THE CRANBROOK PLAN

Examination
Hearing Statement – Viability
Questions AQ1 to AQ12

September 2020
Prepared on behalf of Persimmon Homes South West

JBB8781
The Cranbrook Plan

30 Sep 2020

Viability – Questions AQ1 to AQ12

1.1 Summary of Persimmon Homes South West (PHSW) Position.

1.1.1 PHSW are committed to working with the Council to ensure a viable and deliverable plan for Cranbrook. However, PHSW are concerned that the approach of the viability evidence prepared in support of the plan is flawed with key aspects summarised below:

- Not using the agreed base date of January 2020 for the assessment of Benchmark Land Value (BLV);
- The unjustified use of a different multiplier in the calculation of BLV for Suitable Alternative Natural Green Space (SANGS); and
- No sensitivity testing undertaken to cover all the key aspects that are in contention.

PHSW also take issue with various elements of the viability assessment. Concerns include:

- The overall cost of land is too low as a different BLV has been used for SANGS;
- The proposed finance cost is too low;
- The developers' return at 17.5% does not reflect the level of risk associated with the project and should be increased to 20%;
- Profit of 6% of the Gross Development Value of the Affordable Housing should be used;
- Build costs should be based on median BCIS rather than lower quartile;
- No cost has been allowed for the introduction of the Future Homes Standard in 2025;
- No certainty on the costs of the proposed CHP;
- Category two and three costs have been overstated; and
- The costs assumed for the undergrounding of the overhead lines are not based on the most accurate formal quotes provided by Western Power Distribution and rely on an overly optimistic assumption of likely compensation.

1.2 AQ1. To what extent is the revised viability assessment policy compliant in respect of the National Planning Policy Framework (The Framework) and Planning Policy Guidance (PPG)?

1.2.1 PHSW consider that the approach set out in section 2 of the Council's revised viability assessment PSD21a has utilised a standard methodology, based upon the calculation of a residual land value, which is consistent with the Framework and the PPG. However, PHSW do not consider the assessment is fully consistent with the Framework and PPG. In particular:

- The assessment is flawed in its approach to Benchmark Land Value (BLV)
- The Council does not use the agreed base date of January 2020 stated under item 1 of appendix 5 of the updated viability assessment, the 2020 Scott Schedule of Common Ground (PSD21b) for the assessment of Benchmark Land Value (BLV);

- The Council applies different multipliers to SANGS land without justification; and
- The Council has not run sensitivity testing to cover all the key aspects that are in contention (see response to AQ9 below).

Lack of adherence to the PPG

1.2.2 The revised viability assessment (PSD21A) produced byThree Dragons refers to the PPG and its definition (Paragraph: 013 Reference ID: 10-013-20190509) of the BLV as existing use plus a premium. This is correct. However, Three Dragons also then reference an earlier June 2012 guide produced by the Local Housing Delivery Guide and at 2.1.18 suggest it is similar to the later PPG. They then suggest that BLV can be sense checked by reference to market values. This is incorrect as the PPG does not suggest this.

1.2.3 The PPG is at pains to clarify the price paid (which is evidence of market value) is not relevant. They then quote from the CIL examiner's report to the London Plan in 2012, however this is of little relevance to Cranbrook where no CIL is chargeable. The reference to Local Plan testing not requiring all sites to be viable is noted at 2.2.5. However, that is of cold comfort to PHSW at Cranbrook, where we are effectively only dealing with one allocation through the Cranbrook Plan and not a Local Plan with a multitude of sites requiring different typologies of assessment, as referenced in 2.2.5. The whole object of the viability update is presumably to demonstrate that Cranbrook Phase 2 is viable over the lifetime of the plan and to justify the costs that PHSW and others will have to bear in bringing forward Cobdens. It is because PHSW now have serious doubts about the increased costs that it is now questioning the viability of the plan with the current proposed level of infrastructure obligations.

Value of the Land including the Value of SANGS Land

1.2.4 For the assessment of BLV, as noted in footnotes 32 and 35 (page 16) of the updated viability assessment (PSD21a) the 2018 MHCLG Land Value Estimates for Policy Appraisal have been used, rather than the 2019 version which was published 18 August 2020. As such the revised viability assessment is not using the most recently available evidence up to the base date of January 2020 as previously agreed and stated under item 1 of the 2022 Scott Statement of Common Ground (Appendix 5 of PSD21b).

1.2.5 Using the £23,000 per hectare agricultural land value from the 2019 MHCLG estimates at the same ratio stated in paragraph 3.5.16 of PSD21a gives a BLV of £349,367/ gross ha. While PHSW does not agree with the approach taken to Suitable Alternative Natural Green Space (SANGS) as set out below, applying a 27% premium to the MHCLG agricultural land value for SANGS land as set out in paragraph 3.5.17 of the updated viability assessment (PSD21a) would give a BLV for SANGS of £29,210/gross ha. If SANGS land is treated in the same manner as all other land uses based on the land areas given in table 3.7 of the updated viability assessment, PSD21a, the overall land value is £97,019,215.90 before fees and Stamp Duty Land Tax (SDLT) are applied. If the reduced BLV for SANGS is used this gives an overall land value of £71,960,527.50 before fees and SDLT.

1.2.6 PHSW does not agree with the approach to SANGS land set out in paragraph 3.5.17 of the updated viability assessment (PSD21a), and paragraphs 3.7 and 3.8 of Response to Matters Raised by the Inspector (PSD25). As set out in paragraph 013 Reference ID: 10-013-20190509 of the Planning Practice Guidance on viability the premium above existing use value (EUV) should reflect the minimum return which a reasonable hypothetical landowner would be willing to sell the land.

1.2.7 It is illogical to assume a landowner whose land in its existing use is comparable to the adjoining land would accept a different return just because it was proposed for a different use in the development scheme. If this logic was followed every different proposed land use would have a different value attributed to it, not just SANGS land. The reason why this approach is not followed is that for the development to be delivered only that land which is needed should be included in the development area and thus all land parcels become of equal importance regardless of their existing or proposed land use. The only reason why SANGS land could have a lower value is that it was not needed for the development to proceed in which case it should be excluded from any allocation/proposal.

1.2.8 Further detailed commentary on our concerns regarding these points, are set out in the addendum report prepared by R D Brogden MRCIS of Bruton Knowles included as **Appendix 1** to this hearing statement.

<u>CHP and Uncertainty of Evidence</u>

1.2.9 Given the level of uncertainty associated with various proposed costs such as the CHP, for which PHSW very recently understand the Council are considering seeking Government funding to cover some of the capital costs, and the emerging Future Homes Standard PHSW consider that it is likely that further information will become available that may affect the viability of the Cranbrook Plan following its adoption. Clarity through the Examination process is required from the Council on this. The consideration of such information at the decision-making stage on future planning applications is set out as a circumstance in which viability should be assessed in decision taking in Paragraph: 007 Reference ID: 10-007-20190509 of the Planning Practice Guidance. Accordingly, PHSW suggest that the following is added to the end of Policy CB6 Cranbrook Infrastructure Delivery:

Should circumstances arise in which the costs associated with delivering the identified infrastructure change substantially, the Council will accept a reduced level of contribution where it can be demonstrated by the applicant that the full level of contribution would make the development unviable.

1.3 AQ2. The viability results are set out at table 4.1 of the updated viability study entitled Cranbrook expansion viability results [Doc ref PSD21A] indicate a gross development value. To what extent are these figures now accepted as a robust assessment of costs?

1.3.1 Table 4.1 of the updated viability assessment, PSD21a, refers to both GDV, Total Direct Costs and Total Costs to result in a Residual Value (after allowing a BLV as a cost). These are not accepted by PHSW. The attached updated Scott Schedule (**Appendix 2**) sets out the areas of difference together with further detail set out in **Appendix 1**. A summary is provided below:

- PHSW take no issue with the Values. However, it does with regards to Costs.
- As set out in response to AQ1 the Land Cost (i.e. BLV) is flawed as it applies an unjustifiable figure to SANGS Land and uses the wrong base value.

- PHSW has concerns with costs included for infrastructure as set out in **Appendix 3** and in the response to AQ6 below.
- Finance Costs are dependent upon the timing of costing and phasing and appears to deliver a very low finance cost which is questioned.

1.3.2 The level of developers return at 17.5% is considered too low given the level of risk associated with the development. In addition to the risk factors identified in table 3.13 of the updated viability assessment, PSD21a, PHSW considers that the following additional higher risk factors are also relevant and so justify a higher level of developers return:

- likelihood of less public funding being available in current economic climate;
- lack of public funding sought to date by EDDC towards the expansion areas;
- increased costs of undergrounding; and
- inherent uncertainty regarding potential compensation in relation to the undergrounding due to it being determined through negotiation.

