

# Eastleigh Borough Council Local Plan

## Viability Study

High-level review of  
Strategic Growth Option (SGO)

Additional Scenario Testing –  
UPDATE June 2019 (v2 Final)

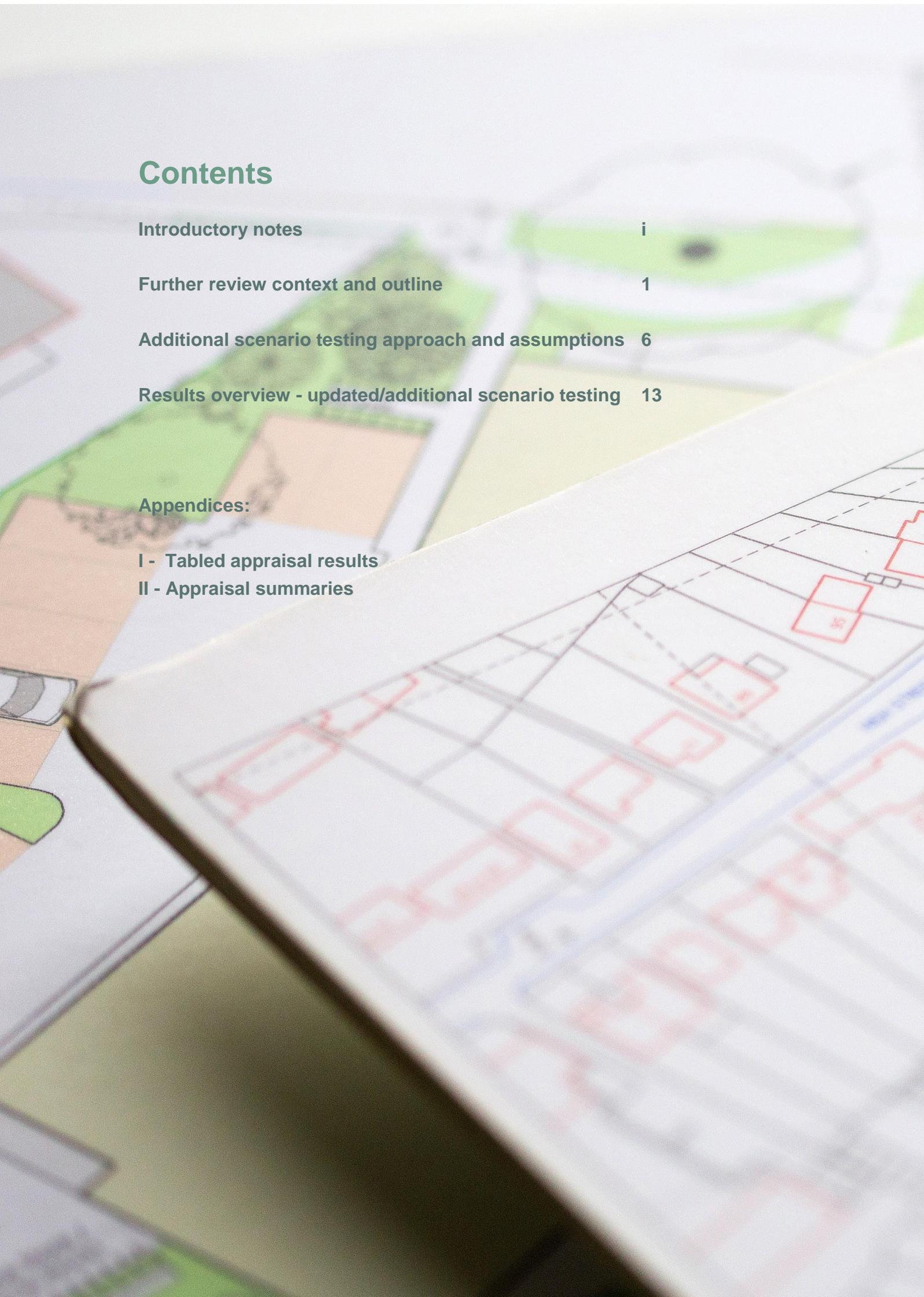
DSP 19612

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## Introductory Notes

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1. **This report serves as a further update – further refinement of the most recently prepared information on the Local Plan (LP) stage overview of the Council’s viability information on the strategic growth option (SGO).** Therefore the document and Appendices follow the same format as previous (October 2018).
2. Eastleigh Borough Council (EBC) appointed Dixon Searle Partnership (DSP) to provide a Viability Assessment – as a part of the evidence base being gathered to inform the Council’s development of policies for its new Local Plan (LP).
3. The assessment addresses development viability only – i.e. the financial scope or otherwise to support a range of LP policies and development costs, collectively.
4. The viability assessment work behind this draws upon a range of updated information as far as available at this time (further appraisals conducted May 2019 using some updated inputs) – principally as supplied by EBC in relation to latest available indications on infrastructure costs. This further work includes a high-level initial look at the potential positive influence of other (non-developer) funding inputs, should those be needed and appropriate.
5. This further assessment updating has again been conducted using the same principles and approach; consistent with DSP’s substantial experience in the preparation of both strategic viability assessments for local authority policy development and site-specific (development management stage) viability reviews and advice. We noted that DSP has worked previously with EBC, as well as with a range of authorities within Hampshire and adjoining areas, and has wider experience from a range of projects across the country.
6. It is important to note that such information and therefore outcomes rarely fits all eventualities; once again this continues to provide current stage indications, albeit that these become more informative as the inputs are refined. Nevertheless, with all such assessments there can always be a sense of “false accuracy” that builds, when in reality this is still an early stage overview of a project involving a very significant level of costs and values coming into play across a long timescale. Much can change, and is likely to over the course of its delivery.

7. Again, this further review (as with all similar assessments in our experience) is unlikely to be able to fully reflect site-specific circumstances. It is therefore not intended to prescribe development assumptions, land values or other appraisal inputs / output findings; or otherwise substitute for the usual considerations and discussions that will continue to be needed at least to some extent as this or other particular proposals and developments having varying characteristics come forward. In respect of the long delivery timescales, the economy and development climate, national and more local influences and impacts are all very likely to vary – all contributing to how the viability of this and other developments will ultimately pan out.
