



Uttlesford
District Council

Financial Viability Assessment
Version 1.2

January 2024

Uttlesford District Council
Eastfield Stables, Stansted, CM24 8SS
(UTT/23/2193/PINS - S62A/2023/0023)

 **Altair**

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1. Introduction

- 1.1. Uttlesford District Council ('Uttlesford DC') appointed Altair Consultancy and Advisory Services Ltd ('Altair') to review a Financial Viability Assessment (FVA) for a proposed residential development project at Eastfield Stables, Stansted, CM24 8SS ('the Site').
- 1.2. NB Investments (UK) Limited ('the Applicant') have submitted an offer to the Local Planning Authority setting out that they consider a financial contribution of £140,000 to be the viable level of affordable housing in lieu of any on site provision. No supporting report to evidence how this amount has been arrived at except for a breakdown of build costs.
- 1.3. The applicant has instead provided evidence of how they have arrived at a commuted sum in lieu of an on site provision of affordable housing of £759,201. The following methodology has been applied (method 4 of the Uttlesford District Council Developers Contributions Supplementary Planning Guidance March 2023).

Open Market Value of the Affordable Housing Units
<i>Minus</i>
Value of the Affordable Housing Units if disposed of to a Registered Provider of Social Housing
<i>Less</i>
Registered Provider of Social Housing Acquisition Fees
<i>Less</i>
Additional Costs to the developer by providing those homes as open market homes
<i>Equals</i>
Affordable Housing Contribution in lieu of Affordable Housing provision on Site

- 1.4. The application is for the *"proposed erection of 5 x 3 bed no. residential dwellings and associated infrastructure."*
- 1.5. It should be noted that the applicant has used a unit mix of 4 x 3 bed houses and 1 x 2 bed houses to arrive at it's valuation, however we have been advised by the Local Planning Authority that the unit mix is in fact 5 x 3 bed houses. For the purposes of this report we will be applying this unit mix.
- 1.6. The purpose of this report is to review the Applicant's FVA and determine whether the conclusions made about the level of affordable housing contribution are reasonable. To reach that conclusion, we have reviewed and benchmarked the assumptions made within the Applicant's assessment against, for example, industry benchmarks and current market values.

- 1.7. Through the preparation of this report Altair can confirm it has acted with objectivity, impartiality, without interference and with reference to all appropriate sources of information required to reach its conclusions and recommendations.
- 1.8. There are no conflicts of interest or known risk of conflicts which would otherwise prevent us from providing advice, and we confirm that in providing our advice Altair is not retained on a performance-related or contingent fee basis.

2. Policy Context

- 2.1. This section of the FVA sets out the relevant extracts of national, regional and local policy and guidance, which has informed the amount, type and mix of affordable housing proposed and supported by the scheme.

National Planning Policy

- 2.2. The revised National Planning Policy Framework (NPPF) updated July 2021¹, sets out the government's planning policies for England and how these are expected to be applied.
- 2.3. Paragraph 58 of the policy states that "Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage".
- 2.4. Paragraph 58 goes on to state that "All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available".
- 2.5. The National Planning Policy Guidance (NPPG) for Viability, updated June 2021², sets out guidance on the requirements of FVAs and the accountability of those providing them. A key element of the guidance is standardised inputs, which provides independent assessors with guidelines on what inputs and evidence base should be provided by Applicants. Throughout this assessment, the NPPG for Viability will be referred to and benchmarked against as a best practice guide for viability assessments.

Local Planning Policy

Uttlesford District Council Local Plan (2005)

- 2.6. The Uttlesford District Council Local Plan, January 2005, set out a range of policies for the Council including its approach to the provision of affordable housing within the borough. Policy H9: Affordable Housing confirms that affordable housing will be sought on housing development sites and states that *"The Council will seek to negotiate on a site to site basis an element of affordable housing of 40% of the total provision of housing on appropriate*

¹ www.gov.uk/government/publications/national-planning-policy-framework--2

² www.gov.uk/guidance/viability

allocated and windfall sites, having regard to the up to date Housing Needs Survey, market and site considerations”.