1.3.3 There also appears to be an error in that there is no profit allowance for the Custom and Self-Build (CSB) despite the statement at footnote 31 on page 16 of the updated viability assessment, PSD21a, that 17.5% has been applied.

1.4 AQ4. To what extent does the new viability information provide sufficient confidence that development, of the level set out in the Cranbrook Plan, is deliverable?

1.4.1 PHSW has no confidence that the scheme is deliverable unless the S106/s278 costs are reduced and some capital-based projects are omitted. In particular, as set out in response to AQ16, PHSW consider that the costs of the undergrounding of the overhead lines do not justify the limited benefits that would arise and so this proposal should be omitted from the Cranbrook Plan.

1.5 AQ5. Please explain any areas of fundamental concern with the approach to viability set out in the Councils paper of July 2020 and point to the evidence you rely on to support those concerns?

1.5.1 The areas of concern reference 'approach' as opposed to inputs utilised relate to the treatment of SANGS land as set out in the response to AQ1 and the treatment of the Pylons as addressed in PHSW response to AQ16. All other items of concern relate to the robustness of the inputs used.

1.6 AQ6. Are the requirements and costs in the revised Infrastructure Delivery Plan (IDP) justified taking into account the evidence available? If not, why not?

1.6.1 PHSW does not consider several the costs set out in the revised Infrastructure Delivery Plan (PSD24), to be justified. In summary PHSWs main concerns are:

- failure to account for the cost of meeting the forthcoming Future Homes Standard;

- lack of detailed breakdowns of costs means that their reasonableness cannot be assessed;
- reliance on outdated cost estimates; and,
- use of incorrect BLV (see response to AQ1), means that the cost of land for infrastructure has been underestimated.

1.6.2 In total we estimate, based simply on known costs that the infrastructure costs are understated by in excess of £25m on the following basis:

- Category one costs understated by £26m;
- Category two costs (excluding pylons) overstated by £1.7m;
- Pylons between £2.9m and £5.1m additional cost (depending on whether undergrounding is delivered in a single phase or not) before compensation; and
- Category 3 costs overstated by £2m

1.6.3 **Appendix 3** provides a breakdown of the issues with each individual cost item. Our response to AQ17 provides further commentary on costs of proposed highways infrastructure.

1.6.4 With regards to the potential significant costs associated with CHP, PHSW are aware that a report entitled 'Cranbrook Heat Networks Detailed Feasibility Study' prepared by WSP has very recently been published through the Council's committee papers now in the public domain (https://eastdevon.gov.uk/papers/cabinet/300920bpcabinetcranbrookhndetailedfeasibilitystudy.pdf), however this report has, at the time of writing, not been put forward to the examination and so PHSW is not yet aware of its status or the Councils approach to the costs within the report. For example, the report states that the capital costs for CHP for the expansion areas are between £58.7m and £131.3m. This is in contrast to Item 1 of appendix 2 of the July 2020 Infrastructure Delivery Plan, (PSD24), which indicates a total cost of just £20,850,000 is being sought from the Cranbrook expansion areas at a rate of £5k per dwelling. It is not clear from the information available whether the Council will seek to revise the contribution to the CHP being sought from the expansion areas.

1.7 AQ7. Would the cumulative level of contributions to be borne by the expansion areas threaten/compromise the delivery of any of the expansion areas? If so, how would they compromise them?

1.7.1 PHSW consider the cumulative level of contributions currently proposed to be borne by the expansion areas to make the development unviable as it stands. Put simply the expansion areas are not be viable based on the current level of contributions required by the Cranbrook Plan.

1.7.2 In particular, and as set out in more detail in our response to AQ16, quotes have been provided by Western Power Distribution for the costs associated with the undergrounding of the overhead line. These costs are significantly higher than put forward by the Council previously and so, in conjunction with the various other contributions being sought by the Cranbrook Plan, result in the development of the Cobdens expansion area being unviable based on the level of contributions being sought.

1.7.3 As explained in the full response to AQ16, it should also be observed that the benefits of undergrounding are far less than initially anticipated. Through careful consideration of the layout of the Cobdens expansion area the overall quantum of net developable area that would be lost by retaining the overhead line in situ is relatively minimal, amounting to just 23 homes, compared with the total Cobdens cost of £5,072,198.19 for undergrounding the lines (see appendix 4 line 13 of our response to AQ16), which represents a cost of £220,530 per additional dwelling.

1.7.4 As set out in **Appendix 3** we consider the cumulative costs to be understated by at least £25m based on the known costs. These increased costs alone close to the unadjusted net residual value of £26.8m identified at paragraph 4.22 of the revised viability assessment (PSD21a). On this basis any even minor increase in costs would render the plan unviable.

1.8 AQ9. Is the sensitivity testing undertaken effective? If not, why not?

1.8.1 PHSW welcome the use of sensitivity testing set out in table 4.2 of the updated viability assessment, PSD21a, however PHSW is concerned that the sensitivity testing has not tested an increase in the level of developer's profit despite the concerns set out by participants in earlier representations that the level of developer's return assumed in the viability assessment does not adequately reflect the level of risk associated with the proposed development. As set out at paragraph 2.17 of **Appendix 1** adopting a profit return of 20% of GDV for all uses delivering value except Affordable housing which should be at 6% of GDV significantly reduces the residual value by circa £22 million.

1.8.2 The other fundamental matter that has been raised relates to BLV. As set out in paragraphs 2.4 to 2.7 of **Appendix 1** adopting the same BLV for all land uses increases the overall cost of land by around £21.5 million.

1.8.3 No testing has been undertaken of a change to the trajectory of housing delivery. This temporal aspect of the viability assessment is particularly important as delays to the delivery of housing will impact on the ability for developers to pay back upfront costs associated with the development and the associated finance costs. This may result in the expansion areas not turning cash positive which creates a further level of risk associated with the proposed development and should be reflected in the appropriate level of developer's return.

1.8.4 Given these concerns about the lack of sensitivity testing of an increased BLV and developer's profit and build costs (to median BCIS); the exclusion of the pylons; and/or of an extended trajectory PHSW do not consider the sensitivity testing undertaken to be effective.

1.9 AQ10. The Council sets out its position on equalisation at paragraphs 12.1 to 12.5 of their response to my earlier questions. Representors have previously argued that equalisation should not apply to all IDP entries. On what basis, legal or otherwise, should equalisation not apply to the abnormal costs listed?

1.9.1 Notwithstanding the wider concerns PHSW has in relation to viability, PHSW is supportive of the Council's general intentions with regards to equalisation. As set out in previous representations and matters statements PHSW consider equalisation to be essential to the delivery of the Cranbrook Plan. Without equalisation the delivery of both the Cobden's and Treasbeare expansion areas, which are required to deliver a disproportionate amount of the infrastructure required for the expansion areas, would not be viable. Seeking to cherry pick items of infrastructure, payable for one site and not another will not lead to a coordinated plan making process or ultimately a deliverable plan.

1.9.2 Furthermore, as set out by the Council at paragraph 12.9 of Response to Matters Raised by the Inspector (PSD25), if an approach is taken whereby each developer pays proportionally the same amount for each item of infrastructure there is a risk that necessary items of infrastructure will not be delivered until all developers have made payment. This would mean that developers would be beholden to each other making payment before infrastructure can be delivered and would mean that the delivery of homes would only go ahead when the slowest interested party has made payment allowing critical items of infrastructure to be brought forwards. This is likely to lead to unnecessary delay to the delivery of much needed new homes.

1.9.3 It should also be noted that such an approach would negatively impact on the housing trajectory. Given issues associated with market absorption, this would not result in an increased delivery of homes within the envisaged plan period but would instead mean that a proportion of the homes planned for would not be delivered within the plan period.

1.10 AQ11. If items were to be removed from the equalisation equation what are they and what impact would that have on the viability of different expansion areas?

1.10.1 PHSW note that other interested parties have advanced a case that the costs of the undergrounding of the overhead lines should not be subject to equalisation. Notwithstanding PHSW's position that the undergrounding of the overhead lines is no longer justified given the very limited benefits that it would create set out in response to AQ16*, in PHSW view if the undergrounding was still required and the costs were borne solely by the Cobden's and Grange Expansion Areas it would make these expansion areas unviable.*

1.11 AQ12. If it is considered that the revised level of per plot contribution to Section 106 costs is unreasonable; At what level of contribution per plot would development in the Cranbrook Expansion areas be viable? What evidence supports your response?

1.11.1 PHSW consider that, based on the current position and issues raised in this document and **Appendices 1-3** that the Cranbrook Expansion cannot viably deliver any Affordable Housing and can only provide the Critical Infrastructure Costs, assuming the phasing of those costs can be incurred as late as possible in the development. If Three Dragons undertake further modelling, as suggested, this may influence the contributions that can be made.

