
North Essex Authorities Local Plan Section 1 EiP – Rebuttal Statements

Matter 7 - Viability



Contents

1.	Introduction	1
2.	Viability	2



1. Introduction

- 1.1. This statement has been prepared on behalf of L&Q, Cirrus Land Limited, and Gateway 120, who together form the West Tey Partners behind the majority landholdings within the Colchester Braintree Borders Garden Community (CBBGC).
- 1.2. This Statement has been prepared as a rebuttal to specific matters on the viability assessment carried out by Savills on behalf of the West Tey Partners raised within parties Hearing Statements in regards to Matter 7 – Viability.

2. Viability

- 2.1. Key to our submission of the Viability Analysis Report (EXD/061) is that the assumptions we have adopted are acceptable for a scheme of this nature and at this stage in the planning process. It is a high level appraisal that will see a number of the assumptions refined as more detail of the site and scheme specifics are known. This will include some upside and downside. In most cases we have taken a pragmatic approach, erring on the side of caution and based on practical experience of helping to deliver large sites. That said, there are some specific comments raised by other parties that we feel should be clarified.

Land Purchase

- 2.2. In our submission we have modelled under the base case scenario that the entirety of the site is purchased at day one. This is unlikely to be the case in reality, with phased drawdown of land the more common place in land transactions of this scale in this country. However, modelling the drawdown as a purchase all at once presents a worse-case scenario (as financing costs will be incurred), and shows that the site is still viable even under this pessimistic case.

Density

- 2.3. It is suggested that the current density is too high. However, this is still at an early stage of development, and reflects that the scheme includes 20% flats, which will naturally drive the density of the scheme up. Based on our experiences of large scale developments across the country, we consider that the scale of the project will see a blend of urban, suburban and country fringe typologies delivering a sustainable range of house types to the widest possible demographic. As the scheme progresses and there is further refinement on the net developable area and the housing mix, we would expect this to change.

Affordable Housing

- 2.4. The Viability Analysis adopts an overall affordable housing mix quantum of 30%. However, there is not a breakdown of what the form of affordable housing should be. Our rate used incorporates that there is likely to be a mix of affordable housing provided on site across a range of tenures, for example social rent, affordable rent, shared ownership and starter homes. Until a detailed scheme is known it is not possible to calculate the percentage of open market value that the affordable housing will attract, but we have used a blended rate based on our experience of affordable housing tenures on large scale schemes and using suitable rates that have been informed by our specialist affordable housing team on these schemes.

Construction Costs

- 2.5. We have justified our use of the BCIS Lower Quartile rate by stating that this is more in line with the commercial rates the national housebuilders and developers are able to build at, due to their access to economies of scale. As evidenced by BCIS, there is a differential rate for houses and flats to take account of the different requirements for their construction, and we consider the rates used are appropriate for the appraised scheme.

Infrastructure Costs

- 2.6. Create Consulting Engineers Ltd have been commissioned to deliver an Infrastructure Costings schedule that provides for a revised infrastructure cost that differs from the Gleeds Infrastructure Order of Cost Estimate. We provide detail as to why this is the case elsewhere (including as Appendix 5 of EXD/061), although highlight that this is based on a scheme of 17,000 dwellings as we have proposed not the full allocation of 21,000 dwellings.

Finance Rates

- 2.7. There has been extensive debate surrounding the use of finance rates elsewhere in the Consultation and Hearing Statement responses. However, we have adopted 6% finance rate (on 100% of cost), which we consider is appropriate for this scheme. Other Hearing statements have highlighted that this equates to 2% of scheme GDV (Hearing Statement, Andrew Martin – Planning Limited on behalf of Crest Nicholson Operations Ltd, R.F. West Ltd, Liveland and David G Sherwood). GDV is not a metric you would typically measure finance against. We will need to refine the infrastructure phasing as the project progresses, particularly the relationship between early investment in infrastructure and the benefit of placemaking on house prices and growth. We are still of the opinion that our rate is within a tolerance of accepted market norm for a scheme of this nature.

Conclusion

- 2.8. As we have stated in our Hearing Statements, there are many ways to carry out a viability assessment, and there are no “right” or “wrong” answers when it comes to the inputs and assumptions used. Typically, it requires a judgement of the practitioner carrying out the assessment based on market conditions and assumptions used elsewhere on similar schemes. Other submissions have raised valid points, but we consider that the approach and assumptions employed in our Viability Analysis demonstrates that the site is viable at this stage, and that in some cases our conservative assumptions may lead to an underestimation of the viability of the scheme.

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