived at, and so support the statutory planning decision process.

Given that planning applications involve a statutory process that is subject to public scrutiny, the requirements in this professional statement are important in providing public confidence in a process that is inevitably complex, but nevertheless must inform the planning decision-maker.

Since the publication of the NPPF 2018 and PPG 2018 (as updated in 2019) RICS has also been reviewing its 2012 guidance note to align it with the changed emphasis in current government policy; a second edition is forthcoming.

I would like to thank all those who contributed to this professional statement with their comments and suggestions and, in particular, my fellow members of the working group.

Simon Radford

Chair, RICS working group

Glossary

Benchmark land value (BLV)	A term defined in the Planning Practice Guidance (PPG) and undertaken by a suitably qualified practitioner (see PPG paragraphs 013 (reference ID: 10-013-20190509); 014 (reference ID: 10-014-20190509); 015 (reference ID: 10-015-20190509); 016 (reference ID: 10-016-20190509); and 017 (reference ID: 10-017-20190509)). See also *Suitably qualified practitioner*.
Decision-maker	The local/regional (where applicable) planning authority, or an inspector(s) as appointed by the secretary of state.
Existing use value (EUV)	The *RICS Valuation – Global Standards 2017* (the 'Red Book') UK national supplement (2018) UK VPGA 6.1 states that: 'Existing use value (EUV) is to be used only for valuing property that is owner-occupied by an entity for inclusion in financial statements.' Using EUV in other circumstances is technically a departure from the Red Book (albeit an acceptable one in the context of the PPG). Where reference to EUV falls within 'authoritative requirements', for the purposes of the Red Book PS 1 section 4.2 and PS 1 section 6.3, it is not to be regarded as legislative or even regulatory in character, but nevertheless is a clear government policy requirement/convention (with accompanying guidance). Therefore, it would not need to be formally declared as a departure provided the valuation purpose (financial viability in planning) is made clear, as other parts of PS 1 require.
Financial viability assessment (FVA)	See *Viability assessment*.
Local planning authority (LPA)	This includes both local and regional (where applicable) planning authorities, including metropolitan cities where a mayor presides in determining, or informing decisions on, planning applications.
National Planning Policy Framework (NPPF)	Published by the government in July 2018 and updated in February 2019. It supersedes the policies in the previous version of the framework published in 2012.

Planning Practice Guidance (PPG)*	The PPG was introduced in paragraph 57 of the NPPF, which states that all viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in PPG as from July 2018. The PPG was updated in May 2019 and can be accessed at **www.gov.uk/guidance/viability**. The PPG supersedes the previous viability guidance (also known as Planning Practice Guidance), which was operative from 2014 to July 2018 (see **www.gov.uk/government/collections/planning-practice-guidance**). * Planning Practice Guidance is also referred to as National Planning Guidance elsewhere.
RICS member(s)	A member of RICS (see also *Suitably qualified practitioner*).
Section 106 agreement	An agreement (based on section 106 of the *Town and Country Planning Act* 1990) made between a local authority and an owner/developer, which can be attached to a planning permission concerning planning obligations that make a development acceptable. The section 106 agreement runs with the land to which the planning permission has been granted.
Stand back	Following a detailed component review of the inputs into an FVA and running the appraisal, to stand back is to consider the output(s) objectively, and with the benefit of experience, given the complexity of the proposed scheme. This may often be assisted by reviewing the sensitivity analysis.
Subpractitioners	All parties who may contribute to the carrying out or reviewing of the financial viability of a scheme.

Suitably qualified practitioner	A term identified in the PPG, paragraph 020 (reference ID: 10-020-20180724): 'In order to improve clarity and accountability it is an expectation that any viability assessment is prepared with professional integrity by a suitably qualified practitioner and presented in accordance with this National Planning Guidance. Practitioners should ensure that the findings of a viability assessment are presented clearly.' An RICS member would be considered a 'suitably qualified practitioner' to give an objective, impartial and reasonable viability judgement if they: • are experienced in undertaking valuations of development land and/or advising on financial viability of development • understand the application of inputs into the residual appraisal model from other professional disciplines and • have appropriate and up-to-date knowledge of the planning system.
Viability assessment	This means: • an assessment originated on behalf of an applicant • an assessment produced by a reviewer (either on behalf of an LPA or by themselves) • an area-wide viability assessment (and representations made in respect of an area-wide viability evidence base before and during an examination in public) and • an assessment that is part of a proof of evidence/expert's report before and during an appeal or High Court case.
Viability judgement	Similar to *stand back* in that an objective, rational and experienced opinion is formed, having regard to the complexities of the circumstances. A viability judgement may equally apply to individual elements of the appraisal, including the benchmark land value as well as the viability output, including interpretation of the resultant sensitivity analysis.

1 Introduction

1.1 Updating

In addition to this professional statement, RICS is producing a second edition of the guidance note *Financial viability in planning* (1st edition published in 2012), to reflect the changes in the NPPF 2018, as updated in February 2019, and PPG 2018, as updated in May 2019.

1.2 Overview

This professional statement sets out mandatory requirements on conduct and reporting in relation to FVAs for planning in England, whether for area-wide or scheme-specific purposes. It recognises the importance of impartiality, objectivity and transparency when reporting on such matters. It also aims to 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 new policy and practice advice prioritises the assessment of viability at the plan-making stage and identifies EUV as the starting point for assessing the uplift in value required to incentivise the release of land.

This professional statement does not reference individual appeal cases. This is because the issues relating to them are often specific to each case, which makes an objective analysis difficult and subject to caveats. Neither does this professional statement deal with specific local planning policy (see section 3). The assessment of viability **must** be carried out having proper regard to all material facts and circumstances, whether for area-wide or scheme-specific assessments.

The RICS member carrying out the FVA **must** be a suitably qualified practitioner. A list of defined terms can be found in the *Glossary*.

1.3 Background

This professional statement has been written against the background of the High Court decision in *Parkhurst Road Ltd v Secretary of State for Communities and Local Government & Anor* [2018] EWHC 991, which highlighted the need to deal with problems encountered in practice.

While this professional statement focuses on reporting and process requirements, more explicit detail on development viability in planning and providing greater clarity on reporting will be dealt with in the forthcoming second edition of the RICS guidance note *Financial viability in planning*.

1.4 Application

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.

2 Reporting and process requirements

The requirements in sections 2.1 to 2.14 set out what **must** be included in all FVAs (scheme-specific and area-wide) and how they **must** be carried out. This concerns all FVAs, whether they are:

- on behalf of, or by, the applicant
- in respect of a review or otherwise of a submitted FVA or
- on behalf of, or by, the decision- or plan-maker.

The following requirements are mandatory in all cases.

2.1 Objectivity, impartiality and reasonableness statement

A collaborative approach involving the LPA, business community, developers, landowners and other interested parties will improve understanding of the viability and deliverability for everyone involved in the process. The report **must** include a statement that, when carrying out FVAs and reviews, RICS members have acted:

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

This applies both to those acting on behalf of applicants as well as those acting on behalf of the decision-makers.

A similar statement **must** appear in area-wide studies and submissions. RICS members **must** also comply with the requirements of PS 2 *Ethics, competency, objectivity and disclosures* in the Red Book in connection with valuation reports.

2.2 Confirmation of instructions and absence of conflicts of interest

Terms of engagement **must** be set out clearly and should be included in all reports. The RICS professional statement *Conflicts of interest* (1st edition, 2017) applies, but with the additional requirement that RICS members acting on behalf of all those involved **must** confirm that no conflict or risk of conflict of interest exists (see *Conflicts of interest* paragraph 1.1). The professional statement allows 'informed consent' management, which, subject to the circumstances, can be both pragmatic and appropriate. This should take the form of a declaration statement.

Where either applicants or decision-makers specify requests of RICS members, either at the start or during the viability process, these **must** be explicitly set out in respective reports. This includes additional requests for testing the viability of the proposed scheme or counterfactual scenarios. RICS members **must**, at all times, satisfy themselves that these requests do not contradict the mandatory requirements of this professional statement.

2.3 A no contingent fee statement

A statement **must** be provided confirming that, in preparing a report, no performance-related or contingent fees have been agreed.

2.4 Transparency of information

Transparency and fairness are key to the effective operation of the planning process. The PPG (paragraph 021, reference ID 10-021-20190509) states that:

'Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.'

Although certain information may need to remain confidential, FVAs should in general be based around market- rather than client-specific information.

Where information may compromise delivery of the proposed application scheme or infringe other statutory and regulatory requirements, these exceptions **must** be discussed and agreed with the LPA and documented early in the process. Commercially sensitive information can be presented in aggregate form following these discussions. Any sensitive personal information should not be made public.

2.5 Confirmation where the RICS member is acting on area-wide and scheme-specific FVAs

Before accepting instructions, if RICS members are advising either the applicant or the LPA on a planning application and have previously provided advice, or where they are providing ongoing advice in area-wide FVAs to help formulate policy, this **must** be declared.

In these circumstances respective parties **must** also ensure that no conflicts of interest arise, particularly where advice in connection with policy is concurrent with carrying out or reviewing the financial viability of a specific scheme. When reporting, RICS members **must** declare whether they have advised an LPA that is considering the planning application that is subject to an FVA. This applies to individuals as well as the firm/company advising either the applicant or LPA, and includes subpractitioners. It applies both before accepting instructions and subsequently when reporting. Refer to the RICS professional statement *Conflicts of interest* to ensure that you follow the correct process in all cases.

2.6 Justification of evidence and differences of opinion

All inputs into an appraisal **must** be reasonably justified. Where a reviewer disagrees with a submitted report and/or with elements in it, differences **must** be clearly set out with supporting and reasonable justification. Where inputs are agreed, this **must** also be clearly stated. Where possible, practitioners should always try to resolve differences of opinion.

2.7 Benchmark land value and supporting evidence

Stakeholders are often presented with a variety of valuation figures that are not always easy to understand. In particular they will wish to reconcile figures included in FVAs with figures reported in the market. In the interest of transparency, when providing benchmark land value in accordance with the PPG for an FVA, RICS members **must** report the:

- **current use value** – CUV, referred to as EUV or first component in the PPG (see paragraph 015 reference ID: 10-015-20190509). This equivalent use of terms – i.e. that CUV and EUV are often interchangeable – is dealt with in paragraph 150.1 of IVS 104 *Bases of Value* (2017)
- **premium** – second component as set out in the PPG (see paragraph 016 reference ID: 10-016-20190509)
- **market evidence** as adjusted in accordance with the PPG (see PPG paragraph 016 reference ID: 10-016-20190509)
- **all supporting considerations, assumptions and justifications adopted** including valuation reports, where available (see PPG paragraphs 014 reference ID: 10-014-20190509; 015 reference ID: 10-015-20190509; and 016 reference ID: 10-016-20190509)
- **alternative use value** as appropriate (market value on the special assumption of a specified alternative use; see PPG paragraph 017 reference ID: 10-017-20190509). It will not be appropriate to report an alternative use value where it does not exist.