1.11.2 PHSW is committed to working with the Council to ensure a viable and deliverable plan is secured and following completion and exchange of these additional Statements, has indicated it is prepared to assist the Examination with the preparation of a Statement of Common Ground on viability matters with other parties who are similarly committed to securing a viable plan in advance of the re-convening the Examination hearing sessions in order to provide certain clarity to matters.

APPENDIX 1 – VIABILITY CRITIQUE

THE CRANBROOK PLAN

Examination

Hearing Statement – Viability

Appendix 1 – Viability Critique

September 2020

Prepared on behalf of Persimmon Homes South West

1 Introduction

1.1 This brief addendum report has been submitted in conjunction with other submissions by RPS, Arcadis and Vectos to address matters raised by the Inspector in response to additional submissions made by EDDC and their advisors, in particular questions AQ1-12.

1.2 The principal responses are found within the 'RPS' document The Cranbrook Plan Examination Hearing Statement – Viability AQ1-AQ12 September 2020 to which I have contributed.

1.3 I am instructed by Persimmon Homes South West (PHSW). I am a Partner at Bruton Knowles heading up the Planning and Development team.

1.4 This report is not intended to be a fully detailed viability appraisal but a concise overview report highlighting the key issues that need to be raised and discussed at the forthcoming Panel Hearing. As such it should be read in conjunction with the responses to Questions AQ1-12; the Appendix reports and the amended Scott Schedule .

1.5 The amended Scott Schedule concisely sets out the inputs used or agreed by EDDC and where PHSW are of the opinion that different inputs should be used. Thus, whilst there appear to be significant number of inputs, all of which can affect the out-turn of the Three Dragons residual model it can be seen that a number of these have been agreed or adopted. Additionally, it is noted that not all have the same impact on the model with adjustments to some inputs having a far greater impact on the out-turn that others. It is to these inputs that sensitivity testing should be applied [i.e those that have greatest impact and where the inputs are contested].

1.6 For the avoidance of doubt I confirm that this report has been prepared having regard to the latest guidance from the HBF Local Plan Viability Guide September 2019 and the RICS Financial Viability in Planning : Professional Guidance Note 2012 and Conduct and Reporting May 2019 including the draft consultation to update the 2012 GN and that I confirm that this valuation is prepared in accordance with the NPPF, PPG, RICS Valuation – Global Standards 2017 (and RICS Valuation of Development Property 2019 Guidance Note) and that I am acting as a Suitably Qualified Practitioner, with no Conflicts of Interest as defined therein.

1.7 I confirm that I have acted with objectivity; impartiality; without interference; with reference to all appropriate sources of information; and that no contingent or performance-related fee has been agreed.

2 Key Issues

2.1 As set out above the Scott Schedule summarises the inputs utilised by the parties and where they are agreed/adopted.

2.2 I set out below the key points where significant impact on the out-turn arises as a result of these matters.

Benchmark Land Value (BLV)

2.3 Three Dragons have relied upon a draft consultation document of 2010 [PSD 30] but not adopted the base figures of Jan 2020 [which date is agreed] ; nor have they followed this document in other inputs.

2.4 More significantly they have adopted different multipliers to the land proposed to be used as SANG Land [at a factor of 1.27] as opposed to all other proposed land uses [at a factor of 15]. They have not explained why this approach should be adopted i.e to apply only to SANG Land as opposed to say the Cemetery , POS , Affordable housing land etc. The fundamental arguments put forward by EDDC in respect of equalisation of costs [Plan Examination Matters raised by the Inspector Section 12) also apply here. BLV should not based on what development uses will come forward but the EUV plus a premium. EDDC have adopted the same EUV throughout but two different premiums.

2.5 This approach is not in accordance with the latest guidance nor supported by any evidence.

2.6 The premium above EUV should reflect the minimum return which a reasonable hypothetical landowner would be willing to sell the land. It is illogical to assume a landowner whose land in its existing use is comparable to the adjoining land would accept a different return just because it was proposed for a different use in the development scheme. If this logic was followed every different proposed land use would have a different value attributed to it – not just SANG Land. The reason why this approach is not followed is that for the development to be delivered only that land that is needed should be included in the development area and thus all land parcels become of equal importance regardless of proposed land use. The only reason why SANG Land could have a lower value is that it is not needed in order for the development to proceed in which case it should be excluded from the proposal. However, in Table 3.1 of the Three Dragons Cranbrook Plan DPD Updated Viability Report July 2020 it is clearly stated as a 'Key Requirement'. I understand compliance with the Habitats Regulations as well as national and local policy requires it is provided.

2.7 The impact of this approach is significant and if, what I believe to be , the correct approach is followed of treating all land equally it would result in the Benchmark Land Value increasing to 277.7x£300,000 = £83,310,000 (an increase of circa £21.5 million).

Profit

2.8 Three Dragons have adopted a profit return of 17.5% of sales value [GDV] for market housing, self build and gypsy/traveller plots yet 6% of cost for affordable housing. I take two issues here.

2.9 Firstly, there is no justification for switching to a return on cost for affordable housing and ,secondly, the 17.5% return on GDV for all other uses delivering value is low.

2.10 The NPPF Guidance states that "*for plan making an assumption of 15-20% of 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*"

2.11 It is noted that nowhere in the text is anything but a factor of end sales (GDV) suggested.

2.12 For affordable housing the end sales over the Plan period are not guaranteed.

2.13 Cranbrook at over 4000 units over the plan period is of significant scale and risk profile to be considered at the upper range put forward by the Guidance and , notwithstanding the impact of Covid 19, it is reasonable to state will be subject to economic cycles; changes to government policies ad as evidenced viability risk.

2.14 The finance costs put forward by Three Dragons at only circa £25million, against a total capital spend of in circa £915 million also represent a significant risks (i.e. changing timeframes, returns, costs).

2.15 Additionally it appears Three Dragons have not allowed for any profit in their model (and summary table 4.1) for CSB despite stating it does , which totals circa £1.645 million of additional cost which needs to be added into their modelling and table 4.1.

2.16 The cash flow put forward by Three Dragons is challenged by others on a number of fronts but at face value it appears implausible to allow costs against the land when there is no control over it (i.e. prior to contract/purchase) which they do so in their modelling.

2.17 It is for the above reason that I believe a profit return of 20% of GDV should be adopted for all uses delivering value except Affordable housing which should be at 6% of GDV. If adopted this will significantly reduce the residual by circa £22 million.

Timescales and Finance

2.18 The Cranbrook Plan DPD Updated Viability Report July 2020 Three Dragons with Ward Williams Associates sets out a housing trajectory sets out which costs have been allocated to each phase but not the payment profile. Separate comment is being made on the timescales (and quantum). However, at this stage it is clear that the costings and revenue have been modelled to be based so that a relatively low funding shortfall exists over the plan period, resulting in an overall finance cost of 2.73% of total direct costs. In my experience this appears far too low and if adopted represents a significant additional risk that should at the very least be reflected in the profit figures adopted. The combined effect of the low profit figure and low finance costs results in a gross margin that is not considered appropriate by housebuilders.

2.19 The trajectory in Tables 3.11 and 3.12 of Three Dragons DPD Updated Viability Report July 2020 do not appear to correlate and it is not clear what Phases 1-4 in Table 3.12 relate to. Additionally ,the cashflow contained within the HCA Development Appraisal Tool is flawed in that some costs appear to be programmed prior to the assumed first BLV land purchase in 2021/22 (i.e. prior to contract/purchase).

2.20 A reduction in the trajectory (by deferring some of the sales units) will have a significant impact as cashflow is impaired and hence finance costs increased. Amending the trajectory will negatively affect the residual out-turn put forward by Three Dragons.

Other Site and S106/s278 costs (excluding land)

2.21 Table 4.1 of the Three Dragons DPD Updated Viability Report July 2020 states circa £318 million of costs. These are not agreed and have been questioned in places by Arcadis. There are a number of items that are , in their opinion, clearly wrong as summarised on the Scott Schedule.

2.22 These include the Pylons (see AQ16 RPS response on behalf of PHSW); carbon neutral, building reg upgrades; S106 obligations (see AQ6) and Appendix 3. Whilst at this stage it is not possible to put a revised figure forward the combined impact of these items need to be taken into account and could equate to in excess of £25 million of additional costs over the whole of the development area of Cranbrook.

Sensitivity

2.23 The Three Dragons report has referred to Sensitivity Testing which relates solely to build costs, revenue and a reduced profit. There appears to be an obvious omission in the sensitivity table in that a profit of 20% has not been adopted (yet 15% has).