8. Every scheme is different and no document of this nature can reflect all the variances seen in site specific cases. The high-level, point in time, nature of specific assumptions, values and other matters considered within and found from this (or subsequent DSP assessment work and reporting) are likely to be subject to change. A degree of professional judgment is usually required.
9. In this particular case, this further report of findings provides information to supplement and begin refining the DSP October 2018 SGO Additional Scenario Testing Report. This sets out briefly the work undertaken in April – June 2019 in respect of testing further scenarios (essentially additional “what-ifs”) that EBC has requested in order to respond to its latest understanding of what the SGO involves in terms of infrastructure and development mitigation, and therefore again further inform and build on the Council’s consideration of its potential viability.
10. Again, continuing the previous work, the appraisal assumptions are not based on any firm proposals on dwelling numbers or types/mix; or relating to the detail of other scheme content. Likewise, the development timings continue to be based on current stage provisional ideas and estimates. All in all, a wide range of matters remain to be considered and worked-up to take this beyond, effectively, the continued current broad concept type stage. In our experience this is fairly typical in such circumstances, however.
11. With this context acknowledged, we consider that this continued and further refined approach is robust and appropriate for the purpose; with this and other information and assessments relevant and suitable in the context of the Council reviewing,

checking and updating its information on the prospects for the viable delivery of the SGO.

### **Limitations**

12. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of 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.
13. To the extent that the document is based on information supplied by others, DSP accepts no liability for any loss or damage suffered by the client or others who choose rely on it.
14. In putting this and any subsequent work forward, once again DSP is not at any stage providing formal valuation or related advice. Rather, we continue to seek to provide an overview of the potential viability positions. Our work, as reported here and otherwise, is not intended for other purposes. We reiterate that is not intended to over-ride particular site considerations as the Council's wider work continues and planning proposals come forward – including any in respect of the proposed SGO, and more generally in the Borough.
15. 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. Other than our wider work on Local Plan viability and associated matters, we are not involved in any other work within the EBC area at the current time, nor have we been during the course of this assessment.
16. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time.