A statement **must** be included in the FVA or review of the applicant's FVA or area-wide FVA that explains how market evidence and other supporting information has been analysed and, as appropriate, adjusted to reflect existing or emerging planning policy and other relevant considerations. If a market value report has recently been prepared, this should be stated with the:

- reason for the report
- assumptions adopted and
- reported valuation.

The onus is on RICS members to enquire about all of the above.

In addition, the price paid for the land (or the price expected to be paid through an option or conditional agreement), should be reported as appropriate (see PPG paragraph 016 reference ID: 10-016-20190509) to improve transparency. Price paid is not allowable evidence for the assessment of BLV and cannot be used to justify failing to comply with policy.

2.8 FVA origination, reviews and negotiations

During the viability process there **must** be a clear distinction between preparing and reviewing a viability report and subsequent negotiations. The negotiations, which take place later and separately, commonly relate to section 106 agreements. This distinction is to retain the objectivity and impartiality of the origination and review of an FVA and to clarify where respective parties, or their practitioners, are seeking to resolve differences of opinion by comparison with subsequent negotiations.

2.9 Sensitivity analysis (all reports)

All FVAs and subsequent reviews **must** provide a sensitivity analysis of the results and an accompanying explanation and interpretation of respective calculations on viability, having regard to risks and an appropriate return(s). This is to:

- allow the applicant, decision- and plan-maker to consider how changes in inputs to a financial appraisal affect viability and
- understand the extent of these results to arrive at an appropriate conclusion on the viability of the application scheme (or of an area-wide assessment).

This also forms part of an exercise to 'stand back' and apply a viability judgement to the outcome of a report.

2.10 Engagement

At all stages of the viability process, RICS members **must** advocate reasonable, transparent and appropriate engagement between the parties, having regard to the circumstances of each case. This **must** be agreed and documented between the parties.

2.11 Non-technical summaries (all reports)

For applicants, subsequent reviews and plan-making, FVAs **must** be accompanied by non-technical summaries of the report so that non-specialists can better understand them. The summary **must** include key figures and issues that support the conclusions drawn from the assessment and also be consistent with the PPG (see paragraph 021 reference ID: 10-021-20190509).

2.12 Author(s) sign-off (all reports)

Reports on behalf of both applicants and the authority **must** be formally signed off and dated by the individuals who have carried out the exercises. Their respective qualifications should also be included.

The authors of FVAs and subsequent reviews **must** come to a reasonable judgement on viability on the basis of objectivity, impartiality and without interference, taking into account all inputs, including those supplied by other contributors. For more on inputs by other specialists in relation to valuation work, see PS 2 of the Red Book.

2.13 Inputs to reports supplied by other contributors

All contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, **must** comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm.

2.14 Timeframes for carrying out assessments

RICS members **must** ensure that they have allowed adequate time to produce (and review) FVAs proportionate to the scale of the project, area-wide assessment and specific instruction. They **must** set out clear timeframes for completing work. If the timeframes need to be extended, the reasons **must** be clearly stated, both at the time and in the subsequent report.

Where RICS members believe that the timeframes have not been reasonable, they **must** state this and give a brief outline of the issues and consequential impacts.

3 Legislation, the development plan and professional guidance

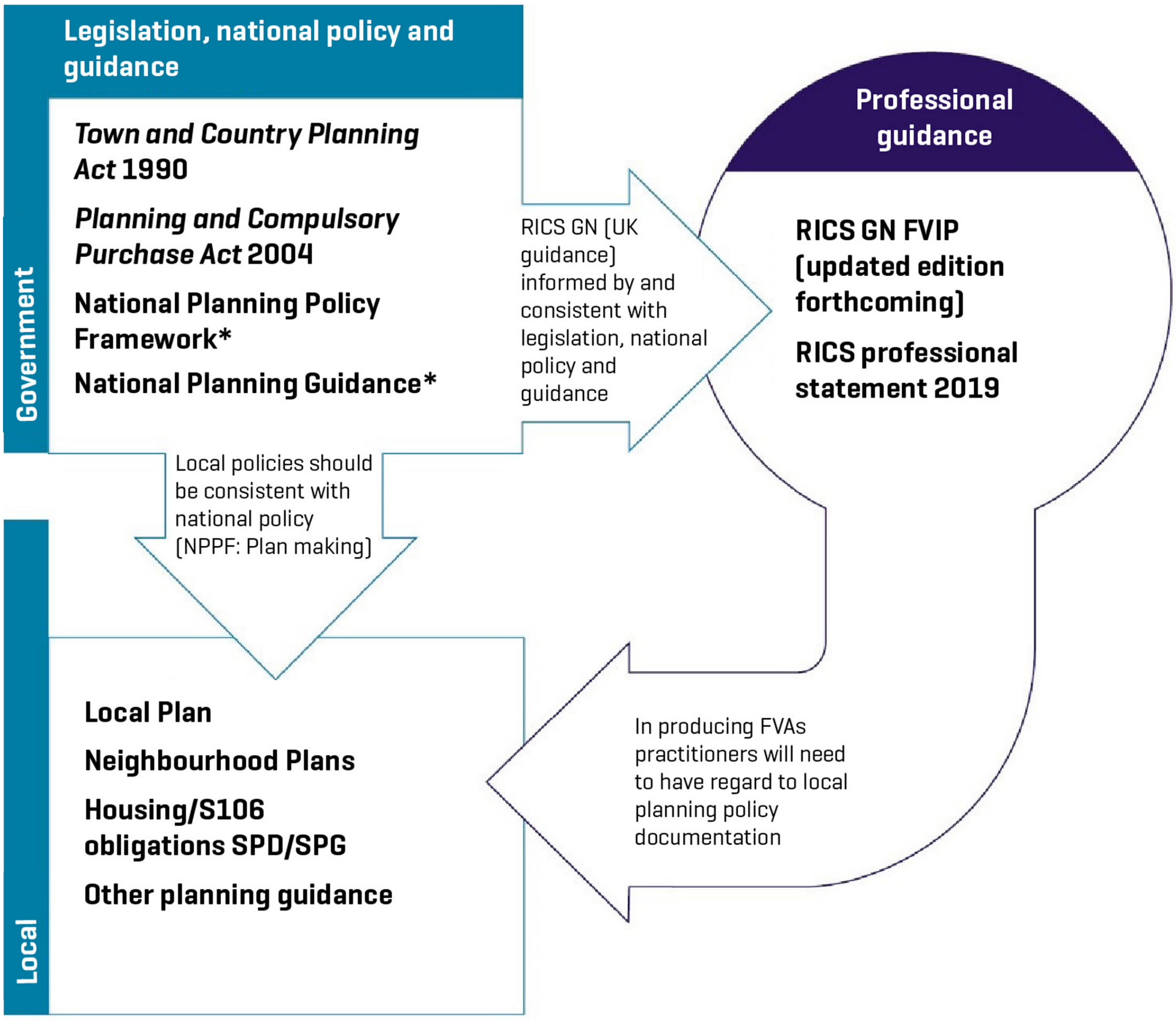
3.1 Legislation

The *Town and Country Planning Act* 1990 and the *Planning and Compulsory Purchase Act* 2004 are the governing pieces of legislation that regulate development and set out the planning application process in England and Wales.

Policy principles relating to viability assessments are set out in the NPPF and are informed by the PPG. These two documents are the primary sources of guidance when carrying out FVAs. It is the RICS member's responsibility to have regard to all further relevant legislation, government policy and government guidance issued after the publication of this professional statement.

In England the plan-led system operates under the principle that the decisions on planning applications should be made in accordance with the adopted development plan, unless there are other material considerations that may indicate otherwise. In adopting and implementing the plan, national planning policies are a material consideration. Additionally, the government may produce national planning guidance on how the national policy is to be applied. It also is a material consideration in plan-making and decision-making.

In certain circumstances government policies and guidance may need further elaboration to enable practitioners to consistently apply local planning policy in compliance with national planning policy and associated guidance. RICS professional standards and guidance fall into this category. They expand on how government policy and practice advice may be consistently implemented in the context to which it applies (see Figure 1). This PS should be applied reflecting changes to government policies and guidance.



* subject to periodic additions/amendments

Figure 1: Legislation, policy and guidance

3.2 RICS professional guidance and information

The forthcoming second edition of the RICS guidance note *Financial viability in planning* (1st edition published 2012) will reflect the 2019 PPG and other related government guidance. Until this second edition is available, refer to section 1.4 of this professional statement.

3.3 Additional guidance

In addition to points of general relevance in judgments from the courts, consideration may also be given to outcomes expressed in decisions from the secretary of state and planning appeals. In considering these cases, it is important to ensure an understanding of the relevance and suitability of the assumptions adopted when applying them to an FVA. Where the adopted principles and assumptions are considered to have wider application, practitioners should ensure they understand the context of the original decision.

Inputs into the viability appraisal should be objective and reasonable, having regard to the specific scheme being tested at the time of the assessment as well as comparable evidence. As a project progresses, inputs inevitably change. For example, when pricing residential units, the asking price at the time of marketing may differ, sometimes significantly, from those in the original FVA. This is because:

- time has passed since the original assessment
- agents will always seek to get the best price when marketing and
- costs may change through inflation or other causes.

When developers take on a development, they understand there are risks they have to bear in mind following the grant of planning permission.

4 Duty of care and due diligence

When carrying out or reviewing FVAs, members **must** be:

- reasonable
- transparent and
- fair and objective.

Objective means not being influenced by personal feelings, sentiment or by others in considering and representing facts (see section 2.1).

RICS members **must** act impartially. They should not be influenced by whether their role is to originate or to review the FVA. Neither should they bow to commercial or political pressures.

RICS members **must** comply with the principles of professional and ethical standards. These include:

- a duty of care that is particularly pertinent given the public interest and reliance that third parties may have on the content of the information provided and
- disclosure of any circumstances where the RICS member or the RICS-regulated firm will gain from the appointment beyond a normal fee or commission.

All RICS members acting on behalf of parties **must** confirm that no conflicts of interest exist. Figure 2 shows the relevant potential conflicts of interest.