2.24 However, having regard to the major items known to Three Dragons at the time of their submission I believe there are a number of fundamental omissions for this development as follows:

- Profit at 20% of GDV for all uses except Affordable Housing at 6% of GDV [this will negatively impact on the Three Dragons model by circa £20 million plus additional finance costs;
- BLV a standard BLV should be used which alone will impact on the Three Dragons model by circa £21.5million plus finance costs
- Trajectory- a more realistic trajectory needs to be adopted.
- Base Build Costs- in line with the Scott Schedule comments I am surprised that the median BCIS build costs were not modelled rather that an arbitrary percentage adjustment of +2%,+5% and +7% . The BCIS calculation used by Three Dragons has not been included in their submissions but I believe this would increase build costs by approximately 13% if the median figure (rather than lower quartile was adopted) which results in a difference in outturn of circa £45+ million plus finance.
- The ‘Other Site and S106/s278 costs (excluding land)’ referred to above will when taken into account significantly alter the viability (but has not yet been modelled by myself or Three Dragons)

2.25 It is my opinion that EDDC should be asked to do this sensitivity testing and it would be useful if they could do this prior to any actual hearing If all of the above was adopted the outturn would reduce by circa £90 million (before the issue of Other Site and S106/s278 costs are addressed).

Argus Model

2.26 Finally, I note that Three Dragons have utilised the HCA Appraisal Toolkit 2016 which is a recognised and appropriate software. I have, as a check, run an Argos appraisal which is also a recognised proprietary software.

2.27 Initially I have done this based on the inputs used by Three Dragons but with a slightly different profile to reflect phasing of revenue and receipts Any changes in the revenue and cost schedule will have a dramatic effect on the out-turn. The factors that are, to an extent , in the control of the LPA are the payment of S106 contributions and jointly the provision of infrastructure items . Changes to the timing of revenue/costs will have a substantial impact on the modelling put forward by Three Dragons, in a negative manner. It is my understanding that the timing of these costings has not been agreed by the parties.

2.28 I have then re-run my Argos appraisal to compare to the base result [Cranbrook 1 below] utilising the various key items referenced above : higher BLV and profit figures; and the median build costs. This shows a difference of millions of pounds by changing some of these inputs before some of the concerns raised by Arcadis in AQ6 and Appendix 3 (as referenced in 2.21/2.22 above) are taken into account or the sensitivity analysis run by Three Dragons, as per the table below:

Description	Residual out-turn (approx.)
Cranbrook 1: As per Three Dragons except finance	£16 million
Cranbrook 2 : As per Three Dragons except finance and 6% of GDV on AH	£15 million
Cranbrook 3 : As per Three Dragons except finance and 6% of GDV on AH; 20% of GDV otherwise	-£4 million
Cranbrook 4: As per Three Dragons except finance and 6% of GDV on AH;20% of GDV otherwise; BLV at £86,700,000	-£22 million
Cranbrook 5: As per Three Dragons except finance and BLV at £86,700,000	-£2 million
Cranbrook 6: As per Three Dragons except finance and base build costs plus 13%	-£31 million
Cranbrook 7 As per Three Dragons except finance, Profit at 20% and 6% of GDV; BLV at £300,000/ha; BCIS Build Costs plus 13%.	-£75 million

2.29 In conclusion, it is clear that there are serious concerns that the whole plan area is not viable and cannot deliver the anticipated level of S106 contributions. Further modelling is needed, revisiting the payment profile of s106 costs where feasible or removing items of Infrastructure where considered not necessary.

APPENDIX 2 – UPDATED SCOTT SCHEDULE

Item		Agreed	Three Dragons	Comment	WCL	SC	BK	Comment	July 2020 response	PHSW comments (including advice from Bruton Knowles and RPS)
1	Evidence date	No	Various	Released as part of the evidence base for the draft plan	January 2020			Three Dragons have Private housing GDV as of May 2018. Costs as of Q3 2018. With Affordable Housing confirmed as of Summer 2019.	Updated viability assessment dated 2020 Q1 for values and costs	Agreed but the 'base values for BLV adopted by Three Dragons needs to follow this
2	Gross Land Area	No	227.94 ha		270 ha			Applications submitted for Blue Hayes, Cobdens and Tresbeare total 226ha with fourth area (Grange) measured in excess of 40 ha	EDDC updated land budget totalling 227ha used in the viability testing	Persimmon Homes agree with the gross that EDDC have provided, we see no issue with it in regards to the information we have provided.
3	Net Area Land Area	Yes	99.11+4.57 = 103.68 ha	Residential & mixed use areas	99.11			Subject to other comments on development boundaries	EDDC updated land budget with 109.03ha net developable used in the viability testing	Persimmon Homes disagree with the Net in the first instance this is because EDDC have not included the additional land that was accepted during the previous EiP sessions. This equates to an additional circa 0.442Ha. This would mean that the net should be circa 104.122 Ha. If the pylons are to remain in place, the net ares would need to be recaluclated
Build Costs										
4	BCIS Index Used	No	Cost Assessment by WWA.		Proportion of Lower Quartile and Median	Median		Updated build costs from Q4 2019 utilised – the use of BCIS with adjustments is standard practice as it provides a transparent assessment using respected published guidance from the RICS	Have continued to use BCIS lower quartile as per cost plan, as suitable for large scale development.	Median BCIS should be used

5	Average Cost £/sq m (including contingencies and for WCL appraisalexternals)	No	£1,239	Cost includes contingencie s but do not include externals which are dealt with elsewhere in the cost plan	£1,365			WWA cost based on Q3 2018. WCL at Q4 2019.	£1,182.78/sq m including 2% contingency, excluding plot costs	No Comment
6	Total Cost of base Build	No	£471,529,592	Excluding externals	£516,260,005			Includes externals	£461,350,000 build and contingency plus £36,910,000 plot costs.	No Comment
7	Allowance for Common Areas of Flats	No	10%	As referred to in Cran063 para 4.1.2	15%			It is unclear where TD have provided any allowance for this in their actual appraisal, but in discussions TD stated 10% allowance. This needs to be clarified.	10% allowance for flats circulation.	No Comment
8	External Allowance - Housing	No		Costs from Cost Consultant	13.5%			Adjusted BCIS costs to reflect the costs of external development (driveways, gardens, estate roads etc) is standard practice as it allows transparency in developing the cost model.	Plot costs of £36,910,000, highway and drainage costs of £80,690,000 and utilities costs of £40,720,000 = 34% of build cost. Costs based on DPD master plan which is more transparent than nominal allowances.	No Comment

9	Provision of Self Build serviced plots -)	No	£16,107 per plot of site costs.	Cost from cost consultant				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.	Self-build serviced plots have been included in the cost plan at £15,529/plot.	Persimmon question the evidence for this.
10	Serviced Gypsies site	No	£1,432,500 inc. contingence plus fees	Cost from cost consultant				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.	Gypsy and traveller pitches have been included in the cost plan at £98,000/plot.	Persimmon question the evidence for this, we also note a discrepency between £98,000 a plot and £55,000 a plot (under item 39) and request clarification
11	Number of Garages - Single	No	600		808			808 garages reflect circa 20% of all units provided with garages and is not inconsistent with the expected number that would be provided under any detailed design.	The number of garages has been increased with 970 for general housing and 170 for the custom and self-build.	To date at Cranbrook 20% of private homes have had a garage and 0% of the affordable housing has had a garage. 680 garages would be an acceptable number for Persimmon as this would be inline with delivery to date. Persimmon agree with the 170 self build being with garages.
12	Garage construction cost - per single garage	No	£7,650 plus professional fees	Cost from cost consultant	£8,500 plus professional fees				£8,887/garage plus professional fees	Agree with this cost
13	Total garage cost	No	£4,590,000 plus professional fees		£6,863,750				£8,620,000 allowed for garages in the cost plan	Agree with the per garage cost but not the quantum
14	Cost for Upgrade On Building Regs	No						The build standards over and above building regulations has not yet been quantified and so this aspect has yet to be reflected in the build costs.	District heat (£5,000/dwg) and carbon reduction (£1,588/dwg) costs included in cost plan.	The WSP Heat Networks Detailed Feasibility Study report is publically available but is not part of the examination library at the time of writting. PHSW understand that the Council are considering seeking Government Funding towards the cost of the proposed CHP, however such fudnding is not certain. The amount being sought it also not known. It is not clear what is included in the £1588 or the £5000 per dwelling cost for Carbon reductions or CHP.

