For: Adur & Worthing Council
Review of Applicant Submitted Viability Position

37 Albion Street
Southwick
West Sussex
BN42 4DN

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(DSP26407BA)



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1. Notes and Limitations

1.1.1. This review and its findings are intended purely for the purposes of providing Adur & Worthing Councils (AWC) with an independent check of, and opinion on, the planning applicant's viability information and stated position in this case.

1.1.2. In the preparation of this review Dixon Searle Partnership has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

1.1.3. This report and any associated work does not provide or amount to formal valuation advice.

1.1.4. So far as we have been able to see, the information supplied to DSP to inform and support this review process has not been supplied by the prospective / current planning applicant on a confidential basis. However, potentially some of the information provided may be regarded as commercially sensitive. Therefore, we suggest that the Council and prospective / current or subsequent planning applicant may wish to consider this aspect together. DSP confirms that we are content for our review information, as contained within this report, to be used as may be considered appropriate by the Council (we assume with the applicant's agreement if necessary). In looking at 'Accountability', since July 2018 (para. 022, most recently revised in December 2025), the published national Planning Practice Guidance (PPG) on viability says on this; '*Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances*.'

1.1.5. Dixon Searle Partnership conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We have been and are involved in the review of other planning stage proposals within the Adur & Worthing areas as well as strategic level (development plan/planning policy) projects.

1.1.6. In any event we can confirm that no conflict of interest exists, nor is likely to arise given our approach and client base. This is kept under review. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of contingent/incentive/performance-related payment.

1.1.7. We have undertaken this as a desk-top exercise as is appropriate for this stage and level of review. For general familiarisation we have considered the site context from the information supplied by the Council and using available web-based material.

1.1.8. This document has been prepared for this specific reason and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned. To the extent that the document is based on information supplied by others, Dixon Searle Partnership accepts no liability for any loss or damage suffered by the client.

2. Introduction

2.1.1 Dixon Searle Partnership (DSP) has been commissioned by Adur & Worthing Councils (AWC) to carry out an independent review of the 'Financial Viability Assessment' (FVA) dated 14th May 2026 and supplied to the Council on behalf of the applicant by Pathfinder Development Consultants (PDC). This is in relation to the proposed development of 37 Albion Street, Southwick, West Sussex BN42 4DN.

2.1.2 The viability information has been submitted in support of a planning application (reference AWDM/0723/26) which seeks permission for the '*Erection of 32 no. flats in six storey building plus associated site works, following demolition of existing building.'*

2.1.3 Policy 21 of the adopted Adur Local Plan 2017 relates to affordable housing and the Council will seek affordable housing contributions at a target of 30% on new development.

2.1.4 In presenting their viability position, the applicant has supplied to the Council the aforementioned 'Financial Viability Assessment' (FVA) together with appendices including a PDF version of the submitted appraisal. We have also been provided with the 'live' working version of the submitted appraisal carried out using Excel.

2.1.5 For context, DSP has had sight of the documents contained within the Council's online planning application file.

2.1.6 We have considered the assumptions set out within the FVA and provided our commentary based on those whilst also carrying out sensitivity testing where our opinion differs from that of the applicant's agent.

2.1.7 This report does not consider planning policy or the wider aspects in the background to or associated with the Council's consideration of this scenario. DSP's focus is on the submitted residential viability assumptions and therefore the outcomes (scope to generate land value and profit while also supporting the development costs and planning policies) associated with that aspect of the overall proposals.

2.1.8 For general background, a viable development could be regarded as the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value (i.e. existing use value plus a reasonable premium) for the landowner and a market risk adjusted return to the developer in delivering that project. The Government's Planning Practice Guidance (PPG) on Viability sets out the main principles for carrying out a viability assessment. It states:

'*Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return. […] Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making. 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* '.[1]

2.1.9 Under normal circumstances, if the residual land value (RLV) created by a scheme proposal exceeds the existing use value plus a premium (referred to as a benchmark land value (BLV)) then we usually have a positive viability scenario – i.e. the scheme is much more likely to proceed (on the basis that a reasonable developer profit margin is also reached).

2.1.10 The submitted development appraisal has been run in a way which takes account of the benchmark land value (BLV) of the site (assumed at £341,000) and assesses the level of additional residual potentially available in excess of that after allowing for a fixed developer's profit (assumed at 20% on gross development value for market housing). Therefore, an approach has been taken that sets out to consider in the applicant's view, the maximum supportable contribution for affordable housing.

