Date: 5 June 2021
Direct phone: 01395 517572
Direct email: jbrown@eastdevon.gov.uk
Our ref: Cranbrook Plan DPD

East Devon District Council

Mrs J Wilson
c/o Ian Kemp
Programme Officer
PO BOX 241
Droitwich
WR9 1DW

Dear Mrs Wilson

Sensitivity testing and IDP update

1. We refer to your correspondence dated the 20 January 2021 which formed an interim letter principally relating to matters of viability and infrastructure costs. Within the letter you identified a number of tasks that the Council should tackle, comprising:
   a) Discussion and agreement, where possible, with the developers in relation to values and inputs into the viability model
   b) Discussion with key developers to seek agreement on statements of common ground
   c) Reassessment and revision of the IDP/costs schedule and policy content to include items that are critical/essential for the delivery of the plan
   d) Clarification of the specification required for the Gypsy and traveller sites in order that the land costs can be clarified
   e) Scenario testing on the basis of different levels of developer return

f) Preparation of a revised viability model taking into account the above tasks

2. While this letter will describe in detail the work that has been undertaken and the outcomes that have arisen, the following represents what we hope is a helpful summary:

- East Devon have identified savings of £12.9m from the IDP
- East Devon have restructured the equalisation approach to infrastructure into 4 categories clarifying those categories that require cash contributions, those that must be delivered on site and those which are appropriate for equalisation. This approach has been generally supported by participants.
- The revised approach to equalisation, which includes costs associated with the District Heating connection and Fabric first measures being read in conjunction with lower quartile build costs, together with the above actual savings, results in the net per dwelling cash equivalent contribution falling to £16,112.
- Based on and arising from engagement with participants, East Devon's consultants Three Dragons have completed individual and in combination scenario tests to a new infrastructure base which is £12.9m lower than the July 2020 position. Details of the results from these have been shared with relevant participants and accompany this letter together with the supporting excel files.
- East Devon have shared a copy of the proposed main modifications with the group of participants who were involved in viability discussions and where appropriate have updated the schedule to reflect comments and observations received.
- East Devon have updated the policies plan to reflect changes listed in the main mods schedule and feedback from the informal consultation with some participants.
- East Devon have proposed the introduction of a revolving infrastructure fund which also forms one of the scenario tests. This would help forward fund infrastructure reducing risk and making finance cost savings. Currently and on a conservative basis savings identified amount to £8.9m. A paper is to be taken to the Council's Strategic Planning Committee in July to progress this matter.
- The Council has received confirmation of an offer from the Heat Network Investment Programme, following the submission of a funding bid in January 2021. At a Cabinet Meeting in May 2021, the council resolved to approve the principle of the grant and loans offered and establish a project board to review progress of further work.

3. Further and following discussions with the developers and promotors taking leading roles in the Cobdens, Treasbeare and Bluehayes expansion areas, East Devon had hoped to be able to confirm within this letter, that we had managed to reach agreement. We are close and currently negotiating over a 5% reduction in affordable housing and a further £4million IDP saving. Although East Devon's position is that such a saving is not necessary to make the plan sound, were such a saving deemed necessary, then following the advice in the Planning Practice Guidance, (Paragraph: 009 Reference ID: 10-009-20190509) we would advocate the introduction of a main modification that allowed for interim viability reviews to take place. Such a mechanism would potentially allow for much needed affordable housing to be recovered in the event that the viability of the development significantly improved. Unfortunately the potential for the introduction of this review mechanism is not an approach that the participants are currently willing to accede to. However East Devon expect that discussions will continue and if the position resolves itself further then we will provide an update as appropriate.

4. For the rest of this update we will focus on the following five areas of work which address the tasks identified:
    1. Our engagement with developers and progress on statements of common ground
    2. Changes to the IDP and costs schedule
    3. Scenario testing
    4. Conclusions on appropriate inputs into the viability appraisal including specification of gypsy and traveller pitches
    5. Policy update to reflect our current proposal

5. The rest of this letter will follow the structure outlined above and we hope provides detailed commentary on how and why we have reached our current position.

6. In preparing this letter we have had regard to a supporting addendum report prepared by Three Dragons and a separate report from Greg Oldrieve MRICS who is the General Practice Surveyor for Vickery Holman and heads up their development consultancy department. The report which accompanies this letter was commissioned in light of the interim findings letter and particularly paragraphs 19 and 20 which set out:

> *"…a financial viability report does not necessarily have to be undertaken by a chartered surveyor however they are likely to be beneficial to the process if they are involved.*
> *It will be important to foster greater confidence through the reworking of the viability report particularly on the critical points of difference so that all parties will respect and commit to the outputs".*

7. The Report from Vickery Holman was commissioned on the basis of an independent critique to corroborate or challenge the inputs used by Three Dragons. It will be referenced at various points through this letter. We trust that it is of assistance as it draws on the practical experience of a Chartered Surveyor working in the South West region.

<u>Section 1: Engagement with developers</u>

8. On the 15th February 2021 we wrote to participants seeking engagement with the sensitivity/scenario work that we were seeking to embark on. We sought views on both the

variables that should be used within the modelling work as well as where participants would advocate their preferred input should be.

9. Within the same letter we also set out our willingness to review and modify the list of infrastructure projects that we considered to be essential to successfully deliver the expansion of Cranbrook and identified areas where savings could be made. This was not looking to prejudge where we would necessarily go, but was an invitation to start a conversation on these or other items that participants wished to identify.

10. A copy of this letter and its appendices is set out in **appendix 1**.

11. The response rate was good with feedback from all the developers/promoters who were involved with the viability hearing sessions. These responses helped to shape the scenario testing that we undertook as well as defining a rebased infrastructure list of essential projects.

12. At the request of the relevant participants we shared with them a copy of our sensitivity results both as individual test results as well as our 6 in combination tests which explore various "what happens if" scenarios. These results were shared by letter on the 13th April. The letter included a summary of the feedback that we received from the first round of engagement, details of our rebased essential infrastructure list and the tests results themselves.

13. A copy of this letter and its appendices is set out as **appendix 2**

14. Of note within this letter is the introduction of the potential for a revolving infrastructure fund. This is something that we have started to explore with the developers as it would help to

reduce the finance charges, bring key infrastructure forward earlier and in so doing, further reduce risks associated with delivery. We have currently modelled a £30million fund being made available from early within the development period and for this to be repaid on a per dwelling basis across the development period. At an interest rate of 2.25% this reflects available rates in the 1st Quarter 2020 and therefore is a realistic rate for that period. We are however aware that Public Works Loan Board rates have come down considerably since then and therefore greater savings than we are suggesting are potentially available. It is appropriate for modelling purposes that we were conservative in our approach and conservative with respect to the benefits that such a fund could bring.