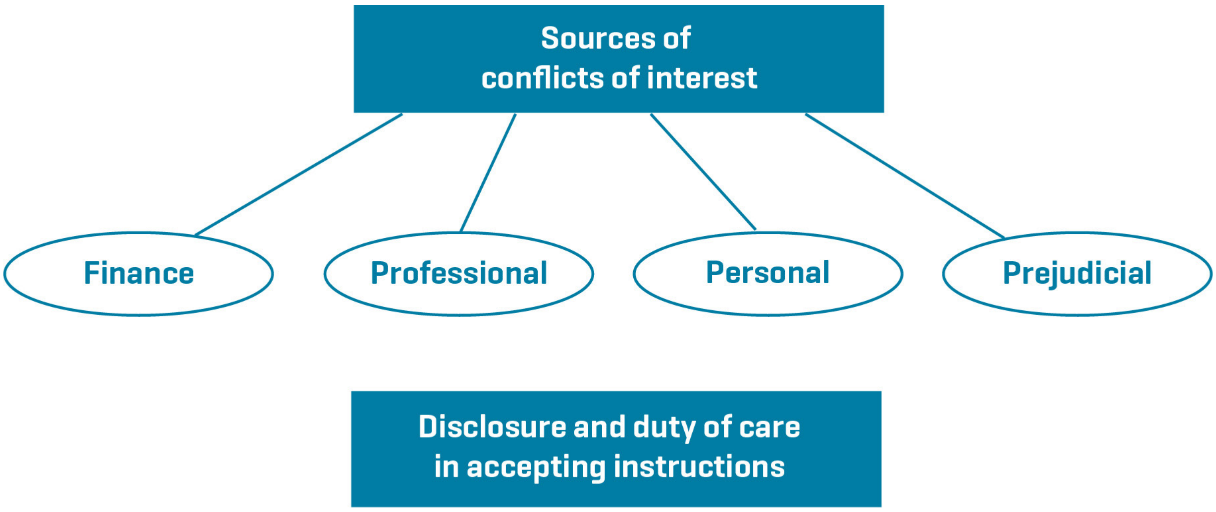


Figure 2: Conflicts of interest and duty of care

Establishing that there are no conflicts of interest includes providing statements from practitioners stating what other advice has been provided to the parties as appropriate and relevant in the circumstances. This may take the form of a declaration statement. Always refer to the RICS professional statement *Conflicts of interest* for the mandatory requirements and accompanying guidance. This relates both to identifying and managing conflicts of interest and to maintaining confidentiality of information.

Acting with a reasonable standard of care contributes significantly to informed decision-making. RICS members should provide as much good-quality information as they can, whether submitting this on behalf of an applicant or responding on behalf of an LPA. This ensures that information is used to agree or to resolve any differences of opinion.

RICS members, whether on behalf of the applicant or LPA, **must** act as objective and impartial specialists to a professional standard when advising and providing information that can be relied on. In addition, they may be required to rely on highly specialist or technical inputs. This may include planning, legal and financial advice as well as technical development advice, such as build-cost estimates, ground condition surveys, engineering advice, etc. This information can help all parties involved to reach well-informed decisions quickly and without duplicating effort.

The onus is on the RICS members primarily responsible for the FVA, due diligence review or area-wide assessment to ensure that the information provided is balanced, reasonable and reflects an appropriate level of judgement in the circumstances. In practice, this requires all those inputting into the FVA to confirm that they have met those requirements in much the same way as if they were providing expert evidence. Where the originator of the FVA and the reviewer have different views, this should be supported; both should supply appropriate evidence or explanations of why they interpreted the evidence differently and reached an alternative opinion.

RICS members **must** also consider whether the advice they are giving represents the most effective and efficient way to deliver a reasonable development performance proportionate to the scheme being tested. This is sometimes referred to as 'value engineering' and involves quantity surveyors, agents and other professionals. LPAs and their advisers need to be confident that the FVA fully reflects the way the development would actually be carried out. If this is not the case, it should be stated and explained.

RICS members **must** include a statement that these matters have been given full consideration in the FVA. Corresponding statements **must**, where appropriate, be included in other professional and specialist inputs to the FVA.

When carrying out a due diligence review of an FVA on behalf of the LPA, RICS members **must** provide an assurance that the review has been carried out in accordance with this section.

Dependent on the terms of instruction from the LPA, which should be explicitly set out in any review or area-wide assessment, RICS members may be asked to provide additional advice on a range of aspects of viability assessment, such as counterfactual testing and alternative options for delivering the development proposed in the application. While this advice may not be intended for discussion with the applicant, the RICS member's role should be the same as if it were. The principles of due diligence set out in this section **must** be applied.

Case law has recognised that values and costs are not precise figures but may fall within a tolerance. Valuation and costing inputs would therefore not normally be at a level at either end of a possible range but **must** reflect a practitioner's professional viability judgement, having regard to such matters as the risks of development. The same consideration should be applied to resultant outputs to reach a rational, reasonable and realistic conclusion.

Sensitivity analyses (see section 2.9) help set such conclusions in their proper context and allow for adjustments to inputs within a possible range.

5 Transparency of information

The NPPF states that LPAs should publish a list of their information requirements for applications. These should be proportionate to the nature and scale of development proposals and should only request supporting information that is relevant and necessary to the application in question.

There is further guidance in the PPG. This identifies one of the key principles of FVAs as being a collaborative approach to improve understanding of viability and deliverability. Where possible there should be a presumption in favour of transparency of evidence. This is particularly important to reassure the wider community that viability testing has been fully assessed and all known facts have been considered.

An FVA should have enough detailed information to meet NPPF and PPG requirements. Sections 5.1 and 5.2 give further advice about providing confidential information.

5.1 Confidential information

An FVA is based on market information and is not specific to an applicant's circumstances. The PPG at paragraph 021 (reference ID: 10-021-20190509) states that FVAs will be made publicly available other than in exceptional circumstances. However, inputs may include commercially sensitive information, the public disclosure of which could have commercial consequences for the delivery of the application site.

Inputs that could be commercially sensitive typically relate to:

- current or future negotiations on land assembly (including obtaining vacant possession), option arrangements, third-party rights (e.g. rights of way, visibility, ransom, light, oversailing, etc.), disturbance, relocation, compulsory purchase and land compensation, etc.
- specific business information, such as funding details and marketing agreements and
- intellectual copyright, such as development toolkit and build-cost modelling. This can be kept confidential, but consideration should be given to presenting in a standard industry model.

Commercially sensitive information may need to be treated as confidential in pre-application discussions between the applicant and the LPA. This may relate to either market- and/or scheme-specific information. It may follow that such information could be exempt from disclosure to third parties under the provisions of the *Freedom of Information Act* 2000 or the *Environmental Information Regulations* 2004 (EIR).

5.2 Exceptions

The EIR set out exceptions that allow the LPA to refuse to provide requested information. Some exceptions relate to categories of information; for example, unfinished documents and internal communications. Others are based on the harm that would arise from disclosure; for example, if releasing the information would adversely affect intellectual property rights. There is also an exception for personal data if it would be contrary to the *Data Protection Act* 2018.

Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

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Appendix 2.

	EXISTING GIA (sq.m.)	PROPOSED GIA (sq.m.)	NOTES
MAIN SCHOOL BUILDING			
GROUND FLOOR	2107	2091	Proposed GIA increases due to the introduction of mezzanines on some apartments and additional floor space provided by introduction of new floor above existing kitchen
FIRST FLOOR	1661.05	1707.2	
SECOND FLOOR	1076.65	1181.03	
THIRD FLOOR	20.54	20.54	
SWIMMING POOL/GYM/DANCE STUDIO			
GROUND FLOOR	1222.2	530.5	Existing changing rooms and gym building demolished, new changing rooms and additional mezzanine floor to dance studio.
FIRST FLOOR	139.35	139.35	
SECOND FLOOR		234.5	
2 STOREY CLASSROOM BLOCK TO WEST END OF SCHOOL BUILDING			Demolished as part of the proposals, replaced by Pine Building
GROUND FLOOR	374.62		
FIRST FLOOR	378.75		
CROYDON BUILDING			Existing single and two storey additions demolished, original building converted into four dwellings
GROUND FLOOR	214.93	137.3	
FIRST FLOOR	160.17	147.1	
ASSEMBLY HALL			
GROUND FLOOR	658.73	431.57	Existing single storey classrooms demolished, replaced with two smaller single storey dwellings, additional floor added to assembly hall to provide four two storey dwellings
FIRST FLOOR		292.09	
POTTERY BUILDING			Demolished as part of the proposals
GROUND FLOOR	271.55		
BUILDING 1			Demolished as part of the proposals
GROUND FLOOR	143.5		
FIRST FLOOR	143.5		
BUILDING 2			Demolished as part of the proposals
GROUND FLOOR	416.1		
FIRST FLOOR	416.1		
BUILDING 3			Demolished as part of the proposals
GROUND FLOOR	275.65		
FIRST FLOOR	275.65		
BUILDING 4			Demolished as part of the proposals
GROUND FLOOR	223.07		
BUILDING 5			Demolished as part of the proposals
GROUND FLOOR	251.38		
BUILDING 6			Demolished as part of the proposals
GROUND FLOOR	165.54		
MAPLE BUILDING (new flats adjacent Croydon Building)			New building comprising six dwellings, replacing the Pottery Building
GROUND FLOOR		206.83	
FIRST FLOOR		206.83	
PINE BUILDING (new flats to western end of main school building)			New building comprising twelve dwellings replacing current two storey classroom block to the west end of school building, which is to be demolished
GROUND FLOOR		301.4	
FIRST FLOOR		301.4	
SECIOND FLOOR		301.4	
THE ASH (plots 69-75)			Replacing gym building
GROUND		359.8	
FIRST		359.8	
THE LIME (plots 88-91)			Replacing building 3
GROUND FLOOR		260.2	
FIRST FLOOR		258	
SECIOND FLOOR		225.6	
THE OAK SEMI AND LINK DET(PLOTS 94-96)			Replacing junior school buildings
GROUND FLOOR		183.6	
FIRST FLOOR		178.8	
SECIOND FLOOR		141.9	
THE OAK SEMI (PLOTS 92-93)			Replacing junior school buildings
GROUND FLOOR		122.4	
FIRST FLOOR		119.5	
SECIOND FLOOR		97.49	
BIN STORES		52.949	
TOTAL GIA	**10596.03**	**10590.079**	

Single storey element to western side of Main Building	**158.19**		Not included in figures accompanying original planning application
TOTAL GIA	**10754.22**	**10590.079**	

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Appendix 3.

Review of the Applicants Methodology

1.1 GE has reviewed the comparable evidence provided and selected by the Advisor.

1.2 The Site comprises the former Friend's School which closed in 2017 with the Scheme proposing the conversion of the existing school buildings to form 62 dwellings, plus the development of 34 additional new-build apartments and cottages, totalling 96 dwellings. The Scheme proposes a unit mix which is primarily apartments, totalling 76 units, to be both delivered as converted and new build stock, as well as 20 houses to be delivered as both converted and new build units.

1.3 As part of the due diligence process, we have reviewed the comparable evidence set out in the Advisor's FVA report to assess if the values adopted provide an accurate estimation as to what we would expect the Scheme to achieve. They have proposed sales value per unit type based on an average of £444 per sq. ft. These equate to the following capital values:

1.4 **Table 1: Summary of Capital Values per Unit Size**

Unit type	Adopted Unit Price	Adopted Price psf
1B	£210,000 - £280,000	£431 - £465
2B	£295,000 - £450,000	£430 - £471
3B	£475,000 - £660,000	£389 - £465
4B	£690,000 - £745,000	£412 - £419
Average	**£390,052**	**£444**

Source: The Advisor

1.5 The Advisor highlights that there have been a limited number of recent new build transactions within the Saffron Walden submarket. As such, they have relied on a limited number of sample schemes in guiding their pricing for the proposed development. They comment that to ensure comparables are relevant they have only considered schemes in Saffron Walden as they believe it to be a higher value location than much of the wider region. We are broadly in agreement with this approach and determine it be logical.