15	Cost of Carbon Neutral	No	£1,588/dwelling	Listed in plot abnormals				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.	Carbon reduction (£1,588/dwg) costs included in cost plan.	It is not clear what is included in the £1588 per dwelling cost for Carbon reductions PH have also estimated to get to Part L not including CHP for the same housetype would cost circa £1,500 so the carbon reductions for Part L is in line.
16	Services Connection/Utilities	No	£40,088,450 including contingency and professional fees	Costs from cost consultants				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.	Utilities costs of £40,720,000 included in the cost plan.	No Comment
17	Attenuation	No	£4,870,000 plus fees	In site abnormals				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.	£4,730,000 included in the cost plan.	No Comment
18	On Site Landscaping	No		Allowed for in Exceptional Development Costs				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.	£14,040,000 included in the cost plan	No Comment
19	Site Specific Abnormals	No	£22,200,000 including contingencies, plus fees	Costs from cost consultants				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.	£24,540,000 included in the cost plan	No Comment

20	Plot Specific Abnormals (eg Special Foundations)	No	£19,990,000 including contingencies , plus fees	Costs from cost consultants				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.	£19,900,000 included in the cost plan	No Comment
Contingency										
21	House Build Cost	No	2%	Allowance from cost consultants	5% on Lower Quartile BCIS	5% across all BCIS costs			2% contingency on house build.	No Comment
22	Externals and other build cost	No	2% contingency on garages and plot costs (externals); 10% on landscaping and 10% on highways	Allowance from cost consultants	5% on Lower Quartile BCIS	5% across all BCIS costs		WWA state contingency Enabling Works of 10 %, nothing for garages, Landscaping or Highways.	2% contingency on garages and plot costs (externals); 10% contingency on landscaping and 10% contingency on highways	No Comment
23	Instructure – On and Off Site	No	10% contingency on infrastructure	Allowance from cost consultants				TD/WWA show no apparent contingency for Infrastructure or S106/S278 works The costs are not agreed. However for comparison purposes only they have been used in the viability summary prepared for the Examination	10% contingency on infrastructure	No Comment

24	Contingency on Self Build Cost	No	5%	Allowance from cost consultants				The costs are not agreed. However for comparison purposes only they have been used in the viability summary prepared for the Examination.	5% contingency on serviced plot costs	No Comment
25	Contingency on Gypsies site	No	10%	Allowance from cost consultants				Note WWA state cost is £1,910,000. including contingency but not fees. Three Dragon allow only £1,432,500 allowed for in Appraisal.	10% contingency on Gypsy and Traveller costs	No Comment
Developers' Return										
26	Market Housing - Profit as % of GDV	No	17.5%	As per Cran063 para 6.4.3	20.0%			All consider that this is a high-risk development where 20% is an appropriate margin which is explained further and in detail within the submission documents under Matter 15 Viability. It is considered that PPG, precedent and various appeal decisions support this assumption.	17.5% return on market housing.	Agree 20% GDV, we will not accept 17.5% it is not acceptable for the level of risk.

27	Affordable units	No	6.0% on base build cost only. (4.4% equivalent on GDV)	In line with PPG	6.0% of GDV			Three Dragons have applied a builders' return to the base cost of £1,239 sq m which equates to only 4.4% of GDV. There is no additional allowance for the cost of servicing and Exceptional Development Cost that are required for the Affordable Housing which if this method is used should also be reflected. 6% of GDV is an accepted standard approach (in line with NPPF/PPG) for the return on affordable houses.	6% on affordable housing build cost based on HCA guidance and guidance from Welsh Government. Not clear what guidance supports 6% return on affordable housing *GDV*.	6% on GDV (not costs)
Professional Fees										
28	Fees On House Build cost	No	4.94% on Base Build Cost	Allowance from cost consultant	7.5% on base build costs	8% on base build cost			6.25% professional fees applied to housing costs.	No Comment
29	Fees on Externals and other costs (Exceptional Development Costs)	No	Varies between 4.43% and 9.10%	Allowance from cost consultant	7.5% on base build costs	8% on base build cost		WWA Provide different Fees levels within their cost plan	Varies by cost item from 5.5% for enabling works to 12.15% for infrastructure.	No Comment
30	Fees on Infrastructure	No	Professional fees 9.1% on infrastructure	Allowance from cost consultant		8.0%			12.15% fees on infrastructure cost.	No Comment
31	Planning Cost and Fees	No		Site promotion costs met through land value uplift.	Addition of promotion costs of £2m			Prior to development and planning applications significant costs will be spent on planning promotion (such as Examinations in Public) and legal/surveyors costs. This would be in addition to the professional fees within the viability model.	This is part of the costs associated with land value uplift from agricultural to development land. Site value as agricultural £19.750/ha estimated as £5.5m compared to £61.8m development land. Site promotion etc. will come from within the £56m uplift.	No Comment
Developer Obligations										
32	Section 106 cost (planning obligations)	No	£70,173,400 plus £4,867,994 fees	See Cran063 para 6.2.3 for variance from cost plan.				TD value appears inconsistent with WWA cost plan where S106 is stated as £87,300,000 plus £9,385,000 (10.75%) fees. Giving a total of £96,685,0000. The costs are not agreed. However for comparison purposes only they have been used in the viability summary prepared for	All costs within the IDP are included in the cost plan, although they may appear in different places.	A number of the costs in the IDP are not accepted (see response to AQ6 and appendix 3). The cost for the undergrounding of the overhead lines should be removed (see response to AQ16)

33	Section 278 cost	No	£10,540,000 plus fees	Costs from cost consultant				The costs are not agreed. However for comparison purposes only they have been used in the viability summary prepared for the Examination	Costs generated in the cost plan based on specific junction requirements and some London Road upgrades as agreed with EDDC.	No Comment
Finance										
34	Finance Debit Rate	No	6.0%		7.0%			On all build costs and reflects loan set up costs, valuation fees etc	6% used in model. This finance rate found sound in 2020 EDDC CIL Examination	Noted but the quantum of total finance costs appears too low , based on cashflow timings
35	Interest on cost of land	No	£33.99m	There is enough finance cost to cover land finance .	7.0%			The inclusion of the cost of land is a fundamental valuation concept in such appraisals. This is a significant cost to the development and not including this will have a dramatic impact on the perceived viability of the site. At TD's own values this discrepancy would be an additional	Land cost estimates included in cashflow, attracting finance costs.	Noted but the quantum of total finance costs appears too low , based on cashflow timings
GDV										
36	Private Housing Price £/sq M (3,400 Plots)	No	£2,920.02		£2,920.02				Values updated to 2020 Q1.	Persimmon accept the 3 dragons amounts
37	Affordable Housing Price £/sq M (600 Plots)	No	£1,932.94		£1,892.01			Single registered provider information which if followed is below that indicated by the Three Dragons model	Values confirmed with LiveWest for 2020 Q!	Persimmon accept the 3 dragons amounts
38	Self Build Per Plot (167 Plots)	No	£72,000					The values are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination	Revised plot costs and updated values. £55,300/plot net residual used in the viability appraisal.	Noted and adopted, but market evidence is questioned
39	Gypsies per Plot (Up To 20 Plots)	No	£825,000 in total		Zero as no established market			The values are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination. It is considered that there is no market for such sites when promoted in a Development Plan as occupation assumed by	15 pitches included in cost plan. £55,000/pitch based on market evidence.	Noted and adopted, but market evidence is questioned
40	Commercial Land Hectares		9.5ha including B Class and Mixed Use		9.5ha including B Class and Mixed Use					No comment

41	Commercial Land £/Ha	No	£7,600,000 in total (800,000 pha)					The values are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination. It is considered that any value attributable to this aspect must reflect appropriate servicing costs and also profit to the commercial	£0.8m/ha based on MHCLG estimates, applied to employment land and a proportion of the mixed-use land. Servicing costs £1.06m included in the cost plan.	Noted and adopted
Sales Costs										
42	**Private** - Fees and marketing costs (as % Mkt housing GDV)	No	3.0%		3.75%				3% of sales value split 1% agents, 0.5% legal and 1.5% marketing. This marketing and sales cost allowance found sound in 2020 EDDC CIL Examination	Noted and adopted, to include incentives
43	**Private** - Incentives allowance (as % Mkt housing GDV)	No	Incl in above		Incl in above					see above
44	**Private** - Legal fees for market dwellings (per Mkt dwelling)	No	Incl in above		Incl in above					see above
45	**Affordable** - Transaction costs for transfer to RP.	No	None		0.5% of GDV				£500/ dwelling sales cost included in the viability assessment.	Noted and adopted
46	**Self Build** – Sale Fees	No	Not specified		0.5% of GDV				3% of sales value allowed for sales and marketing costs	see above
									within the residual value estimate for the CSB housing.	
47	**Self Build** – Legal Fees	No	Not specified		0.5% of GDV				3% of sales value allowed for sales and marketing costs within the residual value estimate for the CSB housing.	see above
48	**Commercial** – Sale Fees	No	Not specified		0.5% of GDV				Testing includes 3% of sales value allowance for sales and marketing costs	3% adopted
49	**Commercial** –Legal Fees	No	Not specified		0.5% of GDV				Testing includes 3% of sales value allowance for sales and marketing costs	see above
50	**Gypsy Site**– Sale Fees	No	Not specified		0.5% of GDV				Testing includes 3% of sales value allowance for sales and marketing costs	3% adopted
51	**Gypsy Site**– Legal Fees	No	Not specified		0.5% of GDV				Testing includes 3% of sales value allowance for sales and marketing costs	see above
Sales Rate										
52	Lead In Period before Sales	No	3 years		2 years				29 months (2.4 years) between start of costs and delivery of completed dwellings.	Noted and adopted