15. One query that arose from participants when we presented the figures in respect of the infrastructure test, needs clarifying. Further explained in the Three Dragons addendum report, the query relates to the increase in infrastructure costs identified within this test, together with the scale of reduction in finance costs listed, which participants considered too large a drop.

16. Within the model there is only one entry available for a finance rate and therefore this was input as the standard rate used for the appraisal (6%). To reflect the effects of the fund within the model therefore, an alternative method of entry was needed. This was effected by adding in a negative cost of £30million at the start of development with this then being added back in as an additional infrastructure cost. In addition the finance costs resulting from the £30m fund was separately calculated and this too added back in as an additional cost in the infrastructure column. Interest was calculated on the basis of a reducing repayment method. This means that ca £5m of interest charges are identified within the infrastructure column rather than the finance column to allow for the differential rates of interest being applied

17. As will be appreciated this is a high level test for a mechanism which is complex and additional work and detail is needed before this could be taken forward. However East Devon has consistently referenced its commitment to working with developers and our previous success at drawing down various funding opportunities. We will now explore this further given the interest that has been shown from developers.

18. As will be readily apparent from the published response summary from developers in appendix 2, there has been significant synergy between the leading developers/promoters of three of the expansion areas. While they are not in complete accord they have come together to present a largely united front. This has been helpful as it allows the Council to be clearer on the differences that exist between us and a significant proportion of the relevant development industry that we need to be engaging with. We have had varying levels of informal dialogue with these parties over the course of the last three months and prepared a further scenario test following specific requests, (in combination test 7). An 8th was also sought but this focussed on professional fees. As this is significantly more complex to prepare we were unable to complete this within the time available. It remains something that can be prepared if it is of assistance.

19. The challenge for us all to reach agreement is no surprise as each developer will have a different option agreement/ purchase agreement; will have signed for or be acquiring the land at different points in time; and will undoubtedly have different areas of focus, costs and savings that they need to account for, or believe can be made. However the Council also have a variety of roles of not just enabling and supporting development but of building a community. Through a robust and evidenced viability appraisal the Council need to ensure that infrastructure is delivered as well as a reasonable developer profit maintained. We are

not however scrutinised by shareholders and therefore do not need to maximise profits. Instead we need to ensure that a reasonable land value is realised/profit is available to the land owner and developer, to ensure the development will be brought forward.

20. The broad agreement between Hallam Land Management, Taylor Wimpey, Persimmon and Carden (Redrow), does not speak for all developers and notably the Council have had correspondence and meetings with Cranbrook LVA who have separately expressed their disappointment that we have not identified greater savings in our revised infrastructure list (see appendix 2). However the list of infrastructure that has been identified through the various meetings that we have held as being suitable for potential additional savings include District Heating, Carbon Reductions, SANGS set up and maintenance, Extra Care, Sustainable Transport and Leisure centre costs – essentially the big ticket items. Of note Cranbrook LVA have identified that a suitable per dwelling contribution would be in the region of £15k per dwelling rather than the £30k per dwelling that we had previously identified.

21. While the Council recognise that a rationalised IDP and reduced per dwelling contribution is necessary, to reduce by 50% is not necessary to make the development viable according to our evidence and would leave a community devoid of suitable supporting infrastructure and in the case of SANGS costs, potentially failing to discharge legal obligations in relation to the European protected habitats. The Council have been clear that this expansion is a large urban extension of a very young town and cannot rely on the infrastructure that is already in place or that is still yet to be brought forward to support the existing town. We recognise that to be delivering in such an environment brings with it higher development costs than would often be expected within a discrete edge of settlement development, but also brings with it greater certainty over the development costs and saleability of houses. It is a known

market. We consider that to help maximise both value and rate of sales adequate supporting infrastructure is in fact important. Appropriate infrastructure of all types is fundamental to achieving sustainable development.

Section 2: Changes to IDP costs schedule

22. The Council recognise and appreciate the concerns that the development industry have identified about the scale of the costs that we were identifying although as set out in our Matter 1 statement to Stage 2 (Response to AQ3) we do not believe that these are disproportionately higher than for Cranbrook Phase 1. However in response to the Inspectors interim letter and in recognition that we too need to cede ground to help the viability situation and allow the plan to be found sound, we have revisited the costs schedule and reviewed the priority of the varying infrastructure projects, identifying which are critical or important for a healthy new town and which are simply desirable.

23. As already alluded to, through correspondence reproduced as appendix 1 we identified a range of projects that could be stripped out from the current delivery. Some of these could remain as desirable while other projects could be simply removed.

24. The feedback we received from developers indicated that this work was welcomed although as already set out, there was some concerns that we hadn't gone far enough. This was helpful and caused us to review the changes before we committed to the testing. As a new base position we chose to test with the changes outlined (totalling £13.7m of savings off set by £0.75m increase for the sports changing and pavilion building in Treasbeare).

25. This is not to suggest that we were, or are, closed to making further changes but reflects the need to maintain an appropriate suite of community projects that will ensure a sustainable development in the long term. It was appropriate therefore that we tested at this level of change and understood what impact it would have.

Section 3: Sensitivity testing

26. Through the various conversations that the Council had with participants and through the subsequent written responses to the request for feedback, the range of tests that were undertaken were refined and extended from the Councils initial proposal. In so doing the Council recognised the wish of participants for us to consider Build Costs up to higher quartile as well as different rates of affordable housing. The Council wanted to maintain a range of testing options that showed the potential impacts of "what if", without having such a wide range of tests that their results became unwieldy. As a result there were some suggestions that we chose not to take forward, and these were primarily around areas where within the Interim letter, clarification/justification has been sought rather than a direct request to test a range of options. However we recognise that this position leaves the onus on the Council to fully justify the untested inputs which we will do so here supported by the accompanying reports from Three Dragons and the independent critique from Vickery Holman.

Finance Costs (paragraphs 36 and 37)

27. For the purposes of this letter finance rate and finance costs are separated and the focus of this paragraph is on rate. Three Dragons have used 6% as a basic finance rate and while participants indicated that they would like to see a rate of 7% used none indicated that this

should be the base. No evidence has been put forward by participants that the rate should be above 6% and therefore the Council feel confident that this is an appropriate value to use.