1.6 The proposed sales values have been determined by The Advisor through the use of comparable evidence, which is set out within the Advisor's FVA report. We have commented on the key comparables below and include the suitability of all comparable evidence shown in the Advisor's Report below. Further, we have had sight of additional transactions for the selected comparable schemes since the Advisor undertook this exercise, as well as an additional development which has been recently completed.

Mortimers Gate

1.7 Mortimers Gate is a Bloor Homes development situated 1.8km (1.1 miles) from the subject located on the north-eastern periphery of Saffron Walden. The scheme is comprised of two, three and four bedroom dwellings, with the units of good standard throughout, with a modern specification including fitted kitchen with integrated Bosch appliances. The scheme is larger than the proposed subject, comprising 160 residential units and includes both detached and semi-detached dwellings. The scheme is entirely new build and does not include a conversion element.

1.8 With the exception of the four beds, the units at the subject are generally smaller than those at Mortimers Gate. With this said, the subject proposes a high percentage of apartments when considering its unit mix, which would typically be anticipated to achieve a higher sales price per square foot rate than the units at Mortimers Gate.

1.9 Sales from the scheme commenced from late 2017, whilst evidence has been provided for transactions for two bed, three bed and four bed dwellings transacting from June 2019 through to June 2020.

1.10 The Advisor states that the average capital value achieved by a three bed was £408,070 reflecting an average of £335 per square foot whilst a four bed achieved an average of £537,929 reflecting £363 per square foot. Overall, the scheme achieves a blended per square foot rate of £356. We have had sight of two additional sales at this development, one three bed transaction and one four bed transaction, which results in a marginal uplift on a price per square foot basis for the three bed stock, increasing this to £339, whilst the inclusion of our four bed transaction keeps the four bed units at an average of £363 per square foot.

Average Sales Price			
Bedrooms			Blended
2	3	4	
£371,748	£410,063	£540,245	£472,310

1.11 The Advisor considers this to be a strong comparable for the new build element of the proposed scheme. Although we note that the transaction dates are somewhat historic, we comment that there have been a limited number of direct comparable transactions for new-build stock within the Saffron Walden submarket. As such, whilst the Mortimers Gate transactions are somewhat historic, we consider their use relevant and appropriate for providing an indication of achievable new build values.

1.12 The Advisor expects the subject scheme to achieve a higher average sales price per square foot than the Mortimers Gate development which would be anticipated given the subject proposes a high percentage of apartments for its unit mix. The values adopted by the Advisor are broadly aligned with the two and three bed achieved values at Mortimers Gate, albeit the four bed units are priced significantly higher owing to the specification of the Lime and Oak house types. Further, the proposed subject occupies a stronger location given its proximity to the town centre whilst Mortimers Gate does not benefit from the immediacy of town centre amenities, services or transport links such as accessibility to the M11 and Audley End railway station.

1.13 We believe that the Mortimers Gate scheme provides an indication of achievable capital values and sales rates per square foot for the new build element of the subject scheme. Its relevance is that it assists in establishing a minimum pricing threshold. Given the subject being superior in terms of location, specification and condition we would expect it achieve both higher capital and sales rates per square foot values across its new build dwellings.

Saffron View

1.14 Saffron View is a Linden Homes development located 1.4km (0.8 miles) from the subject scheme on the eastern periphery of Saffron Walden. The scheme is again larger with 200 residential units and is comprised of two bedroom bungalows, three, four and five bedroom houses. The units are of a modern open plan design and finished to a good standard throughout. The development is a useful comparable due to reflecting similar characteristics such as location, specification and design.

1.15 We agree with the Advisor that this is a relevant comparable for the proposed new build element of the scheme as the sales transactional evidence ranges from September 2019 to March 2021 providing a strong indication of recent achievable new build values.

1.16 The average unit size for the three beds at Saffron View is broadly similar to the subject scheme, although the subject's four beds are, on average, significantly larger. As such, we would anticipate some similarity in pricing for the three beds but would expect the subject's four beds to command significantly higher capital values.

Three Bed Units

1.17 The Advisor notes that the average sales value for three beds for this scheme is £494,995. However, we have had sight of additional and more recent transactions since the Advisor undertook their comparable evidence review and comment that our findings, along with the Advisor's noted transactions, produces an average sales value of £481,000, reflecting £392 per square foot.

1.18 For the proposed subject scheme, the Advisor has adopted an average sales figure of £475,000, reflecting £453psf, for the three beds marked as new build houses replacing the gym building. This is in accordance with the evidence.

1.19 The Advisor has applied an average sales value of £631,250 for the four three bed units which are marked for the Assembly Hall conversion element of the scheme. The conversion units are larger than the new builds replacing the gym building (average 1,458 sq ft vs 1,049 sq ft), however, we comment that this is very high compared to their new build counterparts. However, whilst this pricing may appear optimistic, the pricing differential between the conversion and new build elements would be highly dependent on specification and design. As there is limited evidence of conversion units, we have sought to test the impact of adjusting the sales values of these units only through sensitivity testing.

Four Bed Units

1.20 When the Advisor reviewed the evidence for four bed units at this scheme, the average unit size measured at 1,437 sqft with an average sales value of £572,810. We have had sight of additional, more recent, transactions and comment that the average unit size from the updated evidence base is 1,439 sqft, with an average achieved sales value of £581,608 when combining both of our findings. This reflects an average sales price per square foot of £401.

1.21 Below we provide the average unit sale price of our transactional evidence combined with the Advisor's findings for the Saffron View development:

Average Sales Price		
Bedrooms		
3	4	Blended
£481,000	£581,600	£504,837

1.22 The Advisor has priced the four beds at £690,000 for the Lime house type whilst the Oak has been priced at £745,000. Whilst these values sit above the transactional evidence for Saffron View, we would expect the subject scheme to achieve higher capital value figures than Saffron View, as well as achieving a higher sales rate on a per square foot basis.

1.23 This is underpinned by the rationale that the average subject unit size is larger than Saffron View and given the proposed scheme's superior location, high specification and condition throughout the Lime and Oak house types. We comment Saffron View is located 1.2 miles east of the town centre, whilst the subject site is located 0.5 miles south of the town centre.

Hill House

1.24 Hill House is located in a prominent position in Saffron Walden town centre and is approximately 0.5 m (0.3 miles) to the north of the subject, closer to the town centre. It is a development comprised of one bed and two bed apartments totalling 11 dwellings and was developed by Domus Homes, a local housebuilder. Hill House is a Grade II listed building which was previously used as a doctor's surgery and therefore provides evidence for the conversion element of the proposed scheme.

1.25 All units within the scheme have sold with sales taking place from June 2019 to March 2020. The units are completed to a high standard with the scheme occupying a desirable high street location within proximity to the town centre.

1.26 The average achieved sale price of the one bed apartments is £248,750 whilst the two bed average is £402,857. These reflect a sales price of £508 and £435, respectively, and represent a blended average of £464 which sits comfortably above both the subject's overall blended average of £444 and the blended average of £447 for the conversion flats. We provide below a summary of the average achieved sale values of the one bed and two bed apartments from this scheme as well as a blended average for these units.

Average Sales Price		
Bedrooms		Blended
1	2	
£248,750	£402,857	£346,818

1.27 Overall, the average unit size is similar to the one and two beds of the subject scheme. However, given the strength of this scheme's location, combined with other desirable elements such as the building been restored to retain several period features, such as the original staircases and windows, we would expect the values and sales rate per square foot at Hill House to be higher than those achievable at the subject.

1.28 Further, we agree with the Advisor that the scheme would be considered an exclusive development given it is a scheme comprised of only 11 units, representing a rare opportunity within Saffron Walden to be within proximity to the town centre, and therefore likely commanded a premium due to increased competition for units. However, as discussed previously, the differences in the specification and design of conversion units can influence pricing and therefore we have sought to test the value of the conversion units through sensitivity testing.

Crocus Fields

1.29 We have also reviewed available evidence from the Crocus Fields development, developed by Abby New Homes and located 1 mile north of the town centre in what would be considered a more rural area of Saffron Walden. The scheme is primarily composed of two, three and four bed dwellings comprising of semi-detached, detached and bungalow units totalling 85 dwellings, all of which are of high specification and finished to a good standard throughout.

1.30 This is a relevant comparable and provides a relatively strong benchmark for the subject scheme given that this is the most recently delivered new build stock within Saffron Walden. We comment that capital values achieved here would be broadly similar to those likely to be achievable at the subject site.

1.31 We understand that sales are still ongoing, having commenced towards the end of 2021, and note that two three bed units have both sold for £475,000. We note that the average asking price of three bed units is £489,938 reflecting £456 per square foot, whilst the average asking price of four bed units is £712,143 reflecting £462 per square foot. We comment that the average size of two beds is 907 sqft, with three beds averaging 1,074 sqft whilst four beds average 1,543 sqft.

1.32 The Advisor has priced three beds at the subject at £475,000 which is marginally below the average three bed asking price at Crocus Fields but mirrors the achieved prices. Furthermore, there is only a marginal difference in the average prices applied to the subject four bed units of £720,000, whilst the Crocus Fields average is £712,00. We comment that the blended price per square foot average for the proposed scheme is £444 whilst Crocus Fields sits at £459.

1.33 Whilst asking prices are regarded as inferior evidence compared to achieved sale prices they are of some relevance and assist in providing a guide on likely achievable capital values. We note that the values applied by the Advisor to the subject are broadly aligned with the available evidence at Crocus Fields, which provides a strong indication of current pricing for schemes in the area.

Resale Apartments

The Spike

1.34 The Spike is located 1.1 miles to the northeast of the proposed subject and 0.8 miles to the east of the town centre. We agree with the Advisor that this scheme is a relevant comparable, given that it is a conversion having formally been a historic union workhouse which was converted in the 1990's.

1.35 The evidence for the Spike shows two bedroom units with an inferior standard of finish and level of amenities to that of the subject. The average two bed unit size of 755 sqft is smaller than the subject scheme with the average sales price being £226,000 reflecting a sale price per square foot of £306.

1.36 The apartments appear to be somewhat dated in terms of their condition and specification and we would naturally anticipate the conversion apartments at the subject development to command a significantly higher capital value and sales price per square foot to account for being a newer development.