# 1. Further review context and outline

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## Further review context – further update completed June 2019

- 1.1 Our understanding is that the context for the further viability review remains as reported previously – May and October 2018. Developer contributions would be secured by way of section 106 arrangements.
- 1.2 On this basis, this further stage of additional appraisals work continues to include assumptions broadly representing the costs of the provision of the most significant elements of this i.e. highways and education infrastructure. These inputs use the latest available information as estimated at this time (information supplied by EBC, with the Council having continued liaison with Hampshire County Council and others on this).
- 1.3 These assumptions have been revised from those used previously, and other estimated infrastructure/development mitigation costs have been included within the appraisals. An outline is provided below.
- 1.4 At this further updated review stage, new sets of appraisals have been run. These assume the development of either 5,058 or 5,258 new dwellings within this SGO. Previously the numbers assumed were 5,200 and 5,500 (as at October 2018). The revised numbers provided by EBC are noted to better reflect the Pembers Hill Farm planning permission and the submitted LP version SGO policy S5 (dwelling numbers). Clearly these remain indicative/target numbers, and both assumed levels of development have once again been assessed.
- 1.5 We have refined our approach in terms of the assumed quantum of development in each case, based on an average dwelling size overall (across assumed the blend of affordable and market homes) of approximately 99 sq. m including an allowance where applicable for communal areas within apartment buildings. This has been informed by our Plan-wide assessment assumed dwelling sizes (DSP base assessment work report ref. 17488) and, consistent with that, the 2017 ORS housing market assessment information on dwelling mix.

### **Consideration of other potential funding influences/inputs**

- 1.6 As additional “what-if” type tests requested by the Council for wider information, we have run each of the base appraisals (i.e. v1-9 representing 5,058 new homes; v10-18 representing 5,258) assuming in place of the fully developer only funded route a notional part granted funded approach (v19-27 and v28-36 respectively).
- 1.7 On this basis, the latter 2 sets of appraisals provide the additional indicative results (overall surplus/deficit positions) when including an assumed £30.858m grant based (i.e. non-repayable) additional revenue stream. That is entered in the form of quarterly in arrears funding receipts, following the assumed expenditure on the link road and associated costs early in the development timeframe – i.e. £30.858m cost and reflecting the same pattern as the assumed expenditure spread, but off-set by one quarter.
- 1.8 Following discussion with EBC, this reflects the way in which any necessary and available grant funding might be applied to the scheme, although with this a potential rather than a firm route at this stage, if needed. Both the timings and amounts of any necessary and available grants or similar are unknowns. The information was sought to explore the potential to see a range different outcomes, and consider in general terms the potential scale of influence of any such interventions that may be appropriate if needed. As will be seen, with 12 of the 18 total base iterations (reliant on developer only funding assumptions) showing a financial surplus and all of the partial grant funded tests in surplus, this feeds into the considered overall outcome of reasonable prospects of delivery – see below.
- 1.9 Likewise, the Council is also beginning to look at the possible scope to influence - again if needed and appropriate – and support the outcomes through the route of potential partial forward funding. At this stage this simply means the possibility that additional funding resources could be called upon, be these from Council/public sector or other sources – to inject funds early on in the cashflow, again at the stages where the most significant infrastructure costs are likely to be incurred.
- 1.10 Therefore, building on the picture further, EBC also requested a further set of iterations broadly reflecting this potential. Within those, in place of partial grant funding which would not be repaid, we assumed the same sum (£30.858m) being provided through funding supplied other than by the developers – e.g. potentially

publicly funded. Under any such forward funded route, those funds would need to be repaid (albeit possibly at a lower interest rate or equivalent) at a later point in the project timeline. We assumed a 4% interest rate applied to the forward funded element, with a payback point approximately 15 years after the injection of the funds.