[1] Paragraph: 011 Reference ID: 10-011-20180724

2.1.11 The all market sale appraisal as presented produces a negative residual land value of -£108,979 and a deficit of -£449,979, when benchmarked against an EUV+ based BLV of £341,000.

Summary Table (Source: FVA)

Gross Development Value	£	13,171,327
Less Gross Development Costs	£	10,646,041
Less a suitable developer's profit	£	2,634,266
Residual Land Value	-£	108,979

2.1.12 The FVA concludes that: '*It is therefore our reasonable judgment that a viable scheme is one which contains 32 apartments for market sale and no S106 contributions at considerable risk to the developer in outperforming market expectation.'*

2.1.13 DSP has calculated that when the deficit is deducted from the target profit, the scheme as presented produces an actual profit of 16.6% on gross development value (GDV), which falls within the range 15% - 20% GDV discussed within the Planning Practice Guidance and therefore could be considered viable / marginally viable at the BLV submitted.

2.1.14 This report does not consider further the relevant planning policy, housing enabling strategy (generally and on matters such as tenure mix and affordability) or other wider aspects in the background to or associated with the Council's consideration of this scenario. DSP's focus here is on the submitted viability assumptions and therefore the outcomes (scope to support the development costs and an appropriate land value) associated with the proposals.

2.1.15 This review does not seek to pre-determine any Council positions but merely sets out our opinion on the submitted viability assumptions and outcomes to inform the Council's further consideration of this proposal; it deals only with viability matters, in accordance with our instructions.

2.1.16 DSP's remit is to review the submitted information to assess whether the stated viability scope available to support planning obligations (for affordable housing and/or other matters) is the most that can reasonably be expected at the time of the assessment. Our brief does not go as far as confirming what should be the outcome where schemes are

stated or verified as being non-viable per se, based on a viability submission or any subsequent review. It is for the applicant to decide whether there is sufficient justification to pursue a scheme financially. While an absence of (or insufficient level of) planning obligations will be a material consideration, we are not aware that proof of positive viability is a criterion for acceptable development under current national policy. The Council may wish to consider these matters further, however.

2.1.17 In this context, AWC requires our opinion as to whether the viability figures and position put forward by the applicant are reasonable. We have therefore considered the information submitted. Following our review of the key assumptions areas, this report provides our views.

2.1.18 We have based our review on the submitted FVA and the premise that the viability of the scheme should be considered based on the assumption of current costs and values. We then discuss any variation in terms of any deficit (or surplus) created from that base position by altering appraisal assumptions (where there is disagreement if any).

2.1.19 The purpose of this report is to provide our overview comments regarding this individual scheme, on behalf of the Council - taking into account the details as presented. It will then be for the Council to consider this information in the context of the wider planning objectives in accordance with its policy positions and strategies.

2.1.20 In carrying out this type of review a key theme for us is to identify whether, in our opinion, any key revenue assumptions have been under-assessed (e.g. sales value estimates) or any key cost estimates (e.g. build costs, fees, etc.) over-assessed – since both of these effects can reduce the stated viability outcome.

2.1.21 This assessment has been carried out by Dixon Searle Partnership, a consultancy which has many years' combined experience in the development industry working for Local Authorities, developers, Housing Associations and in consultancy. As consultants, we have a considerable track record of assessing the viability of a wide range of schemes and assessing the scope for Local Authority planning obligation requirements. This expertise includes viability-related work carried out for many Local Authorities nationwide over more than 20 years.

3. Review of Submitted Viability Assumptions

3.1 Overview of Approach

3.1.1 The following commentary reviews the applicant's submitted viability assumptions as explained within the FVA and its associated appendices.

3.1.2 Primarily the review process takes into account the fact that the collective impact of the various elements of the cost and value assumptions is of greatest importance, rather than necessarily the individual detailed inputs in isolation. We have considered those figures provided, as below, and reviewed the impact of trial changes to particular submitted assumptions.

3.1.3 This type of audit / check is carried out so that we can give the Council a feel for whether or not the result is approximately as expected – i.e. informed by a reasonable set of assumptions and appraisal approach.

3.1.4 As a general point, should there be changes sought to the scheme proposals this would obviously impact on the appraisal outputs.