28. In the report from Vickery Holman a finance rate of 6% is considered “generous”. East Devon are advised that finance that is obtained by large scale developers is traditionally obtained at a lower rate than this recognising the scale of their risk profile and level of collateral. By continuing to include a rate of 6% the Council consider that this is a conservative rate and effectively builds in additional buffering.

Marketing Rate (paragraph 38)

29. Within the feedback that the Council received from participants, rates of 3%; 3.75% and 5% were suggested as being appropriate for testing purposes, although the developers who responded on this point all indicated that a base of 3% was not inappropriate. Three Dragons have previously set out that their rate can be disaggregated as follows:

- 1% for agent’s fees,
- 0.5% for legal fees and
- 1.5% for marketing

30. These rates have been applied to open market housing and gypsy and traveller plots while affordable housing, as explained by Three Dragons in their addendum report is treated differently. In terms of the application of the Council’s chosen rate, paragraph 38 of the interim letter is clear in placing the onus on the Council to justify its use of 3%.

31. To assist with this, Three Dragons have set out a range of other appraisals where rates between 2.5% and 4.5% have been applied. With a significant number using 3%, it is considered that the Council's use of this rate is therefore justified.

32. Interestingly, the report from Vickery Holman has suggested that in practice even rates of 3% are generous. While agents fees might be fractionally up at 1.25% (compared to 1% used by Three Dragons) marketing could be reduced by up to three quarters of that allowed for within the Financial Appraisal. In its crudest sense therefore, and on marketing alone, East Devon's position appears highly conservative with potential savings of around £12m being available (derived on the basis of a reduction from £4701 to £1000 per open market dwelling 3400 dwellings x £3700).

Land Values (paragraph 26 – 30)

33. East Devon remain satisfied that £300,000 per hectare is not unreasonable for developable land and that £25,000 per hectare for SANGS land is appropriate. As recognised within the interim letter, this position has already been found credible although we are aware of significant concern from various developers. It is not considered appropriate to reopen this debate at this time although it is noted that within the report from Vickery Holman, the opinion expressed, sets out that the land value used is "very high, if not excessive". If this were to be reduced and the Council sought to lower the value used in any appraisal to reflect this advice, then this would only serve to increase the viability and the scope for infrastructure costs to be absorbed.

Future Homes Standard (paragraph 39)

34. Almost unanimously identified by developers, is a nervousness about the impact of future homes standards and the lack of specific acknowledgement by East Devon and Three Dragons on the potential impact that this could have on viability. This is a challenging question to address at this stage as the appraisal represents a snap shot in time (1Q 2020) when Future Home Standard (FHS) does not form a current requirement. While the final decisions on how FHS will be introduced are yet to be published, the nervousness is understood.

35. East Devon however take comfort from the allowance that it has made within the IDP for connection to a District Heat network (at £5000 per dwelling) and the allowance for improved fabric measures in each property of £1523. It is expected that these measures will be sufficient to address FHS and based on the timeline that was presented to the examination in November 2020 will be available before 2025 with interim solutions accessible before this. In this scenario no additional allowance for FHS or to the base build costs, needs to be made. If it were, it would simply result in double counting and result in other infrastructure being wrongly omitted.

36. It is fair to acknowledge that we have been made aware of one specific concern about SAP 10 calculations and how these relate to the District Heat network which is likely to be fuelled from the Energy from Waste source. East Devon are currently reviewing this concern but until such time as the government publish its report into the consultation that they ran on

“Standard Assessment Procedure (SAP 10.2): proposals for updates for heat networks” [1] which closed on the 10th May 2021, there is an element here which is simply unknown. For this reason and as this is not a unique situation within the country, it is considered appropriate to maintain our current approach which would not only secure a sustainable source of heat for the expansion areas, but would also enable the switch for Cranbrook Phase 1 from their currently gas fired set up to the EfW source, decarbonising the whole network at once.

37. The rest of the input values used for the sensitivity testing reflect the range of inputs that East Devon circulated in February augmented by additional tests around higher Build costs and Affordable Housing.

38. In-combination tests have also been presented by Three Dragons with commentary provided in their report. These have been further supplemented by the additional test requested in May 2021 by some of the participants.

39. The tests will also be discussed in the next section of this letter but for ease of discussion purposes a summary of the Three Dragons individual test results are presented here:

[1] https://www.gov.uk/government/consultations/standard-assessment-procedure-sap-102-proposals-for-updates-for-heat-networks

Variable		Net change to Base	Resultant buffer/headroom
Base case 17.5% return on market housing value 6% return on affordable housing costs Build cost – lower quartile Finance costs (land purchase in 50/50 tranche) 15% Affordable housing			40,261,438
Developer and contractor return			
A - Market housing return sensitivity 1	Market housing return 18.75%	-13,089,432	27,172,006
B - Market housing return sensitivity 2	Market housing return 20%	-26,178,865	14,082,573
C - Affordable housing sensitivity 1	Affordable housing return 6% of value instead of costs	-2,124,643	38,136,795
Dwelling Build cost			
D - Build Cost Sensitivity 1	Mid-point median and lower quartile BCIS	-35,304,368	4,957,070
E - Build Cost Sensitivity 2	Median BCIS	--71,285,704	-31,024,266
F - Build Cost Sensitivity 3	Mid-point median and upper quartile BCIS	-119,628,625	-79,367,187
G - Build Cost Sensitivity 4	Upper quartile BCIS	-170,149,933	-129,888,495
Finance cost	Base		
H - Finance costs sensitivity 1	Land purchase 75% April 2020 and 25% April 2026	7,561,855	32,699,583
Affordable housing			
I - Affordable housing sensitivity 1	12.5% affordable housing	7,426,043	47,687,481
J - Affordable housing sensitivity 2	10% affordable housing	14,782,214	55,043,652

Infrastructure funding			
K - Funding sensitivity 1	£30m loan at 2.25% repayable on housing completions	8,905,476	49,166,914

Section 4: Appropriate inputs into the viability appraisal including specification of gypsy and traveller pitches

40. The individual tests presented set out a range of “what happens if” scenarios and a factual record of the resultant calculations. These will be discussed in order in the following sections. However for the reasons set out in both the Three Dragon report and the critique provided by Vickery Holman, East Devon remain of the opinion that the assumptions used for the base scenario are generally appropriate.