- 1.11 Appendix I Table 1 summarises these 3 sets of results. The further outcomes generated through the forward funding assumptions, final set as noted above, are shown in the final column of Table 1 – appraisal versions 37 – 54.
- 1.12 Completing the iterations, EBC wished to also look at comparative outcomes with a higher level of grant funding or forward funding assumed; at £53.682m in place of the £30.858m tests. At Table 2 within Appendix I, those test outcomes are shown – appraisal versions 55 and 56 respectively. Those use the worst case for viability (highest) of the land value and profit assumptions range and the outcomes are shown there alongside the equivalent developer funded and £30.858m partial grant funded / forward funded outcomes – for comparison purposes at those land value and profit levels.
- 1.13 Clearly there are many potential funding routes and combinations that might be looked at and used, as part of a wider range of delivery mechanisms that could ultimately include a mix of these, joint venture arrangements or others. A great deal will depend on the final costings, manner of delivery, parties involved, timings, etc. The further exploration of this is beyond the scope of this Local Plan viability assessment work.
- 1.14 We must note that the level of influence (change in results) produced on making such additional assumptions within an already high-level assessment that is subject to significant variance by adjusting assumptions, is highly dependent not only on the sums involved but also the receipts and repayments timings and spreads. Changes to those assumptions can have large effects.
- 1.15 The potential for any necessary grant funding to have a significant positive effect compared with the developer funded only route is clear to see, with deficit outcomes removed in all but one of the additional tests (forward funding outcome from v39 – with the lower dwelling numbers, highest land value and profit levels tested). The forward funding variations provide outcomes within the range seen

between the developer funded and grant funded assumptions routes – a smaller but still positive effect.

- 1.16 Here we will not comment further on the updated National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) – national policy and guidance backdrop, except to reinforce our view and experience based on the ‘EUV plus’ (existing use value plus premium basis) principles for establishing appropriate benchmark land values for this purpose.
- 1.17 A land value level of £250,000/ha provides at least a ten-fold (10x) premium/uplift over the EUV of agricultural land, which does not fall outside the range £20,000-25,000 across most areas of the country. The May 2018 published MHCLG figures for agricultural land value, suitable for valuing greenfield land in existing use, are £22,500/ha in each of the LEP areas of Solent, Enterprise M3 and South East.
- 1.18 For the testing purposes, land values at higher levels of £300,000 and £350,000/ha have been applied to the total policy site area of 322 hectares – as per the earlier work. The existing and expanded SGO policy boundary includes a wide range of environmental mitigation areas / woodland buffers and general open spaces which will not be developed. Whilst the actual land values will be subject to negotiation, the viability assessment approach assumes that these areas will all be acquired at the same value as the rest of the SGO, as reflected in all test scenarios. Whilst a great majority of the land required has a relatively low value in existing use, as above, the approach to the assessment also factors in the possibility that a range of elements and some interests of a differing nature could be involved in the overall acquisitions too; it recognises and allows for variation, whilst maintaining viability, should this need to be reflected ultimately – details as yet unknown.
- 1.19 On the other hand, as well as bringing forward development uses supporting different values (e.g. employment, retail, residential), the SGO policy boundary will also include land for education and other community uses. This range of uses and facilities is needed in-order to create a new community and all of this plays into the relationships between development values and costs. The viability assumptions approach applies an equal land value across all of these areas.
- 1.20 As the national Planning Practice Guidance ‘Viability’ and ‘Plan making’ sections refer to, in reinforcing the EUV basis, with any development potential/“hope” value

disregarded, benchmark land values should reflect the base nature of the land and the level of expenditure that will be involved in policy compliance, abnormal and site specific infrastructure costs. Policy requirements should be incorporated within the price to be paid for the land. The price paid for land is not a relevant justification for failing to accord with the plan policies.

- 1.21 Overall, it is considered that the land value level of £250,000/ha is consistent with the national guidance. It reflects DSP's most recent experience of the Local Plan viability assessment process and represents both a significant premium on the existing use for the landowners and the additional infrastructure requirements/benefits of the SGO; and therefore is a robust benchmark and baseline scenario assumption.