3.2 Benchmark Land Value

3.2.1 In all appraisals of this type, the base value (value of the site or premises – e.g. in existing use) is one of the key ingredients of scheme viability. A view needs to be taken on land value so that it is sufficient to secure the release of the site for the scheme (sale by the landowner) but is not assumed at such a level that restricts the financial capacity of the scheme to deliver suitable profits (for risk reward), cover all development costs (including any abnormals) and provide for planning obligations as a part of creating sustainable development. This can be a difficult balance to reach, both in terms of developers' dealings with landowners, and Councils' assessments of what a scheme has the capacity to bear.

3.2.2 The RICS (Royal Institution of Chartered Surveyors) Professional Standard: '*Assessing viability in planning under the national Planning Policy Framework 2019 for England'* (reissued April 2023) took effect from 1st July 2021 when it was previously published as a guidance note. Its emphasis reflects the Planning Practice Guidance (PPG) on Viability

as noted below, and the PPG will remain the primary source of guidance in this field – viability in planning.

3.2.3 The RICS Professional Standard states that: *'The BLV should not be expected to equate to market value. […] The BLV is not a price to be paid in the marketplace; it is a mechanism by which the viability of the site to provide developers' contributions can be assessed. It should be set at a level that provides the minimum return at which a reasonable landowner would be willing to sell.'*

3.2.4 It goes on to state: *'The BLV is a benchmark value against which the developer contributions can be assessed. Once those contributions have been set, land markets should take the level of policy requirements in to account, just as all markets should take all relevant factors that affect value into account. PPG paragraph 013* [paragraph 014 in the latest PPG update] *states that 'Landowners and site purchasers should consider policy requirements when agreeing land transactions. This means that the actual price paid for a site cannot be used to reduce developer contributions.'*

3.2.5 The latest Viability PPG (most recently updated in December 2025) and the NPPF (most recently updated on 17 August 2026) very clearly advise that land value should be based on the value of the existing use plus an appropriate level of premium or uplift to incentivise release of the land for development from its existing use. With regard to how land value should be defined for the purpose of viability assessment, paragraph 14 of the PPG states: '*To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions*.'

3.2.6 The *PPG* defines existing use value as: *'the first component of calculating benchmark land value. Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the*

type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development). Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.[2]'

3.2.7 Similarly, the updated NPPF (August 2026) states that *'Neither the price paid for land, nor the price intended to be paid through an option agreement, should be a justification for failing to accord with relevant policies in the plan[3]'.*

3.2.8 Paragraph 015 of the PPG states that a Benchmark Land Value should:

- *'be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

3.2.9 Paragraph 015 goes on to state that existing use value should be '*informed by market evidence of current uses, costs and values.[…] Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual* developers*, site promoters and landowners. This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.'*

[2] Paragraph: 016 Reference ID: 10-016-20190509
[3] NPPF policy DM5, page 20, paragraph 3.

3.2.10 Paragraph 015 further states that: *'Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.'*

3.2.11 Paragraph 017 of the PPG states that '*Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid* for *land (or the price expected to be paid through an option or promotion agreement).'.*

3.2.12 With regard to assuming an alternative use value to determine BLV the guidance states: *'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV. Plan* makers *can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted*[4]*.'*

3.2.13 It is therefore clear that the only acceptable approach to defining a benchmark land value for the purposes of a viability assessment is the EUV+, or, exceptionally, AUV.

[4] Paragraph: 018 Reference ID: 10-018-20190509

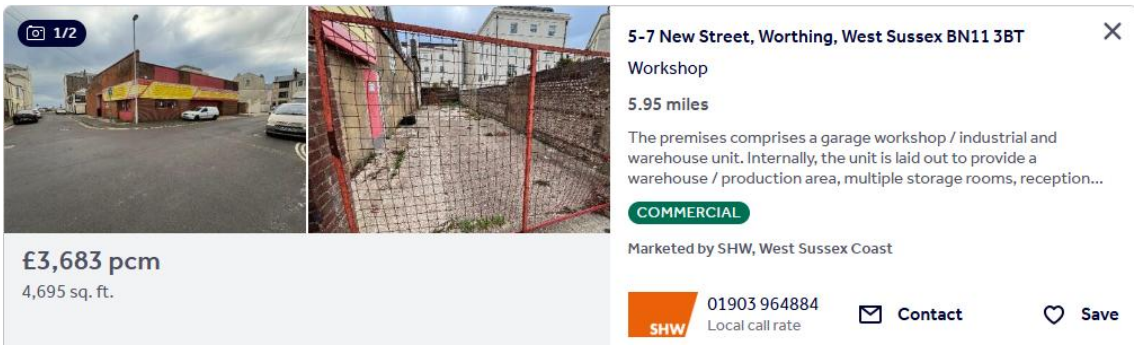
3.2.14 The Planning, Design and Access Statement dated June 2026 describes the application site as consisting of Montgomery Motors - a car service, repair and maintenance premises within single storey industrial buildings and open forecourt.