53	House Trajectory	No	All sales (market and affordable) maximum at 585 units per year					The sales rates are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination. It is considered that the sale rates adopted that reach some 478 sales per year for market housing is unachievable. It should be noted that phase 1 maximum was 409 sales. Of which 175 were affordable. The average sales rate since 2012 has been just 240 (market and affordable). Equally such a high sales rate would require significant discounting on sales prices as competing sales sites try and attract custom from what would be a saturated market. Sales are demand driven and not Plan driven. A realistic trajectory has to be considered to ensure a robust viability appraisal.	Viability testing based on revised EDDC delivery trajectory, now extended to 2032/2033.	We have concerns about the years where over 500 homes are expected to be delivered, we would like to see these years more evenly spread within the housing trajectory.
54	Sale Rate of Commercial Land	No	Sold in 2 tranches of 12 acres. each in year 5 and year 7					Should be spread over the whole period to reflect take-up.	Revenue now taken in 2027	Noted and adopted.
55	Sale Rate of Self Build	No	Sold in 5 years between years 3 and 7.					Should be spread over the whole period to reflect take-up.	Now amended and follows the same trajectory as the rest of the housing.	Agreed
56	Sale Of Gypsies site	No	Sold in half each in year 6 and year 13.					Should be spread over the whole period to reflect take-up.	Revenue now taken in 2027	Noted and adopted but no evidence of demand
Land Costs										

57	Benchmark Land Value	No	Development land £300,000/ha and SANG land £25,000/ha. Can be expressed as a blended £205,414ha (£83,019 per acre) average.	Development land benchmark based on 15 times agricultural value. SANG land benchmark 25% premium over agricultural	£300,000 ha. (£121,400 per acre)			This aspect is another significant point of principal and along with the gross area calculation has a marked impact of the robustness of the Viability. TD have valued the SANGS land at agricultural value which assumes that the seller would not require any uplift in value from existing use to release their land. As stated above the cost of purchasing this land must be included in the cost and reflected in the finance costs. This is outlined further in the matter 15 statements.	SANGs land based on 27% premium over existing agricultural use value based on local evidence of 39ha SANGs purchased as part of SW Exeter urban extension. Appropriate fees and SDLT is applied to this purchase. SANGs land identified in the Cranbrook masterplan typically has landscape and/or flood issues making it unsuitable for development.	All land, regardless of intended use, to have BLV of £349,367/ ha
58	Legal acquisition fee	No	0.5%		1%				1.75% agents and legal used in the viability testing. This agents and legal allowance found sound in 2020 EDDC CIL Examination	see below
59	Agents fee	No	1.25 %		1.75%				1.75% agents and legal used in the viability testing. This agents and legal allowance found sound in 2020 EDDC CIL Examination	Combined 1.75% adopted
60	SDLT	No	Yes		Yes				Appropriate SDLT included	Agreed

APPENDIX 3 – COSTS CRITIQUE

THE CRANBROOK PLAN

Examination

Hearing Statement – Viability

Appendix 3 – Costs Critique

September 2020

Prepared on behalf of Persimmon Homes South West

1 AQ6. Are the requirements and costs in the revised Infrastructure Delivery Plan (IDP) justified taking into account the evidence available? If not, why not?

1. This response is in respect of the costs in the Cranbrook Infrastructure Delivery Plan (2013-2031) updated July 2020.

2. The principal theme of our report is that we identify below the elements for which more information is required to assess the appropriateness of the costs being proposed. However, in terms of the costs upon which we have been able to form a view, we would make the high-level observation that across the Cranbrook Plan, the Category 1 costs assessed are potentially understated by over £26,000,000, whilst the Category 2 costs assessed are potentially overstated by circa £1,700,000 and the Category 3 costs by a further £2,000,000.

2 Category 1 Costs

1. The 'required infrastructure' costs listed below reflect the total housing allocation of 4,170 units.

2. Specific queries on Category 1 costs are identified below:

Standard Infrastructure	Overall Cost	Cobdens Allocation	Comment
58. SANGS delivery and enhancement	£4,130,000		Details of proposals required to assess reasonableness of allowance against scope
59. SANGS maintenance	£2,500,000		Costs from Land Trust endowment model estimate; detailed breakdown required to assess reasonableness of allowance against scope
60. Off-site habitat mitigation	£2,069,199		Original sum per dwelling increased in July 2019; details of original sum and increase required to assess reasonableness of allowance against scope
64. Carbon reduction over Building Regs	£6,352,000		Allowance based on a 2018 report; consideration to be given also to anticipated legislation during the currency of the works, eg Future Homes Standard in 2025, future-proofing new-build homes with low carbon heating and improved levels of energy efficiency;

			an example measure could be the provision of air-source heat pumps in lieu of traditional gas-fired boilers, BEIS Research (2020/028 – July 2018)[a] advises respective allowances of £14,750 and £5,400, ie an addition of £9,350/unit; based on the Housing Trajectory in PSD21a, the first 757 homes will be delivered under the enhanced Part L due to be introduced in late 2020, at a cost of £1,153,109 (£6,352,000 * 757/4,170); assuming from above £9,350/unit for the remaining 3,413 homes expected to be delivered from 2025 onwards, this will attract a cost of £31,911,550 (£9,350 * 3,413) to meet the Future Homes Standard; the overall allowance is therefore understated by £26,712,659 (£1,153,109 + £31,911,550 - £6,352,000), notwithstanding any further potential measures utilised
1. CHP	£20,850,000		Cost base via discussions with Eon; a report prepared by WSP on behalf of DCC is anticipated to be available shortly, which should provide an updated basis for costs
21. Travel planning	£285,000		DCC S106 Transport Request: original application circa £41/plot; Expansion areas circa £68/plot to reflect indexation since 2014; cost uplift circa 66%, (whereas for example RPI circa 14% and TPI circa 29% since 2014); therefore, proposed reduction in overall allowance potentially circa £80,000

[a] *Extracts from BEIS Research Paper Number 2020/028 'The Cost of Installing Heating Measures in Domestic Properties', prepared by Delta-ee for the Department for Business, Energy and Industrial Strategy, are shown in Category 1 Additional Information below.*

3. Whilst we are generally identifying that we do not have the necessary information upon which to form a view of the appropriateness of the costs being proposed, we have identified in respect of the carbon reduction item (ref 64) alone a potential shortfall of over £26,000,000.

3 Category 2 Costs

1. The ‘allocation specific’ Category 2 costs in the table below reflect the Cobdens proportion, ie 1,495 units.

2. Specific queries on Category 2 costs are identified in the table below:

Allocation Specific Infrastructure	Overall Cost	Cobdens Allocation	Comment
24. Primary school 2		£12,129,204	Pupil place allowance indexed from 2015 to £19,401/pupil place; query appropriateness of calculation as National School Delivery Cost Benchmarking Study (June 2019) indicates costs in the preceding 6 years reduced by 11% and provides an average cost per pupil place of £16,874[b]; therefore, proposed reduction in Cobdens allocation potentially circa £1,600,000; community room also indexed from 2017; can a more up to date calculation be provided?
Primary school 2 land take		£1,275,500	This Category 2 item assumed to accommodate the SEN land-take, whereas SEN provision has been moved to Category 3; using revised BLV of £349,367/ gross ha (based on 2019 MHCLG Land Value Estimates for Policy Appraisal as set out in paragraph 1.1.4 of response to AQ1) gives a Cobdens allocation cost of £1,484,810
Sports pitches land take		£180,000	Using revised BLV of £349,367/ gross ha (see Primary School 2 land take above) gives a Cobdens allocation cost of £209,620
2. Undergrounding HV power lines		£2,805,000	Cost and requirement require review; see response to AQ16
57. Community building land take		£120,000	Using revised BLV of £349,367/ gross ha (see Primary School 2 land take above) gives a Cobdens allocation cost of £139,747