## 2. Additional scenario testing approach and assumptions – as further updated May-June 2019

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- 2.1 The methodology remains consistent with that previously used and therefore is not repeated here – section 2 of the May 2018 report outlines this.
- 2.2 The basis of appraisal, using residual valuation principles and most of the assumptions remain unaltered from previous (May and October 2018 reports).
- 2.3 To provide the additional, updated scenario testing (effectively further “what-ifs”) now requested by EBC using its latest information on infrastructure and other matters, the first and main stage involved a new set base appraisals (v1-18). Those results (mainly in the form of indicative surplus outcomes, but in some cases deficits) are reported at Appendix I Table 1. The Argus Developer standard format appraisal summary reports appended to this report (at Appendix II) provide an overview of the assumed scheme content and input assumptions.
- 2.4 Using these as a base, a second full set was added; assuming £30.858m additional revenue in the form of grant or similar, that would not be re-paid and would have the effect of removing the long term finance cost of the SGO Link Road works that are needed at an early project stage, as an example. Again, appraisal summary reports are included at Appendix II. The Council considers that the testing of this level of grant funding amounts to a cautious approach, should this route become relevant; it is possible that a higher level of grant could be available, if needed.
- 2.5 Additionally, in the context noted in preceding sections, we were asked to look at how a forward funded type route might look comparatively (also assuming £30.858m were injected early on as a form of “pump-priming”, but needed to be repaid at a later point; timings and details currently unknown). These further results are also included within Table 1, Appendix I (appraisals v37-54).
- 2.6 As would be expected, it can be seen that this appears likely to support a smaller but nevertheless still positive impact on viability compared with a grant funded route, suggesting an intermediate outcome between that from the wholly developer funded route (base appraisals v1-18) and the grant funding contribution trials (v19-

- 36). As noted above, further iterations v53-54 then look at the equivalent scenarios but assuming an injection of £53.682m.
- 2.7 Alongside the still indicative potential dwelling numbers currently envisaged (5,058 or 5,258 as above) included again is the assumed foodstore (approx. 2,223 sq. m GIA), other retail (approx. 3,096 sq. m total) and land assumed for community/mixed uses (at 7.94Ha) - all as previous.
- 2.8 The total assumed land area of the SGO has now increased to 322 ha. across the whole, of which (gross area) the various land value assumptions have again been tested as a fixed appraisal cost in each case (£250,000/ha remaining our base view).
- 2.9 Within the new appraisal, are also a mix of continued and now revised assumptions – in summary as follows:
- Land area set aside and assumed to be serviced for new on-site education provision has been maintained at the assumed 21Ha total;
  - Land area assumed and again serviced for employment uses (B class i.e. offices, industrial) has also been maintained at 6.67Ha total;
  - The assumed costs (appraisal inputs) for the building of the new schools (currently envisaged as a single secondary and 3 or possibly more primary education sites, we understand – all details TBC as with most other elements) have been further adjusted from the previous approx. £51m total to the latest estimated provided to DSP May 2019 at £48.016m in the 5,058 dwellings scenario; £49.857m in the 5,258 dwellings tests;
  - Using latest estimates based information from EBC, the assumed costs (appraisal inputs) representing the strategic highways related works (Link Road) outside the SGO land area are now at £21.682m, together with additional acquisition associated with that at £4.4m;
  - Separately assumed (additionally allowed for) costs relating to the Allbrook Way widening are included at £4.534m;

- Relating to the M3 Junction 12 improvement proposals, again based on updated estimates now available, additional costs of £10.7m (up from the previous £10.1m) have been allowed for (included with the appraisals), timed to take approximately 12 months to construct and completing at approximately the same point as the Link Road is assumed to complete – see below;
- Additional costs allowances for the provision of environmental and other local infrastructure have again been included at this point of revisiting, and at higher assumed/estimated costs than previously allowed for. Across all current updated trial version appraisals these include:
  - Bus/cycle strategy contributions/works - £3m
  - Local highway improvements - £1m;
  - Woodland measures - £5.9m;
  - Warden funding - £3.9m;
  - Public open space maintenance - £9.642m;
  - Health care - £2.1m;
  - Community facilities - £3m.