General Apartment Resales

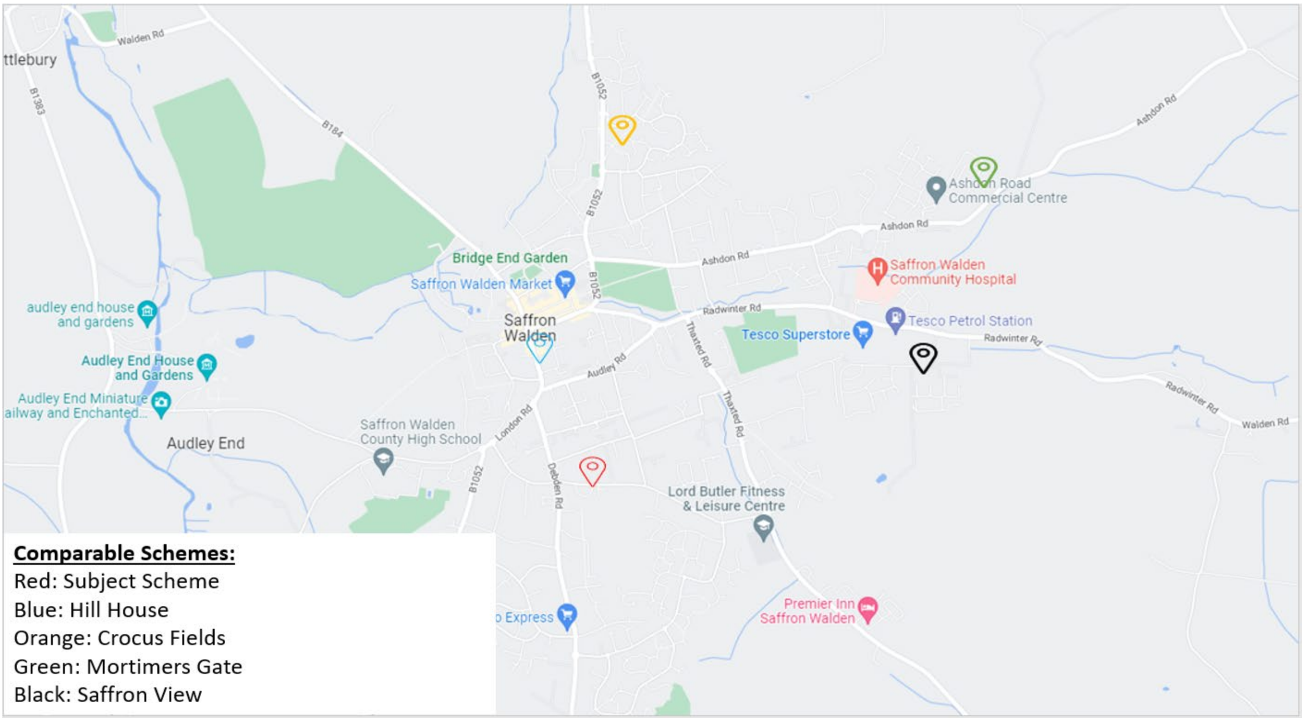
1.37 The Advisor has provided several other general one and two bed resale apartments within Saffron Walden transacting from July 2020 to June 2021. The average two bed is 632 sqft achieving an average capital value of £263,900 reflecting £417 per square foot, whilst the average one bed is 495 sqft and achieved an average capital value of £200,000 reflecting £392 per square foot. These transactions assist in establishing a minimum capital value that would be expected for newly converted units although newly converted units

1.38 Further to this, we have had sight of additional two bed apartment transactions within Saffron Walden from March 2021 to February 2022. We comment that the average unit size is 629 sqft and achieved an average capital value of £203,714 reflecting an average of £331 per square foot.

1.39 We broadly agree with the Advisor regarding that a premium would typically be anticipated for new build stock when compared to more historic counterparts. However, we comment that this premium is not necessarily guaranteed for converted units and is more subjective to other factors such as but not limited to location, specification and condition.

1.40 We would anticipate the subject scheme to achieve values significantly higher than those achieved by resale stock given the subject would be a newer development underpinned by a high specification and finished to a good standard throughout whilst occupying a desirable location given its proximity to the town centre.

Comparable map



Summary

1.41 We consider the transactions at Mortimers Gate and Saffron View to be the most useful comparables given the similar specifications of the developments. Although dwellings at the Crocus Fields development are currently being sold, we also consider this to be a relevant comparable due it providing a more recent indication of asking prices.

1.42 We consider that the proposed subject sits above the schemes at Mortimers Gate and Saffron View mainly due to its superior location and high specification and condition of its proposed dwellings. Further, we note that the Crocus Fields asking prices are broadly in accordance with the values applied by the Advisor to the subject scheme.

1.43 We consider Hill House to be a relevant comparable when assessing the conversion element of the scheme. Comparable evidence for conversion units is somewhat limited within Saffron Walden. We would anticipate Hill House to command an average sales price per square foot above that of the subject and therefore feel the Advisor has been reasonable when weighting and applying this evidence to the subject development.

1.44 We consider that the Advisor has been reasonable in their selection of comparable evidence and their approach to unit pricing for the proposed scheme. As noted, there have been a limited number of new build schemes brought forward within the Saffron Walden submarket, meaning there has been a restricted amount of evidence on which to base pricing for the subject. With this said, we feel the comparable schemes selected are appropriate and the approach to unit pricing for both the conversion and new build elements of the scheme has been logical and rational.

1.45 However, due to the individual factors influencing the pricing of conversion units and the relatively limited evidence base, the FVA tests the pricing of the conversion units only through sensitivity testing.

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Appendix 4.

Former Friends School
Mount Pleasant Road
Saffron Walden
Essex
CB11 3EB

Report to Gerald Eve

21st July 2022

INTRODUCTION

Veale & Sanders (V&S) is a firm of Chartered Quantity Surveyors based in Purley, South London and have provided construction cost advice in connection with financial viability in planning on a large number of projects throughout Greater London.

In June 2022, V&S were approached by Gerald Eve (GE) concerning a proposed residential development on the site of Former Friends School in Saffron Walden, Essex. The brief was to undertake a review of the scope and pricing of the construction cost plan submitted in support of a development appraisal relating to a planning application.

The review would include:

- Reviewing overall scope / content / areas / mix etc
- Comparing overall pricing with benchmark data from BCIS and historic projects
- Identification of abnormal costs/potential cost savings

Following appointment, V&S were provided with a copy of the Toolkit Viability Assessment dated January 2022 prepared by Savills on behalf of Chase New Homes Ltd, the 'applicant'. Appendix 4.1 of this document comprised 'Summary of Total Build Cost' and contained Walden School Repair & Conversion Cost Estimates Summary dated November 2021 Rev 7 prepared by Stace Construction and Property Consultants. Further back up to this document was also provided:

- Appendix 4.2: Demolition Construction Costs
- Appendix 4.3: Conversion Construction Costs
- Appendix 4.4: New Build Construction Costs

Appendix 2 contained a Schedule of Accommodation and Appendix 3: Schedule of Floor Plans. Further drawings and additional information relating to the application were downloaded from the Uttlesford planning portal.

An initial review of documents identified that the Appendix 2 schedule was for net sales areas and no overall schedules of existing and proposed gross internal areas had been supplied. This was requested and a GIA Schedule dated 14.07.2022 was subsequently provided.

Following further queries on the new build house areas, revised drawings were received on 20th July.

No site visit has been undertaken.

REVIEW OF OVERALL SCOPE/CONTENT/AREAS

General

The proposed development includes for '… conversion of buildings and demolition of buildings to allow redevelopment to provide 96 dwellings, swimming pool and changing facilities, associated recreation facilities, access and landscaping.'

The GIA schedule 14.07.2022 shows an existing GIA of 10,754 m2. The proposed GIA on the schedule amounts to 10,590 m2 which includes 53 m2 of bin stores.

Stace estimates do not include or refer to any area schedules but seem to be based on the net schedules.

Demolitions

The design and access statement identifies the following buildings to be demolished:

- Music block (attached to Assembly Hall)
- Pottery building (adjacent Croydon building)
- Classroom block (to southern side of main school building)
- Buildings 1 – 6 (to rear of site)
- Gym building

In addition, the drawings show partial demolitions of the following:

- Assembly Hall (eastern end)
- Croydon building (ground and first floor projections)
- Main school (west side)
- Swimming pool (changing rooms)

Stace estimate includes 11 buildings to be demolished. The references for individual buildings are different to the design information notation but the overall scope (volume of buildings to be demolished) appears reasonably consistent with the area schedules.

Conversion

Three of the existing buildings are to be retained and converted. Appendix 2: Schedule of Accommodation of the Savills report summarises the proposed accommodation as follows:

Block	Units	SQM
Main School Conversion	52	3,809
Croydon Building Conversion	4	253
Assembly Hall Conversion	6	642

As noted earlier, these are net sales areas and exclude circulation, plant/service risers and space occupied by structure/party walls etc which are relatively high due to the nature of the conversion work. Moreover, Savills total for the main building does not include the communal lounge/games room proposed for the existing dining room.

The GIA schedule 14.07.2022 shows proposed GIAs amounting to 5,000 m2 for the main school, 284 m2 for the Croydon building, and 724 m2 for the Assembly hall. It should be noted that partial demolitions are required to all three buildings.

New Build

Three of the existing buildings are to be retained and converted. Appendix 2: Schedule of Accommodation of the Savills report summarises the proposed accommodation as follows:

Block	Units	SQM
New Flats Adjacent to Croydon	6	328
School New Flats	12	770
Junior School New Build	9	1,453
New Houses Replacing Gym Building	7	683

As noted earlier, these are net sales areas.

The new flats exclude circulation space etc and the overall GIAs are 414 m2 for the block adjacent the Croydon building and 904 m2 for the new school block. These align with V&S check measures.

Savills areas for the Junior School new build houses includes 612 m2 for the 4 Lime houses and 840 m2 for the 5 Oak properties.

The total area for Lime properties in the GIA schedule is 743.8 m2 which is close to V&S check measure of the latest drawings (735 m2) and appears to include garages but possibly not party walls.

The total area for Oak properties in the GIA schedule is 844 m2 which appears to exclude garages and party walls. V&S check measure of the latest drawings amounts to 980 m2.

The new houses replacing the gym building do not have garages but the Savills area excludes party walls. The GIA schedule amounts to 719.6 m2 which aligns with V&S check measure.

Swimming pool

Savills schedule excludes the existing swimming pool and changing room.

The GIA schedule for the proposed swimming pool/dance studio amounts to 904.35 m2. This is significantly more than V&S check measures which indicate that the retained swimming pool GIA is around 390 m2. The existing changing rooms to be demolished are around 145 m2 and the new replacement changing rooms 103 m2.

The existing first floor also appears to be retained at 140 m2 resulting in a proposed total of 633 m2.

The main reason for the difference appears to be the note on the GIA schedule which refers to 'an additional mezzanine floor to dance studio' and has 234.5 m2 of new accommodation at 2nd floor level. This could not be identified in any of the information provided.

Basis of estimate

The Stace cost estimates do not include detailed schedules of areas or any 'basis of estimate' listing information used or any key assumptions made.

The pricing base date is not stated but allowance has been included for 'Construction Inflation Q2 2020 to Nov 2021' when the estimates were published.

There is a detailed list of exclusions, most of which are standard and non-controversial such as VAT, Inflation, Planning fees, Section 106/278 agreements etc.

Further comments on specific assumptions and exclusions are included as appropriate in the detailed report.

Stace have included allowances for surveys and Consultant (design) fees.

Stace have included a 10% contingency on demolitions and conversion works and 5% on the new build.

ANALYSIS OF ANTICIPATED CONSTRUCTION COSTS

General

Stace Repair & Conversion Cost Estimates Summary totals £24,807,807. This is split between Conversion Works Total of £14,851,814 and New Build Works Total of £9,955,993.

