

Sarah Kasparian

From: Emily Hatch - Dixon Searle Partnership <emily@dixonsearle.co.uk>
Sent: 10 February 2025 11:10
To: Sarah Kasparian
Cc: Rob Searle - Dixon Searle Partnership; Richard Dixon - Dixon Searle Partnership; Helena Jones - Dixon Searle Partnership; Nick Molyneux - Dixon Searle Partnership; Emma Cook - Dixon Searle Partnership; Magda Frysova - Dixon Searle Partnership
Subject: Land at Burloes Cottages DSP24523AB(F1)
Attachments: 250120-3537-Burloes-Supplemental Cost Report.pdf; DSP 15% AH.pdf; DSP 22% AH.pdf; DSP 40% AH.pdf

Dear Sarah,

To briefly recap, DSP were commissioned by the Council to review the Viability Report (VR) dated July 2024 and supplied to the Council on behalf of the applicant by Turner Morum. Our October 2024 review report (reference DSP24253AB) raised queries and tested alternative assumptions in relation to the following:

- Benchmark Land Value
- Build Costs
- S106 contributions
- Development timings
- Development finance
- Agents/marketing/legal fees
- Profit

The July 2024 VR presented three development appraisal scenarios – 40% AH, 22% AH and 15%. Each of the iterations were presented as being non-viable, producing a deficit against the assumed BLV (£5,687,132 including acquisition costs). In contrast, the appraisal results presented by DSP's alternative testing indicated a surplus against DSP's BLV of £5m for the 22% and the 15% AH scenarios. Our October 2024 review report therefore concluded that the 15% AH offer did not appear to go far enough and there appeared to be scope to explore a higher proportion of AH (while continuing to accommodate the other necessary substantial S106 elements), not going as far as a policy compliant level but potentially going beyond 22% AH based on our alternative appraisal outcomes.

On 17th December, DSP received a cost plan review prepared by Fulkers Bailey Russell (FBR) and dated 12th December. The cost plan review has been provided in response to ERM surveyors' review of the originally submitted abnormal and infrastructure costs, which were based on a cost plan prepared by WT Partnership Ltd. The cost plan included an allowance for 'plot' external works; however, this was excluded from the submitted appraisal due to the 10% allowance that was applied to the BCIS based base build costs within the viability appraisal. A reduced allowance of £26,314,625 was therefore included in the submitted appraisal for the abnormal and infrastructure costs. ERM's report dated October 2024 provided a lower estimate of £20,219,455, again based on including only abnormal external works rather than the full external works allowance.

ERM surveyors have again been commissioned by DSP on behalf of the Council to review the FBR estimate made in response to the ERM October 2024 review. ERM's supplemental report dated January 2025 is attached.

The now submitted FBR cost estimate again includes entries for the whole scope of external works. This again represents some duplication with the appraisal content, therefore, and in order to carry out a direct comparison it has once again been necessary to extract and apply within the appraisal the abnormal external works allowances only. Undertaking this exercise, we have provided a table below setting out the latest views (summary cost areas – abnormals and infrastructure):

Item	FBB Estimate	ERMC Estimate
Facilitating Works	£4,354,530	£3,976,004
Substructure	£2,953,100	£2,953,100
Services	£9,833,513	£9,833,513
Abnormal External Works	£1,558,008	£1,558,008
S278 Works	£780,600	£780,600
Sub-Total	£19,479,850	£19,101,225
Preliminaries	£2,142,784	£2,101,135
Sub-Total	£21,622,635	£21,202,360
OH	£1,081,132	£1,060,118
Sub-Total	£22,703,766	£2,226,478
Contingency	£2,270,376	£1,113,124
Total	£24,974,100	£23,375,600

We have not been provided with updated appraisals and from what we can see we assume that the applicant remains willing to proceed on the basis of 15% AH, notwithstanding this scenario being presented as non-viable by the applicant.

We have included the abnormal and infrastructure costs at a revised total level of £23,375,600 (as per the above) in our latest trial appraisals, which produces the following updated outcomes when including profit at 17.5% on GDV and S106 contributions of £14,050,000:

Scheme	Surplus (-)/Deficit (+)
40% AH	-£10,747,433
22% AH	-£1,958,500
15% AH	+£2,275,263

Consequently, on our and ERMC's latest review and workings this appears to move the overall outcome for the 22% AH scenario into deficit as well, while the 15% AH appraisal overall outcome continues to produce a surplus (albeit at a lower level than DSP indicated previously), and therefore potentially still indicating that 15% AH does not quite go far enough.

The 15% AH appraisal includes a tenure mix of 50% affordable rent and 50% shared ownership. The affordable rented units are assumed at 50% market value and the shared ownership at 65% of market value. Where the assumed values are linked to the assumed market values and dwelling mixes, a different scheme/tenure mix could produce a different outcome and when a specific housing mix has been agreed, viability can usually be tested more accurately.

Revisiting the scheme again based on the latest available information, considering in further detail the construction costs, our latest appraisal outcomes indicate that a greater than 15% AH element could still be explored in our view.

Should you have any questions, please do not hesitate to contact us. We will do nothing further now until we hear from you.

Thank you again for sending over the PO; any further DSP input required, we would aim to complete within the remaining cap allowance, depending on the extent of any additional information received.

Kind regards,
Emily

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