2.10 Together with the above, all appraisals include sums for public art provision (estimated £1.98m in the case of 5,058 dwellings; £2.07m for 5,258) and representative of estimated additional environmental mitigation costs (acquisition of land for southern damselfly habitat enhancement) varying between £4.5m and £6.3m dependent on the land value scenario tested (@ £250,000/ha base or higher) and Council's provided habitat site areas.

2.11 The allowance made from experience for site works and development infrastructure/provision (including roads, utilities, drainage, landscaping and the like) as referred to with the 'Harman' report ('Viability Testing Local Plans – Local Housing Delivery Group Chaired by Sir John Harman June 2012) has been increased to £35,000/dwelling equivalent (calculated based on all dwellings) from the previously assumed £32,000/dwelling. The allowance made is considered appropriate alongside the other costs assumptions, including those related to the extensive works and contributions expected under s.106.

- 2.12 As with other elements, these further updated allowances are again necessarily indicative. These additional cost elements have been timed based on a mix of early stages work/contributions and a spread throughout, as it continues to be expected that some of these elements would come in earlier phases with the provision of others building up steadily throughout the development period.
- 2.13 The timings assumed are as per the October 2018 assessment stage, including on the completion of the Link Road around one quarter of the way through the overall timeframe assumed at approximately 20 years duration of delivery overall. So this runs through the approximate 18 month site works period (assumed prior to any housebuilding) on to around month 75 of the cashflow, by which time it is assumed that in the order of 1,250 dwellings could have been completed.
- 2.14 Purely to illustrate the number and range of assumptions, and again bearing in mind that each could vary from currently estimated positions, the table below (following page) summarises the assumed timings. These are from appraisal v1, and whilst the timings are not adjusted with other assumptions, the cost totals illustrated here are simply from that version – the contents of others vary to some extent, as above.

Heading / %	Total At	Date To Date
Capitalised - Residential Ground Rents	4,680,000	Jul 2022 Jun 2042
Capitalised - Retail - Foodstore	6,857,181	Aug 2026 Aug 2026
Capitalised - Retail – (small) Comp/conv	5,660,417	Jul 2022 Jun 2042
Sale - Market Housing	1,244,726,777	Jul 2022 Jun 2042
Sale - Affordable Housing	274,290,299	Jul 2023 Jul 2041
Sale - Employment Land - 6.67ha	6,670,000	Jan 2031 Jan 2031
Sale - Mixed Use - 7.94ha	7,940,000	Jan 2025 Jan 2033
Purchaser's Costs 5.85%	(1,006,059)	Jul 2022 Jun 2042
Marketing & Sales Agent Fees 3.00%	(37,341,803)	Jul 2022 Jun 2042
Sales Legal Fee	(3,793,500)	Jul 2022 Jun 2042
Fixed Price (Land)	(80,500,000)	Jan 2020 Jan 2032
Stamp Duty	(4,016,000)	Jan 2020 Jan 2032
Agent Fee 1.50%	(1,207,500)	Jan 2020 Jan 2032
Legal Fee 0.75%	(603,750)	Jan 2020 Jan 2032
Site Works & Infrastructure	(177,030,000)	Jan 2021 Oct 2035
Construction - Retail - Foodstore	(3,625,013)	Sep 2024 Aug 2026
Construction - Retail - Comparison / Convenience	(3,166,633)	Jul 2021 Jun 2041
Construction - Market Housing	(403,164,828)	Jul 2021 Jun 2041
Construction - Affordable Housing	(182,225,317)	Jul 2021 Jun 2041
Construction - Employment Land - 6.67ha	(3,668,500)	Jan 2026 Dec 2030
Construction - Serviced School Land - 21ha	(11,550,000)	Jul 2021 Oct 2034
Construction - Mixed Use - 7.94ha	(4,367,000)	Jul 2021 Jun 2041
Contingency 5.00%	(30,588,365)	Jul 2021 Jun 2041
Sustainable Design & Construction 2.00%	(11,707,803)	As housing construction
Part M4(2) - 80%	(4,968,168)	As housing construction
Part M4(3) - 7% Market Housing	(4,606,488)	As housing construction
Part M4(3) - 8% AH	(2,835,540)	As housing construction
Link Road Outside SGO	(21,682,000)	Jan 2020 Mar 2026
Education Provision	(48,016,000)	Jul 2021 Oct 2034
M3 J 12 Improvements	(10,700,000)	Mar 2025 Feb 2026
Public Art	(1,980,000)	Jul 2023 Jul 2023
Southern Damsel Fly	(4,500,000)	Jan 2020 Mar 2026
Link Road Acquisition Cost	(4,400,000)	Jan 2020 Jan 2020
Allbrook Way Widening	(4,534,000)	Jan 2020 Mar 2026