Developer Return (Paragraph 34)

41. Developer return sits at the mid-point of the range advocated by the PPG and balances the risks of a large scale of development with the certainties provided by developing in a known market and on allocated sites where costs and expectations are clearly established. The degree of speculation and uncertainty that exists with some development sites simply do not exist. The risk profile set out by Three Dragons in PSD 21A continues to be pertinent and the commentary by Vickery Holman is considered particularly helpful.

42. Return on affordable housing is one area where East Devon consider that through PPG guidance (paragraph 018 Reference ID: 10-018-20190509) as well as precedent from other Authorities, the use of a return on value rather than cost has merit. However as there is a contractors profit built into the BCIS indices and our base scenario allows for 6% on cost in

addition to this, the appraisal achieves the aim of the PPG in providing a return to developers which is reduced for the delivery of affordable housing which carries a significantly reduced risk. In this instance the return has been expressed as a profit on cost rather than value and the scenario test indicates that there is only a relatively limited discrepancy between the two.

43. The report from Vickery Holman indicates that returns on value of 5% (and lower) are now being identified within the market. Such a reduction would negate the difference between 6% on cost and 6% on value that sits between East Devon and the participants and therefore even if the figure would better be expressed as a return on value, the currently utilised amount is not an inappropriate figure.

Base Build Costs

44. Build costs are the single biggest driver of change within the appraisal and it is clear to see from the table presented earlier that an increase to median levels of cost (or above) create an unviable position for the plan.

45. The Financial appraisal that has been presented to the examination by the Council used rates of:

- £1286 for open market housing which is the Lower Quartile rate +8% for plot costs
- £1216 for Affordable Housing which is the Lower Quartile rate +8% for plot costs) (This rate is only lower than that for the Open Market as it reflects a different mix of property sizes)

- £1633 for Self build housing which is the Median rate +5%, +8% for plot costs) (The self-build rate follows specific characteristics agreed with the Right to Build Task Force and the National Custom and Self-build Association for modelling CSB).

46. Within the report from Thee Dragons they reference three reasons that the use of these rates are appropriate, citing reports by the Federation of Small Businesses, their own commissioned report by BCIS and advice from Ward Williams – the latter backed by a recent letter from Ward Williams Associates and published as an appendix to their addendum.

47. In addition the viability critique provided by Vickery Holman identifies that the use of Lower quartile is appropriate in the context of the development proposed.

48. This position is backed up further by evidence provided in support of various Local Plan examinations including in the 2019 appraisal prepared by BNP Paribas for the Warrington Local Plan [2] where in appendix 3 analysis and commentary is provided by Cushman Wakefield. This states:

    1.7 "Firstly, it is important to note that the BCIS Mean / Median figures are not reflective of national volume housebuilder base build costs. Therefore, it is widely recognised

[2] https://www.warrington.gov.uk/sites/default/files/2019-09/local_plan_viability_assessment.pdf

that adjustments need to be made to the BCIS figures to ensure that the base build cost assumptions are realistic and market-facing.

1.8 The BCIS figures do not reflect established housebuilder base build costs because the BCIS datasets are predominantly based on Register Provider Fixed Price contracts (from smaller contractors). The BCIS figures therefore include an embedded contractor's profit which should be removed when assessing build costs for larger sites as we understand that established housebuilders typically perform the main contractor's function internally. In addition, the BCIS Mean / Median figures do not reflect the economies of scale which could likely be achieved by established developers on mid to large-sized development sites.

1.9 In addition, we have monitored and analysed the standard build costs which have been accepted on a range of viability assessments for residential development sites across the North West. This analysis is attached at Appendix 1 (sites have been anonymised for confidentiality reasons) and illustrates that the average 'all-in' standard build cost across the six sites equates to c. £102 psf after indexation to today's date. This broadly equates to lower quartile BCIS costs" [3]

49. While the Warrington Plan is yet be examined it is interesting to note that arising from the consultation into the submission version of the plan, Stannybrook Property Consulting in a

[3] https://www.warrington.gov.uk/sites/default/files/2019-09/local_plan_viability_assessment.pdf

report[4] compiled by Pegasus (and both representing Taylor Wimpey) critiqued the appraisal but in reference to build costs only state:

"The following observations previously made by SPC still remain relevant:

• The costs adopted by BNPRE are at the lower quartile – it is not clear how this will reflect schemes delivered across the borough especially where they are delivered by smaller developers or to a higher specification.

• There does not seem to be any allowance for the construction cost of separate garages which are not accounted for in the GIA.

• The costs adopted do not seem to make allowance for significant recent and ongoing increases in construction costs which are evidenced by the BCIS Indices (All in TPI etc.).

• The current economic uncertainty and market conditions continue to put pressure on availability of both labour and materials which will only exacerbate construction costs issues.

We welcome the inclusion of a further allowance to cover external works which had previously been omitted."

50. Within this statement there is no criticism of the use of Lower Quartile rate in the context of a large national house builder who is looking to bring forward part of a new garden suburb –

[4] https://www.warrington.gov.uk/sites/default/files/2020-11/lpr_0035_redacted.pdf

only a question of its applicability in the context of smaller developers or higher specified houses.

51. With specific advice from a Chartered Quantity Surveyor (Ward Williams), independent advice from a Registered Chartered Surveyor (Vickery Holman) and the professional experience of Three Dragons, as well as references to similar arguments elsewhere in the Country, East Devon believe that the use of Lower Quartile for the majority of housing proposed is appropriate.

Finance Costs (paragraph 36)

52. It is apparent from the table that if the phasing of land purchase shifts from the base scenario of 50% up front and 50% at the development's mid-point to 75% upfront and 25% at the midpoint, then the finance costs increase by around £7.5m. In itself this increase can be easily accommodated within the £40m head room that exists and its adoption would appear to go a long way to accommodating the concerns of the developers and reflecting the interim findings set out in paragraph 36. However the advice that East Devon have received in the report from Vickery Holman is that in simple land transactional terms and as a risk mitigation factor the phasing of land purchase is a common device. The report suggests "phasing to be possibly more fragmented and protracted than provided for by 3D's as a risk mitigation measure".

53. While land assembly is inherently complex over large tracts of land and the earlier an acquisition is made by a developer the less the risk of added complexities arising, the fragmented and protracted phasing suggested by Vickery Holman has much merit. It has

been previously referenced in the examination that while there is a lead developer in three of the 4 expansion areas, only one area has a single developer (Treasbeare). The others all have multiple ownership arrangements. Particularly of note is the Grange which has 4 parcels split over three ownerships (excluding Percy Wakley Woods) and Cobdens which while on face value has one developer (Persimmon), one promoter and one private owner, Persimmon's land holdings has a blend of freehold and optioned land the latter with split over four different ownerships. The likelihood of fragmented or deferred payments is therefore high even if individual owner's holdings are acquired in full.