7/15/15a. Upgrading of London Road		£950,000	Costs from Ward Williams but not directly apparent from comparison with cost plan; cost allowance stated as provisional; design proposals and cost breakdown required to assess appropriateness of scope and reasonableness of allowance; refer also to Vectos' comments in Appendix 1 of response to AQ17 and AQ19
4-13 New junctions on B3174: jct I		£176,000	Costs from Ward Williams but not directly apparent from comparison with cost plan; cost allowance stated as provisional; design proposals and cost breakdown required to assess appropriateness of scope and reasonableness of allowance, albeit Vectos' comment Appendix 1 of response to AQ17 and AQ19 indicates that the proposed cost "appears ok"
4-13 New junctions on B3174: jct J		£625,000	Costs from Ward Williams but not directly apparent from comparison with cost plan; cost allowance stated as provisional; design proposals and cost breakdown required to assess appropriateness of scope and reasonableness of allowance; refer also to Vectos' comments in Appendix 1 of response to AQ17 and AQ19
4-13 New junctions on B3174: jct L		£1,860,000	Costs from Ward Williams but not directly apparent from comparison with cost plan; cost allowance stated as provisional; design proposals and cost breakdown required to assess appropriateness of scope and reasonableness of allowance; item also noted as "previously omitted……..but appears to be required this time"; requirement to be confirmed refer also to Vectos' comments in Appendix 1 of response to AQ17 and AQ19

61. Cemetery		£325,000	Costs from Ward Williams but not directly apparent from comparison with cost plan; also cost allowance stated as land only; is there possible duplication with land-take figure below?
Cemetery land take		£300,000	See comments on 61. Cemetery above; if applicable and using revised BLV of £349,367/gross ha (see Primary School 2 land take above), it gives a Cobdens allocation cost of £349,367

[b] *Extracts from National School Delivery Cost Benchmarking, a national cost benchmarking study undertaken by Hampshire County Council in conjunction with East Riding of Yorkshire Council and the Department for Education shown in Category 2 Additional Information below.*

3. As above, we are generally identifying that we do not have the necessary information upon which to form a view of the appropriateness of the Category 2 costs being proposed, however, we have identified in respect of Primary School (ref 24) a potential over-estimate of circa £1,600,000. Given that there are 2nr primary schools proposed overall, it would be reasonable to assume that the 2FE Primary School 1 cost is potentially overstated also, by circa £1,000,000.

4. By contrast, however, we identify that the land-take allowances associated with the primary school, sports pitches, community building and cemetery are understated and if this adjustment is extended across all areas, including also the bridge land take allowances, which are not listed above as they are not identified as a direct Cobdens allocation cost, the land take contributions would increase by circa £950,000.

5. Therefore, looking at these elements only, the Category 2 costs for the Cranbrook Planare potentially overstated by circa £1,700,000, but this is exclusive of the HV power lines discussion, for which we are aware that alternative, cost allowances which are higher than those identified in the IDP document have been circulated.

4 Category 3 Costs

1. The ‘non-allocation based required infrastructure’ costs reflect the total housing allocation of 4,170 units.

2. Specific queries on Category 3 costs are identified in the table below:

Non-Allocation Based Required Infrastructure	Overall Cost	Cobdens Allocation	Comment
39. Sports centre and swimming pool	£3,993,940		Costs not directly reconcilable back to Sport England cost guidance as other sources stated for certain facilities, eg squash; more recent Sport England cost guidance is available upon which to calculate elements of the contribution
47. Cricket	£310,000		Costs appear overstated for 1.4ha of cricket provision; latest Sport England cost guidance indicates £295,000 for a 2ha pitch
35. Library facilities (fit-out)	£480,000		DCC costs provided, further detail required to assess reasonableness of allowance against scope
22. Children's centre (fit out)	£36,218		Indexed DCC 1Q17 costs utilised; further detail required to assess reasonableness of allowance against scope
32. Youth services facility (fit-out)	£36,218		£30,000 overall allowance based on EDDC/CTC discussions; no indication that allowance is indexed; cost breakdown required to assess reasonableness of allowance against scope
30. Blue light emergency services facility	£1,900,000		DSFRS July 2018 costs utilised for a 366m2 facility plus externals; equates to circa £5,190/m2; further detail required to assess reasonableness of allowance against scope as current BCIS published median rate £2,696/m2, ie circa 50% of overall allowance utilised

28. Health and wellbeing hub building	£8,769,400		NHS/KYMA Consulting costs utilised; further detail required to assess reasonableness of allowance against scope
19. Off-site walking and cycling infrastructure	£2,530,000		DCC 2018 costs utilised (indexed from 2013); more recent cost assessment required, together with a refined assessment of the scope, as opposed to the general rate/m currently utilised
18. Sustainable transport measures	£6,378,000		Revised DCC request July 2020 for enhanced bus provision and second Cranbrook Station feasibility work; reasonableness of proposal to be assessed
20. Car club vehicles/e-bike docking stations	£300,000		DCC 2018 costs for 10nr car club vehicles and/or e-bike docking stations and bikes; substantiation required
29. Extra care housing	£3,500,000		We have been unable to establish rationale for the contribution, but acknowledge that allowance is reduced from a previous request
25. Enhanced secondary education provision	£2,583,429		Pupil place allowance indexed from 2015 to £27,507/pupil place; query appropriateness of calculation as National School Delivery Cost Benchmarking Study (June 2019) states the trend in costs since 2016 for Secondary School Re-Builds and Extensions has been downwards and provides an average cost per pupil place of £15,239[c]; therefore, proposed reduction in overall allowance potentially circa £300,000; MOU allowance also indexed from 2014; can a more up to date calculation be provided?

26. SEND contribution	£1,017,573		Allowance indexed from 2015; exact calculation to stated allowance not provided; it is acknowledged, however, that the allowance utilised is within the DfE guidance which indicates that developer contributions for special school places are set at four times the cost of mainstream places; calculation also includes a land cost adjustment and the BLV has been queried elsewhere in this Appendix; can a more up to date calculation be provided?
33. Town Council office	£2,000,000		Cost based on circa 500m2 of lettable space, which is over twice the size of the Phase 1 facility; rate utilised equates to £4,000/m2 which appears high as current BCIS published median rates for offices and local admin buildings, which range from £1,833 - £2,375/m2, ie circa 50% of overall allowance utilised

[c] *Extracts from National School Delivery Cost Benchmarking, a national cost benchmarking study undertaken by Hampshire County Council in conjunction with East Riding of Yorkshire Council and the Department for Education shown in Category 3 Additional Information below.*

3. As before, whilst we are generally identifying that we do not have the necessary information upon which to form a view of the appropriateness of the Category 3 costs being proposed, however, we have identified in respect of a number of the items, eg the cricket pitch, emergency services facility, secondary education provision and town council offices, a potential over-estimate of circa £2,000,000 overall.

5 Category 1 Costs Additional Information

1. Extracts from BEIS Research Paper Number 2020/028

2. *Table 2: Example total installed price paid by a customer for common types of gas boiler installations*

Installation description	***Cost in pounds (excluding VAT)***
24kW combi for combi direct swap by local installer/plumber (including labour and fittings but excluding controls and heat distribution system)	*£ 2,250*
24kW combi for combi direct swap by regional installer (including labour and fittings but excluding controls and heat distribution system)	*£ 2,700*
24kW combi for combi direct swap by national installer (including labour and fittings but excluding controls and heat distribution system)	*£ 3,263*
24kW non-combi for non-combi direct swap by regional installer (including labour and fittings but excluding controls and heat distribution system)	*£ 2,568*
Replacing an old 24kW non-combi with a 30kW combi by regional installer (including labour, fittings, removal of old equipment but excluding controls and heat distribution system)	*£ 3,660*
New build or full retrofit of first time central heating, 24kW combi by regional installer (including new radiators, putting in gas supply line and controls. High cost estimate of fittings used)	*£ 5,400*
New build or full retrofit of first time central heating, build 24kW non-combi by regional installer (including new radiators, putting in gas supply line and controls. High cost estimate of fittings used)	*£ 6,228*

3. *Table 5: Example total installed price paid by a customer for common types of air-water heat pump installations*