(DSP 2019 using Argus Developer software and EBC supplied infrastructure cost estimates and general timing indications)

2.15 The range of site works and infrastructure costs are assumed to be spread from the beginning to approximately 80 months from the overall scheme end; completing approximately 68 months before the assumed final house building stages end. As an indication, the assumed private market homes are again assumed to be completed and produce revenue spanning approximately 20 years (240 months). Of the SGO Viability – High-Level Review – Additional Scenario testing UPDATE (DSP 19612) – (June 2019)

assumed 5,258 total, the 65% market sales element suggests approximately 3,417 assumed market sale homes. At around 14/month, this suggests potentially that 3 to 4 sites and sales outlets might typically be operating throughout – again all highly indicative. All costs and timings are necessarily broad current stage indications, but as before their inclusion is enabling the further consideration of viability in an appropriate, ongoing fashion and suitable for the LP purposes.

- 2.16 As will be seen, the pattern and presentation of results remains as previous, with the based scenarios updated and further tests added as part of exploring the potential influence of different funding scenarios all as above.
- 2.17 As previously, the results of the scenario tests in each case show the residual sum (as a surplus i.e. positive or deficit i.e. where negative) potentially available to support additional cost or otherwise be allocated over and above current assumed allowances. This in each case is after allowing for the current high-level assumptions made on development costs and estimated planning infrastructure obligations and works, land value and development profit (once again continued at the various exploratory input levels).
- 2.18 To the rear of each the summaries once again the Argus ‘Sensitivity Analysis report’ grids shows a wider range of further potential and again indicative only outcomes that could be seen. Those are on the basis of using all the other assumptions collectively as set out here, but then looking at what the effects on the outcomes could be when then also factoring in a range of combinations of rising or falling housing sales values and/or rising of falling housebuilding costs. The currently reported outcomes (shown with the Argus summaries as additional ‘PROFIT’ on the bottom line) are again seen within the centre of each of these grids – where a ‘0.00 /m<sup>2</sup>’ change in assumed ‘Sales: Rate /m<sup>2</sup>’ combines with a ‘0.000%’ change in assumed ‘Construction: Rate /m<sup>2</sup>’. The effect that could be seen on the reported residual (surplus/deficit) is then seen in the alternative results around that in each case. The fixed land value input, as a cost to the scheme, is always shown bracketed. The potential influence of rising values and/or falling costs from the base input levels shows in increasing surpluses – moving upwards and to the right from the centre within each set; increasing deficits (larger bracketed figures) looking to the left and downwards within the grids.

- 2.19 Again, on reviewing the updated outcomes, it should be noted that the results of the appraisals show a straight surplus (or deficit – bracketed results); positive or negative (minus – bracketed results) £m indications respectively – see Table 2 within Appendix I for example. This follows the Argus appraisal convention of generally showing revenue items as figures without brackets; costs bracketed.
- 2.20 To reiterate, where a surplus is shown, this indicates the level of sum that could be available, based on the assumptions used, to fund additional works/costs not currently allowed for. Where a deficit is shown (a minus figure) this may be regarded as a current stage assumptions based funding gap (indicative level of shortfall for supporting the level of assumed costs).
- 2.21 The following final section, 3, provides a brief overview of the updated results.