Affordable Housing

54. To scenario test changes to affordable housing is something that was a direct request from participants and it is helpful to understand the benefits in viability terms that arise if the affordable housing provision is reduced further from its already reduced level (reduced from the East Devon Local Plan level). Given the foregoing this is not a change that the Council advocate at this time but does demonstrate the "what happens if" scenario.

55. Should the Inspector deem it necessary to make further cost savings to the Plan in order to find it sound then this is an area where such savings could be made. In this circumstance, where affordable housing rates may be reduced below the 15% currently set out in the Plan, the Council would request that consideration is given to the introduction of viability review mechanisms so that should the development generate returns greater than anticipated, additional affordable housing can be secured. Review mechanisms are advocated by the Planning Practice Guidance (Paragraph: 009 Reference ID: 10-009-20190509).

Infrastructure fund

56. This has been discussed in detail within paragraph 12 of this letter and it is not proposed to add further commentary here.

Section 5: IDP and Policy update to reflect our current proposal

57. Reflecting the changes proposed to the base infrastructure list that was discussed in section 2 a fully revised IDP has been prepared. This seeks to address the Inspector's requested changes at paragraph 14 of the interim letter and sets out the costs by type and by expansion area (where relevant). It also clarifies which costs are proposed to be equalised and those which are expansion area specific.

58. Headline changes from the previous version relate to the omission from equalisation of costs for the engine testing pen as well as the majority of the s278 (road junction and highway crossing) costs. While these are still fully accounted for within the appraisal they have been omitted from the equalisation process on the basis that they are not necessary to serve all the expansion areas.

59. Phasing of the infrastructure has been reassessed and updated where possible to help spread costs. Reflecting the original spreadsheet set out in the examination document PSD 21B with modest updates, this is now shown in diagrammatic form for the equalised infrastructure at appendix 3. It is hoped that this form of presentation is helpful to the examination.

60. In terms of Policy changes an updated framework for Policy CB6 is proposed. This is put forward on the basis of providing certainty to developers and clarity to the community. It is proposed to list the infrastructure that each expansion area is liable for, the mechanics of equalisation between the 4 categories which are retained and to recognise what happens to proposed developments that lie outside of unallocated development sites but within the Cranbrook Plan Area.

61. This means a substantially lengthened policy with consequential changes to the allocation policies (CB2 – CB5) where certain infrastructure requirements or details thereof are proposed to be removed and rehomed in CB6. In this format the Policy will bring together a comprehensive list and it is hoped will be useful in providing a single point of reference for infrastructure expectations. We believe that it succeeds in decoupling the Policy and the IDP – the Policy now setting the clear framework for infrastructure expectations, while the IDP sets out additional justification for the infrastructure, Q1 2020 costs and examples of how the policy required equalisation works in practice. In this regard they have two very clear and distinct roles which we hope is more appropriate.

62. A draft of the revised Policy CB6 is presented within the updated IDP which accompanies this letter.

63. The Council remain committed to having this plan found sound and will assist the examination as best we can in this endeavour. We hope that through the documented dialogue, we have been able to demonstrate how we have genuinely sought to work with and engage with the relevant participants at this examination. We also hope that with:

- the detailed scenario testing that we have had undertaken and the accompanying report from Three Dragons

- our own commentary on the appropriateness of input variables; and
- independent critique from Vickery Holman

sufficient comfort is given to the assessed viability of the plan. We believe that we have evidenced that even if one or more variables do change from our expected base position, there remains sufficient headroom within the appraisal to accommodate these. In addition and based on the opinions in the critique prepared by Vickery Holman there is sufficient caution (and therefore additional headroom in other variables) that any reasonable change can be accommodated without rendering the plan unviable.

64. We also hope that by now saving £12.9m from the infrastructure burden and in excess of £25m of costs from the equalisation process that we have gone a long way to meeting the concerns of participants.

65. We trust that this letter and the accompanying documents are of assistance but remain ready to help the examination further as appropriate. We look forward to hearing from you further.

Yours sincerely

JBrown

James Brown
New Community Officer Cranbrook

Appendices

1. Correspondence with participants

Blank Page

Date: 15 February 2021
Direct phone: 01395 517572
Direct email: plancranbrook@eastdevon.gov.uk
Our ref: Cranbrook DPD

Dear Participant

Cranbrook DPD Examination

We refer to the recent adjournment of the examination into the Cranbrook Plan DPD and the Inspectors letter issued on the 20 January.

As set out at the examination in November, East Devon remain committed to achieving a viable and sound plan and in this regard are now embarking on a programme of work that will address the range of issues that were covered in the Inspector's letter. Our proposed timescales are realistic and with the help of participants will allow us to respond to the Inspector with updated submissions shortly after Easter. Ultimately we want to progress to adoption, allowing homes in the expansion areas to be delivered within a policy compliant framework. This will also ensure that through a viable and essential set of policy based obligations, future occupiers of those homes have the necessary services and facilities to make for a happy and healthy community.

Our currently anticipated timescales are as follows:

15th - 26th February	Seek current views of participants (via this letter)
22nd February – 5th March	Explore outstanding issues raised by the Inspector with participants and seek common ground.
8th March – 26th March	Undertake sensitivity testing

29th March – 9th April	Consult with participants and prepare SOCG
12th April - 23rd April	Final changes checks and finalise SOCG
on or before 30th April	Submit

As set out at the start of the timetable, East Devon are now seeking views of participants and focussing on two aspects at this stage – the range of inputs that should be used within the sensitivity modelling that we have agreed to undertake and on a "without prejudice" basis the changes that you think are necessary to the list of obligations within the IDP.

To help capture this information in a consistent way we have prepared a template (attached) that we would like you to complete. Continuing on a without prejudice basis and in an effort to unlock this issue East Devon have set out its own suggested changes to both the variables for viability testing and the IDP. It would assist us in future modelling and the preparation of statements of common ground, if you are able to confirm your agreement to the use of the potential variables and changes identified that we have identified as well as any other amendments that you think are necessary. This is not to suggest that we will be able to model all variables that you seek or that we are necessarily binding ourselves at this time to our proposed changes. It is more the start of a conversation that we would like to have with participants in order to find a resolution (or at least to try to resolve as many of the issues as possible).