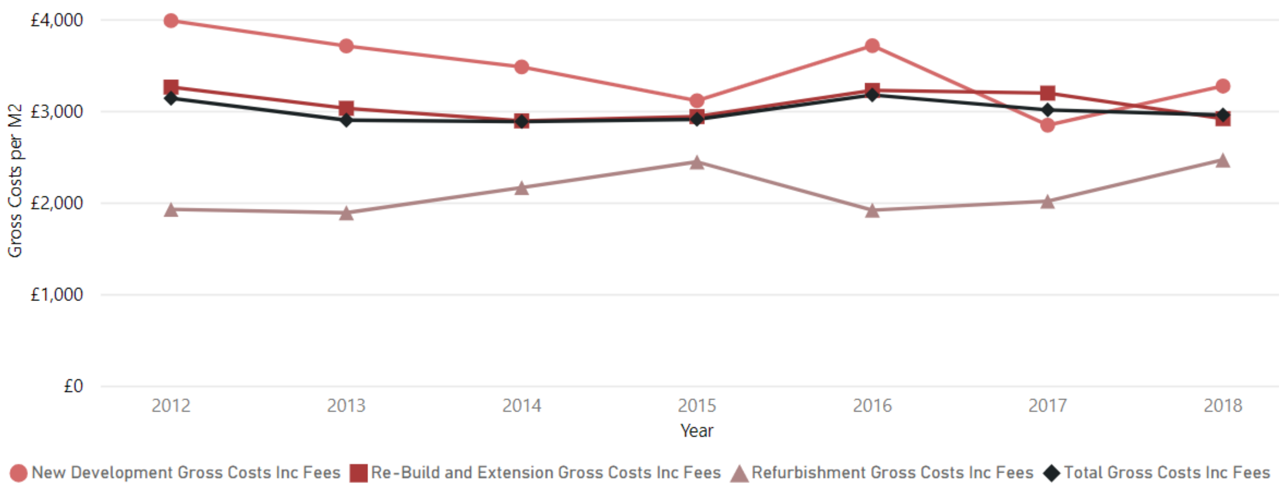
Installation description	***Cost in pounds (excluding VAT)***
8kW air source heat pump (ASHP) fully installed including fittings, buffer tank, cylinder and controls, excluding the heat distribution system	*£ 8,750*
12.5kW ASHP fully installed including fittings, buffer tank, cylinder and heating controls, excluding the heat distribution system	*£ 11,500*
16 kW ASHP fully installed including all new fittings, large buffer tank and advanced cylinder and controls (complex system)	*£ 14,050*
8kW ASHP fully installed including fittings, small buffer tank and cylinder, controls and heat distribution system (new for a smaller house)	*£ 14,750*
16kW ASHP fully installed including fittings, large buffer tank and cylinder, advanced controls and heat distribution system (new in larger house)	*£ 21,550*
16kW ASHP fully installed including buffer tank and cylinder and heat distribution system (retrofit system with upgraded existing radiators)	*£ 14,900*

6 Category 2 Costs Additional Information

1. Extract from National School Delivery Cost Benchmarking (page 9 of 33)

Part Two Primary Schools Annual Cost Trajectory
Primary school gross costs as a whole sample have decreased by 6.16% since 2012, after indexing, The sample size of 2017 projects has increased from the 2019 data capture giving more confidence to the figures. The graph indicates that 2014 and 2015 represented the lowest point of the gross costs trends which has since increased to a high point in 2016 before dropping back in 2017 and 2018. There are a number of reasons for the fluctuations evidenced in the cost trajectory over the last six years (Graph 1) which are outlined below.

Graph 1 | Primary School Average Gross Costs per m²



New Development
Projects built on greenfield sites with 100% of the works being new build saw a steady reduction in gross costs from 2012 to 2018, although there was a spike in costs in 2016. The costs for 2018 are now back to the similar levels achieved in 2014/15. Overall in the last six years costs have reduced by 11%. The positive trend indicated is likely to be as a result of the adoption of a standardised approach to design; more delivery through collaborative arrangements and adopting a more cost driven approach.

In 2016 the new build gross cost rose which is considered to be a reflection of the market conditions, Brexit and the impact of the increase in housing output on prevailing prices.
The costs dropped between 2016 and 2017 by 23% and then rose by 14.94% between 2017 and 2018, whilst the equivalent cost adjustment across the whole sample was only 5% and 0.23% respectively. The overall cost trajectory from 2015 until 2018 is 5%.

2. Extract from National School Delivery Cost Benchmarking (page 11 of 33)

Part Two Primary Schools New Development Summary

New Development projects are new schools built on greenfield sites, which include significant infrastructure and external work costs. There are 84 such projects in this study. Graph 3 (not copied) *displays the gross and nett costs per m² for these projects. A detailed breakdown is shown on page 12* (not copied).

2,008m²	***5.85m²***	***46wks***	***£3,303***	***£2,124***	***£16,874***
Average floor area	***Average GIFA per pupil place***	***Average contract period***	***Average gross cost/m²***	***Average nett cost per/m²***	***Average cost per pupil place***

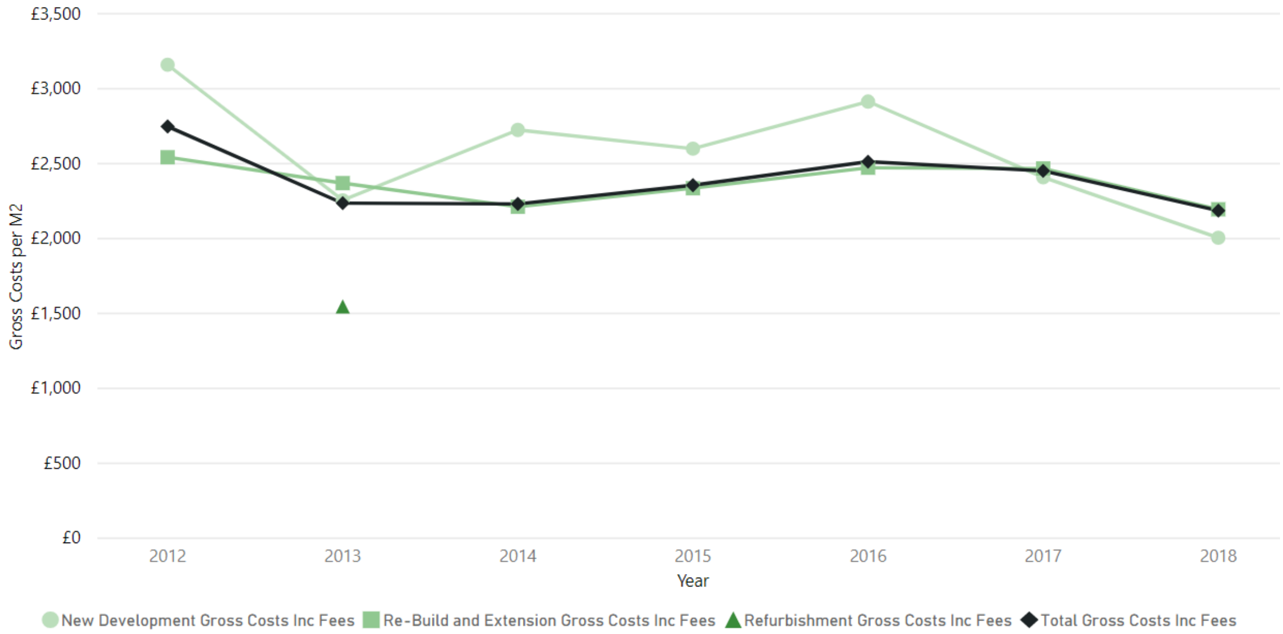
7 Category 3 Costs Additional Information

1. Extract from National School Delivery Cost Benchmarking (page 19 of 33)

Part Three Secondary Schools Annual Cost Trajectory

Secondary school gross costs as a whole sample have decreased over the last two years. This has been driven by the small data sets available within the study for New Development and Refurbishment Projects. This study has demonstrated a number of reasons for the fluctuations evidenced in the cost trajectory over the last five years (Graph 6, right) which are outlined below.

Graph 6 | Secondary School Average Gross Costs per m²



New Development
A small sample of New Development projects has been obtained. It is not possible to draw any conclusions or provide further commentary, but this information is given to show the emergence of the sample.

Re-Build & Extension
Extensions to existing school sites, new teaching blocks and re-built schools on existing sites have seen a steady decrease in gross costs over the last 24 months shown. It should be noted that the sample size for 2012 is small and therefore greater certainty can be placed in the 2013 – 2016 trajectory, which saw a 3.97% increase in gross costs. The overall trend from 2016 has been downwards with a reduction of 8.97% between 2016 and 2018.

Refurbishment
A small sample of Refurbishment projects has been obtained. It is not possible to draw any conclusions or provide further commentary.

2. Extract from National School Delivery Cost Benchmarking (page 20 of 33)

Part Three Secondary Schools Re-Build and Extension Summary

6,255m²	***6.74m²***	***57wks***	***£2,363***	***£1,751***	***£15,239***
Average floor area	***Average GIFA per pupil place***	***Average contract period***	***Average gross cost/m²***	***Average nett cost per/m²***	***Average cost per pupil place***