- 2.7. This is accepted by the applicant who as part of their Design and Access Statement state that *“the site is in excess of 0.5ha and therefore will attract an affordable housing allocation. The LPA Developer Contributions schedule requires 40% of the houses to be affordable which in this case equates to two dwellings.”*
- 2.8. The applicant goes on to say that *“Considering that a Registered provider or indeed Uttlesford Council themselves, would not find it efficient to maintain two properties in isolation, the applicant, who is the developer in this instance, is offering a financial contribution, subject to a viability check and agreement, for an off-site provision of the affordable dwellings.”* For the purposes of this report, and given discussions with the LPA, we will be assuming that all provision of affordable housing is provided off site in the form of a contribution in lieu.
- 2.9. In March 2012, the Council appointed Level to undertake an updated assessment of affordable housing viability in the borough. During this report Altair will provide reference to the assumptions applied within this assessment.

Emerging Uttlesford District Council Local Plan

- 2.10. On 13 September 2022 the Council announced a pause to their current published local plan timetable. Consultation on the new local plan will take place in the Summer of 2024.
- 2.11. The emerging Local Plan is evidenced by the Local Plan Viability Assessment (September 2023) and sets out a range of assumptions, specific to Uttlesford, that should be used as the benchmark for viability assessments in the borough. This report will give reference to this.

Uttlesford District Council Developers Contributions Supplementary Planning Guidance (March 2023)

- 2.12. This Developer Contributions Supplementary Planning Document (SPD) sets out how Uttlesford District Council (the Council) will seek planning obligations from developers where financial or other contributions are required to make residential development proposals acceptable in planning terms (but cannot be achieved through conditions on any planning permission).
- 2.13. At Cabinet on 16 March 2023 Members agreed to adopt this document as an SPD.
- 2.14. Specifically of relevance to this application, the SPD re-emphasizes the importance of policy H9 of the Uttlesford Local Plan 2005, *“the Council will seek 40% affordable housing provision on all market-led developments”*.
- 2.15. The document goes onto state that *“the Council recommends using one of the Altair set of methodologies for calculating commuted payments. These*

methodologies, samples of which are set out in Appendix B, establish the commuted payment as the uplift that a developer would obtain by selling the affordable homes on the open market in comparison to selling them to a registered provider as affordable homes. Whatever methodology is used it should be agreed with the Council during pre-application discussions, but certainly before a planning application is submitted”.

- 2.16. It is assumed that method 4 has been agreed with the LPA and is therefore adopted as part of this report.

3. Methodology

Approach to Testing Viability

- 3.1. Decisions on what development schemes should be competed for, progressed and ultimately invested in need to be based on sound, fit-for-purpose and competitive assumptions.
- 3.2. The FVA is a tool used by Applicants and local authorities to determine the level of affordable housing which can be reasonably and viably provided by a proposed development in accordance with policy and guidance.

Financial Viability Toolkit

- 3.3. The financial model used as part of this report is the Argus Developer toolkit. Argus is a tool widely used within the development sector to assess the financial viability of housing and mixed-use developments.
- 3.4. The model works in the same way as the Greater London Authority (GLA) toolkit and other residual appraisal models. The value of the completed development, and development costs (including the developer's risk adjusted return or land costs) can be cash-flowed over the development period and the difference between the GDV and total costs are compared against either a benchmark profit or land value (depending on the inputs for the development) to identify whether the proposal is a viable proposition.
- 3.5. The model structure provides a sound basis on which to test scheme viability and to determine the developer subsidy available from the development to deliver the maximum reasonable proportion of affordable housing in accordance with national, regional and local policy. Along with this report we can provide an electronic version of the Argus appraisal, which can be fully reviewed and interrogated.

4. Gross Development Value Assumptions

Introduction

- 4.1. This section summarises the key income assumptions provided in the Applicant’s viability assessment and concludes whether these are considered reasonable.
- 4.2. NPPG para 008 states that “Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then”. We have therefore taken this approach when reviewing the applicants FVA and wider policy and guidance in reaching our conclusions.

Market Context

- 4.3. The UK economy is in a state of flux. The impact of Brexit, COVID-19 pandemic and Ukraine war has led to rising inflation affecting household affordability.
- 4.4. Despite this, house prices have continued to rise over the past year. The following table illustrates that the price of houses in Uttlesford has increased by 1.6% since the start of 2023.