In order to keep this matter moving we would appreciate replies by **Friday 26th February.**

In addition we intend to follow this letter up with a phone call in the week preceding the 26th February to chat through any questions that you have in advance of sending through your thoughts. This will also allow us to explore with you any areas of agreement (or fundamental disagreement) that you have. If you could provide us with two or three suitable times for such a conversation w/b 22nd February, we will try and arrange appointments to suit.

We trust that you will support us through the coming weeks as we try to work with you to resolve the remaining challenges. We look forward to speaking with you.

Yours sincerely

JBrown

James Brown
New Community Officer - Cranbrook

Sensitivity testing approach

(Potential variables for sensitivity testing on a without prejudice basis)

Variable	**Base and sensitivity tests**	**Participant's comments**
Developer Return on market housing	Base case 17.5% Sensitivity test 18.75% Sensitivity test 20%	
Return on affordable housing	Base case 6% as contractors return on cost Sensitivity test 6% return on value	
Base Build costs	Base case Lower Quartile Sensitivity test Mid-point between LQ and Median Sensitivity test Median Sensitivity test Mid-point between Median and Upper Quartile	
Finance Costs	Base case 50% of land at the start of development and 50% at the mid-point Sensitivity test 75% of land cost at the start of development and 25% at 50% together with a review of the infrastructure timeline.	
S106/S278 Costs	Revised base case with changes to IDP	

Omissions and changes to the IDP and associated policy

(Potential changes offered on a without prejudice basis)

Item	Cost saving	Participant's comments
Pylons To remove the requirement to underground	**£5.1 million**	
Treasbeare Bluehayes Bridge To remove up front policy requirement for bridge	**£2.3 million*** Leaving a budget of £0.5m* for enhanced at grade crossing	
Cobdens Lane Roundabout To provide a revised junction with reduced land take	**£1.3 million*** Residual budget of £0.5*m for enhanced right hand turn junction with feeder lane	
Offsite sports contributions (Cricket; Bowling and Hockey)	**£0.7 million**	
Reduced funding for some of: Blue Light Services building Health and Well being Retail Asset for TC	**£4.3 million** (Derived from various savings from the items listed)	
Others?		

* Further refinement of these amounts is needed having regard to design and highway safety

Appendix 2 – Letter to participants 13 April 2021

Blank Page

Date: 13th April 2021
Direct phone: 01395 517572
Direct email: plancranbrook@eastdevon.gov.uk
Our ref: Cranbrook DPD

Dear Participant

Cranbrook DPD Examination

We refer to our letter of the 15th February 2021 concerning the Cranbrook Plan DPD and more particularly the sensitivity testing work that the Council was preparing to embark upon.

The feedback that you provided was most helpful in shaping the tests that we chose to have undertaken and while these did not pick up all the requests that we received, we widened the range from our initial proposal.

In the spirit within which this part of the work is being carried out, and following specific requests from a number of participants, we are today sharing with you both a summary of the feedback that we received, as well as the test results that we have now had back from our consultants 3 Dragons. These are set out in the appendices to this letter.

As you will note, neither we nor 3 Dragons have chosen to add commentary or text around these results. However we trust that sight of the results at this stage is timely and provides a further opportunity for engagement and feedback, while we ourselves consider these test results and how to proceed.

The only point of note that we wish to draw attention to at this stage is the final in-combination test that has been undertaken. We have on a number of occasions through the examination sought to demonstrate our willingness to support delivery highlighting our track record of securing funding (both as grants and loans). Our commitment to this remains.

One option we are currently exploring is the provision of a revolving infrastructure fund to help forward fund and importantly de-risk some of the infrastructure. Monies could be secured from the Public Works Loan Board (or potentially the Infrastructure Bank depending on its final terms of reference) and used to forward fund specific infrastructure with repayments collected from developers. To explore the implications of this on the appraisal we have modelled a fund of £30 million pounds being available on a revolving basis and attracting an interest rate of 2.25%. The rate of interest applied is based on the available rates to the PWLB in Q1 2020 which is the base date of the appraisal, although we note that they have dropped significantly since then. For clarity this approach has been modelled against the base test and is an idea that we are continuing to explore and would particularly appreciate feedback on.

Our intention is to now give you a short period of time to reflect on these results and then to discuss the results with you in more detail. Essentially we want to understand where we may be able to find agreement with you and hope to hold this dialogue over the weeks of the 19th and 26th April. Our intention is then to finalise the work and any statements of common ground that may be achievable with the aim of submitting this to the Inspector in early to mid-May. We are aware that this timetable has slipped slightly from that originally outlined but we trust that you will continue to work with us on this matter and will ultimately help us in achieving a sound plan.

We look forward to hearing from you.

Yours faithfully

James Brown
New Community Officer - Cranbrook

Appendix 1 - Sensitivity testing approach – summary of feedback received

Sensitivity testing (* denotes base case)

Variable		Council	Cranbrook LVA	Persimmon	Carden/Redrow	Baker Estates	Hallam/TW
Developer return on market housing	17.5%	*					
	18.75%					*	
	20.0%			*	*	*	*
Return on AH	6% on costs	*					
	6% on Value			*	*	*	*
Base Build Cost	Lower Quartile	*					
	Midpoint between Lower Quartile and Median						
	Median					*	*
	Mean					RICS best practice	
	Midpoint between Median and Upper Quartile						
	Upper Quartile			To address FHS	To address FHS		To address FHS
Finance Costs	50%/50% (land)	*					
	75%/25% (land) With clear timeline of infrastructure costs			*	*		*
	Infrastructure as early as realistic						
	Infrastructure as late as acceptable						
Finance Rate	6%			*	*		*
	7%						
Marketing	3%			*	*		*
	3.75%						
	5%						
BLV	£300k per ha for all land			*	*		*
	£222.5K per ha for all land						
FHS	£5400 (2021-24) £14750 (2025-31)			*	*		*
	£1588						
Affordable Housing provision	15%			*	*		*
	12%						
	10%						
S106 costs	Revised base	*					
General Comments			Publish full workings including Excelsheets			Not all are large volume house builder with resultant higher costs	Target £60-80M savings

Appendix 2 – Revised infrastructure base costs used in tests (changes shown are set against the published IDP from July 2020)