3.2.15 The FVA assumes an EUV+ of £341,000. This has been derived by adopting the property's rateable value (stated as £28,750) as an indicator of market rental income and capitalising this income at a yield of 12.5%. On this basis, we note that the resulting capital value should be £230,000; however, the FVA assumes an EUV of £310,000. We have accessed the Valuation Office valuation and note that for the period 1 April 2023 to 31 March 2026 the property had a rateable value of £38,750. Capitalised using a yield of 12.5% would produce a capital value of £310,000. We assume, therefore, that the reference to a rateable value of £28,750 is a typographical error.

3.2.16 A landowner's premium of 10% has been applied to the assumed EUV of £310,000 to arrive at the adopted EUV+ of £341,000.

3.2.17 The use of the rateable value as an indicator of a rental assumption is not an unreasonable approach in our view. Assuming an annual rent of £38,750 is equivalent to c. £6/ft^2 based on a floor area of 6,252ft^2.

3.2.18 We note a garage workshop located in Worthing currently being advertised to let with an annual asking rent of £44,196, equivalent to £9.41/ft^2.



3.2.19 We note other light industrial units being advertised for rent with asking rents ranging between £6 - £12 /ft^2.

3.2.20 Similarly, we do not consider the assumed yield to be unreasonable. Overall, we consider the assumed BLV of £341,000 to be suitable, not overstated and we have tested the scheme on the same basis.

3.3 Acquisition Costs

3.3.1 In addition, the submitted appraisal includes acquisition costs of 1.5% and Stamp Duty Land Tax (SDLT) of £6,550 (the prevailing rate) all applied to the assumed BLV. As percentages, these assumptions are broadly appropriate in our view, and we have not made any adjustments in our trial appraisal.

3.4 Gross Development Value – Market Housing

3.4.1 The proposed development will provide 32no. 1-, 2- and 3-bedroom apartments. The FVA assumes an average value of £575/ft^2 (£6,189/m^2) applied to a total floor area of 2,128.1m^2 (22,907ft^2). The submitted appraisal includes a total GDV of £13,171,327. The average proposed property size is 66.5m^2 (716ft^2).

3.4.2 To arrive at the assumed values PDC has reviewed newbuild asking prices within 3-miles of the application site, which indicates an average value of £512/ft^2 (£5,511/m^2) for an average property size of 647ft^2 (60m^2).

3.4.3 We have undertaken our own research into values to assess whether the assumptions are reasonable. We have reviewed Land Registry data and property search websites. Data is limited for Southwick, and we have extended our searches into Shoreham and Portslade.

3.4.4 Overall, the available evidence indicates that relatively positive values assumptions have been made reflecting the waterfront location. We have not made any adjustments in our trial appraisal.

3.4.5 It is worth noting that any improvement in the sales values assumptions (compared with a level set at the point of the appraisal) would most likely be reflected in an improvement in scheme viability. Whilst the opposite could also occur (the sales values could fall relative to the assumptions made), that is the developer's (applicant's) risk and such factors need to be kept in mind in making an overall assessment of the applicant's position.

3.5 Cost Assumptions – Construction Costs

3.5.1 The submitted build costs have been based on a cost estimate prepared by cka Architectural Limited. The total cost estimate including fees and contingency is £9,669,822.

3.5.2 DSP commissioned Peters Cost Consultants Ltd (PCC) to review the submitted build cost estimate on behalf of the Council. PCC's report is attached as Appendix II to this report.