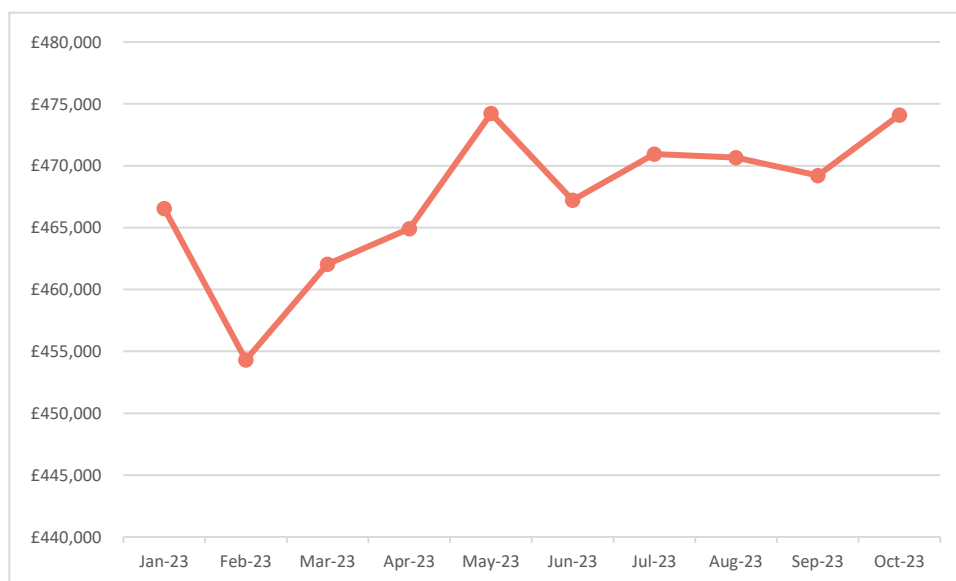


Figure 1 - HPI Tracker (Uttlesford)

Unit Mix

- 4.5. The proposed development comprises 5 x three bed detached bungalows of which they are all 229 sqm (2,465 sqft).
- 4.6. We note that the units are significantly larger than other properties being marketed locally and benefit from a rural location though close to both Elsenham and Stansted Mountfichit town centers and has desirable features

such as a double garage, two toilet rooms and separate office that will increase the value of the properties above a standard dwelling type locally.

Residential Open Market Values

- 4.7. The applicant, as part of their submission, have provided no evidence setting out how they arrived at the OMVs they have assumed for the properties - £1,248,050 per 3 bed property (GDV - £6,240,250).
- 4.8. To therefore establish the likely Open Market Value (OMV) of the units once developed, we have sought to identify the value of other comparable properties within a reasonable radius of the application site.
- 4.9. Given the size of the homes (over 200sqm) and that they have an office (as well as three bedrooms), alongside their inherent premium nature, we have considered properties that are both 3 and 4 bed that are detached.




Location	Type	Sqft	Sold Price	Sold Date	£/Sqft	Image
Farndale Cottage, Fullers End, Bishop's Stortford - CM22 6EA	4 Bed House	2,346	£ 1,100,000	02/11/2022	£ 468.88	
The Maltings, Vicarage Lane, Bishop's Stortford - CM22 6HU	4 Bed House	2,206	£ 1,140,000	10/03/2023	£ 516.77	
198, Stansted Road, Bishop's Stortford - CM23 2AR	4 Bed House	1,937	£ 1,148,000	13/04/2023	£ 592.67	

Table 1 - Sold Comparable Properties

- 4.10. The table above considers three properties, that have been sold in the past 18 months within a reasonable radius of the site. The properties are all large properties, though still smaller than the properties proposed as part of this application, and do not benefit from being new build or having the specification proposed as part of this application.
- 4.11. All four of these properties indicate that, for a property of the proposed size, a value of £1,100,000 is the absolute minimum that would be achievable and that with features as described above, significantly higher values can be achieved.
- 4.12. The property at Farndale Cottage sold just over a year ago for £1,100,000 and is just 0.8 miles from the subject. The property, is in a similar location being on the outskirts of Elsenham but not new build and does not have that associated premium. We therefore consider the value achieved here to be at the lower end of the achievable range of pricing for similar properties locally.

4.13. We have also considered comparable properties for sale locally. Of particular relevance is the property for sale at Chickney Road, Henham³ (2.7 miles from the subject). Though the properties are larger than the subject (4,000 sqft) they are for sale for significantly more than proposed by the applicant £1,600,000. The property does however not benefit from the same close proximity to Elsenham. It has not sold and therefore we would expect the value achieved to be less than stated as the asking price. We therefore expect this to again be at the upper end of the achievable range but consider it to be a good indicator of values that can be achieved locally new build properties of this specification.