### 3 Results overview - updated/additional scenario testing

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- 3.1 This exercise continues to provide a wide range of results overall, all as above in the context of further informing EBC's ongoing consideration of the SGO viability prospects, but now as viewed with the benefit of latest available updated information used in preparing it.
- 3.2 Once again it also provides wider information around the potential sensitivity of outcomes to varying inputs, potentially varied funding arrangements and, overall therefore, the likely capacity under different circumstances to be able to adjust and bear more development cost should that prove necessary.
- 3.3 The further expanded scenario testing again allows EBC to consider the ranges within which the outturns could be seen, using the mix of continued and updated assumptions. This information may also help to give a feel for the varying assumptions sets (combinations of influences) that could produce broadly similar outcomes to each other.
- 3.4 Table 1 shows that 12 of the 18 base tests (v1-18) show positive outcomes, including all that use the base land value assumption, and all but 2 that use the land value assumption at £300,000/ha applied to the whole assumed site area. The currently reported surpluses indicate between approximately £9.8m (v9) and £94m (v16) potential scope to support additional costs/revenues reduction. Using the current assumptions range, the largest deficit indicated is c. £51m (from v3 where a combination of highest land value and profit with the lower dwelling numbers has been applied). However, there are a few developer (only) funded route results indicating either a surplus or deficit outcome of less than £10m, which in our view might be considered as marginal either way. Of those, the 2 negative (deficit) outcomes (v11 and 15) are well within the -£10m level, whereas the positive one of these (v9) is at almost £10m surplus. In fact, with this scale of development and at this level of review, a significantly larger "tolerance" (movement potential in results) could be considered as potentially relevant.
- 3.5 In the right-hand column of Table 1, the 'partial grant funded' results (v19-36) show the potential to see a positive "swing" in outcomes, in the order of £60+m and

reflecting the potential value to the scheme overall of early stages grant funding that would not be repaid.

- 3.6 The potential effect of a similar sum to the assumed grant amount (£30.585m assumed for current purposes only) being forward funded by other means (and in that case repayable, distinct from the grant route) can be seen. That (v49) result indicates a potential surplus of c. £91m when using a 4% interest rate applied to the £30.858 forward funded cost element – link road related. This may be compared with the otherwise equivalent base (v13) result at c. £63m or the grant funded trial (v31) at c. £121m (assuming 5,258 dwellings; £250k/ha land; 17.5% profit).
- 3.7 For further information, other comparisons may be seen using Table 2, Appendix I with the higher tested level of assumed grant (non-payable) or forward funded sum of £53.682m.
- 3.8 Whilst inevitably there continues to be uncertainty and a range of assumption making is necessarily involved with this assessment, this has continued to be revisited and refined appropriately with the Council's growing knowledge of the proposals and their likely associated infrastructure and mitigation costs.
- 3.9 The previous finding remains relevant, therefore, that ultimately the actual detail of the "package" of works and obligations that the SGO will be able to support will be dependent on a number of factors that are likely to continue to move around.
- 3.10 Overall, however, in our view these indications continue to be representative of a scheme that is considered to have reasonable prospects for viable delivery. The Council's proposed policy set is considered unlikely to affect the ability of the proposal to be developed viably and there is in our view a good likelihood that the required development costs and works can be supported. Consequently this key aspect of the Local Plan is considered deliverable from this perspective.
- 3.11 Once again, DSP is happy to support with review further review moving ahead if required.

**SGO Viability – EBC additional scenario testing - Update (DSP v2 Final)**

**June 2019**

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## Appendices follow

### Appendix I – Tabled results summaries

Table 1 – v1-18 (developer funded); v19-36 (partial grant funded); V37-54 (partial forward funded) trials using latest infrastructure etc. costs estimates.

Table 2 – Higher potential grant/forward funded trials – v55 & 56, and comparisons.

### Appendix II - Appraisal summaries

June 2019 completed further update - additional scenario testing (v1-56).