For the purposes of analysis, the conversion works total has been split down into:

- Demolition costs £1,310,133
- Conversion costs £12,523,460
- Landscaping and drainage £1,018,221

Demolition costs

As noted earlier, information provided does not include schedules of existing GIA.

The 11 buildings identified in Stace estimates have a combined volume of 20,807 m3. This does not seem unreasonable for the buildings identified in the D&A statement.

There are individual build-ups to each of the 11 buildings but they all follow the same format.

Stace have adopted a blanket rate of £40/m3 for each of the buildings applied to the gross volume including external walls and roof structures. This has then been updated for construction inflation from Q2 2020 to Nov 2021 by an uplift of 10%. BCIS all-in tender price index has a provisional forecast of 3% for this period so the

Stace uplift appears initially high. However, the overall rate of £44/m3 does not appear wholly excessive and forecast to Q3 2022 would reach 10%.

In addition to inflation, Stace have made allowances for preliminaries at 12% and OH&P at 7%. These are not compounded and again are considered robust but not unreasonable as is 10% contingency.

Stace have included surveys at £3,000 per building and consultant fees at 7.5% of the construction costs. These amount to over £100k which does appear too high.

Conversion costs

The Stace conversion costs included the following:

- Croydon Building £644,516
- Assembly Hall Building £1,630,939
- Main Building £9,689,731
- Swimming Pool £558,274

Excluding surveys and consultant fees, Stace estimate for conversion of the **Croydon Building** equates to £2,137/m2 of the proposed GIA. Excluding contingency it reduces to £1,976/m2.

The BCIS upper quartile rate for a 1-2 storey flat rehabilitation/conversion, adjusted for November 2021 and the Saffron Walden location is £2,634/m2. The median rate is £2,185/m2.

The Stace rate is therefore within the expected range.

There is very little build up to the Stace estimate but all-in rates of £39.79/sq ft and £113.74/sq ft have been applied to the proposed net sales area before adding inflation, prelims and OH&P as before.

There is no identifiable allowance for removing redundant parts of the building of approximately 300 m3.

Contingency is added at 10% which is on the high side but maybe not unreasonable for conversion works of this nature.

Surveys are included at £3,000 and consultant fees at 7.5% which are not considered unreasonable.

Excluding surveys and consultant fees, Stace estimate for conversion of the **Assembly Hall Building** equates to £2,128/m2 of the proposed GIA. Excluding contingency it reduces to £1,966/m2.

The Stace rate is therefore again within the expected range.

The build up to the Stace estimate follows the same format, rates and uplifts applied to the proposed net sales area.

Other than the redundant music school (included with demolitions), there is no identifiable allowance for removing remaining redundant parts of the building of approximately 350 m3. It should also be noted that the two units to the north end of the existing building are new build but are priced at the same rate as the conversion works.

Contingency is added at 10% which is on the high side but maybe not unreasonable for conversion works of this nature.

Surveys are included at £3,000 and consultant fees at 7.5% which are not considered unreasonable.

Excluding surveys and consultant fees, Stace estimate for conversion of the **Main Building** equates to £1,828/m2 of the proposed GIA. Excluding contingency it reduces to £1,690/m2.

The BCIS upper quartile rate for a 3-5 storey flat rehabilitation/conversion, adjusted for November 2021 and the Saffron Walden location is considerably lower than the 1-2 storey benchmark at £1,506/m2.

The Stace rate is therefore maybe above the expected range. That said, the main school building is a period property and considerably older than the other buildings to be converted and it includes many features to be conserved. Stace rate is not considered unreasonable in comparison with V&S comparable data.

The estimate is prepared in considerably more detail than the other buildings for both repair works, alterations and fit out.

Repair works amount to £1,631,579 or 318/m2 of V&S measured GIA. The scope includes scaffold, repairs to the envelope, FRA works and accessibility improvements. Allowances are not considered unreasonable.

Alterations amount to a total of £1,483,914 or £290/m2 of V&S measured GIA. £1,290,498 is for general areas and includes removal and replacement of existing windows and doors, below ground drainage, service mains connections (including a new sub-station). The balance is for alteration works within the apartments, stripping out, demolishing walls/doors and forming openings etc. There is very little allowance in terms of works to existing services or alterations to common parts generally.

Fit out works to flats amount to £2,764,820 or £726/m2 of the net sales area. Allowances include drylinings/walls, doors, finishes, fittings and services and are not considered unreasonable. There is also a lump sum allowance of £414,724 for fitting out common areas. No build-up is provided but this equates to around £316/m2 of the balance of V&S measured GIA. It is certainly not excessive.

Allowances for inflation (10%), prelims (15%) and OH&P (7%) are as per the other conversion works.

Contingency is again added at 10% which is on the high side but maybe not unreasonable for conversion works of this nature.

Surveys are included at £30,000 and consultant fees at 7.5% which are not considered unreasonable.

The **swimming pool** building allowances comprise £104,040 for demolition of the old changing rooms and presumably some limited alterations to the existing pool retained. The new changing rooms are included at £2,500/m2 which is considered robust but not wholly unreasonable.

Allowances for inflation (10%), prelims (15%) and OH&P (7%) are as per the other conversion works.

Contingency is again added at 10% which is on the high side but maybe not unreasonable given the low rate for works to the existing pool areas.

Surveys are included at £30,000 and consultant fees at 7.5% which are not considered unreasonable.

Landscaping and Drainage

The total of £1,081,221 includes the following:

- Hard landscaping £540,314 (+£12,000 for ramps)
- Walls and fencing £65,526 (+£5,044 decorations)
- Soft landscaping £30,892

The **hard landscaping** is mainly for new and replacement pavings and Stace have allowed a total of around 2,340 m2. There are 160 new parking spaces proposed (including swimming pool visitors) requiring around 1,850 m2 of paving and around 5,000 m2 of roads and pavings indicated on the new site layouts. Stace measure appears insufficient. Further small allowances are included for removal of old surfacing, new external lighting and bike sheds.

Walls and fencing includes for repairs as well as new retaining walls.

Soft landscaping allowances are included for general maintenance, tree works and 1,800 m2 of new lawns. Drawings indicate significantly greater requirements: amenity spaces for new apartments total 5,172 m2, public open space 3,435 m2 and amenity space for residents (MUGA and tennis courts) 2,596 m2.

New Build works

The Stace New Build Works Total of £9,955,993 includes £969,000 for external works, drainage and mains services along with surveys and consultant fees. Excluding these 'abnormal' costs, Stace estimate for new residential equates to £2,145/m2 of V&S measured GIA. Excluding contingency it reduces to £2,060/m2.

The BCIS upper quartile rate for new build residential dwellings adjusted for November 2021 and the Saffron Walden location include:

- Semi detached (2 - storey) £1,425/m2
- Semi detached (3 - storey) £1,478/m2
- Terraced (2 - storey) £1,455/m2
- Flats (1 – 2 storey) £1,683/m2
- Flats (3 – 5 storey) £1,766/m2

The Stace rate is therefore rather higher than might be expected. That said, V&S historic data for comparable developments suggests that £2,100 - £2,200/m2 is not unrealistic.

The Stace estimate is generally based on £1,615/m2 of the proposed net sales area and there is an extra over allowance of £500/m2 for piled foundations etc.

Inflation (10%), prelims (15%) and OH&P (7%) are as per the conversion works.

Contingency is added at 5% which is in line with normal expectations.

Consultant fees at 7.5% is not considered unreasonable.

The **external works** allowance is based on £28,500 per plot. This appears initially excessive for local pavings, fencing, soft landscaping, drainage and service mains connections. However, with the shortfall in measurements/allowances in the landscaping and drainage to conversion works it appears that in line with common practice from residential developers it is expected to include contributions for communal roads and other infrastructure. At around 17% of the residential build cost it is not considered unreasonable. It is subject to the same uplifts as the houses/flats.

POTENTIAL COST ADJUSTMENTS

The Stace estimates are somewhat unconventional in normal RICS New Rules of Measurement terms in that significant costs are based on net sales areas (as opposed to GIA) and little detail provided for significant abnormal project specific works.

Some of the rates and allowances may appear a little high but the overall impression is that these may be off-set by other low areas.

CONCLUSION

Whilst there are a few anomalies in the Stace estimates, these include both highs and lows and the overall totals are not considered unreasonable given the early stage of the project and level of information available.

The combined total of £24,807,807 is considered reasonable for financial viability purposes.

It should be noted that, no contact has been made with Stace, they have not had sight of this report and have therefore not had the opportunity to respond.

In accordance with RICS professional standards and guidance 'Financial viability in planning: conduct and reporting' 1st edition, May 2019, this report has been prepared and the author has acted with objectivity, impartially, without interference and with references to all appropriate available sources of information.

Roger Flexman BSc (Hons) MRICS

Veale & Sanders

Chartered Quantity Surveyors

21/07/22
G120/103 – RJF

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Appendix 5.

Development

Finance

Rates

FINANCE COSTS

1.1 The finance rate applied in the appraisals represents a total cost of capital in financing the Scheme. The rate adopted represents the combined cost of both debt and equity financing. When broken down, the debt element of the cost of finance includes a margin and risk premium above a 5-year swap rate. The equity element should in theory reflect an equity return which when combined with the debt element sums to the weighted average cost of capital (WACC). The equity element of the finance cost is also considered in view of the development return, which is the amount of profit a scheme is producing. It follows that to avoid double-counting, the finance cost should broadly consist of debt finance plus a margin to reflect the more costly equity whilst the developer return is reflected in the development profit.

1.2 Bayes Business School (formerly Cass) Commercial Real Estate (CRE) Lending Report Year End 2021 collates a sample of the conditions under which lenders offer development finance.

1.3 The survey which has been running for over twenty years comments on the changes in the commercial real estate lending cycle over the period since 1999 as follows:

- Throughout the history of the survey there has been a strong correlation of 2:1 between real estate transactions and loan origination. In other words, for every £1 in real estate transactions 50p is generated in loan origination.
- The survey notes that there appears to be no enduring connection between transaction volumes and the "health" of the market, measured in terms of movements in capital values.
- The exception to this norm is seen in the years leading up to and even through the start of the market crisis during which loan origination significantly exceeded the level that could be expected from market activity and continued even whilst capital values fell.
- The result of the extreme lending market was a wave of loan defaults which peaked in 2012 and only returned to normal levels by 2016 approximately ten years after capital values reached their highest levels.
- In 2020, property transactions fell by 16% while loan originations fell by 23%. 2020 was the second consecutive year of decline in both investment and debt transactions.
- The Year-End 2021 survey reports that in 2021 property transactions and debt origination have recovered, with year-on-year growth of c. 45%.

1.4 Judged by the number of lenders providing information to the Bayes Report, there was a decline in lender willingness to contemplate development finance during the first of 2021 however activity picked up significantly during the second half of the year.

1.5 Development finance even for pre-let commercial schemes, the "least risky" of scheme has loan margins of 385bps which is 142bps higher than prime office investment loan margins.