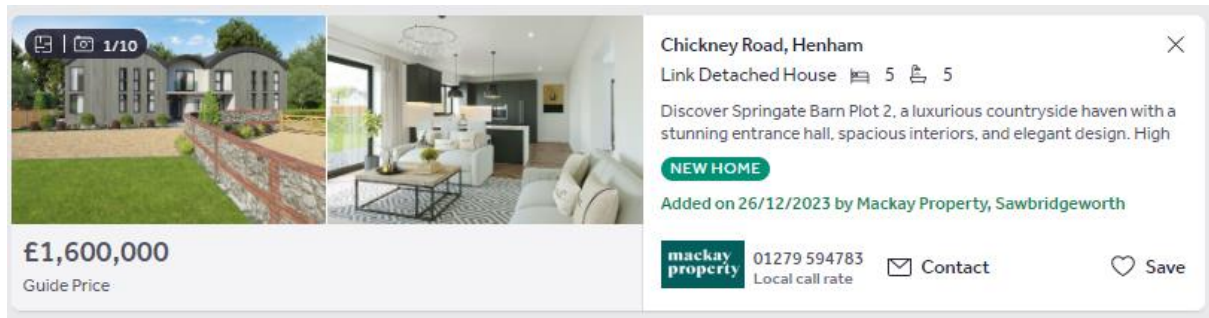


Figure 2 - Old Mead Road, Henham, Bishop's Stortford (For Sale)

4.14. Given this evidence we consider the value proposed by the applicant of £1,248,050 to be reasonable. This derives a 100% private sale GDV of £6,240,250.

Ground Rents

4.14.1. The capital value of the Freehold Ground Rents for the Site is included at zero as the new Leasehold Reform (Ground Rent) Act 2022 limits ground rent to a 'peppercorn rent' and prohibits administration charges. We have made the same assumption in our assessment of the Site and assumed a nil capital value.

Affordable Housing Income

4.15. As advised by the LPA, the Applicant is required to make a Payment in Lieu of Affordable Housing part of their application, where financially viable. Therefore, this report will consider what contribution in lieu of Affordable Housing can be made.

4.16. To calculate this, method 4 of the Uttlesford District Council Developers Contributions Supplementary Planning Guidance March 2023, the methodology applied will be the following:

³ https://www.rightmove.co.uk/properties/143169197#/?channel=RES_NEW

Open Market Value of the Affordable Housing Units
<i>Minus</i>
Value of the Affordable Housing Units if disposed of to a Registered Provider of Social Housing
<i>Less</i>
Registered Provider of Social Housing Acquisition Fees
<i>Less</i>
Additional Costs to the Developer by providing those homes as open market homes
<i>Equals</i>
Affordable Housing Contribution in lieu of Affordable Housing provision on Site

- 4.17. For this application, a policy compliant scheme would provide 2 homes of which it is assumed that one property would be for affordable rent and the other shared ownership.
- 4.18. The applicant to arrive at their valuation of £425,100 for 2 affordable housing units has applied a rate of 50% of OMV assuming that the two properties, if provided on site would be reduced to smaller units (1 x 70 sqm 2 bedroom house and 1 x 86 sqm 3 bedroom house). No evidence for why this assumption has been used has been provided.
- 4.19. To arrive at the value of the affordable housing we have, in line with the Uttlesford Local Plan Viability Assessment (September 2023), we have applied the following assumptions.

Unit Type	Affordable Rent	Shared Ownership
1 Bed Flat	£ 141,831	65% of OMV
2 Bed Flat	£ 166,017	
2 Bed House	£ 166,017	
3 Bed House	£ 196,844	
4 Bed House	£ 246,654	

Table 2 - AH Assumptions⁴

- 4.20. Based upon this, the value of a policy compliant scheme as per the application of 5 x 3 bed houses, is £4,752,227 as per the table below.

⁴ Appendix I – Development appraisal assumptions build up and overview

No.	Type	Sqm	Sqft	PS GDV	AH GDV
1	3B Det Bung	229	2,465	£ 1,248,050	£ 196,844
2	3B Det Bung	229	2,465	£ 1,248,050	£ 811,233
3	3B Det Bung	229	2,465	£ 1,248,050	£ 1,248,050
4	3B Det Bung	229	2,465	£ 1,248,050	£ 1,248,050
5	3B Det Bung	229	2,465	£ 1,248,050	£ 1,248,050
Total		1,145	12,325	£ 6,240,250	£ 4,752,227

	Affordable Rented Unit
	Shared Ownership Unit
	Private Sale Unit

Table 3 - Affordable Housing Valuation

5. Costs

Registered Provider of Social Housing Acquisition Fees

5.1. The applicant has applied a rate of 7% of the affordable housing value as part of their appraisal of the application. Having reviewed this we accept this cost as reasonable and will be applying it as part of our appraisal of the application.