3.5.3 PCC has benchmarked the submitted rates against current market intelligence for comparable schemes and consider many of the items to be reasonable. Queries have been raised in respect of a number of items. In addition, PCC consider several items included in the housing-estate allowances (external works, services) alongside a few abnormal items to be overstated as follows:

- Ground floor – PCC suggest that the use of the ground floor is confirmed and note that if it includes the refuse and cycle stores then there is a potential overlap. We note from the submitted plans (Drawing No. 16 Revision D) that the ground floor does include the bin store. PCC therefore consider the £15,000 allowance included separately to be overstated. We have removed this from our appraisal
- Undercroft – PCC consider that there could be a potential overlap with the ground-floor area priced. The applicant should clarify what this cost allowance (£125,000) relates to.
- EV chargers – an allowance of £2,000 per charger is applied to a total of 32 chargers. PCC note that the number of chargers should relate to the number of parking spaces and not dwellings. The submitted proposed site layout plan (Drawing No. 15 Revision E) shows 16 parking spaces. The allowance is therefore overstated by £32,000. We have removed this from our appraisal.
- Service connections – PCC consider the allowance of £7,500 per unit to be overstated and adopt a lower allowance of £6,000 per unit.
- External works – The allowance of £525,000 is noted to be derived from a housing-estate method and considered overstated for a single block on a tight urban site. PCC adopt a lower allowance of £350,000.
- Site clearance – PCC note that that the R&D asbestos survey should be confirmed.
- Enhanced foundations – PCC note that the allowance is potentially double counted; however, the allowance has not been excluded from the construction costs until it is confirmed that foundations beyond a normal 6-storey frame are required.
- Electric Gates – PCC consider the £60,000 allowance to be overstated and have included a reduced allowance of £40,000.
- Contamination remediation – a Phase 2 report should confirm the remediation strategy.

- Radon gas presence – the protection allowance is considered overstated and a lower allowance of £15,000 has been included.
- Off-site works – the applicant should confirm the extent of these works.

3.5.4 PCC note that allowances for professional fees (8.5%) and contingency (3.5%) have been included in the cost plan and that for the purposes of the review, these have been separated from the construction cost. The allowances do not exceed typical parameters and are not considered unreasonable. Appropriately, no further allowances for these have been included in the submitted appraisal.

3.5.5 PCC also note that two non-construction items have been shown separately from their construction cost: the Building Safety Levy of £54,618 and Network Rail permissions (£50,000). We have included these as separate allowances in our appraisal.

3.5.6 PCC's report concludes that in their view the submitted costs are overstated by £269,500 and that a further £370,000 of overstatement is also possible depending on clarification of the enhanced foundations, undercroft, off-site works and EV chargers. We have removed the overallowances for the binstore and EV chargers which increases the overstated figure from £269,500 to £316,500.

3.5.7 Taking PCC comments into account, we have included a total construction cost of £9,196,918 including contingency and professional fees.

3.6 CIL / Planning Obligations

3.6.1 The appraisal does not include any allowances for S106 contributions. We have been advised by the Council that the scheme is required to make S106 contributions of £252,241. We have included this total in our appraisal.

Summary of Contributions

S106 type	Monies Due
Education - Primary	£83,639
Education - Secondary	£82,170
Education - 6th Form	£17,749
Libraries	£15,012
Waste	No contribution required
Fire & Rescue	£1,258
No. of Hydrants	To be secured under Condition
TAD	£52,413

3.6.2 In addition, as noted above, we have included an allowance of £54,618 for the Building Safety Levy.

3.6.3 It should be noted that any change in the chargeable sum(s) would have an impact on the overall viability of the scheme as viewed through the appraisal – a reduction in the CIL/S106 cost assumption would improve the viability outcome and an increase would pull it downwards (looking at the effect of this assumption only). In all such reviews, we assume that all requirements that are necessary to make a scheme acceptable in planning terms will have to be included.

3.7 Development Finance

3.7.1 Typically, in the recent period we would expect to see finance rates of 6-8%, with those assumptions representing the costs inclusive of all fees.

3.7.2 Finance costs have been included using a debit interest rate assumption at 7.0% representing costs including all ancillary fees. This is therefore within the expected range, and we have not adjusted the rate within our trial appraisal.

3.8 Development Timings/Project Timescales

3.8.1 The submitted appraisal assumes a 24-month project period, with a 3-month lead-in period and construction taking place over 13 months assumed. Sales are assumed to commence in month 17, following construction completion and continue until project end reflecting an 8-month sales period and an average sales rate of 4 units per month.

3.8.2 Overall, the assumed timings appear appropriate and are not weighing unduly on the scheme's finances as seen through the appraisal.

3.9 Agent's, Marketing and legal costs

3.9.1 Sales and marketing fees have been assumed at 2.5%. Legal fees have been included at £900 per unit. We consider these to be suitable assumptions, and we have not made any adjustments.