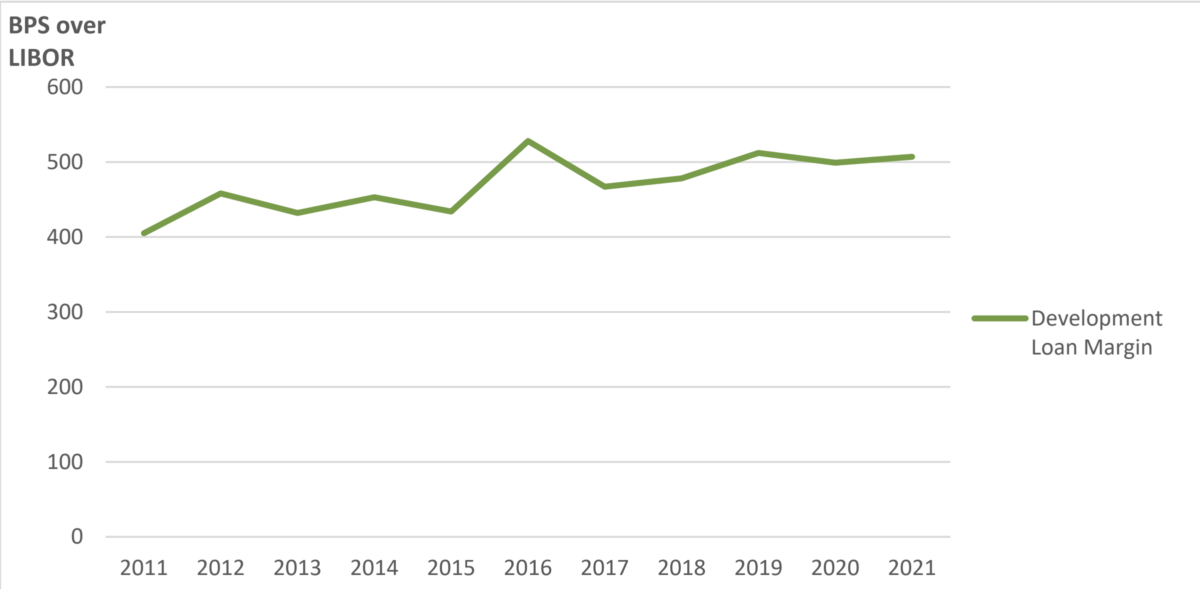
1.6 Fewer lenders provide development finance on speculative development even when 50% pre-let.

Average senior lending terms for development loans, December 2021

	2021 YE Lending margin bps	2021 H1 Lending margin bps	Arrangement Fee bps	Loan to Cost Ratio %	Lenders quoting Dec 2021	Lenders quoting 2021 H1
Commercial pre-let	371	385	110	60%	31	22
Commercial 50% Pre-let	396	431	113	59%	13	13
Commercial Speculative	433	447	127	58%	12	12
Residential	507	514	118	62%	26	23

Source: Bayes Business School (formerly Cass) Commercial Real Estate (CRE) Lending Report YE2021

Chart 1: All Lenders Residential Development Lending Margin



1.7 According to Bayes Business School School, pre-let development margins can start from 250 bps for LTC levels of 40 – 90% and from 300 bps for speculative schemes. For residential schemes margins can start from 275 bps.

1.8 The UK CRE lending market has seen a rising number and range of lenders. These include new small debt funds launched by asset management firms and less conventional lending channels such as peer-to-peer lending by pension funds and to a limited extent crowdfunding platform for both investment and development loans.

1.9 Given that senior debt is generally offered at 50% to 90% of cost of development projects, the remainder of project financing will, in most cases, be comprised of equity and in some cases varying levels of junior debt, mezzanine debt.

1.10 Junior debt and particularly mezzanine debt are typically provided by specialist platforms, and a lack of available research exists as to average lending criteria. The IPF, for example, states that “mezzanine finance is not a product that many banks provide” and “this type of finance is typically associated with projects funded on a profit share basis”.

1.11 Given the lack of available research and idiosyncratic nature of subordinate debt arrangements for real estate development funding, we have omitted this from our assessment of the market rate for development finance. The remaining project cost not provided by senior debt is therefore assumed to be equity financed.

1.12 The Bank of England raised interest rates in 2017 and 2018 from the historic low of 0.25% to the 0.75%. In response to the COVID-19 pandemic, the Bank of England cut interest rates to 0.1%. Since December 2021, in response to rising inflation, the bank has raised interest rate four times, most recently setting the rate in May 2022 at 1%.

1.13 Following recent developments in Ukraine and the impact that the outbreak of war may have on world markets we have adopted a cautious approach to the cost of finance and we advise that there is a higher than usual degree of risk around this item.

1.14 Considering the market uncertainty, we have adopted a total cost of capital for financing the Scheme of 6.50%. The total cost also takes into account arrangement, monitoring and related fees.

1.15 This finance rate is subject to a higher degree of uncertainty than usual and therefore we recommend that this is kept under review. We also reserve the right to revise this figure should more evidence come to light.

Table 1: Finance rate adopted

Description	Allowance
Finance Rate	6.5%

Source: Gerald Eve

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Appendix 6.

Former Friends' School, Saffron Walden

In accordance with your instructions, we have undertaken preliminary investigations in order to advise on our estimate of the current existing use value (EUV) of the school assuming vacant possession, together with our opinion of Glenny LLPs EUV as at 6 December 2021, to support the financial viability assessment (FVA) as part of the planning application for the site.

By way of an introduction, I am a Partner in Gerald Eves Operational Real Estate department. I specialise in the valuation of education and other institutional properties. I am an RICS Registered Valuer with over 18 years' experience in advising on independent schools and further education colleges in respect of valuations, acquisitions and disposals.

This advice is provided without acceptance of any liability.

In accordance with your instructions and as the site is well known to my colleagues, I have not inspected the property.

Background

The existing use valuation has been undertaken by Glenny LLP. We have reviewed their report dated 6 December 2021.

We have not had the benefit of an on-site inspection and have relied on the gross internal floor areas (GIA) provided by the Applicant, which are fractionally different to those included within Glenny LLPs report and we have relied upon as being accurate. We have reviewed the photographs (internal and external) of the school and their comments on the condition included within their report to assess the school's condition.

The school extends to 115,757 sq ft (GIA). It is in reasonable condition commensurate to its age and use but is showing signs of disrepair. The school's use falls within Use Class F1 (Learning & Non-Residential) of the Town and Country Planning (Use Classes) Order 1987.

We understand that a hybrid application for planning permission for part of the site was refused in March 2021, consisting of 30 dwellings utilising the existing access, re-provision of swimming pool with new changing rooms, artificial grass pitches, sports pavilion, multi-use games area (MUGA), local equipped area for plan (LEAP), local area for play (LAP), associated parking and demolition of gym building. The remainder is in outline for up to 70 dwellings with associated infrastructure, public open space, forest school and perimeter path (Application No: UTT/19/1744/OP).

The FVA relates to a planning application has now been submitted to the Planning Inspectorate (Application No: S62A/22/0000002) for the conversion of buildings and demolition of buildings to allow redevelopment to provide 96 dwellings, swimming pool and changing facilities, associated recreation facilities, access and landscaping.

The school is located within the Saffron Walden Conservation Area, and has been nominated as an Asset of Community Value (ACV) with effect until 16 February 2023.

EUV

Glenny's have not commented in their report on their valuation methodology. We have assumed that they have followed the comparative approach applying a capital rate overall of £44 per sq ft based on their gross internal areas and their comparable evidence, to reflect the school's age, specification, and condition.

We agree with this approach assuming a continuation of the existing use however, this could be arrived at by applying headline capital rates to the best space and lesser rates to the poorer quality accommodation, but we would expect this to produce a similar value.

We have not been provided with net internal floor areas (NIA) for the school to estimate the Market Rent to be able to cross-check our opinion of the Market Value on an investment basis. Assuming we adopted a Market Rent of £345,000 per annum (equivalent to approximately £3.50 per sq ft overall) using a GIA/NIA conversion of 85%, capitalised at 6.75%, this would produce a capital value of approximately £5,100,000, which supports Glenny's opinion of the EUV.

Demand

We consider the principal demand would come from the ESFA or other large schools groups for owner occupation.

Demand for education buildings which come to the market commonly arise from the following groups:

- Independent schools and colleges – these tend to compete strongly for facilities located in or near strong socio-economic catchments, principally in London and other strong economic catchments. We would expect demand for this use.
- Higher and further education – universities have been reasonably active in the market. We would expect demand for this use based on the specification and location of the facilities., and universities could have an interest.
- Local authority provision – on occasion local authorities will acquire properties where there is a shortage of school places and / or relocation would provide for larger and / or enhanced facilities.
- Free schools – a key policy of the Coalition Government has been the promotion of free schools. Free schools are all-ability state funded schools set up in response to parental demand. In simple terms, the Education and Skills Funding Agency (ESFA) funds the acquisition and development of properties and the school receives revenue funding based on the number of pupils attending. The school manages its own budgets.
- University technical colleges (UTC) - UTCs are academies for 14 to 19 year olds, focusing on providing technical courses and work-related learning to meet the needs of employees, combined with academic courses. UTCs are sponsored by a university and employer partners and are typically for between 500-800 pupils. Again the ESFA would fund the site purchase and development and the UTC would receive revenue funding based on a per pupil rate, similar to the free schools.

The ESFA has been very active in the market in acquiring suitable premises in the last few years but to date, UTCs have been unsuccessful with a number now failing, mainly due to problems with recruiting pupils at the age of 14 from secondary schools, a lack of understanding about the offering, and the stigma attached to being a destination for underperforming children.

LocatED is a government owned property company responsible for buying and developing sites for new free schools in England. LocatED has individual acquisition budgets to spend on sites that can deliver 10,000 to 175,000 sq ft (GIA) new free schools.

The schools, universities and colleges market is highly fragmented, much more so than any other business sector. Over many years, the sector has been characterised with few transactions. Our current experience is that the market is highly price sensitive, particularly on issues regarding risk, such as planning, condition and refurbishment costs and at the same time purchasers are far more enthusiastic to secure properties in good locations rather than secondary locations. Furthermore, the planning policy context will strongly influence the demand for the property.

There is a scarcity of evidence of properties sold or leased for education or institutional use. This is because it is often difficult for planning permission to be negotiated for such uses. They tend to prefer to be located in residential areas but traffic generation and noise disturbance lead to objections from local residents. A number of the transactions of D1/F1 premises we are aware of have sold for alternative uses.

Furthermore, given the demand for suitable premises occupiers tend not to release their properties into the market. In addition, when the premises do come to the market alternative users, commonly residential users, have outbid educational interest in recent years. In the main we are forced to have regard to historic and geographically spread transactions.