Typology	Infrastructure item	Original value	Cost change identified	Allowance in revised base
Transport	C – New pedestrian bridge (items 5 and 6 in IDP) allowance	£2,856,000	-£2,356,000	£500,000
Transport	L – New three arm roundabout to provide access to Cobdens lane and the Cobdens expansion area	£1,832,000	-£1,332,000	£500,000
Healthcare	Health and Well-being Hub building	£8,769,000	-£1,769,000	£7,000,000
Public Services	"Blue Light" Emergency services facility	£1,900,000	-£380,000	£1,520,000
Public Services	Town Council Office	£2,000,000	-£2,000,000	£0
Sport and Recreation	Artificial Grass Sports Pitches	£314,000	-£314,000	£0
Sport and Recreation	Changing/clubhouse facilities and car parking for sports pitches	£676,000	£674,000	£1,350,000
Sport and Recreation	Cricket	£310,000	-£310,000	£0
Sport and Recreation	Bowls	£50,000	-£50,000	£0
Energy	Underground high voltage electricity power lines	£2,805,000	-£2,805,000	£0
Energy	Underground high voltage electricity power lines	£2,295,000	-£2,295,000	£0
	Total saving		-£12,937,000	

Cranbrook individual sensitivity tests

Figures summarise HCA DAT outputs
indicates base change from July 2020 testing - reduction in £12.94m across infrastructure, abnormals and s106
indicates variation from April 2021 Base

Test	Mkt dwgs	Aff dwgs	Market Return	Affordable return	Build cost BCIS	Land payment phasing	Funding	AH provision	Market GDV	Affordable GDV	Other revenue	Total GDV	Market build	Affordable build	Total build
July 2020 Base	**3,374.00**	**626.00**	**17.50%**	**6% build cost**	**LQ**	**50% upfront, 50% at 50% dev**	0	**15.0%**	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848
April 2021 Base	**3,374.00**	**626.00**	**17.50%**	**6% build cost**	**LQ**	**50% upfront, 50% at 50% dev**	**0**	**15.0%**	**1,047,154,581**	**92,947,135**	**14,483,467**	**1,154,585,183**	**439,576,581**	**58,682,267**	**498,258,848**
A - Return Sensitivity 1	3,374.00	626.00	18.75%	6% build cost	LQ	50% upfront, 50% at 50% dev	0	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848
B - Return Sensitivity 2	3,374.00	626.00	20.00%	6% build cost	LQ	50% upfront, 50% at 50% dev	0	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848
C - Affordable Return Sensitivity 1	3,374.00	626.00	17.50%	6% GDV	LQ	50% upfront, 50% at 50% dev	0	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848
D - Build Cost Sensitivity 1	3,374.00	626.00	17.50%	6% build cost	Average LQ & Median	50% upfront, 50% at 50% dev	0	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	465,416,801	62,913,349	528,330,150
E - Build Cost Sensitivity 2	3,374.00	626.00	17.50%	6% build cost	Median	50% upfront, 50% at 50% dev	0	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	491,257,020	67,144,431	558,401,451
F - Build Cost Sensitivity 3	3,374.00	626.00	17.50%	6% build cost	Av Median & Upper Quartile	50% upfront, 50% at 50% dev	0	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	525,893,095	72,003,110	597,896,205
G - Build Cost Sensitivity 4	3,374.00	626.00	17.50%	6% build cost	Upper Quartile	50% upfront, 50% at 50% dev	0	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	560,532,655	76,861,788	637,394,443
H - Finance Sensitivity 1 (75% land upfront and 25% at 50% dev)	3,374.00	626.00	17.50%	6% build cost	LQ	75% upfront, 25% at 50% dev	0	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848
I - Affordable Housing Sensitivity 1A	3,478.75	521.25	17.50%	6% build cost	LQ	50% upfront, 50% at 50% dev	0	12.5%	1,079,665,020	77,393,806	14,483,467	1,171,542,293	453,223,867	48,862,621	502,086,488
J - Affordable Housing Sensitivity 2	3,583.00	417.00	17.50%	6% build cost	LQ	50% upfront, 50% at 50% dev	0	10.0%	1,112,020,035	61,915,010	14,483,467	1,188,418,512	466,805,924	39,090,082	505,896,006
K - £30m infrastructure loan funding, start repayment 01/06/22	3,374.00	626.00	17.50%	6% build cost	LQ	50% upfront, 50% at 50% dev	30,000,000	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848

Test	External works & infrastructure	Housing professional fees	Land	Abnormals	S106 costs	Total sales and marketing costs	Finance cost	Market housing developer return	Affordable housing contractor return	Operating profit (market, affordable & commercial returns)	Surplus/ deficit	Surplus/ deficit change from 2021 base	Surplus/ deficit as % of total value	Operating profit plus surplus/ deficit as a % of GDV
July 2020 Base	223,778,003	30,530,567	65,945,788	9,893,000	54,138,000	31,727,637	25,929,350	183,252,052	3,451,898	187,594,017	26,789,973		2.3%	18.6%
April 2021 Base	**221,954,003**	**30,530,567**	**65,945,788**	**6,431,000**	**46,486,358**	**31,727,637**	**25,394,886**	**183,252,052**	**3,451,898**	**187,594,017**	**40,261,438**		3.5%	19.7%
A - Return Sensitivity 1	221,954,003	30,530,567	65,945,788	6,431,000	46,486,358	31,727,637	25,394,886	196,341,484	3,451,898	200,683,449	27,172,006	-13,089,432	2.4%	19.7%
B - Return Sensitivity 2	221,954,003	30,530,567	65,945,788	6,431,000	46,486,358	31,727,637	25,394,886	209,430,916	3,451,898	213,772,881	14,082,573	-26,178,865	1.2%	19.7%
C - Affordable Return Sensitivity 1	221,954,003	30,530,567	65,945,788	6,431,000	46,486,358	31,727,637	25,394,886	183,252,052	5,576,541	189,718,660	38,136,795	-2,124,643	3.3%	19.7%
D - Build Cost Sensitivity 1	221,954,003	32,373,171	65,945,788	6,431,000	46,486,358	31,727,637	28,536,461	183,252,052	3,700,785	187,842,904	4,957,070	-35,304,368	0.4%	16.7%
E - Build Cost Sensitivity 2	221,954,003	34,215,775	65,945,788	6,431,000	46,486,358	31,727,637	32,355,004	183,252,052	3,949,672	188,091,791	-31,024,266	-71,285,704	-2.7%	13.6%
F - Build Cost Sensitivity 3	221,954,003	36,635,797	65,945,788	6,431,000	46,486,358	31,727,637	38,497,346	183,252,052	4,235,477	188,377,596	-79,367,187	-119,628,625	-6.9%	9.4%
G - Build Cost Sensitivity 4	221,954,003	39,056,032	65,945,788	6,431,000	46,486,358	31,727,637	46,814,374	183,252,052	4,521,282	188,663,400	-129,888,495	-170,149,933	-11.2%	5.1%
H - Finance Sensitivity 1 (75% land upfront and 25% at 50% dev)	221,954,003	30,530,567	65,945,788	6,431,000	46,486,358	31,727,637	32,956,741	183,252,052	3,451,898	187,594,017	32,699,583	-7,561,855	2.8%	19.1%
I - Affordable Housing Sensitivity 1A	221,954,003	30,765,103	65,945,788	6,431,000	46,486,358	32,702,951	24,776,763	188,941,379	2,874,272	192,705,717	47,687,481	7,426,043	4.1%	20.5%
J - Affordable Housing Sensitivity 2	221,954,003	30,998,530	65,945,788	6,431,000	46,486,358	33,673,601	24,195,943	194,603,506	2,299,417	197,792,990	55,043,652	14,782,214	4.6%	21.3%
K - £30m infrastructure loan funding, start repayment 01/06/22	256,954,003	30,530,567	65,945,788	6,431,000	46,486,358	31,727,637	11,489,410	183,252,052	3,451,898	187,594,017	49,166,914	8,905,476	4.3%	20.5%