3.10 Developer's Risk Reward – Profit

3.10.1 The Planning Practice Guidance (PPG) on Viability states: '*Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully*

complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan'. It goes on to state: '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types*[5]'.

3.10.2 The PPG, as above, although silent in terms of decision making, does set out a range of between 15% and 20% on GDV for market housing; lower for affordable housing in relation to plan making. Given that the NPPF and PPG expect planning applications to be consistent with the plan making stage, it is therefore also appropriate to assume that the range 15% - 20% on GDV (lower for affordable housing) may be considered suitable at the decision taking stage.

3.10.3 In this case, the level of profit has been included as a fixed input at 20% GDV for the market flats. We do not agree that a profit assumption of 20% GDV is necessarily required/imperative for this form of development. The submission shows that the profit scope is under pressure, with the actual profit level achieved presented at 16.5% GDV and yet we assume the applicant is willing to proceed on that basis. Given the policy concession being sought the profit level is something that will need to be considered in the round, finding the appropriate balance between the developer's risk, scheme deliverability and community benefits such as affordable housing. Therefore, for the Council's information, we have tested the scheme viability with a fixed profit level of 17.5% GDV.

[5] Paragraph 019 Reference ID: 10-019-20190509

4. Findings Summary

4.1.1 The submitted overall approach to assessing the viability of proposed development is considered to be appropriate in terms of general principles.

4.1.2 We also consider many of the submitted assumptions to be suitable. However, there are some areas where we have a difference of opinion or where we have tested alternative assumptions, as follows:

- Construction costs (paragraph 3.2) – the submitted cost summary has been reviewed by PCC on behalf of the Council. Their review (attached as Appendix II) notes various areas of uncertainty and potential overlapping of costs. Overall, PCC consider that the costs could potentially be overstated and we have included a lower construction cost of £9,196,918 (noting that we have also included the allowances for Building Safety Levy and Network Rail permissions as separate entries).
- S106 contributions (paragraph 3.7) – the submitted appraisal does not include an allowance for S106 contributions. We have included an allowance of £252,241 as advised by the Council.
- Profit (paragraph 3.10) – for the Council's information, we have tested a lower profit level of 17.5% GDV.

4.1.3 The all market sale appraisal as presented produces a negative residual land value of -£108,979 and a deficit of -£449,979, when benchmarked against an EUV+ based BLV of £341,000.

4.1.4 After applying the lower construction costs and higher S106 contributions as summarised at 4.1.2 above, our appraisal, when applying a lower profit level of 17.5% GDV and assuming nil affordable housing, produces a residual land value £342,497 c. £1,500 above the BLV.

4.1.5 In our view, the scale of the reported deficit is likely to have been overstated. Nevertheless, on the basis of the current assumptions, including S106 contributions of £252,241, the scheme appears relatively marginal, and DSP broadly agrees that it does not appear sufficiently viable to support a contribution towards affordable housing. However, a number of uncertainties remain in relation to the matters set out in PCC's

report and referred to at paragraph 3.2 above. These require further clarification before DSP can reach a firm conclusion on the affordable housing outcome.

4.1.6 Of course, no viability or review can accurately reflect costs and values until a scheme is built and sold – this is the nature of the viability review process. In this sense, the applicant and their agents are in a similar position to us in estimating positions – it is not an exact science by any means, and we find that opinion can vary.

4.1.7 As regards the wider context including the current economic situation, in accordance with the relevant viability guidance our review is based on current day costs and values – a current view is appropriate for this purpose.

4.1.8 The RICS guidance notes that 'Development risk' reflects: '*The risk associated with carrying out,* implementing *and completing a development, including site assembly, planning, construction, post-construction letting and sales*' and that '*The return for the risk is included in the developer return and the PPG makes it clear that it is the developer's job to mitigate this risk, not plan makers and decision takers*'. This is all part of the usual development process. Furthermore, in reflecting the PPG the RICS guidance notes: '*PPG paragraphs 007 and 009*[6] *reflect on the impact of market cyclicality during the life of the plan. Paragraph 007 gives market downturns as one example of the justification for a site-specific VAR, but it is restricted to "a recession or similar significant economic change*". *This implies the exclusion of normal market cyclicality, which is embedded in the level of developer return'*.

4.1.9 DSP will be happy to advise further if required.

Review report ends
November 2026

[6] Now paragraphs 008 and 010 in the current PPG.

Appendix I – DSP version of the applicant submitted appraisal

Appendix II – PCC Report