Market Value

In arriving at our estimate of the current EUV subject to vacant possession and assuming the continuation of the existing use, we have had reference to the evidence summarised below, together with the comparable evidence included within Glenny LLPs report:

Address	Description	Area sq ft (GIA)	Purchase Price	Date	£psf
Stoodley Knowle School, Torquay, Devon	Plymouth Roman Catholic Diocesan Trustees purchased the closed independent school on c. 42 acres with views over Ansteys Cove.	74,000	£6,000,000	Q3 2017	£81
Soundwell Centre, St Stephen's Road, Soundwell, Bristol BS16 4RL	LocatED purchased the property for use as a free school. It comprises educational buildings of varied age and design which currently provide student lecture rooms, offices and workshops. Most of the buildings are poor quality, with asbestos. Site incorporates 2 car parks with circa 170 car parking spaces. The ESFA proposed to demolish the building and redevelop for school use. 4.8 acre site devalues to £885,000 per acre.	99,987	£4,250,000	Q1 2018	£42
Ashdown House Prep School, Forest Row, East Sussex RH18 5JY	Grade II listed former independent day and boarding prep school set in 32 acres. Despite previous abortive sales for continued school use at levels in excess of the sale price it sold to a residential developer.	77,699	£6.02m	Q3 2021	£77
St Cuthman’s, Woolbeding, Near Midhurst, West Sussex GU29	Grade II listed mansion and other associated buildings including a pair of semi-detached cottages, former 1960’s classroom block, an outdoor swimming pool,	28,564	£3,200,000	Q2 2020	£112

	garage/workshop building and listed walled garden. C 20 acres.				
St Mary's Shaftesbury School, Shaftesbury, Dorset	Roman catholic independent girls boarding school for pupils aged 11 to 18 in grounds of 57 acres, including boarding accommodation, residential properties, playing fields, sports pitches, woodlands and farmland. Sold vacant to Dorset Council for continued education use	164,976	£10,050,000	July 2020	£61
Haywards Heath campus, West Sussex	Former Central Sussex College extending to 110,000 sq ft sold in Q1 2017 for continued education use for £16 million, which equates to c. £146 psf. The property comprises a modern purpose-built building in an immaculate condition, in a good town centre location.	110,000	£16,000,000	Q1 2017	£146
Staffordshire University Beaconside Campus	The campus site extends to approximately 45.87 acres. The existing accommodation extends to approximately 274,310 sq ft GIA/201,771 sq ft NIA. The site was sold in May 2016 to a Chinese investor for educational purposes on an unconditional basis, subject to vacant possession of the University in October 2016. The sale was in excess of £10,000,000, equating to a price per sq ft GIA in excess of £36 and circa £50 per sq ft on NIA.	274,310	£10 million +	Q2 2016	£36

Properties of this scale and character are difficult to value accurately as they are without direct comparison with other similar properties which have sold recently.

In reaching our estimate of the EUV of the freehold interest of the property, we have considered the potential purchasers for the asset on the assumption that the property is sold with vacant possession in its existing use.

In assessing our estimate of the current EUV of the property, we have followed the comparative method of valuation. We have applied a capital rate of £43 psf overall to reflect the school's age, specification and condition.

We estimate that the current EUV of the freehold interest of the school, subject to vacant possession and assuming there would be demand for a continuation of the existing use, as at 22 July 2022, is in the sum of:

£5,000,000

(Five Million Pounds)

We think that a realistic range of values, assuming an unconditional sale, is around £4.75m to £5m.

We have not been provided with net internal floor areas (NIA) for the school to estimate the Market Rent to be able to cross-check our opinion of the Market Value on an investment basis. Assuming we adopted a Market Rent of £345,000 per annum (equivalent to approximately £3.50 per sq ft overall) using a GIA/NIA conversion of 85%, capitalised at 6.75%, this would produce a capital value of approximately £5,100,000, which supports Glenny's opinion of the Market Value.

Principally, we agree with Glenny LLPs approach and their opinion of the EUV, as at 6 December 2021, of £5.1m.

We have been slightly more cautious and estimate the current EUV to be £5m, partly to reflect the increased build costs required to put the school back into repair and fit for purpose, and in part due to the change in the economic market conditions over the last 6 months affecting interest rates and the debt markets.

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Appendix 7.

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Former Friends School
Mount Pleasant Road
Saffron Walden
CB11 3EB

Development Appraisal
Gerald Eve
01 August 2022

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Croydon Building New Build	6	3,532	458.66	270,000	1,620,000
Junior School New Build	9	15,633	414.83	720,556	6,485,000
Gym Building New Build	7	7,346	452.63	475,000	3,325,000
Main Building New Build	12	8,284	444.83	307,083	3,685,000
Main Building Conversion	52	41,000	441.04	347,740	18,082,500
Croydon Building Conversion	4	2,724	448.79	305,625	1,222,500
Assembly Hall Conversion	6	6,909	437.83	504,167	3,025,000
Totals	**96**	**85,428**			**37,445,000**

NET REALISATION			**37,445,000**
OUTLAY			
ACQUISITION COSTS			
Residualised Price		2,847,571	
			2,847,571
Stamp Duty		131,879	
Effective Stamp Duty Rate	4.63%		
Agent Fee	1.00%	28,476	
Legal Fee		20,000	
			180,354

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Croydon Building	1 un	644,516	644,516	
Assembly Hall Building	1 un	1,630,939	1,630,939	
Main School Building	1 un	9,689,731	9,689,731	
Swimming Pool Building	1 un	558,274	558,274	
Landscaping & Drainage	1 un	1,018,221	1,018,221	
New Build	1 un	9,955,993	9,955,993	
Totals			**23,497,674**	
Demolition Music Block			63,889	
Demolition CDT Block			52,595	
Demolition Essex Building			265,215	
Demolition Drama Building			54,927	
Demolition Sports Hall			364,835	
Demolition Crossfield Building			61,925	
Demolition Leicester Building			117,167	
Demolition Biology Building			60,452	
Demolition Physics Building			51,490	
Demolision Prep School			175,355	
Demolition Nursery Building			42,283	
				24,807,807

MARKETING & LETTING			
Marketing	1.00%	374,450	
			374,450
DISPOSAL FEES			
Sales Agent Fee	1.00%	374,450	
Sales Legal Fee	0.50%	187,225	
			561,675
TOTAL COSTS BEFORE FINANCE			**28,771,858**

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)		
Land	591,294	

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Construction	1,841,014	
Total Finance Cost		2,432,308
TOTAL COSTS		**31,204,166**
PROFIT		
		6,240,834

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
IRR% (without Interest)	N/A
Profit Erosion (finance rate 6.500)	2 yrs 10 mths

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Appendix 8.

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Former Friends School
Mount Pleasant Road
Saffron Walden
CB11 3EB

Development Appraisal
Gerald Eve
01 August 2022

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Croydon Building New Build	6	3,532	458.66	270,000	1,620,000
Junior School New Build	9	15,633	414.83	720,556	6,485,000
Gym Building New Build	7	7,346	452.63	475,000	3,325,000
Main Building New Build	12	8,284	444.83	307,083	3,685,000
Main Building Conversion	52	41,000	401.00	316,173	16,441,000
Croydon Building Conversion	4	2,724	408.00	277,848	1,111,392
Assembly Hall Conversion	6	6,909	398.00	458,297	2,749,782
Totals	**96**	**85,428**			**35,417,174**

NET REALISATION			**35,417,174**
OUTLAY			
ACQUISITION COSTS			
Residualised Price		1,540,339	
			1,540,339
Stamp Duty		66,517	
Effective Stamp Duty Rate	4.32%		
Agent Fee	1.00%	15,403	
Legal Fee		20,000	
			101,920

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Croydon Building	1 un	644,516	644,516	
Assembly Hall Building	1 un	1,630,939	1,630,939	
Main School Building	1 un	9,689,731	9,689,731	
Swimming Pool Building	1 un	558,274	558,274	
Landscaping & Drainage	1 un	1,018,221	1,018,221	
New Build	1 un	9,955,993	9,955,993	
Totals			**23,497,674**	
Demolition Music Block			63,889	
Demolition CDT Block			52,595	
Demolition Essex Building			265,215	
Demolition Drama Building			54,927	
Demolition Sports Hall			364,835	
Demolition Crossfield Building			61,925	
Demolition Leicester Building			117,167	
Demolition Biology Building			60,452	
Demolition Physics Building			51,490	
Demolision Prep School			175,355	
Demolition Nursery Building			42,283	
				24,807,807

MARKETING & LETTING			
Marketing	1.00%	354,172	
			354,172
DISPOSAL FEES			
Sales Agent Fee	1.00%	354,172	
Sales Legal Fee	0.50%	177,086	
			531,258
TOTAL COSTS BEFORE FINANCE			**27,335,495**

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)

Land	321,384

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Construction	1,857,431	
Total Finance Cost		2,178,815
TOTAL COSTS		**29,514,310**
PROFIT		
		5,902,864

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
IRR% (without Interest)	N/A
Profit Erosion (finance rate 6.500)	2 yrs 10 mths

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Appendix 9.

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Former Friends School
Mount Pleasant Road
Saffron Walden
CB11 3EB

Development Appraisal
Gerald Eve
01 August 2022

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Croydon Building New Build	6	3,532	458.66	270,000	1,620,000
Junior School New Build	9	15,633	414.83	720,556	6,485,000
Gym Building New Build	7	7,346	452.63	475,000	3,325,000
Main Building New Build	12	8,284	444.83	307,083	3,685,000
Main Building Conversion	52	41,000	441.04	347,740	18,082,500
Croydon Building Conversion	4	2,724	448.79	305,625	1,222,500
Assembly Hall Conversion	6	6,909	437.83	504,167	3,025,000
Totals	**96**	**85,428**			**37,445,000**

NET REALISATION			**37,445,000**
OUTLAY			
ACQUISITION COSTS			
Residualised Price		3,808,916	
			3,808,916
Stamp Duty		179,946	
Effective Stamp Duty Rate	4.72%		
Agent Fee	1.00%	38,089	
Legal Fee		20,000	
			238,035

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Croydon Building	1 un	596,000	596,000	
Assembly Hall Building	1 un	1,600,000	1,600,000	
Main School Building	1 un	9,200,000	9,200,000	
Swimming Pool Building	1 un	502,000	502,000	
Landscaping & Drainage	1 un	1,018,221	1,018,221	
New Build	1 un	9,458,136	9,458,136	
Totals			**22,374,357**	
Demolition Music Block			63,889	
Demolition CDT Block			52,595	
Demolition Essex Building			265,215	
Demolition Drama Building			54,927	
Demolition Sports Hall			364,835	
Demolition Crossfield Building			61,925	
Demolition Leicester Building			117,167	
Demolition Biology Building			60,452	
Demolition Physics Building			51,490	
Demolision Prep School			175,355	
Demolition Nursery Building			42,283	
				23,684,490

MARKETING & LETTING			
Marketing	1.00%	374,450	
			374,450
DISPOSAL FEES			
Sales Agent Fee	1.00%	374,450	
Sales Legal Fee	0.50%	187,225	
			561,675
TOTAL COSTS BEFORE FINANCE			**28,667,566**
FINANCE			
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Land		789,063	

96 Residential Units Comprising
62 Conversion and 34 New Build No Section 106 Contributions

Construction	1,747,535	
Total Finance Cost		2,536,598
TOTAL COSTS		**31,204,163**
PROFIT		
		6,240,837

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
IRR% (without Interest)	N/A
Profit Erosion (finance rate 6.500)	2 yrs 10 mths

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