Additional Costs to the Developer

- 5.2. As set out within section 4, an allowable cost to be netted off any affordable housing contribution within the applied methodology, are the additional costs the developer incurs in converting the homes to open market housing. These should be the direct costs that the developer would incur in providing the homes as market sale and not hypothetical ones like a change in developers return.
- 5.3. Within the applicant's affordable housing contribution calculation (O2_Option_1_FVA_) they have applied an additional developer cost of £1,282,041 though no evidence of where this number has come from has been provided.
- 5.4. The applicant has provided two order of costs estimates which show a difference in build costs of £749,266. This is accepted and will be applied as part of our appraisal of the application.
- 5.5. In addition to this, the applicant has set out that there would no variance in the S106 Fees (£50,000) and therefore they will not impact this appraisal.
- 5.6. The applicant has applied a rate of £600 per affordable property for legal fees plus 0.5% of affordable GDV for agents fees. Altair accept the rate for legal fees but as per the Uttlesford Local Plan Viability Assessment (September 2023) will not apply the agents fees for the affordable housing units as this is not typical.
- 5.7. For private sale the applicant has applied a rate of 2.5% of GDV and £1,000 pu for legal fees which is accepted and will be applied as part of our appraisal of the application.
- 5.8. The following table illustrates Altair's assessment of the additional costs to the developer and these costs will be applied as part of our appraisal of the application.

Item	Applicant		Altair	
	100% PS	40% AH	100% PS	40% AH
Residential & Commercial - Design & Build Costs (inc Abnormals)	£ 3,656,817	£ 2,907,551	£ 3,656,817	£ 2,907,551
S106 Contributions	£ 50,000	£ 50,000	£ 50,000	£ 50,000
Affordable Housing Sales & Marketing Legal Fees (£600 pu)	£ -	£ 1,200	£ -	£ 1,200
Affordable Housing Sales & Marketing Agent Fees (1.5%)	£ -	£ 2,126	£ -	£ -
Private Sale Sales & Marketing Legal Fees (£1,000 pu)	£ 5,000	£ 3,000	£ 5,000	£ 3,000
Private Sale Sales & Marketing Agent Fees (2.5%)	£ 156,006	£ 93,604	£ 156,006	£ 93,604
Total Costs	£ 3,867,823	£ 3,057,480	£ 3,867,823	£ 3,055,355
Additional Costs to the Developer	£	810,343	£	812,469

Table 4 - Additional Costs to the Developer

6. Contribution in Lieu

- 6.1. As per the methodology prescribed above, the value of the affordable housing contribution provided in lieu of an on site affordable housing provision should be calculated by deducting the value of the affordable housing units if sold to an RP, acquisition costs and the additional costs to the developer from the open market value of the affordable housing units
- 6.2. The following table illustrates this based upon the assumptions set out above and concludes that a contribution of £604,990 can be provided as part of this application.

Item	Amount
Open Market Value of the Affordable Housing Units	£ 2,496,100
Value of the Affordable Housing Units if disposed of to an RP	£ 1,008,077
RP Acquisition Fees	£ 70,565
Additional Costs to the Developer	£ 812,469
Affordable Housing Contribution in lieu of Affordable Housing provision on Site	£ 604,990

7. Summary

- 7.1. Uttlesford DC requires 40% affordable housing be provided subject to a viability assessment.
- 7.2. The Applicant has stated that for the site at Eastfield Stables, a contribution in lieu of on site affordable housing of £140,000 can be provided though this does not marry up with the evidence provided which states that a contribution of £759,201 can be provided.
- 7.3. The table below summaries the assumptions we have applied to arrive at what we consider to be a reasonable payment in lieu of affordable housing provision on site for 2 homes.

Assumption	Applicant	Altair
Gross Development Value (100% PS)	£6,240,250	£6,240,250
AH Valuation	50% of OMV	Approach as per Uttlesford Local Plan Viability Assessment (2023)
RP Acquisition Fees	7%	7%
Additional Costs to the Developer	£810,343	£812,469

Table 5 - Comparison of Key Assumptions

- 7.4. Our review demonstrates that the applicant can provide a contribution in lieu of on site affordable housing up to the value of £604,990.
- 7.5. We recommend the Council applies review mechanisms at early and late stages of development in line with the National Planning Policy Guidance for Viability document (Paragraph: 009 Reference ID: 10-009-20190509) where local policy allows.