Cranbrook in combination sensitivity testing

Figures summarise HCA DAT outputs
indicates base change from July 2020 testing - reduction in £12.94m across infrastructure, abnormals and s106
indicates variation from April 2021 Base

Test	Mkt dwgs	Aff dwgs	Market Return	Affordable return	Build cost BCIS	Land phasing	AH provision	Market GDV	Affordable GDV	Other revenue	Total GDV	Market build	Affordable build	Total build
July 2020 Base	**3,374.00**	**626.00**	**17.50%**	**6% build cost**	**LQ**	**50% upfront, 50% at 50% dev**	**15.0%**	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848
April 2021 Base	**3,374.00**	**626.00**	**17.50%**	**6% build cost**	**LQ**	**50% upfront, 50% at 50% dev**	**15.0%**	**1,047,154,581**	**92,947,135**	**14,483,467**	**1,154,585,183**	**439,576,581**	**58,682,267**	**498,258,848**
1 - Higher build, returns and finance costs	3,374.00	626.00	20.00%	6% GDV	Upper Quartile	75% upfront, 25% at 50% dev	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	560,532,655	76,861,788	637,394,443
2 - Higher build, returns and finance costs - no affordable housing	4,000.00	-	20.00%	6% GDV	Upper Quartile	75% upfront, 25% at 50% dev	0.0%	1,241,440,044	-	14,483,467	1,255,923,511	664,531,964	-	664,531,964
3 - Higher returns	3,374.00	626.00	18.75%	6% GDV	LQ	50% upfront, 50% at 50% dev	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848
4 - Higher returns & higher finance	3,374.00	626.00	18.75%	6% GDV	LQ	75% upfront, 25% at 50% dev	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	439,576,581	58,682,267	498,258,848
5 - Higher returns & higher build cost	3,374.00	626.00	18.75%	6% GDV	Average LQ & Median	50% upfront, 50% at 50% dev	15.0%	1,047,154,581	92,947,135	14,483,467	1,154,585,183	465,416,801	62,913,349	528,330,150
6 - Higher returns, higher build cost,12.5%AH	3,478.75	521.25	18.75%	6% GDV	Average LQ & Median	50% upfront, 50% at 50% dev	12.5%	1,079,665,020	77,393,806	14,483,467	1,171,542,293	479,866,333	52,385,691	532,252,024

Test	External works & infrastructure	Housing professional fees	Land	Abnormals	S106 costs	Total sales and marketing costs	Finance cost	Market housing developer return	Affordable housing contractor return	Operating profit (market, affordable & commercial returns)	Surplus/ deficit	Surplus/ deficit change from 2021 base	Surplus/ deficit as % of total value	Operating profit plus surplus/ deficit as a % of GDV
July 2020 Base	223,778,003	30,530,567	65,945,788	9,893,000	54,138,000	31,727,637	25,929,350	183,252,052	3,451,898	187,594,017	26,789,973		2.3%	18.6%
April 2021 Base	**221,954,003**	**30,530,567**	**65,945,788**	**6,431,000**	**46,486,358**	**31,727,637**	**25,394,886**	**183,252,052**	**3,451,898**	**187,594,017**	**40,433,578**		3.5%	19.7%
1 - Higher build, returns and finance costs	221,954,003	39,056,032	65,945,788	6,311,000	46,486,358	31,727,637	55,867,713	209,430,916	5,576,850	215,897,833	-166,176,267	-206,609,845	-14.4%	4.3%
2 - Higher build, returns and finance costs - no affordable housing	221,954,003	40,718,870	65,945,788	6,311,000	46,486,358	37,243,201	46,372,134	248,288,009	-	249,178,076	-123,251,525	-163,685,103	-9.8%	10.0%
3 - Higher returns	221,954,003	30,530,567	65,945,788	6,311,000	46,486,358	31,727,637	25,394,886	196,341,484	5,576,829	202,808,380	25,047,075	-15,386,503	2.2%	19.7%
4 - Higher returns & higher finance	221,954,003	30,530,567	65,945,788	6,311,000	46,486,358	31,727,637	32,956,741	196,341,484	5,576,829	202,808,380	17,485,220	-22,948,358	1.5%	19.1%
5 - Higher returns & higher build cost	221,954,003	32,373,171	65,945,788	6,311,000	46,486,358	31,727,637	28,585,177	196,341,484	5,576,837	202,808,387	-10,057,130	-50,490,708	-0.9%	16.7%
6 - Higher returns, higher build cost,12.5%AH	221,954,003	32,613,482	65,945,788	6,311,000	46,486,358	32,702,951	27,801,547	202,437,191	4,643,632	207,970,890	-2,616,391	-43,049,969	-0.2%	17.5%

Appendix 3 – Infrastructure phasing diagram

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Bluehayes		20	65	150	179	150	159	150	87		
Treasbeare	30	105	105	105	105	105	105	105	105	45	
Cobdens	40	100	120	185	192	192	168	130	130	130	108
Grange	20	67	85	97	115	115	115	72	55	55	4
Cumulative	*90*	*382*	*757*	*1294*	*1885*	*2447*	*2994*	*3451*	*3828*	*4058*	*4170*
Expansion Area Total	**90**	**292**	**375**	**537**	**591**	**562**	**547**	**457**	**377**	**230**	**112**