

Explanation of CAUSE Viability Spreadsheet

The “Viability Master 30 Sep 19 for Inspector” spreadsheet supports CAUSE’s viability paper submitted on 30th September 2019. The purpose of each sheet is shown on the “Contents” worksheet and we have deleted less relevant sheets. For simplicity we refer to one scenario for one Garden Community – we have chosen CBB where we have a full replication of the Hyas model.

No inflation scenarios

The main output is residual land value per acre which should be compared to current benchmark land prices. The Hyas figure of £58,702 per acre¹ can be found in cell d108 on the “Baseline appraisal” worksheet. This is the land value which brings cell d119 on the same worksheet to zero – or close to zero due to small differences between our model and the Hyas one.

The CAUSE figure of £9,335 per acre appears in cell c134 of the “Baseline appraisal” worksheet and is further analysed on the DCF analysis spreadsheet. This calculates the Net Present Value of the cash flows available to buy land now, whereas Hyas assume that landowners will accept today’s land price deferred over up to 80 years.

Inflation scenarios

The Hyas figure of £500,912 per acre appears in Cell c134 of the baseline worksheet when the spreadsheet’s assumptions are set for inflation. This is done by adjusting the “Scheme Wide” worksheet – the inflation assumption is adjusted in cells e44-46 and the HIF funding assumption is changed in cells g69-71. It is also necessary to change cell c116 on the Baseline appraisal from 5.985% (a plugged figure to replicate the Hyas interest calculation) to 6%.

The inflation sensitivities are shown in cells f6-11 on the “Inflation” worksheet. This table shows that if we correct the anomalies in the Hyas inflation model the NPV per acre falls from £500,912 to £10,976 which is close enough to the non-inflation £9,335 to prove our point that inflation does not, in itself, create value.

Grants

We have been able to identify the grant assumptions in the Hyas models by subtracting the “with grant” infrastructure costs from the “no grant” versions. The result is shown in rows 3-15 on the grants spreadsheet. We do not know why the figures are so different from the HIF bid figures.

WOB and TCB

We also have simple models for WOB and TCB. The key figures are summarised on the tables worksheet and the NPVs are calculated on the DCF analysis sheet.

Consolidation

The “Consol” worksheet presents CBB as one £6.7bn project rather than focusing just on the master developer piece. It is in a conventional housebuilder appraisal format with housing sales as the top line rather than plot sales. It reconciles back to the crucial “Site Values” worksheet and is useful for analysing the changes from Hyas 2017 to Hyas 2019 – see column J.

William Sunnucks 4th November 2019

¹ £58,702 is the Hyas residual land value per acre for CBB with higher contingency which is reported on page 39 of EB086